

FROM TRANSIENT
TO RESOLUTE:

How Deep Does Loyalty Go?

A REPORT FROM
The 2018 Maritz | Wise Marketer Loyalty Landscape





Are You Ready for Change?

The winds of change are sweeping over the loyalty landscape, moving rapidly and from multiple directions.

These powerful gusts are sculpting the consumer marketplace into previously unseen shapes and dimensions. They bring with them profound disruption and confusion, but also opportunity.

The drivers of this disruption are many: New payments infrastructures. Changing consumer expectations driven by unprecedented demographic shifts. A proliferation of channels to talk, listen and shop. The adoption of more liquid loyalty program currencies. A consumer demand for more product and price transparency. Machine learning and AI tools that can leverage massive amounts of consumer data.

And all of it accelerated by a socially connected framework that is faster and more viral than anything previously seen.

“The pessimist complains about the wind; the optimist expects it to change; the realist adjusts the sails.”

William Arthur Ward



Are You Ready for Change?

How will brands navigate this new terrain? The savviest of them will realign their loyalty value prop by:

- Elevating the customer experience through **hyper-relevancy and AI**.
- Adapting their platforms to **foster trust and commitment**, not just drive transactions.
- Creating more meaningful ways to **recognize and reward** best customers.

And, perhaps most importantly, by taking a fresh look at consumers. How are they, too, responding and changing in this shifting landscape?

That is what this research report from our **Maritz | Wise Marketer Loyalty Landscape** (with more to follow) is all about. By taking the pulse of 2000+ U.S. consumers, we want to provide you with a compass to guide your own loyalty “re-think.” It’s our goal to offer fresh insights to help you navigate past the confusion and disruption and to realign to a new loyalty trajectory with greater speed and less friction along the way.

Barry Kirk, Maritz Motivation Solutions

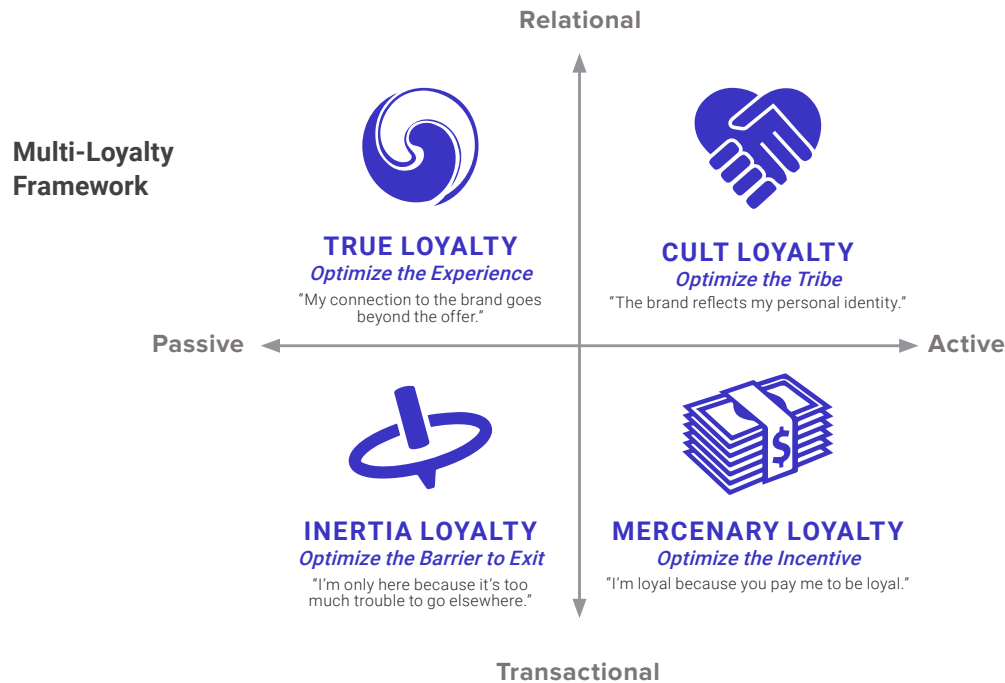
Mike Capizzi, The Wise Marketer

Loyalty Isn't Simple Anymore

Loyalty is not monolithic. This is the primary misconception we see clearly dispelled by this year's report. This long-held view – that customer relationships are a simplistic dichotomy of the “loyal” versus the “non-loyal” – simply isn't sufficiently nuanced for our new landscape.

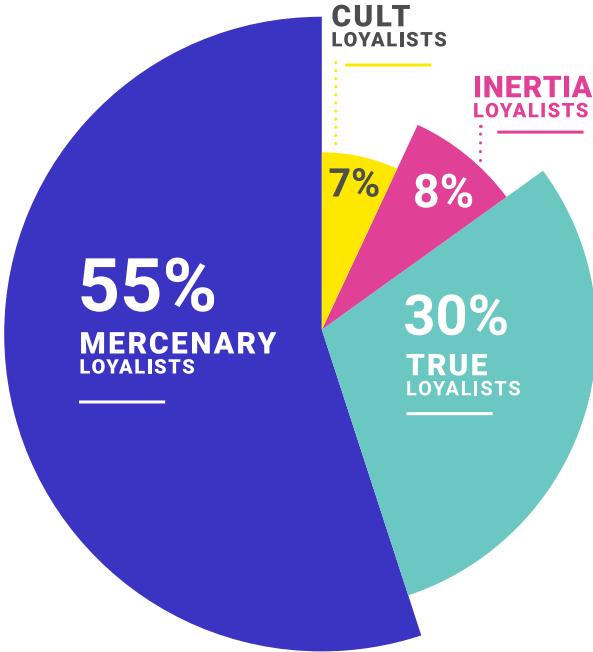
We've adopted a new model, one that understands loyalty to be multi-dimensional. The first dimension – Transactional/Relational – is concerned with how a brand approaches customers' relationships. The second dimension – Passive/Active – defines the overall nature of customer interactions with a given brand. When considered in tandem, these two dimensions form

The Multi-Loyalty Framework, revealing not one type of loyalty, but four.



Respondents in this study were posed a variety of questions to determine their individual perspective on what defines their loyalty to brands. Their responses helped us align them to one of the four loyalty types in the Multi-Loyalty Framework. Results for the main drivers of loyalty were diverse, with wide variation by category and respondent demographics:

- Low prices and high-quality products/ services were the top two responses
- The ability to earn benefits or rewards was a close third
- Yet, 50% of all respondents did not place any of these three attributes in their personal top three



The challenge and the opportunity is clear. Consumers are increasingly defining loyalty to a brand along a multi-dimensional set of attitudes and perceptions that are unique to each individual. Yet too many brands are drawing only one type of loyalty from consumers – Mercenary Loyalty – while missing the relational (and financial) advantages of True and Cult Loyalty. Focusing on a single dimension, or single type of loyalty, is no longer good enough.

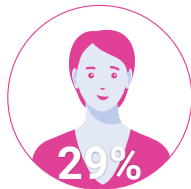


The Depth of Loyalty

Next, we wanted to understand not just “loyalty type,” but also “propensity for loyalty.” Essentially, how deep does the customer-brand connection actually go? Consumers responded with their propensity for loyalty to favorite brands by aligning themselves to one of three distinct relational scenarios:

1.

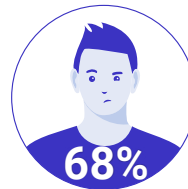
“I’m very loyal and I only buy my favorite brands”



**THE
Resolute Loyalists**

2.

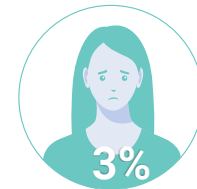
“I’m somewhat loyal, but could be convinced to buy a competitor’s brand”



**THE
Transient Loyalists**

3.

“I’m not loyal to brands at all.”



**THE
Detached**

Overall, the differences between the two groups turn out to be more attitudinal than demographic.

However, we did uncover that the Resolute Loyalists (or, **Resolutes**) are younger, more likely to be members of the millennial generation and more likely to be male. The Transient Loyalists (or, **Transients**) are older, more often members of the baby-boom cohort and more likely to be female. We found no significant difference for income between the two groups.

It's striking to note that, while individual brand's scores will undoubtedly vary, overall less than one-third of consumers consider themselves to be **Resolutes**. The majority of a brand's franchise is significantly more likely to be made up of the **Transients**.

What are we to make of this?

Perhaps many brands would be doing well to count as a given, the business of one third of their customers. But these figures also reveal the harsh reality that, in this shifting consumer landscape, significantly more lifetime value is up for grabs than is not. This data also tells us that no longer can we assume that all loyalty is the same. Nor that all loyalty is equally resilient.

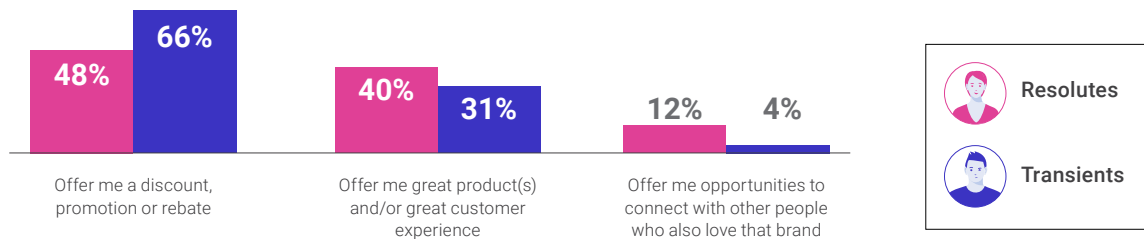
Resolutes and **Transients** view brand experiences through very different lenses. One views their brand commitment as unshakable; the other as being up for grabs. With **Transients**, it's critical that a brand's loyalty benefits must resonate, creating a barrier to switch or exit, especially when service/quality/price are perceived as equal. In other words, *the right loyalty strategy must break the tie.*

Retention Drivers Are Nuanced

When asked what types of brand incentives they would most prefer in exchange for maintaining their loyalty, consumers most often cited price-related tactics:

- *Discounts, promotions and rebates* were viewed as the strongest incentive.
- *Great products and customer experiences* were a clear second choice.
- *The opportunity to connect and share* with other brand enthusiasts was mentioned least.

We aren't surprised. Price is always the number one answer when consumers are asked for a preference. Price is tangible to all respondents, familiar, and easily defined in a consumer's eyes. But the problem with price-related tactics is obvious. Not only can such tactics erode the inherent margin for the brand, they are easily duplicated by a competitor, with a race to the bottom quickly emerging.



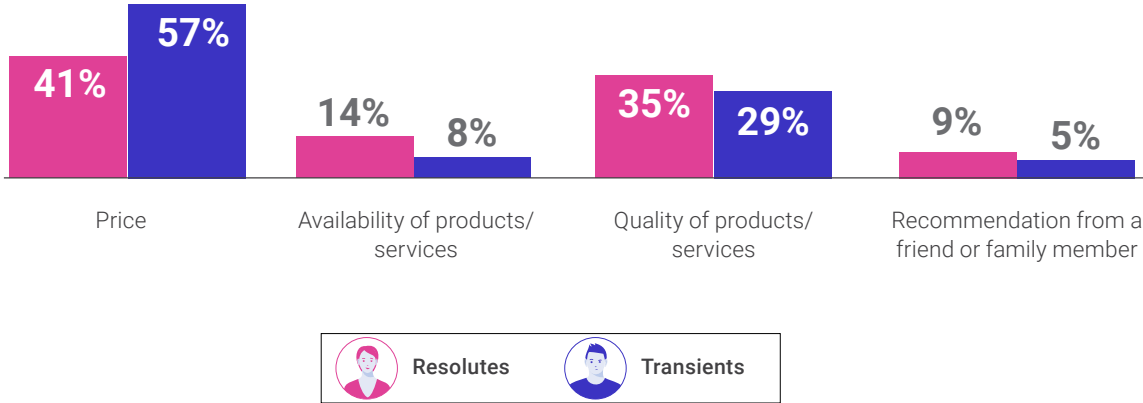
But, this overwhelming preference for price shifts when viewed instead through our Propensity for Loyalty lens. While **Resolutes** still want good value for their money, less than half favor discounts, rebates and promotions as their primary motivator. Of near equal significance for them is a brand's ability to offer great products or a great customer experience. And surprisingly, 12% of the **Resolutes** mention social/caring/sharing mechanisms as their preferred loyalty incentive.

What also emerges is that a huge delta exists between our **Resolutes** and our **Transients**. The latter group favors price tactics for their loyalty by a 7:5 margin. Two-thirds of all **Transients** prefer discounts, rebates and promotions while less than one-third mention product and CX motives. And social connection as a motivator barely even registers for this segment.

The Drivers of Switching

As a corollary to retention, we also asked consumers to identify their primary reason for switching brands in a category when they last switched. Both the **Resolutes** and the **Transients** mention price first, but the 16% delta is significant.

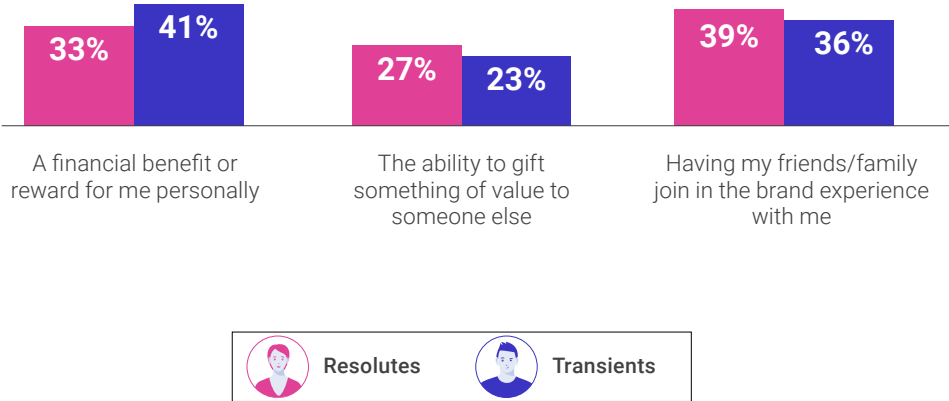
This confirms our belief that no brand is safe when relying on pricing tactics alone; and the brand is particularly vulnerable among the very large segment of consumers who perceive themselves to be only somewhat loyal. As expected, product/service, quality and availability reasons associated with switching are significantly higher among the **Resolutes** and, when added together, comprise the primary reason for the change in brand. Also noted are the differences between the two segments on recommendations from friends or family.



The Drivers for Referral

Referrals are powerful allies for any brand, especially in today’s digitally-connected, socially-conscious world. Many brands covet customer referrals and many loyalty programs include some type of referral mechanism. Some have even argued that the entire foundation of a loyalty strategy should be built around referral behavior.

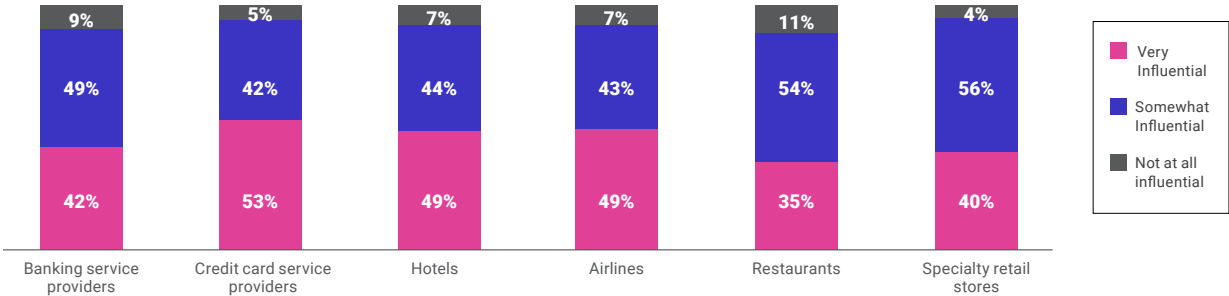
While **Transients** favor a reward or financial benefit for such actions, **Resolutes** are more likely to refer because of a desire to have friends and family join them in the brand experience. The ability to gift something of value to someone else is well regarded by both groups, although Resolutes are slightly more inclined. All three behaviors are perceived to be important to these consumers as a driver of referral action.





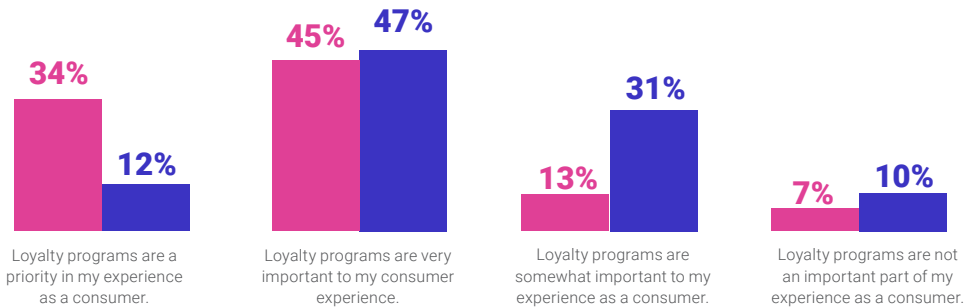
Perceptions of Loyalty Programs

Approximately 70% of all survey respondents claim participation in a currency-based loyalty program within the past year (points, miles, trips, etc.). Since only adults were surveyed (over 251 million US adults according to Census estimates at the time of the survey), that participation rate converts to 176 million individual adult members of points programs. Clearly, this is a huge market with substantial awareness and understanding of the overall landscape. In other words, consumers know how to play the game as it stands today. While loyalty programs are important in all markets, there are certain industries where they are more top of mind to consumers, with credit card provider leading the pack.



When viewed through our Propensity for Loyalty lens, do loyalty programs play a priority role in consumers' decision-making process?

Among the **Resolutes**, over one third claim such a priority exists. **Resolutes** are actively seeking out loyalty programs and attempting to maximize their benefits from participation. Another 45% of this segment claim loyalty programs are very important among the brands they purchase, and they appreciate the added benefits.

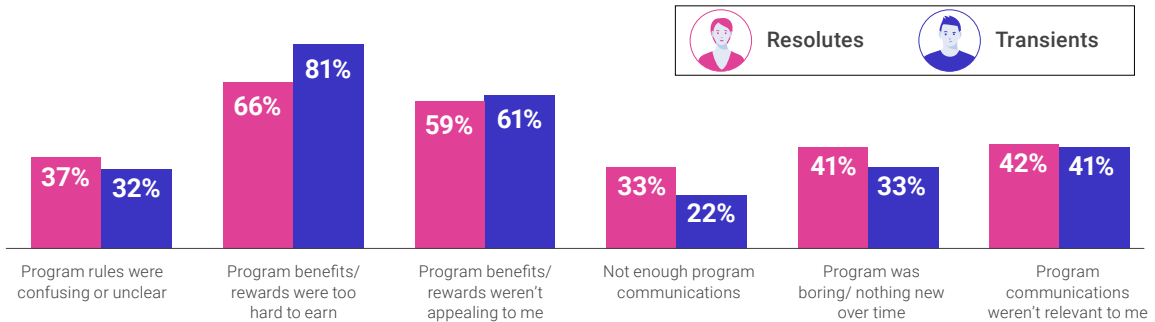


Transients are less likely to claim loyalty programs as a priority, but they do gravitate to the “very important” ranking. **Transients** also believe that loyalty programs can play a lesser role in their purchasing decision. This perception translates to lower participation and engagement and is substantially higher versus the **Resolute** segment.

The Drivers of Disengagement

Disengagement is a significant reality for almost every loyalty program. Overall, consumers in our study cite “program benefits being too difficult to earn or took too long to earn” as the primary rationale. **Transients** also overwhelmingly cite this condition as their primary reason for leaving programs, but here the **Resolutes** also feel the frustration, although at a significantly lower rate.

Both groups will also disengage from a program when the rewards and benefits are not appealing (#2 reason); when the communications and offers are perceived to not be relevant (#3) or when the program rules are confusing or unclear (#4).



But perhaps most interesting are the **Resolutes'** secondary disengagement drivers. Namely, the desire for the program to be exciting, fresh, evolutionary -- and the wish that program communications increase in frequency. Keep doing the same thing and expect different results? Not with your most committed loyalists.

The timing factors associated with program disengagement were also studied. **Transients** are slightly more patient than **Resolutes**, but both are unwilling to spend a significant amount of time waiting for promised benefits to materialize. Within three months, the program engagement rate is vulnerable, especially among the **Resolutes**.

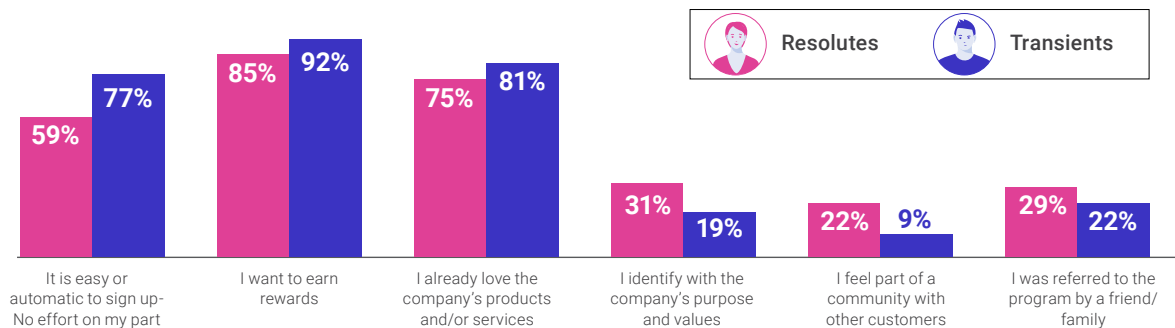
The **Resolutes** are far more purposeful in their pursuit of loyalty program benefits and more aware, more in-tune. They can see value faster, likely because they spend more with a brand. This condition creates a double-edged sword. Expectations rise with brand commitment and disappointment rears its ugly head faster than might be thought when the brand and its program fail to deliver.

Reasons for Disengagement from a Program

- Rules were confusing or unclear
- Benefits/rewards were too hard to earn or took too long to earn
- Benefits/rewards were not appealing to me
- Not enough reminders/communications
- The program was boring; nothing new over time
- Communications/offers weren't relevant to me

Reasons for Joining

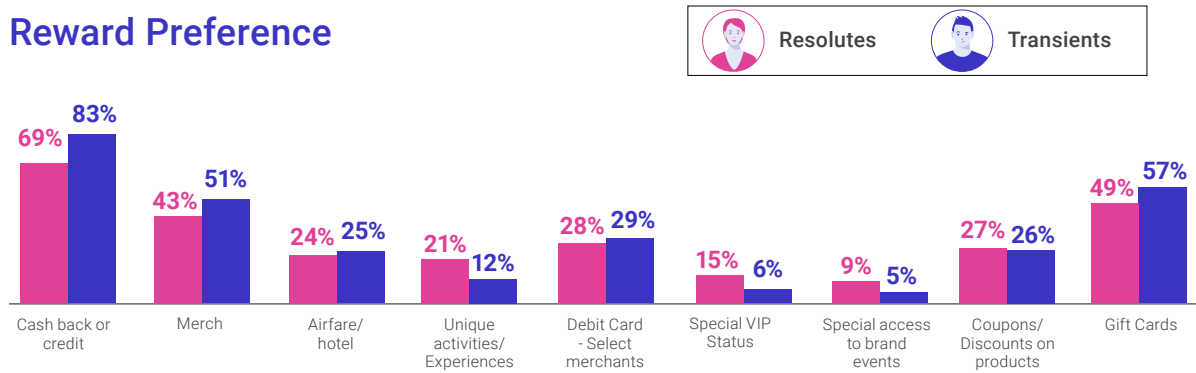
Why do these consumers join loyalty programs? Once again, the desire to earn rewards is consistently ranked within the top three reasons for both segments, with a slight advantage for **Transients**. When consumers claim that they already love the company's products or services, the motivation to join the loyalty program is very high, again a slight advantage for **Transients**. Easy, frictionless enrollment rounds out the top three for most consumers with a significant difference between the **Transient** (very high) and **Resolute** segments.



But other interesting factors are also top of mind. *Identifying with the sponsoring company's purpose and values, feeling part of a connected community with other customers* and the referring *influence of friends and family* all play a role in motivating a consumer to join, but especially among the **Resolute** segment.

This insight is significant. These factors have not been historically associated with loyalty program enrollment motives and represent a new dimension for all loyalty initiatives. The ability of a program to demonstrate its connection to these factors, both in design and communications, and its ability to execute along this continuum of higher social purpose, will likely yield substantial program engagement and positive financial outcomes.

Reward Preference

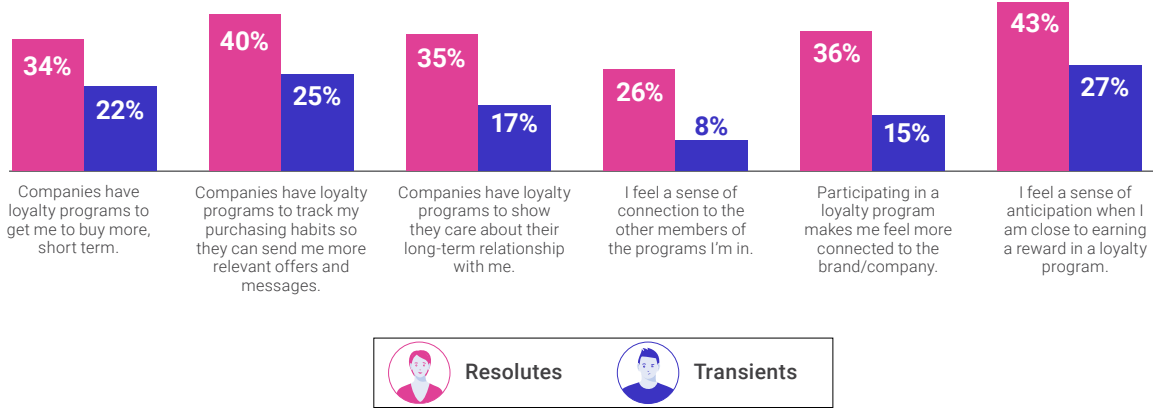


Transients show a preference for cash-like rewards by a significant margin over the **Resolutes**.

It's implied that **Transients** will switch in an instant if a competitive brand offers a better deal. This implication has the potential to create a dangerous death spiral for those programs that rely solely on monetization tactics. In contrast, the experiential rewards and soft benefits side of the reward portfolio resonate most with the **Resolutes**. This doesn't mean that cash, merchandise or gift cards don't work or are not wanted, but it does suggest the need to balance your reward portfolio for your best customers.

Perceptions of Motive and Influence

Perhaps the most discerning difference between the **Resolutes** and the **Transients** rests with the underlying attitudes towards the programs themselves. Based on a battery of six attributes tested, we found that the **Resolutes** have a greater sense of awareness and understanding about loyalty programs and the mutual benefits they create.



On each factor, the **Resolute** segment strongly agrees with the statement by a significant margin versus the **Transients**, often as high as 2:1. The implication of these findings is that the sense of reciprocity – one of the underlying constructs of any profound loyalty discussion - is felt strongly by brands most committed customers.

For both social attributes, the sense of connection is also overwhelming evident. Whether connection to the brand and its purpose or connection to a wider audience of brand enthusiasts, the **Resolutes** feel that the loyalty program facilitates a communal link which undoubtedly strengthens the brand relationship.



Final Thoughts

All findings summarized above indicate a positive correlation between loyalty marketing programs and the **Resolutes**. Programs are working, at least for this audience, and they will continue to evolve and re-shape the landscape by recognizing the core elements of trust, reciprocity and commitment that best customers deserve and require.

Our findings also show a strong rationale for brands to explore their customers' propensity for loyalty, and take action to move more customers from **Transient** to **Resolute**. **Resolutes** have a stronger connection to brand loyalty and a stronger understanding of the motives behind rewards and recognition. They are also seeking a different brand experience. **Resolutes** are less likely to focus on earn velocity as a driver of loyalty, and more likely to lose interest due to a lack of communication and excitement with the program.

That said, if the brand's objective rests with growing the customer database and the knowledge or resulting action that database can enable, then large programs initially filled with **Transient** supporters could make sense. But the metrics by which that program is measured must change to reflect the value in the database, not just the incremental yield from the program itself. Such programs may meet big data objectives, but they will undoubtedly suffer from lack of engagement, lack of results and potential churn.

Finally, if a brand's objectives remain *retention and increased yield from the very best customers* – and those who exhibit the potential to join the very best – then traditional principles and practices of loyalty marketing still apply. Layer in the new attitudes and technologies of a socially connected, caring/sharing, more altruistic world, and you have a good roadmap to navigate the new loyalty landscape.

About the Authors



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Barry is a 15-year practitioner of the art of loyalty marketing. He is a Certified Loyalty Marketing Professional (CLMP) and currently serves as VP of Loyalty Strategy for Maritz, one of the leading full-service providers in the loyalty industry. A sought-after loyalty consultant, speaker and workshop leader, he is also the originator of The Multi-Loyalty Framework and an evangelizer of the notion that “Consumers are human beings first.” Follow him at [@barrykirk](https://twitter.com/barrykirk).



MIKE CAPIZZI

Mike is the founding partner of Marketing Strategists LLC, a US-based, loyalty consulting firm. His body of work reflects a global practice with over 200 clients served and he has designed, launched, operated, analyzed or shut down over 80 individual loyalty marketing programs across all vertical markets. Mike’s international experience is extensive including client engagements and the delivery of educational workshops in 13 different countries. Mike, a CLMP, currently serves as the Director of Education and member of the Board of Regents for The Loyalty Academy, a Wise Marketer Group business entity.

About the Sponsors

The Loyalty Landscape is a comprehensive marketing research study sponsored by Maritz Motivation Solutions and The Wise Marketer Group. Additional reports will be published at a future date.

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The Wise Marketer Group is an industry media site with a 16+ year history of success serving the industry as a singular unbiased global source of news and research for customer loyalty and marketing professionals. For more information, visit: <http://thewisemarketer.com/>

Study Methodology

The data collection phase of the research was conducted in mid-2017 from a sample of 2,093 US consumers, ages 18 and up. Both on-line survey and consumer panel methods were employed. Respondents were qualified as purchase decision maker or key influencer in one or more of the following categories:

- Banking Services (personal checking, savings, loans, etc.)
- Credit Card Services
- Hotels (room nights, etc.)
- Airlines (flights, etc.)
- Restaurants
- Specialty Retail Stores (i.e., clothing, sporting equipment, home goods, etc.)

The average age of all respondents was 46 years with age distribution roughly proportional to the US adult population. The gender split was 52% female and 48% male. A quota was established to guarantee representation of loyalty program membership, with at least 40% of respondents qualified as a participating member of a points-based customer loyalty program(s) within the past year.

