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Welcome to Marketer’s Guide to Customer Loyalty! Whether you’re new to building customer loyalty or are looking to refresh your knowledge, this guide is the perfect place to start. Packed with loyalty best practices, advice for how to track and measure success, and actionable tips you can use in your next loyalty campaign, this guide provides the tools you need to double down on your brand’s loyalty efforts.
What Is Loyalty?

Ah, customer loyalty. It’s the Holy Grail for marketers, and is quickly becoming a company-wide initiative for many of the world’s biggest brands. Loyalty is a feeling customers have toward a brand that is evident through their actions; loyal customers visit the brand more, purchase more frequently, and even advocate on a brand’s behalf. Loyalty is lasting, and if cultivated correctly, true loyalty has the power to carry a brand through both the good and the bad for years to come.

It’s impossible to put a finger on one action that drives customer loyalty as it is heavily dependent on the customer and their individual experiences with a brand. Just like customers, loyalty comes in many shapes and sizes, and can be fostered in a variety of ways. Later in this guide, we highlight the five types of loyalty, and show you how to take each into consideration when creating your next loyalty-driving marketing campaign.

Loyalty is a feeling, an action, and above all, a clear sign of a brand’s message resonating with their audience.
We’ll dig deep into the true definition of loyalty and what it means for your brand later on in the guide.

**Why Should My Brand Focus on Building Customer Loyalty?**

Customers are interacting with their favorite brands in more ways than ever before, and what they expect from brands in return has changed. Today’s customers want to be thanked for the time and money they spend with a brand, and as marketers, we should answer the call and thank them for keeping our doors open and our brand alive. But how does a brand tell which group of customers increased engagement is coming from? All customers aren’t taking the same actions when interacting with a brand, and to make the case for building customer loyalty, you first must note the importance of a loyal customer group.

In 2013 alone, the average brand saw around 20% of its customers fall into the “loyal” cohort, meaning that they visited the brand at least 10 times in the last year *(FiveStars, 2013 Report)*.
But don’t let that low number fool you. In the same study, the same 20% of the average brand’s customers drove 80% of its total revenue, and 72% of the total visits to the business. Those numbers are significant, and marketers can no longer ignore the fact that moving customers into their “loyal” cohort is vital to the longevity and success of a brand. For brands competing to win their markets, now is the time to focus on increasing that loyal 20%.

Now more than ever, placing priority on growing customer loyalty is a must. To meet new customer expectations means to increase your focus on brand loyalty, and brands across all industries are turning to loyalty programs to do so.

Who Should Read This Guide?

Calling all marketers, content creators, social media strategists, sales teams, designers, and creatives: our jobs depend on loyal customers, and our work should revolve around increasing – and most importantly, delighting – loyal customers for our brand. By reading
this guide, you’re not only investing in the customer and enriching your brand’s experience; you’re investing in yourself by adding vital tools to your professional arsenal to do your job better, and to keep customers at the center of your work.

No matter your level of experience, we can all brush up on our customer loyalty skills. This guide offers practical, actionable advice that can be used on your brand’s next loyalty initiative, across multiple departments and at multiple stages. If you’re rethinking or want to expand the way your brand focuses on loyalty, this guide is a must-read.

What Will This Guide Teach Me?

We don’t want to give away too much awesomeness that lies ahead, but after reading this guide, you’ll know how to:

- Pinpoint what motivates customers to choose your brand over your competitors.
• Make a case for investing in building customer loyalty, and debunk myths around why building loyalty isn’t worth the time and effort.

• Leverage loyalty building best practices in your upcoming campaigns.

• Recognize the five types of customer loyalty and how to segment customers into each category.

• Look at traditional channels used to build loyalty, and implement new ways to meet evolving customer needs.

• Recognize different types of rewards programs and campaigns that are used to build loyalty, and have a strong understanding of how dollar-backed and non dollar-backed rewards build loyalty in different ways.

• Show your team that building loyalty is a cross-organizational task, and know how to allocate resources in order to reach your brand’s KPIs.
Measure and quantify your loyalty KPIs, and learn the necessary skills to level up your efforts in order to reach lofty loyalty goals.

And so, so much more! Complete with helpful charts, measurement formulas, and checklists you can use in your brand’s loyalty efforts, this guide offers something for everyone building customer loyalty.

**Do I Have to Read the Whole Thing?**

Just like your high school English teacher used to say, simply reading the CliffsNotes yields inferior results. If you really want to double down on building your brand’s loyalty, we strongly recommend reading each chapter of this guide before diving in.

We know there’s a lot of content to consume here. Luckily, you don’t have to read this guide in one fell swoop! Work through the first few chapters now, and save some of the content for later (or even print it out to take it with you – our PDF guide is printer-friendly!).
There’s nothing better than snuggling up with a cup of coffee and the BigDoor Guide to Customer Loyalty :) .

Enough chatter. Let’s dive in!
THE NEW REALITY OF LOYALTY

1
Loyalty. What a big concept for such a small word. If you had told us a decade ago that marketing channels would one day all converge at a singular goal, we’re not sure we would have believed you. But here we sit, hundreds of thousands of marketers using their favorite channels to connect with customers, provide great experiences, and ultimately, build customer loyalty.

As marketers, no matter your industry or size of company, we are now expected to seed, foster, and grow loyalty over time. It’s not just about acquiring new customers or getting them to convert; the standard has been raised, and we all are expected to meet it.

Unfortunately, with this new expectation comes a great deal of confusion. We hear media companies wonder if building customer loyalty is even possible for them. We hear retailers ask how they can reinvent their current programs to become more effective at building loyalty.
We hear both camps ask how they can think outside of the box to reach more customers, and connect with them in beautiful ways.

The new reality of loyalty is there are so many opportunities, tools, and channels available to marketers to help them build loyalty. Not only is it possible for every type of company, but it is required. When we say “required,” we mean that brands need to focus on loyalty no matter what, at any cost. It will be very difficult to compete in today’s ecosystem if you aren’t investing a great deal of resources and energy into building a loyal customer base.

The Evolution of a Sale

A few decades ago, companies could exist and win a market if they simply had what people were looking for. There weren’t enough players in the game, and people were searching online in droves for very specific products and services. If your brand had exactly what they were looking for, you could make the sale. It was an ecosystem based on supply and demand.
More and more companies jumped online, and all of a sudden, there were pages of companies that offered what customers needed. The customer experience differentiator became key in selling and staying in business. Through shopping online, customers were able to make decisions based on peripheral factors like price, shopping cart experience, trust signals, and reviews. Companies had to find a way to stand out above the crowd, and they did so by finding what was uniquely advantageous about buying from them. Marketers call this the UVP (unique value proposition), and it worked for some time.
But then the market caught up again. That darn market. Today, companies not only need to have what people are looking for and present themselves in unique and beautiful ways, but they need to invest in customers like never before. Building customer loyalty will be the new line in the sand. Companies that invest in creating a loyal following will survive, and those that don’t...won’t. It’s as simple and scary as it sounds.

Building a brand, creating a community, and encouraging loyal customers to advocate on your behalf has replaced traditional sales and acquisition channels. The referral and word-of-mouth marketing has been unleashed as a powerful beast with the rise of social media. Today’s marketers can either use it to their company’s benefit, or ignore a huge market advantage.

Today’s new landscape has a customer-centric approach to pretty much everything, which is intimidating for many companies. It puts a lot of power into the hand of the consumer, and that is where loyalty and trust comes into play. Are you hearing what your customers need and then meeting those needs? Are you thanking
and rewarding them for their investment in your brand? These are not just good marketing ideas; they are the new norm for growing your customer base.

In many ways, the traditional marketing funnel itself has changed. We have seen the customer journey evolve from linear to far less so, and we see “loyalty” as a key factor at every stage instead of at the post-conversion phase. These are big changes to what we’ve all known and used for years. Take a look at how these marketing funnels stack up:
Back in the day, loyalty started after the sale.

- Discovery
- Free members
- Customers
- Loyal customers

Inform, educate, entice
Impress, deliver, convert
Invest, reward, personalize
Today, things are different. Loyalty starts the second customers discover you.
As you can see, every step of the customer’s journey is an opportunity for brands and the marketers that build them to seed customer loyalty. Every marketer is now expected to add the “build customer loyalty” bullet to their job descriptions. With one eye on revenue and the other on customer loyalty, marketers are now set up to build brilliant companies and brands that are loved by the masses.

The perspective shift toward customer-centricity brings other notable changes. For starters, we now see the rise of “loyalty” and “retention” teams at both big and small companies. We see product marketing responsibilities (like customer feedback) establish their new home on the marketing team. Customer service teams are merging with community teams, and new tiger teams are popping up (like “customer success teams” and “customer loyalty teams”). When a shift of this nature happens, it’s another indicator that the evolution is here to stay.
We are in the middle of a perfect storm where brands now have the tools to listen to customers, and customers have the tools to speak up. It’s accepted to demand more as a customer, and it’s acceptable to walk away from a brand if they don’t meet your demands.

Loyalty is the new secret code for brands dominating markets, and secret codes are hard to crack. That’s why we wrote this guide, and that’s why BigDoor is dedicated to spreading loyalty knowledge. Let’s start in Chapter 2 where any good marketer would start: with what’s not true.
MYTHS AROUND BUILDING LOYALTY
Myths. Excuses. Bad habits. Call them what you’d like, there are a lot of reasons marketers fail to take on building customer loyalty. Here at BigDoor, we live for busting those myths wide open and uncovering the reality: we should all be investing in customer loyalty and helping foster it for our companies.

This chapter calls out the biggest myths in customer loyalty, and gives real life examples and reasons why they just aren’t true. We need to revisit the excuses we’ve held onto for years in order to change our “cannots” into “cans.” Let's jump right in!
Loyalty Happens Organically

For years, marketers have told themselves that as long as they deliver a great product or service, consumers will become loyal over time. This approach to loyalty marketing lacks intention and strategy, and for that reason, it’s both dangerous and entirely untrue.

Offering great products and treating your customers well will, of course, build loyalty over time, but growing customer loyalty should be an intentional practice. We should be using our skills, channels, and strategic brains to find ways to connect with our customers and encourage customer loyalty, rather than leaving it up to chance.

At every phase of the customer lifecycle, there are ways for us to leverage our marketing channels to encourage customers to know our brands better, connect deeper, and share on our behalf.
Rather than simply telling yourself that loyalty happens organically over time, why not make it a company-wide priority? It’s this level of customer-centric conversation that gives some brands huge advantages over their competitors. If you sit back and wait for customers to love you when they are ready, you aren’t just hurting your bottom line; you are doing those customers a great disservice.

Loyalty doesn’t happen organically. Loyalty is intentionally built, crafted, and invested in over time.

Loyalty Doesn’t Happen Until After Conversion

Another false truth we accept far too often is that loyalty can’t be fostered until after someone purchases from us or signs up for a service. While transaction-
based conversion is a great indication that a customer might have affinity toward your brand, it in no way declares their loyalty to you.

In fact, loyalty should be seeded during the very first interaction you have with a customer. Did they visit your blog? Did they stop by your store to check out the latest merchandise? Did they leave a comment on your Facebook wall? These early interactions are the moments to grow loyalty with customers.

**Did you know:** The average digital customer converts 7-60 days after experiencing your brand for the first time, completing an average of 18.5 brand interactions before signing up (*From Microsoft’s Atlas Institute study*).

The more moments of interaction and communication you have with a customer prior to a conversion, the more successful your brand will be in building a loyal tribe of customers. The diagram below shows the many different moments available to brands to leave an impression on their customers.
Rather than wait for a customer to give you money before investing them, you should frontload that attention and investment. From the very first time they come across your brand, your team should be working to delight the customer on all fronts.

Loyalty doesn’t happen until after a conversion. Loyalty should be seeded the very first time a customer discovers your brand.
Customer loyalty and retention are tough to nail for many reasons. One of the most challenging pieces is knowing who at the company “owns” the responsibility. Since fostering loyalty ultimately means “meeting customers’ needs and keeping them around,” there is often a great deal of confusion around which team should be accountable for growing customer loyalty.

Over the years, we’ve seen a number of teams successfully own and move the needle on building loyalty, and ultimately concluded that building loyalty isn’t someone else’s job; it’s everyone’s job. The chart below outlines how members every team help support customers and build loyalty.
**TEAM HOW THEY SUPPORT THE CUSTOMERS**

**Product**
- Build products they love and value
- Collect feedback

**Marketing**
- Create engaging experiences
- Build a community around the brand
- Reward customers for their loyalty

**Customer Service**
- Answer questions and solve problems
- Report out larger issues and work to fix them

**Design**
- Create beautiful experiences
- Make customer moments intuitive and full of delight

**Engineering**
- Keep products stable and valuable

**Human Resources**
- Hire customer-centric employees

**Executive**
- Champion a customer-focused culture

**Sales**
- Hear customer needs
- Partner with customers to solve for them
But what does that look like? How can such an important initiative be managed successfully across departments? To address who internally manages loyalty, Chapter 8 of this guide is chock full of tips for creating a culture of customer loyalty at your company. It’s the “we are all responsible” mindset that elevates some companies to the top of their industries. Every team has something unique to add when supporting the customer.

It’s time for teams to realize that none of our campaigns, product launches, or content should be shipped if they aren’t ultimately an opportunity to delight a customer. We should be putting the customer first in all we do, and offering real value. This idea lies at the heart of building customer loyalty, and we should all keep it in mind.

**Building loyalty isn’t someone else’s job.**
**Building loyalty is everyone’s job.**
Another favorite myth for marketers to hold on to: “There is no way to track loyalty.” A few years ago, we might have been persuaded by this argument, but not anymore. The last few years have brought a smattering of analytics tools, formulas, and best practices to the forefront. We will explore these methods in more detail in Chapter 7, but for now, we’ll go on record as promising this: it is absolutely possible to track customer loyalty.

Like we mentioned when busting an earlier myth, building customer loyalty is a cross-department objective. This often means many teams are tracking their own metrics and extracting insights around whether or not their efforts have an impact on customer loyalty. This can cause challenges as metrics hold different values to different teams.
Below are some common metrics associated with customer loyalty.

- User registration
- Length of visit
- Frequency of visit
- Recency of last visit
- LTV
- Google Analytics insights

While these metrics are all important, marketers should always be giving their data a story that makes it relevant to the business. We shouldn’t assume these independent counts tell enough of the story around whether or not our customers are growing with our brands and truly falling in love with them.

Instead, we should raise the bar and push the limits of the data available to us. How can we best capture the customer journey story with the data? Although it may be more complicated than deciphering whether or not your company was profitable last month, tracking customer loyalty can totally be done...and done well.
Customer loyalty isn’t impossible to track. It’s absolutely possible to do when done right.

Building Loyalty is Too Expensive if You Aren’t a Huge Brand

It always comes down to money, or does it? We don’t think so. Many small and mid-sized companies think that brand building and loyalty marketing are off the table for them given the resources and costs involved, and this simply isn’t the case. Today, marketers have a number of free platforms, low-cost strategies, and tools available to them in order to build loyalty at any stage.

We will cover specific strategies for building loyalty later in the guide, but there is some truth in the tricks of yesteryear requiring big budgets. These strategies included surveying consultants, teams of analysts, high-cost loyalty programs, and expensive campaigns. But not today. Today, we have so many other options available to us.
“In the end, the customer doesn't know, or care, if you are small or large as an organization. She or he only focuses on the garment hanging on the rail in the store.”

- Giorgio Armani, Armani

We know that small and mid-sized businesses are operating lean and have long to-do lists, but we’d argue that loyalty building should still be at the very top. Investing even a little time each day on connecting and appreciating your customers goes a long way.

Building loyalty isn’t too expensive if you aren’t a huge brand. It’s within reach for companies no matter your budget size.
You Can Invest in Loyalty Once and Then Forget it

Saying thank you is important. Doing it consistently and in authentic, delightful ways is even more important. Too many marketers think that if they invest in creating loyalty once, then it will carry them through with a customer. The reality is that the markets are saturated with companies offering similar products and similar messages. To stand out, you need to stay front-of-mind. This means you need to be consistently engaging with customers and continuously investing in loyalty building.

“Unless you have 100% customer satisfaction, you must improve.”

- Horst Shulze, Ritz Carlton

Building loyalty demands constant nurturing, and lasting loyalty is not built once and then forgotten. The biggest and best brands out there have found a variety of ways to invest in loyalty multiple times throughout the customer lifecycle.
In fact, many of our favorite brands have even backed the customer into their core company values and promises. Now that is front and center! That is dedication. Check out these great examples of commitment to the customer at the heart of company goals:

**Nordstrom:** No-questions-asked return policy, with or without the original receipt.

**Starbucks:** Generosity in levels, and new ways to earn points every month.

**Virgin America:** Redeem your frequent flyer miles with as little as 2,500 points.

Marketers are the doing type. We like to cross things off the list and call it done. Unfortunately, “building loyalty” isn’t something you can do that with. It isn’t just your Q1 goal, and then onto the next point. Loyalty needs to be baked into every channel and every campaign your brand runs in some capacity.
You can’t just invest in customer loyalty once and forget it. You need to make building loyalty part of your company’s core values.

People Just Aren’t Loyal to Brands Anymore

There is a dirty misconception out there that the new generation of consumers (called millennials) just aren’t a loyal bunch. They grew up in a mobile world, jumping from product to product with little to no attention toward the brand behind the products. This misconception leads brands to think that investing in customer loyalty won’t return for them, and the goal gets lost.

We call your bluff.

There are lots of different types of loyalty, and we cover them in Chapter 4. One type of loyalty is, indeed, “no
loyalty.” That’s a real thing. Some customers never develop an affinity for a brand, but it’s an incredibly small percentage of the average customer base.

Other types of loyalty are still alive and well, and surprisingly, this new generation is possibly the most loyal of your customers. With the rise of big brand social media presences, millennials have an entirely new way to connect with the brands behind their favorite products. All of a sudden, the brand story and teams behind a product are talking and connecting directly with consumers like never before.

“While we know that the millennial generation is well connected, how do we use this connectedness to build brand loyalty that has the staying power needed to sustain the relationship and keep it from going elsewhere? If companies want to know what Millennials want, they need to engage in a dialogue with them. It’s a conversation.”

- Greg Petro, Forbes
This new and mobile generation is empowered to demand brand authenticity, and in return, they advocate on the brand's behalf to their friends and social circles. Brands can tap into the mobile and social approach to connectivity their target consumers live in. One more reason that there has never been a better time to invest in customer loyalty.

Not only are people loyal to brands, but there has never been a better time for brands to leverage that loyalty for their own growth.

In Conclusion

There you have it. Some of the biggest myths around building customer loyalty blown wide open. Building loyalty and measuring the results may be difficult, but it’s not impossible, and it’s critical to success.

Today’s consumers want to see brands investing in them and rewarding them for their time and effort.
Brands that keep coming up with excuses not to do so will inevitably get passed by their competitors on the climb to the top.

So what are you waiting for? Let’s leave those myths behind and jump into the strategy, measurement, and art of it all.
WHAT’S WORKING IN LOYALTY?
In this chapter, we cover some best practices to keep in mind when creating brand loyalty. We also point to some of the best brands out there, and examine what they are doing in order to stand out from the crowd.

What’s Working in Loyalty?

When it comes to building loyalty, there is no silver bullet. For years, brands have been trying to find new ways to engage customers and capture their hearts. While there seems to be a lack of documented go-to strategies, we have seen similar trends pop up throughout the most successful campaigns.

Trends that work in building loyalty include nailing down a customer focus, pushing the limits on customer communications, offering a fresh user experience, and more. Let's examine each trend in-depth, and look at success stories of brands who utilize them to cultivate loyalty and grow their business.
A Customer Focus

Selecting a customer focus may seem obvious to most marketers, but companies have made an intentional shift toward customer-focused marketing only in the past five(ish) years. What does it mean to be customer-focused? It means offering your customers a consistently great and relevant experience (*Dr. Peter Fader, author of Customer Centricity: Focus on the Right Customers for Strategic Advantage*). From the first time a potential customer discovers your brand to every time they interact with you, their experience should be beautiful, easy, and effective. It may sound like a lot to deliver on, but this type of marketing is the new reality when it comes to what wins markets.

“*We see our customers as invited guests to a party, and we are the hosts. It’s our job every day to make every important aspect of the customer experience a little bit better.*”

- Jeff Bezos, Amazon.com
Many marketers confuse being customer-focused with customer centricity. Let’s take a quick minute to differentiate between the two as the divide is actually quite vast. While customer-focused marketing means asking what more you can give them, customer-centric marketing means asking yourself, “What more can we get out of them?” The latter question can be answered by focusing your marketing efforts on your highest value customer cohort.

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<th>Customer-focused</th>
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<td>“What more can I get from them?”</td>
<td>“What more can I give them?”</td>
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<td>NO! BAD.</td>
<td>YES! GOOD!</td>
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You can see why confusing customer focus and customer centricity would have big implications on whether or not your brand succeeds at fostering loyalty. Most companies should aim for a nice balance of both.
Customer focused-marketing, for our purposes here, is at the core of delivering a personalized, relevant experience, which is the first step toward fostering loyalty.

Take Nike, for example. Nike’s main customer is the competitive athlete, regardless of their level of competition. Not only has Nike adopted a customer-focused approach to their marketing and loyalty building, but they’ve put the customer at the center of their product creation. At Nike, you can get everything you need to start training, from workout gear to water bottles to equipment and more. Once you’ve purchased your gear as a customer, you can engage with the brand on a variety of levels, from apps to track your fitness progress to engaging with the brand through their various online channels. No matter your level of competitive fitness, you as an athlete are at the heart of everything Nike does.
What Nike was able to accomplish was making every customer feel like they were at the heart of their marketing efforts, and that their products and services focused on each customer with their needs top-of-mind. This is a great example of customer-focused marketing done right.

Innovative Customer Communications

Communication: the give and take of it all. Good communication is hard to master, but so important for success. Once your brand has committed to a more customer-focused philosophy, the first big hurdle is nailing down your customer communication strategy. It seems that every few months, a new platform launches providing us with another easy way to talk with customers, but which one should you start with? Perhaps more importantly, how can you innovate your communication strategy to really connect with customers in a lasting way? Let’s look at a few examples.
Email marketing: Tried and true. To this day, there has been no better way to stay in touch with customers in an ongoing manner than email. Based on the Direct Marketing Association’s 2013 study, 90% of consumers (with access to email) subscribe to emails from trusted brands (DMA, fast.MAP, and Alchemy Worx’s Email Tracking Report 2013). To build loyalty, your brand needs to stay front-of-mind with scheduled communication. Brands should make promises to their customers and then deliver on them, and all of that needs to be communicated regularly. While email marketing might seem outdated, it is still incredibly relevant.

How do you innovate on email marketing? Design, design, design. Over the past few years, we’ve seen some beautiful email clients rise to the top of the pack. Companies like MailChimp, SendGrid, and others are reinventing what it means to send an email, and we couldn’t be more thankful for it. Today’s mailers need to be beautiful and useful; two things not necessarily required of emails of the past.
A great example of well-designed email marketing is ModCloth, the online-based fashion retailer for women. For example, ModCloth’s marketers pay careful attention to what their customers want to see in their newsletters, and based on their findings, serve their email content up in a meaningful, useful, beautiful way. This type of attention to detail sets their brand’s
newsletter apart from competitors, which is something all brands can aspire to.

When you kick off a rework on your customer communication strategy, updating your emails with a beautiful, more useful feel is the absolute first place to start.

**Social media:** We could write a whole book focused on communicating through social media, but rather than jump down that rabbit hole, we’ll just point out that brands in today’s ecosystem can’t ignore the value of leveraging social media channels to communicate with their customers.

Social media platforms provide a less formal arena in which to express your brand’s voice and connect with customers. While many marketing channels we often use are considered “one to many” channels, social media can also be a “one to one” channel. As you would imagine, a channel that is “one to many” and also “one to one” is a very compelling way to create a lasting, unique relationship with your customers.
While social media can be very overwhelming to jump into, trust us when we say it's worth it. Start small and participate in one or two platforms. When picking your first social media platform, choose the one that the majority of your current customers are already on, and embrace its culture and customs. Don't be scared; it's friendly in there, we promise!

**Customer service:** Perhaps the most well-known of all the ways to communicate with customers, we think customer service has gotten a bad rap. For years, it's mainly been considered the “team that solves the problems.” Instead of looking at customer service that way, we think of it as an amazing opportunity to build customer loyalty. Solving for customer needs is one thing, but solving their problems in an easy and friendly way is a whole other ball game. When you invest in customer service, you are telling your customers, “We are here for you, and we care if you succeed.”

Customer service has undergone a significant transformation over the last few years, and today's customers expect a more empathetic, human approach from their favorite brands more than ever.
For example, Zappos is a brand who has answered the call, going above and beyond to offer the best customer service possible. Whether they’re mailing flowers to customers with medical issues, sending service reps to competing stores to buy products when they run out of stock, or paying for tolls on the Massachusetts turnpike just because it’s the holidays (FYI, these are all actions the Zappos team has actually taken!), Zappos has set the bar for every other brand when it comes to delivering top-notch customer service.

As you can see below, customer service teams have also seen quite an evolution the last few years. A customer service agent now has a totally different job description than before. The job now includes points like becoming the voice of the brand, mining for customer data, and more. Innovating on your traditional customer service setup is a great way to level up your customer communications.
Customer Service Includes:

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<td>Support customers</td>
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<td>Identify product ideas</td>
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<td>Be the voice of the customer to the company</td>
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Offline communications: This piece makes it feel like we’ve come full circle as marketers. Want to innovate on your online communication strategy? Take it offline. Yup, you heard us right!

Some of our favorites brands have taken the connection offline and revisited an old friend to say hello and thank you. Reintroducing snail mail to your marketing strategy is not such a crazy idea anymore.
What can you do with snail mail, you ask? This is the perfect way to send thank you packages, customer outreach messages, customer gifts, or other. Whatever you decide, offline communications are worth considering. Today, we spend so much of our time online, and we are so conditioned for electronic-only exchanges. Brands today are sending handwritten cards, boxes of branded swag, and so much more as ways of saying thank you, and it makes them stand out; the interruption of a tangible card or gift goes a long way. Here at BigDoor, we are fans of this return to snail mail movement and believe it’s this sort of “go above and beyond” type of marketing that really sticks with a customer.

So there you have it; a few of our favorite customer communication opportunities and some tips on how to innovate on them. While many brands are content with simply having a solid customer communication strategy, the brands winning in loyalty are finding ways of leveling up the way they talk to customers.
Freshen Up Your User Experience

Another common trend we see in brands succeeding in customer loyalty is a turn toward user experience. Web design and brand experience have never been more important than they are today. With so many players in the game vying for your attention, the way to stay ahead of the pack is to deliver a beautiful, effective, streamlined user experience.

What does that mean for you? Invest in your user experience. There is no shortcut here. Brands today need to hire designers that understand UX and UI really well. These designers are trained in the ability of creating safe, easy-to-use, and fun environments for customers to lose themselves in. Whether you’re focused on your software or your website, the more time you invest in providing the best experience to your customers, the better it will return in loyalty.
“The savviest marketing strategies and the most efficient customer service processes won’t deliver loyal customers if those customers don’t have a positive experience with your product.”

- Jesse J Garrett, Director User Experience Strategy at Adaptive Path

Apple is still the quintessential big brand example (or any brand, for that matter) of sleek, easy-to-understand user experience. They keep a similar feel and user action flow across the majority of their devices, and their website offers a minimalist, gorgeous experience that directs the customer to take actions they came to the site for in the first place: to discover and purchase new products, and to feel good about doing it.

Below is a table that shows off the different pieces involved in delivering a great user experience, as well as some of our favorite resources to give you a knowledge refresh.
No matter how well you think your user experience is performing today, there is always room for improvement. By testing, updating, and communicating these experience updates, you are reminding your customers just how important they are to you. Good stuff all around.

**Reward Your Most Loyal Fans**

Here at BigDoor, we talk a lot about rewards because we see them as the cornerstone of building loyalty. Brands have to say thank you to customers who are
giving them their time, money, and support; rewarding customers for all of this is a pretty big deal. We go into more detail on ways to leverage rewards in Chapter 6, but decided to touch on them briefly here as many brands have been using rewards successfully for years.

Rewarding a customer for their purchases or completion of incentivized actions is the best way brands can say thank you. Rewards show that the brand’s loyalty back to the customer is equally as strong as the customer’s loyalty to the brand, resulting in what we call “reciprocal loyalty,” which is an indicator of strong, lasting relationships between brands and consumers.

When it comes to brands successfully building customer loyalty through rewards, Starbucks is undoubtedly one of the first companies that comes to mind. It’s hard to find a person that doesn’t love Starbucks,
and even more impressive, it’s hard to find a person that doesn’t participate in one of their loyalty efforts. Through personalized rewards, redeemable points for drinks and food, and a plethora of incentivized quests for customers to choose from, Starbucks has set an inspiring standard for other brands to live up to.

What Starbucks has been able to accomplish through My Starbucks Rewards is to make every customer feel appreciated and special. This sort of recognition through rewards goes a long way in building brand affinity and ultimately customer loyalty.

**Invest in Thought Leadership**

People are loyal to people who teach them things; it’s just that simple. Investing in thought leadership as a brand is a great way to remind your customers and community that you care about their growth and want them to be informed. Providing valuable resources and opportunity for this form of learning can go a long way. This year alone, we’ve seen more brands (even retailers) jump on the thought leadership train than ever before.
Lowes, the home improvement store, took thought leadership to a whole new level last year when they released their “Creative Ideas” blog. Lowes hired a group of bloggers to begin publishing craft and project ideas customers could complete using materials bought in their stores, and eventually expanded their network to guest bloggers who are leaders in specific project areas, like gardening, handyman work, and more. Not only did this marketing campaign attract a whole new audience of DIYers to become Lowes customers, but it made the brand a major contender in the DIY space. People will buy things from brands who teach them something new, and Lowes is currently reaping the rewards of doing just that.

Investing in thought leadership isn’t cheap. You need to dedicate both team resources, as well as design and writing resources, to publish a piece that will carve out your niche as a leader in your field. Your organization
should offer a home for educational content that is beautiful and useful. That said, this sort of goodwill marketing really stands out in a crowd of content that is often shipped just to benefit the company.

We believe that the selfless investment in thought leadership is just what customers today are looking for. Customers are more informed before they purchase than ever before, and tend to align themselves with the brands willing to help them learn more in beautiful ways.

Big brands are finding lots of new ways to reach customers, provide great experiences, and educate their communities. Combined, these steps help brands shine when it comes to fostering loyalty.

Next up, we explore the main types of loyalty, including a new type of loyalty we see on the rise here at BigDoor: reciprocal loyalty.
TYPES OF LOYALTY
Not all loyalty is created equal. Marketers know this intuitively, but breaking out of our customer audiences and trying to understand specific behavior as it relates to levels of loyalty is hard to do. Sometimes it’s even impossible to do without a team of analysts and technical resources. So where can you start?

Traditionally, there are four different types of loyalty: no loyalty, inertia loyalty, latent loyalty, and premium loyalty. Marketers are able to break up their customer base into these four loyalty groups to better message them and serve their needs. Let’s explore them in a bit more detail.
Four Types of Loyalty

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
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<tbody>
<tr>
<td>No loyalty</td>
<td>A person who rarely has affinity towards a brand.</td>
</tr>
<tr>
<td>Inertia loyalty</td>
<td>When someone buys out of habit or convenience.</td>
</tr>
<tr>
<td>Latent loyalty</td>
<td>When a person is loyal to you but only purchases once in a while.</td>
</tr>
<tr>
<td>Premium loyalty</td>
<td>When someone is loyal to your brand, purchases often and shares pride after the purchase.</td>
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No Loyalty

While we may want to think otherwise, there is a group of people out there in consumerland who simply don’t become loyal to the products or services they use. They are easily swayed by price, convenience, or peripheral factors involved with purchasing. Rather than try to get your non-loyal group to become loyal, it’s usually better to just try to quantify what percentage they account for, and accept that percentage as unlikely to convert.
Inertia Loyalty

This group of customers buy based on habit or convenience. Their purchase behavior has less to do with quality of product or brand promise, and more to do how easy is it to access the product. A good example of this customer is the person who always buys “that kind of bread,” but mainly just because their local grocer carries it. This is a great customer target group because you can often collect a great deal of behavioral data and introduce them to other products of yours based on that data. A customer with inertia loyalty is susceptible to upsells and cross-selling, and has potential for a more premium level of loyalty.

Latent Loyalty

Latent loyalty refers to that group of your customers who always pick your brand, but make purchases less frequently. Imagine more seasonal purchases or high price point purchases (like a car). They might not need to buy from you often, but when it’s time, they “always” buy from you. This sort of loyalty can be leveraged
by introducing new products at lower prices to help encourage customer advocacy. When a customer is inclined to purchase from you “always,” they are also on the edge of advocating for you. Latently loyal customers tend to carry a lot of pride with their purchases.

**Premium Loyalty**

For years, cultivating premium loyalty has been the goal for most companies. Premium loyalty is when a customer both purchases from you often and is vocal about supporting and loving your brand. Premium loyalty is what companies have invested in building, and it’s what is most regularly referred to when people say “customer loyalty.” Out of the traditional four types of loyalty, this one sticks out as the one that most affects a business’s bottom line. It’s a known fact that 80% of the average business’s revenue is driven by 20% of its customers, and a high percentage of those customers fall into the premium loyalty category.

These four loyalty types have served us well over the years. However, times have changed. We believe there
is a fifth type of loyalty to consider. A better type of loyalty. It’s called reciprocal loyalty.

**What is Reciprocal Loyalty?**

Reciprocal loyalty is a premium relationship benefitting both the brand and the consumer. It creates a relationship where consumers support brands through advocacy, purchase behavior, and community participation. As a result, brands then appreciate consumers through investing in their experiences, providing valuable content, and thanking consumers with rewards and benefits.
In a nutshell, reciprocal loyalty is loyalty that goes both ways. It’s a two-way street of support and appreciation. At BigDoor, we believe this is the right way to view loyalty. For decades, companies have worked hard to get loyalty, but have not worked hard enough at being loyal to their customers in return in order to keep themselves in business.

The Advantages of Reciprocal Loyalty

There is a lot to be gained from investing in reciprocal loyalty. The most obvious gain is an outward commitment to the customer, which in turn fosters loyalty towards your brand. But there are other advantages that come from investing in reciprocal loyalty.

First, reciprocal loyalty really does allow you to separate yourself from the noise. Consumers have evolved. They know when they are being appreciated and when they are being taken advantage of. By creating campaigns that put the customer first, you are sending a strong
signal that you are thinking differently than your competitors. The brands who do this well tend to be called out for their innovative approach to customer-focused marketing.

Second, reciprocal loyalty is a long-term play. Reciprocal loyalty is built over many touchpoints from consumer to brand, and then from brand to consumer. By taking this approach to loyalty, you are telling your customers you are in this for the long haul. This isn’t a flash in the pan or a “get rich quick” business. Instead, you are trying to build something beautiful that has real value to them for years to come.

Lastly, reciprocal loyalty can be felt positively through all you do as a brand. You’ll find that the “we are in it together” approach to business will begin to inform your company values and philosophy, which will manifest itself in your customer service teams, your product teams, and your management teams. Your company will have a common beacon to point to: “We must be as loyal to them as we hope they are to us.” Decisions become easier, and teams become closer through the common goal of reciprocal loyalty.
Examples of Reciprocal Loyalty

It’s been an amazing year for both retailers and media companies as they shift their attention back to the customer and really rework traditional loyalty efforts. How have some stood out? Let’s take a look at some companies investing in reciprocal loyalty in all the right ways.

Through their My Starbucks Rewards program, Starbucks is truly paving the way for enterprise brands focusing on customer loyalty by rewarding customers for actions that other brands wouldn’t even dream of.

With the My Starbucks Rewards program, both the brand and the customers win when incentivized actions are completed. Users are generously rewarded for a wide variety of hard actions (like purchases) and soft actions (like referring friends to the program, or opting
in for emails and branded content discovery). The program has something for every customer to love, complete with seasonal campaigns and a free drink on every customer’s birthday just for signing up.

Starbucks is truly generous, fun, and unique in their approach, which makes their loyalty program one of the most popular programs in existence. Starbucks has created a loyalty program that’s centered around their users, and each piece of the experience is easy for customers to understand. A sleek user experience is part of every customer touchpoint, which their exceptional rate of active and engaged loyalty program members reflects.

Walgreens

The Walgreens Balance Rewards program not only rewards members for purchases, but goes the extra mile and rewards them for taking care of their physical health. Members can earn points through filling prescriptions, receiving immunizations, logging walks
and runs, tracking weight loss, and participating in physical activities.

Whether you’re a brand or a consumer, health is the most important action people can invest in, and Walgreens is inspiring their loyalty program members to invest in their well-being first. When brands think beyond how traditional loyal actions will help only their brand, customers are placed first. These customers begin to give back to the brand by engaging at higher rates, becoming brand advocates, and completing incentivized actions. The type of loyalty Balance Rewards is fostering is truly reciprocal, which means the more the brand wins, the more its customers win.

We love how Walgreens is rewarding their customers through Balance Rewards, and hope to see more brands investing in similar positive human connections over the next few years.
The Sephora Beauty Insider offers members the chance to earn points for purchases, but unlike many other retailers, the points can be redeemed for a wide variety of items rather than just for in-store credit or a percentage off of a purchase.

Sephora dug deep into what types of rewards would make their customers happy, and created rewards that would bring the most joy to their customers in a truly reciprocal way. The brand now rewards customers by allowing points to be redeemed for products that are only available to members: limited-edition sample sets of products, handpicked sets for members, free in-store beauty classes, and additional products that aren’t available to the public. On top of these generous, unique rewards, program members are also rewarded with free birthday gifts and seasonal promotions.

Sephora looked beyond traditional rewards when creating the Beauty Insider. The brand took a creative
approach to say thank you to their loyal members, making sure that every customer can find something they love. Although the majority of the rewards Sephora offers are tangible, they also offer deep discounts through engagement with their mobile apps. On top of great rewards, just look at Beauty Insider’s branding! Stunning design, catchy marketing vibes, and more. This program was truly designed for the customer!

These are just a handful of brands who have embraced reciprocal loyalty, and grown their businesses and customer loyalty as a result. While it may seem hard to rework such a core philosophy into loyalty marketing, we think it’s pretty easy. Let’s talk about some ways you can get started with reciprocal loyalty at your company.

What You Need to Encourage Reciprocal Loyalty

There are a few foundational tasks you need to complete in order to get started with reciprocal loyalty at your company. While we wish it was as easy as waking up one day and saying, “Let’s approach
customer loyalty this way,“ it simply isn’t the case. Let’s talk about the structural pieces that need to be in place to see reciprocal loyalty work for your company.

**Feedback Loops**

It may seem obvious, but without having an infrastructure in place to capture customer needs, it will be challenging to deliver on those requests. We could write another guide on customer analytics and data mining the customer voice, but for our purposes here, let’s point to some of the obvious channels: survey your customers; connect with your help team who talks to customers and captures their requests; work with your product team to tap into product requests and forms; and lastly, data mine the cancellation forms for insights on what the customer was looking for. Look for ways to connect with customers in real life: at conferences, forums, networking events, and more, and really tap into what they would like to see from you. This is the foundational information that will help inform your customer-focused strategy.
Customer Advisory Boards

Stemming off the last point of feedback loops, we highly suggest you invest in a customer advisory board (or CAB, for short). A CAB is a randomly selected group of current customers that provides feedback on feature ideas, current products, messaging, and more. Feedback can be gathered through phone, email, Google+ hangout, or whatever medium you prefer. However you talk with your CAB, try to touch base often and have informal conversations with your customers to really keep a pulse on what they are seeing and needing. Your CAB should stay small, and represent the larger customer base. You can randomly select from different demographics, customer lifecycles, geographical areas, and more in order to mirror your customer base closely. This sort of customer voice is irreplaceable, and is insanely hard to get at in traditional feedback loops.

Dedicate a Loyalty Champion

To make the reciprocal loyalty approach to customer retention work, you will need one, if not a handful, of champions in place to educate the masses on what
it means. They are also responsible for pointing to examples, collecting data, evangelizing the cause, and more. These champions keep the energy high for this new approach until it proves itself and gains a momentum all its own. We find this champion is often already in place in your organization; they just need a little support to really lead the transition from traditional loyalty approaches to a new customer-focused, mutually beneficial, high-value approach to loyalty.

**Patience and Persistence**

We like to remind people that Rome wasn’t built in a day. While we aren’t building Rome here, we are suggesting a new and innovative switch in how your organization invests its time, resources, and budget. Traditional loyalty fits outdated approaches to these pieces, and by putting the customer at the heart of everything, you will see a number of feathers ruffled. In this regard, patience and persistence really do come in handy. Reciprocal loyalty, while intuitive, is a newer concept. It’s this sort of early adoption that is helping companies win at customer retention, but like
any change, it doesn’t come without hard work and patience.

These are all, of course, in addition to a company-wide conversation around customer loyalty (we talk more about that in Chapter 8). But for now, let’s just point out that none of this is impossible to accomplish. All it takes is a few people at your company who think hard about the customer, and are determined to put them first. From there, you often see people jump on board quickly.

As business people, we want to build companies that leave a lasting impact, and to do that, we need to be investing and loyal to the customers that keep our companies growing. This is reciprocal loyalty, and we believe the companies who jump on board will ultimately outshine and outlast their competitors.
TRADITIONAL CHANNELS FOR BUILDING LOYALTY
Loyalty marketing of yesteryear no longer works for today’s consumer. But before we can improve on loyalty marketing, we must understand its roots and progression over time. Like most pieces of history, we can look at what worked and what didn’t, and take the pieces that are still relevant in order to innovate on them.

Let’s run through some of the channels companies used to build loyalty in the past, learn what tactics still work, and find out what types of programs and methods didn’t make the cut.

**Points-based Programs**

Points-based “spend and get” rewards programs are by far the earliest type of rewards that brands have offered loyal customers. This type of program can be traced back to the early 1930s, when a company called S&H
Green Stamps distributed tiny stamps to customers when they purchased stamp booklets from participating retailers. The stamps acted as a form of “currency” that could eventually be redeemed for products when the customer accumulated enough, driving loyalty from the consumer due to “free” products, and happiness for the brand due to repeat visits and purchases.

But the points-based rewards world changed dramatically in May of 1981, when American Airlines disrupted the airline industry by offering its first points-based rewards system, AAdvantage. The concept of AAdvantage was simple: reward the brand’s most frequent customers for their loyalty by giving them free upgrades and tickets based on how many miles they flew with the airline. The program started a revolution, and the concept of the mainstream points-based rewards program was born out of the success – and consumer frenzy – that frequent flyer miles programs started.
Not surprisingly, points-based programs are still a wildly popular way for brands to build loyalty. These types of rewards continue to be so successful because of the incentive created for customers: the brand sets an attainable goal that ties in with purchases and/or actions customers are likely to take, and customers earn points for increasing their purchases and/or actions. It’s simple, it’s straightforward, and it’s timeless.

Here at BigDoor, we see offering customers the opportunity to redeem points-based rewards for completing valued actions as a loyalty building channel that’s here to stay. The digital age has opened up countless possibilities to reward customers for hard actions (like purchases) and soft actions (like interacting with your brand on social channels or signing up for your newsletter), and it’s easier than ever to reward customers with redeemable points for taking these actions. Whether your brand places value on dollar-backed or non dollar-backed actions, rewarding your customers with points is a fantastic way to boost brand affinity and drive loyalty.
Reactive-driven Customer Service

Providing great customer service has always been a way for brands to build loyalty. Think back to the stories you’ve heard from your grandparents about their favorite brands. Did those brands stand out because of the products they sold, or did they hold their value because of the “good, hardworking humans” who brought the service to light and did their jobs “right the first time”? We’ll venture to say that the older generation’s loyalty stayed with a brand due to the latter. Reliable, relatable customer service has always been a main factor in building brand loyalty.

Although the customer need for human trust behind products has likely been around since the beginning of the human goods exchange, the way we approach customer service has changed drastically over the years. Human-to-human connection was once the only way a customer could get help with a product or service question, which eventually morphed into automated services and call centers where customer
issues were buried due to overload. Through advances in social media and great customer service tools, today's consumers don't have time to wait on the phone for an hour before getting an answer, and as brand marketers, we have the tools to get them the answers they need quickly and effectively, causing minimal frustration for the customer and our brand through the boundless advantages of modern technology to help deliver answers.

The changes we've seen in customer service have truly been driven by the consumer. Today's consumers are smarter than ever, and they expect a different level of service from their favorite brands. Once upon a time, it was enough to answer the phone to take down a customer complaint, but in the digital age, you need to offer more. To meet these needs, the best customer service teams are no longer reaction-driven; the brands who stand out above the rest place a priority on mapping out the customer’s whole experience, and offer information that will help guide their customer’s journey before the customer even asks for help.
Today, it’s easier than ever for customers to interact with their favorite brands, whether they need help or are reaching out to share their love. Social networks, email, phone calls, and in-store interaction are all communication channels your customers are reaching out to you on, and the expectation of a quick response is the new norm. Even the team that primarily handles customer service has changed. Although help teams still exist, there are many companies creating special “customer success” teams that merge social media strategists, content creators, and retention marketers with help team members to form an amazing resource that benefits their customers.
Marketers have a lot of communication channels available to help them reach and connect with customers. Here are a few of our favorites:

- Phone
- Website
- Chat clients
- In-store
- Email
- Phone
- Facebook
- Twitter
- Forums
Customer service that will win in today’s space follows their customers’ journeys, looks for holes along the way, and works to fill those holes with helpful content, useful on-site information, and unlimited availability before the customer even has a chance to submit a complaint. At BigDoor, we think the best kind of customer service is proactive, and believe that brands who invest in providing a seamless customer service flow will win.

**Exclusive Loyalty Programs**

Exclusive loyalty programs (sometimes referred to as “perk programs”) make access to the program an invite-only game, and were once one of the more touted ways to build brand loyalty. In an exclusive program, brands invite customers who hit certain predetermined requirements, and that small, selective group of program members enjoy access to rewards and goods through the program. This type of exclusive access can drum up desire from customers not yet in your program and encourage them to take the required actions your brand has set in place in order to gain access, but tread carefully when it comes to making
your program difficult to join. When exclusivity is used right, it can make your brand or product the hottest thing around (just ask the Google Glass team), but when it comes to building lasting loyalty, true exclusivity can also be the ultimate killjoy.

Over the years, we’ve seen a notable shift in the decrease of exclusive loyalty programs. Because information is so easy to access in the digital age, it’s no longer realistic to build lasting loyalty through hidden programs and benefits as your customers are probably already talking about their experience somewhere on the Web. We’ve also seen huge shifts in economics that alter the way humans value certain types of messaging, especially “exclusive” programs. When a product or service is made exclusive, there is a certain message that comes with the action: if you’re in the club, you’re in; if you’re not, tough luck. This type of message might help build loyalty for the small group of customers who initially get access to your services, but if your goal is to build a larger loyal following, exclusivity might do just the opposite.
At BigDoor, we know that every brand’s needs are different, and that there might be times when an exclusive offering will work wonders for building loyalty. However, we seldom recommend making loyalty campaigns or programs exclusive right out of the gate as the negative results tend to far outweigh the benefits. There is a very small group of brands who use exclusive loyalty programs to their advantage, but if your product is meant for the masses, exclusivity in your program will likely have a negative effect on your brand loyalty.

Before making parts of your loyalty program exclusive, it’s important to map out your short term and long term loyalty goals. Do large amounts of quick growth matter? Does building a thriving online community play a part? Do repeat purchases play a factor? Once you’ve nailed down these goals, then you can decide whether or not exclusivity is right for you.
Tangible Rewards-only Programs

Tangible rewards are physical products given to consumers when they complete incentivized tasks, like on-site “quests” (a “quest” is a set of actions a brand directs a user through with the promise of being rewarded, or redeeming a set number of points). Traditionally, these types of rewards were a marketer’s first choice when it came to building loyalty (just look at how many free t-shirts and coffee mugs you’ve accumulated from brands you’ve interacted with over the years). Before the age of the interwebs, tangible rewards were a great way to keep brands top-of-mind after a customer left the store. But times have changed, and so has the effectiveness – and longevity – of tangible rewards when building customer loyalty.

Tangible rewards are still the quickest way to deliver limited-edition merchandise or memorabilia, like a baseball hat signed by a baseball player. Novel merchandise can build loyalty by offering the customer an opportunity to have a fantastic experience with
your brand through delivery, packaging, and branding. Tangible rewards also offer an opportunity for a brand to engage consumers in a forward-facing way. For example, a branded baseball hat signed by a famous player delivers a positive experience, but also ties the consumer directly back to the brand, increasing brand affinity and building loyalty. But before you place your order for 5,000 hats, make sure you give some serious thought to what your brand slaps its logo on before sending it out as a reward. Many failed marketing campaigns fail when branding and distribution go horribly wrong.

Although tangible rewards offer brands unique ways to engage customers, they also tend to offer the least amount of flexibility when it comes to building customer loyalty. Tangible rewards aren’t as sustainable as other types of loyalty building campaigns due to fulfillment costs, such as paying humans to pack things and figuring out shipping logistics; this process is limiting, and is just not sustainable for many businesses.
Even though there might be added value to the brand and the program through tangible rewards, the overall cost to the brand might not be worth it. It’s also important to note that physical products don’t always drive loyalty. Time and time again, studies prove that physical rewards don’t have the desired effects. Consumers tend to choose experiences with brands over physical goods, and as the world becomes more digital, tangible rewards tend to lose their flare to digital rewards and experiential rewards. Tangible items might drive brand affinity for a short amount of time, but when it comes to driving lasting loyalty, consider yourself pushed to the bottom of the pile — much like that $5 t-shirt you sent out last month.

Here at BigDoor, we believe that the future of rewards lives most heavily in digital and experiential rewards, but know that tangible rewards can still do the trick from time to time. They’re here to stay for the time being, and should be considered (but not always selected) whenever a brand puts together an initiative meant to drive loyalty.
Loyalty in a Silo

Like TPS reports and fax machines, marketing silos are becoming a thing of the past. Today’s customers expect a more holistic experience from their favorite brands, and it’s nearly impossible to use siloed marketing campaigns to meet their needs. Your customers are not operating in a silo, and because successful loyalty campaigns are always customer-centric, your campaigns shouldn’t operate in a silo, either.

Loyalty can happen at many different touchpoints throughout the customer experience, and to get the most out of your campaigns, it’s important to create them in a flexible, holistic way. One way brands are thinking about a holistic customer experience is through creating a customer journey map, a framework that enables you to improve your customer experience. Through a customer journey map, brands are able to really dig into how customers are interacting with them, and identify areas for improvement within their program moving forward. Your loyalty program is meant to drive customer actions, which are easy to
determine once you know how customers are already interacting with your brand.

Customers are going to continue to engage with brands in a growing variety of ways, so the more flexible and inclusive you can make your loyalty program from the start, the better it will adapt to change. Encouraging specific actions is still a great way to win a customer’s loyalty, as long as the goals and experience match with your program’s long-term vision.

**What’s Next?**

With advances in communication channels, investment in customer feedback channels, and the evolving consumer, what’s worked in building loyalty in the past has changed. Most brands have had “build customer loyalty” on their priority lists for years, but the channels they’ve used to build lasting loyalty might no longer be as effective as they once were. The benefits and learnings taken away from traditional loyalty building channels can be amplified in new channels, but in order to win the game, brands must learn why their
old tactics aren’t resonating with new users, and adapt their processes. However, next generation loyalty is not just about utilizing new channels; it’s imperative that it breaks down the silos between silos, and delivers a holistic experience for both loyalty marketers and consumers.

But where to start? Read on in Chapter 6 to learn all about the new channels your brand can leverage for building lasting customer loyalty.
NEW CHANNELS FOR BUILDING LOYALTY
Now that we’ve covered the loyalty approaches of yesterday, let’s cover what is working in loyalty today. With new channels and new tools have come new ways to connect with your customers and seed loyalty. In this chapter, we walk through some of these new opportunities, give you a few examples, and hopefully provide the nudge you need to get moving on your own campaigns. Let’s start with what building loyalty looks like today.

A Different Kind of Loyalty Program

Rather than focusing solely on points-based loyalty programs, it’s time to think about new, multi-dimensional loyalty programs. Once traditional marketing silos have been broken down, it is possible for a company to envision a highly customizable loyalty program that leverages different currency, rewards for
actions other than purchases, and engages customers in new, innovative ways.

The loyalty programs that work best today leverage both online and offline engagement with customers. They think outside the box with experiential rewards, and use the various social platforms available to them in order to connect the brand with customers. The shift in today’s programs is significant for a few reasons:

First, the shift has altered the way retailers who weren’t sure how to approach building customer loyalty are currently interacting with customers through loyalty programs. We now see more resources available to get a loyalty program up and running than ever before. Companies (BigDoor included) now offer products that help other companies customize and launch on-brand loyalty programs that aren’t just templates of the “same old thing.”

Second, the shift has changed the world of loyalty for publishers who thought loyalty programs weren’t for them. Today’s programs offer a huge opportunity to
drive readership, sharing, and commenting, which are actions the majority of publishers consider valuable in building a loyal customer base. Rewards no longer have to be purchase-based; they can be handed out for softer actions that are valuable to publishers, like commenting on a piece of content, referring a friend to the program, or watching promotional videos.

Lastly, the shift has changed the world of loyalty for retailers who already have existing loyalty programs, but are having a difficult time encouraging users to take the actions that matter most to their brand. Today, there are numerous ways to enhance a traditional program at a lower risk to the brand. With the rise of experiential rewards and non dollar-backed currencies, companies can now build their program with less upfront cost. You no longer need to have a warehouse somewhere full of branded baseball caps to reward your customers for their loyal actions; you can keep everything digital, and streamline your program like never before.
We believe the loyalty game is just revving up. What previously seemed like a templated, points-based, high cost venture is now an accessible, streamlined, and low-cost advantage in your market. The loyalty programs of today are quite different than those of the past, and they are only getting better.

**Loyalty Campaigns Outside of Your Program**

Here at BigDoor, we understand that a full-blown loyalty program isn’t for everyone. That’s why we are happy to see the trend of loyalty campaigns catch fire.

**What is a loyalty campaign?**

*An loyalty campaign is a standalone effort that helps deepen engagement and create loyalty by rewarding customers for completing specific actions.*

BigDoor offers a variety of loyalty campaign products that we will touch on a bit, but our purpose for mentioning the concept of loyalty campaigns here is to
stress a very important (and often overlooked) point: every company can participate actively in creating loyalty. Contrary to popular belief, you don’t need to have a complete loyalty program to succeed at building loyalty.

Whoa. Mind blown.

Common executions of successful loyalty campaigns include widgets or embeddable experiences where customers and/or community members are encouraged to complete high-value actions that matter most to the brand, and are rewarded for their participation with points, unlockable achievements, and more. There are three common themes in the user actions we see companies encourage: purchases, engagement with the brand or content, and social advocacy.

Loyalty campaigns are a great alternative to an inclusive loyalty program for a number of reasons. The first advantage is obvious: campaigns are much simpler than a complete loyalty program, and are faster to get up and running. Because of that, campaigns give brands
the option of supporting different seasonal efforts or special promotions. There is typically a great deal of flexibility when running a loyalty campaign, so brands can also test variables easier, track performance faster, and iterate quicker. There are plenty of advantages to testing out your loyalty initiatives with a campaign before jumping in to a loyalty program from the get go.

Not to get all promotional and stuff, but BigDoor has a fantastic loyalty campaign product you should check out. Simply visit: www.bigdoor.com/products/loyalty-campaign.

Okay, back to it...

### Experiential Rewards

At this point, we’ve talked a bit about experiential rewards and how they are shaking things up in customer loyalty. We thought we’d elaborate on these rewards a bit so you can truly understand their awesomeness.
What are experiential rewards?

Experiential rewards are rewards that are experience-based, such as sweepstakes, social media shoutouts, access to otherwise inaccessible events or content, etc.

So why use experiential rewards? Today’s consumer is looking for more than just branded swag; they seek a more authentic connection with the brands they love. In a sea of noise and cliches, today’s consumer wants to be rewarded with something that is really “once in a lifetime,” so novelty and premier access are more important to customers than ever before. Enter experiential rewards.

These types of rewards show consumers that they are elite and special. However, they require a brand going the extra mile for their customer to truly say thank you for their loyal business. Here at BigDoor, we see these sorts of rewards at the heart of reciprocal loyalty. Rather than rewarding customers with something they will likely never even wear (like an XL t-shirt with your slogan on it) or use (seriously...a pen? you rewarded
them with a pen?!), why not give them something to truly shoot for?

We’ve found that the more exciting and premier the rewards your brand offers are, the more intensely encouraged the customer is to join your program, participate in your incentivized actions, and ultimately become loyal to your brand.

One of the best parts of experiential rewards is that any size brand can offer them to their customers to help build loyalty. Enterprise companies tend to have more capital to put behind these types of campaigns, but even small brands can do amazing things through experiential rewards. For example, take Sprout It’s #growinspired backyard takeover campaign.
Sprout It is a small startup that offers an app to help gardeners grow their own plants and vegetables through customized planting and harvesting tips. Their backyard takeover campaign offered customers the chance to win awesome gardening prizes, with one lucky winner winning a $1,000 gift card to Home Depot, along with a professional, custom design for their own backyard. To enter, customers simply had to upload photos to Twitter and/or Instagram of their own backyard projects.

Not only did Sprout It receive hundreds of entries (which is great for their small community), but they saw an explosion of the amount of customers who downloaded their app before or after entering the contest. When brands reward with experience, the results can be fantastic for both the brand and the consumer, making loyalty truly reciprocal.

**Social Media**

Social media, social media, social media. We are continuing to be amazed at how social media is truly
impacting the customer loyalty space. It has provided companies with both a way to communicate with the masses, and to enhance their existing loyalty programs with new experiences and rewards.

Companies today are beginning to understand just how critical great service is to establishing trust and seeding loyalty. Before social media, customer service was conducted mainly through email and phone calls. Today, companies can answer customer needs via social channels like Twitter, Facebook, and community forums. Companies are beginning to include budget and resources in order to make sure their social channels are staffed to help customers, in many cases as an extension of their customer service teams. This sort of customer service resurgence has propelled customer loyalty to the forefront of the conversation. Today’s brands are exploring endless ways to continue to leverage social media in order to build customer loyalty.

One way to leverage social channels for loyalty is to ask your customers what they’d like to see more
of. Customer feedback is at the heart of successful businesses and their product roadmaps, and using social media to ask customers their opinions in order to make good on their feedback is a fantastic way to foster trust and loyalty.

Another way to leverage social media is to connect with customers through directed user engagement. You can leverage your loyalty program or loyalty campaigns to drive users to “like” your company on Facebook, follow you on Twitter, and more. By establishing yet another touchpoint with your customers, you can then leverage your social media channels to educate, inform, and convert users.

Lastly, you can use social media channels to help build your brand. Today’s consumers are drawn to authenticity, and they typically want to see the personality and team behind their favorite brands. Social media offers a portal in which your brand can do just that. By encouraging users to engage with you on social media, you are extending an olive branch so they can get to know the brand on a deeper level.
All of these points combined makes social media a real game-changer for the loyalty space. If your company isn’t participating in or investing in social media, you are ultimately at a disadvantage to those brands who are. Jump on that social bandwagon already!

**Design and User Experience**

Another channel that has a huge effect on loyalty is design and user experience. While the usability of your brand’s online portals has always been important, it’s now becoming critical to the success of loyalty initiatives. Today’s consumer doesn’t just want to be satisfied and rewarded when they interact with your brand online; they want to be delighted by a unique, branded, beautiful experience. The role of design has taken a front row seat when it comes to building loyalty.

The design of the loyalty program itself has become more complicated, and therefore easier to, unfortunately, mess up. Here at BigDoor, we did some research and realized – on average – there are over 100 behind the scenes decisions that must be
made before a loyalty program can even go live. This involves questions around the set up of the program’s economy, rewards, redemptions, and so on. To provide a streamlined and beautiful experience from beginning to end is hard, but it’s also become the industry standard. “Just getting by” with clunky interfaces is definitely a thing of the past. This is one of the reasons why we suggest pulling in a company focused on creating loyalty programs in order to help a brand new to building loyalty; the design and UX is critical to the program’s success.

The user experience as it relates to program communications is another hurdle that many companies struggle with. For example, you can’t just send a templated email and hope it resonates with your audience anymore. The best loyalty programs in the world have dedicated a great deal of attention to the in-program messaging, emails, and correspondence with customers. They are designing beautiful imagery, and testing the user funnels heavily to make sure everything is as easy and beautiful as it can be.
Making sure your loyalty efforts are consistent with your brand is a huge part of success. In the past (and unfortunately today, in some instances), many companies had separate site experiences for their loyalty programs and campaigns. These disjointed experiences are incredibly detrimental to the overall success of a loyalty program. Instead, the user experience should be baked into the everyday interactions they take with your brand: on the website, on a mobile device, in an app, and so on. The design of this type of multi-touch process must remind the user constantly that your brand is behind this program, and that you’re dedicated to making their experience a wonderful one.

Hopefully you can now see how design and user experience has helped some companies rise above others, and has helped them build rabidly loyal fan bases. When your brand shows customers that you care, they will return the favor. Simple as that.
Omni-channel Loyalty

Although it’s been talked about time and time again, omni-channel loyalty is still one of our favorites. For those that don’t know what “omni-channel loyalty” is, we’ve got ya covered:

What is omni-channel loyalty?

Omni-channel loyalty is a seamless approach to loyalty marketing, where a company provides a consistent experience across all devices, experiences, and interactions with their brand.

Seems simple enough, but it isn’t. Omni-channel loyalty is actually really, really hard. Issues around tracking, user sessions, cookies, and customer IDs flare up, and all of a sudden, users are getting booted out of profiles, abandoning your program altogether, and your loyalty efforts are lost.

Boooooo.
There are many reasons why companies who are taking the omni-channel approach to loyalty and online content are rising above their competitors, including the rise of the mobile landscape. Mobile usage is an exploding statistic that can no longer be ignored when brands decide which channels their loyalty programs will be available on. In 2013, mobile usage grew to 45% of all Internet interaction in America, not to mention other countries like China where the percentage of mobile interaction has officially surpassed traditional desktop usage (KPCB Internet Trends 2013). If your brand’s loyalty initiative is not accessible on a mobile device, you’re losing out on a serious opportunity for growth.

Based on this growth, we are now seeing brands push the limits around cross-platform compatibility. They are investing in engineering resources to make sure everything is not only responsive, but that the customer never feels a hiccup when they change from device to device. Some companies think that they can keep their loyalty program and campaigns confined to desktop-only interaction, but that way of thinking is a big
mistake. When creating your next campaign, you need to ask yourself:

- How can we better bridge our online and offline efforts?
- How can we better track our customers across platforms and devices to provide the best experience?
- How can we reward them for these touchpoints?

The key takeaway is that loyalty marketing can’t be siloed into multiple experiences that a user can have. It must be looked at and measured as one fluid experience that a customer has with your brand.

**Customer Analytics Reimagined**

Loyalty, in general, is a funny thing. It’s gotten a bad rap over the years for being hard to track and impossible to influence. To that, we say hog wash! Today’s marketers are armed with better analytics than ever before. We now understand how customers are interacting with our brands, what they need from us, and what makes
them come back. We can now take this data and use it to encourage even deeper engagement to build loyalty.

Years ago, companies were simply stating that a loyal user “did more” than a non-loyal user. It was a primitive formula for loyalty, but it worked, conceptually. Today, we can slice user activity in many ways to get at the heart of what “more activity” really means, and leverage the results for insights. Loyalty programs and campaigns do not exist just to make customers do more; they exist to encourage repeat visits, downloads, email captures, purchases, shares, favoriting, liking on Facebook, following on Twitter, video views, content consumption, and so much more.

Today, we have the ability to track all of these interactions across devices and user sessions. We can now truly understand what our most loyal users are doing when they interact with our brand, and what actions less loyal users are taking. We can then take these segments (sometimes referred to as “cohorts”) and market to them differently. We can personalize both the experience and communications sent out to
each group in order to provide the best outcome, both for them and our companies. It’s a win-win.

We get into tracking and measurement pretty seriously in the next chapter (Chapter 7), but for now, let’s just agree that a surge in new tools and more refined measurement formulas has helped us all elevate our loyalty efforts. We should all be pushing to best understand how we can give customers the VIP treatment from that first interaction on.

**Looking Ahead**

Overwhelmed? Don’t be. While a lot of these tips may seem outside of today’s marketer’s job description, the truth is that marketers are the people best set up to succeed at bringing together a central vision for fostering loyalty. Marketers have been playing in data, conversational channels, and beautiful customer experiences for years. They’ve seen the trends hit, and are best prepared to utilize new channels to serve customers and build loyalty.
In the next chapter, we get into the nitty gritty of measuring customer loyalty. Oftentimes, people think it’s impossible to measure customer loyalty, and it’s very much the opposite. The data is there, and we’ve seen the emergence of new tools, new formulas, and new approaches to measuring customer loyalty. Let’s get into Chapter 7 to learn more.
HOW TO MEASURE LOYALTY
Measuring loyalty is hard; we aren’t going to pretend otherwise. But the truth is, measuring loyalty is getting easier. When it comes to quantifying your loyalty initiatives, there are more resources available than ever before.

Here at BigDoor, we’ve been focused on coming up with new ways to measure loyalty for years, and have made serious strides in the space by creating, measuring, and evolving different approaches to measuring loyalty. This chapter covers our measurements, as well as other traditional ways to measure loyalty. Our goal is to give you a plethora of options so you can cherry pick the formulas and pieces that make the most sense for your business and current goals.

Over the years, we’ve identified that retailers and publishers approach loyalty measurement differently. In fact, each type of company has vastly different
priorities, and their customer loyalty KPIs vary significantly. However, we have seen some counts and formulas get used time and time again, and these are the metrics we'll explore in this chapter. We hope you walk away with some insights to help shape and elevate your customer loyalty measurement. At the very least, let’s demystify quantifying loyalty because it can – and should – be measured!

Getting Started

A key point to keep in mind is that a “loyal customer” actually means they are highly engaged and supporting your brand in a variety of ways. Therefore, at the heart of loyalty measurement are a number of different categories and activity counts. Before you start, you should look at this data holistically and track the actions your customers are taking, and how often they are taking them.

For companies beginning to invest in loyalty, you should have these counts tracked and a baseline established before launching campaigns or a full-on loyalty program in order to compare the before and after. You should
also be keeping a control cohort as a benchmark (more on this very important piece in a bit).

**So How Do You Measure “Engagement?”**

Traditionally, online marketers look at factors such as:

- Has a user logged in, registered, or joined our community (i.e. registration)?
- How often has the user visited our site/product (i.e. frequency of visit)?
- How long is an average visit (i.e. length of visit)?
- How often does the user return (i.e. recency of visit)?
- How often do they complete your most valuable actions (purchase, download, subscribe, etc.)?
- How often do they connect with your brand socially, or advocate on your behalf (i.e. advocacy)?

The great news is that, chances are, you are already familiar with most of these KPIs. This sets a ground floor for measuring loyalty as it involves these steps and so much more.
Here at BigDoor, we know every company is focused on driving different initiatives, but all companies ultimately want to drive more loyalty (which often equates to either more conversions per customer for retailers, or more pageviews per user for publishers). We tackle measuring this complex beast by breaking it into five different categories:

5 Categories of Loyalty

- Registration
- Frequency
- Conversion
- Advocacy
- Rewards
In our experience, marketers are traditionally over-weighting the middle pieces (like conversion and frequency) and don’t track the other important pieces (like registration and rewards). Let’s dig into each of these categories to show you just how important they are, and most significantly, how investing in these five categories truly creates your most loyal customers.

**Registration**

Marketers have always cared about acquiring new customers, but today, we need to register them into either a loyalty program or as authorized members. Registration is at the heart of driving the entire lifecycle. By registering your anonymous users, you are able to better personalize their experience since you have collected more information and behavior data, and have more communication opportunities to reach them directly.

Whether you are a retailer or publisher, you need to be driving anonymous visitors to register; only then can you learn enough about them to truly meet their
expectations and seed loyalty. One key way to drive users to register is by showing off the benefits of joining your community or loyalty program. Oftentimes, this includes discounts, perks, and/or rewards.

**When measuring registration, you should be measuring:**

- How many total people are in your loyalty program or community?
- How many new people have registered into our loyalty program or community (week over week, or month over month)?
- On average, how does the engagement of registered users versus anonymous users differ?
- On average, how does the value per user change based on registered versus anonymous cohorts?

BigDoor specifically likes to look at the registration lift percentage based on how you encourage registrations. Are you popping up an onboarding modal? Are you emailing users to register? Are you showing users rewards they could get if they register? Are you
messaging a certain angle to get them engaged? These actions all drive different results, and can help you iterate to achieve success on your registration numbers and goals.

As marketers, we need to pay attention to more than just exposure to new visitors and customers, and focus on getting users to register so they can become repeat visitors and customers. But boosting registration can be challenging, even for the most seasoned marketers.

**Here are a few ways you can boost registration for your brand:**

- Sign up for community CTA
- Join the loyalty program CTA
- Pop up modal showcasing benefits
- Email campaign to register
- Opt-in to join/register in newsletter
- Benefits for registering called out clearly

Growing your community and/or loyalty program is at the heart of so many successful loyalty marketing
campaigns. You need to know who your customer is if you want to make them fall in love with you. It’s as simple as that.

**Frequency**

Marketers have always understood that someone who comes back more often is more loyal than someone who doesn’t. This occurrence is most commonly called “frequency” in the marketing world. In addition to how often someone visits, you can also lump in the concept of “recency,” which speaks to how often someone comes back in a pre-determined time period.

For example, a visitor might come to your site four times in four days (that’s high recency), but all four of those visits might occur on the first day of those four days (that’s high frequency). The aim is, of course, to increase both the frequency of visits as well as the recency of those visits in order to build loyalty.

There are many opportunities for a brand to engage customers through investing in visitor frequency. When
your visitors come back more often, you have more opportunities to market to them and make a sale. There will be much higher engagement with your brand, and more chances for you, as the brand, to win their loyalty. All of these opportunities are key to staying front-of-mind and winning brand affinity.

But how does a brand encourage frequency through their communities? We all know that frequency is important, but where do you start? Below are a few ideas you can leverage in boosting visitor frequency from your customers.

**Here are a few ideas you can leverage in boosting visitor frequency from your customers.**

- Reward for visitor frequency
- Leverage game mechanics
- Call out community/program benefits
- Refresh content often/keep valuable
- Use drip email campaigns to encourage visits
- Increase cadence through campaigns
While we know frequency is a critical piece to note when measuring a customer’s loyalty, we think that marketers stop there all too often. At BigDoor, we see frequency as an important piece, but not the whole picture. Let’s explore some of the other critical areas we need to be measure to accurately gauge loyalty.

**Conversion**

Conversions matter. In fact, they are at the heart of the matter. If you are spending marketing dollars but are not trying to drive conversions, you are doing it wrong. As it relates to loyalty, we acknowledge there are two distinct camps of conversions: those that are revenue-based, and those that are engagement-based.

Different loyalty campaigns have different goals. Sometimes we are trying to drive repeat purchases or transactions, and other times we are trying to drive engagement, like visiting a page, watching a video, downloading a resource, and so on. All of these are important for different reasons, and tracking them as part of determining how engaged someone is with your brand is critical.
At BigDoor, we spend a lot of time tracking and measuring conversions across the lifetime of a user to help brands understand just how “loyal” their customers are. Below are just a few of the many conversions we believe brands should track:

- Purchases
- Page views
- Video views
- Downloads
- Emails submitted
- Comments
- Reviews
- Quests completed
- Partner sites visited
- Branded content read
- Newsletter signups

And so many more. In the end, it’s up to the retailer or publisher to know which actions are most valuable to the growth of the business. It’s these conversions you want to benchmark and then track as key indicators on whether loyalty is growing or not.
Ultimately, there are many ways to drive purchase-based and engagement-based conversion. Before we move on, we’ll leave with you with a few of our favorites.

**A few ways to increase conversions:**

- Set up a CRO tool
- Test your primary CTAs often
- Drop peripheral calls and forms
- Invest in clear/effective design
- Highlight both values and features
- Agree on priorities and get them above the fold

**Advocacy**

For years, marketers have understood how word-of-mouth marketing can be leveraged to grow a business. Since the rise of social media, we’ve seen the power of word-of-mouth marketing shift to social advocacy for a brand through social platforms. Brands are working to tap into the power of social advocacy, knowing it’s a great way to reach new audiences and compel them to join communities, make purchases, and more.
Few things show brand loyalty like advocating on the behalf of a brand. For example, we see this most readily exemplified by Apple lovers who tweet, Facebook, and Instagram tens of thousands of mentions and pictures about #apple a day. There is a very unique and hugely advantageous power that comes with increasing customer advocacy for your brand, evident in any Apple campaign.

BigDoor specifically makes products for brands to help them encourage their customers to share and recruit on their behalf, as that’s how important we see social advocacy becoming. Enabling your current customers to easily introduce their social circles to your brand and products allows them to be leveraged as an authentic, organic sales team for your company. These moments of advocacy result in great branding, new customers, and conversions.

Similar to the other types of rewards, there are many steps brands can take to encourage advocacy in their customers. Below are a few of our favorite tips to help your brand create loyal customers who advocate on your behalf. Give them a look, and leverage them in your next loyalty initiative!
Tips to increase advocacy:

- Provide lots of opportunities to share on your behalf
- Reward badges for sharing and support
- Launch a referral program
- Reward both referrers and referrals
- Engage personally with those who advocate your brand
- Launch an advocacy loyalty campaign

Rewards

If customer loyalty had a smoking gun, rewards would be it. The BigDoor team is still amazed at the number of companies who overlook rewards and moments of giving back as critical to customer loyalty.

Think of it this way: if all you do as a company is demand more time, effort, and money from your customer, but never give them anything back...how long do you think they will stick around? Those types of one-sided relationships are short-lived. There is no reciprocity, and no mutual love between customer and brand. This measurement is when your competitors swoop in and snag them. Sad truth.
So what do we mean when we say rewards? We mean any moment you give back to the customer and thank them. These moments can be an actual reward like branded swag, sweepstakes entries, or experiential rewards, or can be something like a coupon or exclusive access to an event or piece of content. There are literally thousands of ways you can “reward” a customer for their investment in your brand. Check out a few of our favorite ways brands can reward their customers for taking loyal actions.

How to increase participation in rewards:

- Showcase rewards front and center
- Make rewards relevant and special
- Stress experiential rewards over tangible
- Make reward redemption easy and seamless
- Communicate clearly at every step
- Refresh rewards often to keep users engaged

The key to rewards is to actually take the time to create and execute them. When we talk about measuring customer loyalty, rewards are as a spot-on indicator of whether someone will be loyal or not. Have you offered
up a reward? Have your customers redeemed these rewards? Simply put, is there existing reciprocal loyalty between you and the brand?

If you aren’t measuring these moments of interaction between brand and customer, you aren’t able to measure customer loyalty. It’s these very personal moments of appreciation between a brand and a customer that drive some of your most loyal and vocal fans.

Cohort Marketing: The Key to Personalized Marketing

Now that we’ve outlined the five key categories you need to be tracking, let’s talk about one of the most important pieces to all of this: cohort marketing. Admittedly, many marketers think this sort of analysis is out of their reach; “too complicated,” many would say. But the reality is that if you aren’t doing cohort marketing, you can’t possibly be personalizing your experience and marketing for your biggest gains.
Cohort Marketing
Breaking your audience into groups based on their similarities, behaviors, or other attributes, and tailoring your marketing efforts accordingly.

It seems simple, but this piece is overlooked more than you would think, resulting in “spray and pray” marketing to the masses. Let’s jump into a few ways you can leverage cohort marketing, specifically as it relates to understanding customer loyalty.

First, before kicking off a loyalty campaign or loyalty program, you should have a control cohort. BigDoor is adamant about this with all of our partners, and so many of our competitors aren’t (whatttt?!). You always need to keep a group of your audience that is not exposed to your program in order to measure their engagement, and value it against those who are in the program. This measurement is the only true way to show that the loyalty effort you rolled out influenced customer loyalty levels, and to what degree. Please promise us...you will NOT just roll out blanket experiences and not keep a control cohort. Please. Pretty please. Good. Glad that is settled.
Second, when you have the five main categories tracked, you can begin building “exposed” user cohorts. This is when things get real interesting. Under each category, you have identified counts you want to track, and you can begin to see which users are at the high and low ends of each category. Take this example under the “frequency” category:

Let’s say you are looking at the last 30 days of activity. You can then compare the frequency of those in “your control cohort” to those in your “exposed cohort.”

From there, you can see the ranges of frequency of those in the “exposed cohort.” You can then take the average frequency rate and build “low frequency,” “average frequency,” and “high frequency” cohorts. This simple cohort analysis is already very valuable. From here, you can explore the users who are coming back often, and understand what is triggering their activity. This analysis will help steer your marketing activities, as well as your customer success efforts. The real magic comes in compounding these categories for more complex cohorts, called “sequenced cohorts.”
Now, stick with us! Let’s pretend you’ve established your standard cohorts, and the results broken into the five categories of loyalty look something like this:

**Registered**: A control cohort, an exposed but not registered cohort, and a registered cohort

**Frequency**: Low, average, and high cohorts

**Conversion**: Low, average, and high cohorts

**Advocacy**: Low, average, and high cohorts

**Rewards**: Low, average, and high cohorts

From there, you can come up with some pretty nifty sequenced cohorts. The goal out of all of your cohort segmenting is to find out what group of your user base is “registered, comes back often, converts a lot, advocates, and gets rewarded.” This cohort is your premium loyalty group (as shown in the chart below), and is the most important customer group you have.
### Premium Loyalty Cohort

<table>
<thead>
<tr>
<th></th>
<th>Registered</th>
<th>Frequency</th>
<th>Conversions</th>
<th>Advocacy</th>
<th>Rewards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cohort 1</td>
<td>NO</td>
<td>HIGH</td>
<td>HIGH</td>
<td>LOW</td>
<td>LOW</td>
</tr>
<tr>
<td>Cohort 2</td>
<td>YES</td>
<td>LOW</td>
<td>MEDIUM</td>
<td>HIGH</td>
<td>HIGH</td>
</tr>
<tr>
<td>Cohort 3</td>
<td>NO</td>
<td>HIGH</td>
<td>HIGH</td>
<td>LOW</td>
<td>LOW</td>
</tr>
<tr>
<td>Cohort 4</td>
<td>YES</td>
<td>HIGH</td>
<td>MEDIUM</td>
<td>MEDIUM</td>
<td>HIGH</td>
</tr>
<tr>
<td>Cohort 5</td>
<td>YES</td>
<td>HIGH</td>
<td>LOW</td>
<td>HIGH</td>
<td>HIGH</td>
</tr>
</tbody>
</table>

Once you know how many of your customers qualify, you can begin identifying behaviors and encouraging your other customers to be more like them. Your marketing messages will likely change, your communication will adjust, and ultimately, you will be more effective in turning your average customers into your most loyal ones.
Hopefully you can now see how important it is to not only track the many parts of customer loyalty, but to use them to build cohorts and personalize the customer experience accordingly. Blanket marketing of yesterday no longer works. The bar has been raised on measurement, and we as marketers need to take advantage of the data available to us and use it to market more effectively.

At BigDoor, we can’t stress the importance of cohort marketing enough. We understand not all teams are set up to track at this level, and this is why BigDoor builds tracking these points into our technology. With both our loyalty campaign and loyalty program products, we measure a variety of counts, and report on both the control and exposed cohorts. We want our partners to truly understand what’s working and what isn’t. If you aren’t set up to measure everything covered in this chapter in-house, we suggest looking at tools or technologies to partner with.
Conclusion

That was a lot to run through, but we hope it was helpful. There are so many ways to measure customer loyalty, but we believe this framework is the most effective. As you begin to plan your next loyalty initiative, be sure to measure customer registration, frequency, conversions, advocacy, and rewards to benchmark your success and to guide your decisions.

Also, keep cohort marketing top-of-mind as it is the key to getting the most meaningful data out of your loyalty initiative, and be sure to implement the frameworks we covered to help your brand make smart marketing decisions.
CREATING A CULTURE OF LOYALTY
By now, we’ve made the case for building loyalty, and hopefully you are ready to begin steering customer loyalty at your company. However, there is one last hurdle to jump: selling everyone else on your team on the concept and importance of loyalty. Don’t get down, friend! We’re here to help.

This chapter covers tips on how you can create a culture of loyalty at your company. Like we myth busted in Chapter 2, loyalty does not happen organically; it’s very much the opposite. Loyalty has to be created, nurtured, and continuously invested in.

That’s where you come in. You (or possibly someone else on your team) must be the champion to create a culture that is focused on cultivating customer loyalty. Which begs the question...how exactly does someone create a culture of loyalty?
5 Tips for Creating a Culture of Loyalty

#1 Get Top-down Support

As is the case with any cross-company objective, you need to make sure the executive and leadership teams are aligned with your loyalty building goals. Before you can possibly get the resources you'll need to succeed, you must get buy-in. We've found that setting a meeting with management to walk through the company’s current efforts and pointing to competitors or like-minded companies’ efforts can go a long way. Show off what the trendsetters in loyalty are doing, and express your passion around helping your company level up to their standards.

We also find that data always helps. In Chapter 7, we armed you with some great formulas and KPIs to point to in order to show off areas where you are doing well,
and to highlight areas where you can improve. It often takes a simple case made with a few bulleted points to remind the management just how important customers are to growing your business.

If meetings and data don’t work, we suggest asking for a piloted program or campaign. This option works well at companies with many moving parts and aggressive goals. Simply outline a bitesized campaign (possibly improving customer communications, or testing a referral program), and present it as a pilot. Pick one that requires minimal company resources, and deliver the before and after results. The case usually makes itself.

Investing in the customer tends to return big for most companies. Don’t be afraid to put yourself out there and champion this cause to the higher-ups. Most times, it’s not that a company doesn’t want to invest in loyalty; instead, they don’t know where to start. Hopefully this guide has given you the confidence to jump on in and lead the way.
Communicate and Educate Cross-Company

This is where the fun starts. When you have the support of the management team, the next step is to rally the troops. We suggest that during a lunch hour, over pizza, you gather as many interested parties as possible into a room and talk loyalty.

Take an hour and educate the masses on how important customer loyalty has always been, and how it can be used to specifically elevate your company in the market. Show off some of the stats and tables we’ve presented here in this book, and let your coworkers get excited in their own right around how much customer loyalty can do for their teams and goals.

Customer loyalty has been and always will be a cross-company initiative, so it cannot exist in a vacuum. For your company to see real success, you will need to have people championing loyalty efforts on all of your teams: product, customer success, engineering, marketing, and more. Often times, getting team buy-in is just a matter
of handing passionate people some data, and allowing their creativity to take charge. You’ll be amazed by how many ideas your teammates will have on how to improve the customer experience and foster loyalty. To keep everyone up-to-date on your loyalty progress, set up a monthly or quarterly mailer that goes out to the company to report on the company’s loyalty campaigns and results. This sort of cross-department communication can go a long way in both spotlighting those efforts that have worked, but even more importantly, keeping the excitement growing for customer loyalty at your business.

In the past year, we’ve seen a shift in who owns growing customer loyalty for a brand. Customer loyalty is still a cross-departmental initiative, but it is traditionally led by a personnel resource or an entire team of people focused on customer retention and loyalty. Often, you see a Loyalty Manager or Retention Manager that is
responsible for the majority of what this guide has walked through: championing the cause, collecting customer data, launching loyalty campaigns, reporting on performance, and ultimately reducing customer churn and growing loyalty.

It’s an exciting time to be in the loyalty space, because much of what we’ve been working on for years is finally getting the attention and resources it deserves. We believe that over the next few years, you will see more and more companies create teams dedicated to building customer loyalty outside of their regular organizational structures.

If you are kicking off a loyalty initiative at your company, we suggest staffing a dedicated resource to your cause. Perhaps you borrow some time from your best customer service associate, or from your product marketing team, or maybe you hire in for the role. Below is a quick list of the attributes we find best serve an employee to take on the challenge of championing customer loyalty.
**Experienced marketers**

Loyalty champions tend to be marketers who are well-versed with the ups and downs of the customer lifecycle and experience. They should be able to identify patterns and formulate plans to drive customers towards actions that matter.

**Remarkable storytellers**

Your loyalty program is an extension of your brand, and is driven by your brand’s story. The story told through your loyalty program is a key component of keeping customers for life or losing them to a competitor, and your loyalty champion will head this endeavor.

**Data-driven decision makers**

The person leading your loyalty initiative must understand how each moving piece is performing in tandem with the program as a whole, and should continue to iterate based on performance rather than solely on intuition.
Social media expertise
The way we talk to customers has changed dramatically with the rise of social media, and the champion at the helm of your loyalty marketing efforts should know how to leverage social channels to drive engagement and open the lines of brand to customer communication.

Cross-channel experience
Customer loyalty affects many different orgs within a business, including sales, marketing, product, customer service, design, and more. Growing loyalty is everybody’s bottom line, and your loyalty champion should be a master at working cross-functionally between teams.

No matter where you start, keep in mind your loyalty champion needs to thoroughly understand the needs of the customer, and really get data. To keep the momentum going around customer loyalty, keep your initiative data-driven and let the results make the case for you.
Show Them the Numbers

Whether you start with a pilot loyalty campaign or kick off with numerous loyalty efforts, make sure you are reporting on the data often. Make the data easy to access and understand, and spend a good deal of time summarizing the takeaways. When it comes to making progress, reporting on the data is gold.

Another suggestion for your monthly or quarterly reports is to acknowledge your colleagues that are going above and beyond as their work relates to customers. Make this digest company-wide, and not from one specific department (unless it’s the loyalty department) so that everyone feels included in the cause. When acknowledging specific people, you might also want to reward or incentivize their efforts with gift cards or thank you notes (bringing the concept of reciprocal loyalty full circle!).

Encourage questions from your peers around the data, and be prompt in answering them. Remember
that loyalty measurement and tracking can be quite confusing to most people (including many of your executives, we bet), so don’t be afraid to err on the side of over communicating.

#5 Show Them the Stories

Outside of the numbers, there is another important piece to evangelizing internally: sharing customer stories. A great story is, in fact, one of the most compelling pieces to all of this. What better way to get your company excited about the customer than by sharing their stories?

As marketers, we’ve always understood the power of a good customer story on our product pages. We understand how great a strong testimonial can be, and that power translates internally. Start sharing how your customers found you, how they use your product and/or service, and what they think about their experience. Share the ideas customers have for your brand to
improve, and share how much they appreciate all you do. By breaking down the wall between the employee and the customer, you are creating a different type of loyalty – one that is based on real stories.

You can start small by sharing the tweets customers tweet at you, or emails they send through the feedback form. Wherever you start, focus on giving the customer’s voice some air time. If you can swing it, we suggest shooting short videos of some of your customers where you ask them to reflect on your service and brand. Hearing customer testimonials in their own words and voices brings customer-focused marketing to a whole new level.

If you want to go a step further, you could even shoot videos of your employees talking directly to your customers. What are they working on, and what are they excited about? How do they view the customer and their needs? It’s this two-way storytelling that propels some companies to the top of their markets, and is exactly what we mean when we say “reciprocal loyalty” – a mutual dedication to improving each other’s story and, in the process, building two-way loyalty.
Those are our top tips for creating a culture of loyalty. Next up, enjoy the final chapter in our loyalty adventure: our checklist of places for you to start. We’ve had a lot of fun walking through the history of loyalty, introducing you to new ideas, and talking tactics, data, and more. It’s time for you to take it into your hands!
TOP 10 WAYS TO GET STARTED
You made it to the end – congrats! We walked through old ways of building loyalty, new approaches, examples, stats, measurement, and more. We covered ways to build a case and culture around loyalty, and now here we are. But what’s next? How do you take this information and make something meaningful for your business?

We thought we’d walk through ten ways to get started in building loyalty. The steps below are what we consider the best and quickest ways to jump right in.

Let the loyalty building begin!
Assess Your Current Loyalty Efforts

First and foremost, you can't make progress in loyalty if you don’t know where you stand. Sit down with your teammate who seem most interested in building loyalty, and work through what you are currently doing. What channels are you using to build loyalty? What is already a priority? What has your team been wanting to do with loyalty? What tracking and data do you already have set up?

By taking the time to get a team in the room and assess your current efforts, you quickly get a sense for what has worked and what hasn’t. Only then can you create a game plan for kicking of customer loyalty building at your company.
Create a Ground Floor to Build On

Once you’ve assessed how things are going, you should have a strong sense of where you stand. In this step, it’s time to benchmark your KPIs across all five of the loyalty categories we mentioned in Chapter 7 (registration, frequency, conversions, advocacy, and rewards).

Once you have your benchmark numbers nailed down and circulated through the necessary stakeholders, you can move on to formulating your plan of attack.

Set Loyalty Goals

We all know the importance of setting goals, and building customer loyalty is no exception. You shouldn’t embark on any new marketing initiative without setting goals first. Your goals will vary depending on your business objectives, and also on where your benchmarking exercise left you.
Set clear goals for the upcoming quarter, and then make sure the entire team understands them. Ensuring that your team has an understanding of where you are starting and that you’ve set realistic loyalty goals are keys to success in this step.

You might even suggest printing your goals off and getting them up on the wall as an easy, top-of-mind reminder to everyone at the company of what your priorities are.

Establish a Loyalty Champion

It is impossible to create a culture focused on customer experience and loyalty without a champion; we can’t stress this step enough. It is very likely there is someone already at your company that is best suited for this responsibility. Choose the person who is already asking how decisions will affect customers, who is always putting the customer first, and who pushes hard for excellence in experience and service. That person is your champion.
By empowering this person to be externally recognized as the customer loyalty champion, you show the company that the company is serious about prioritizing these efforts.

Get Top-down Support

Once you’ve selected your champion, it’s time to get top-down support. Set a meeting with your executive team and present your case around building loyalty. Whether you are pitching a pilot program or a full-blown cross-departmental team, you will need the support of the higher-ups to see success on the customer loyalty front.

The good news is that management should already be putting the customer first, and often it’s the cancellation/churn rates that are most concerning to them. Investing in loyalty should be a pretty easy case to make, particularly if you’ve done your research, established a champion, and present your executive team with a plan.
We wish all of these steps were possible without money, but just like any other part of a business, building loyalty takes a budget to become operational and effective. To see real success on the customer loyalty front, you will need to invest in feedback channels, resources, design, content, and more. Launching loyalty programs and campaigns, and investing in rewards do, in fact, cost money.

There are a number of ways to lessen your upfront costs (we talk a lot about these tips over at the BigDoor blog), but making a case for budget dedicated to customer loyalty is the best-case scenario. The good news is that you’ve read this guide, and now you have an arsenal of ways to approach customer loyalty measurement. Based on what you know, you can quickly demonstrate the ROI of your loyalty efforts efforts to receive higher budgets.
In step #1, you are assessing what your company has done in the past around building loyalty, and in this step, you assess what resources you have available to make a difference moving forward. Examining your resources will help you best allocate the budget you just got approval for, and also help you understand where your lowest hanging fruit lies.

It’s likely that you have great resources available, and examining what you already have can help you use them efficiently. Do you have a great designer with some time on their hands? What about a content writer? Or one of your analysts? Do you have a product manager that is particularly passionate about the customer voice? Whatever resources you have, there is likely a project around customer loyalty that you can leverage them for. It’s important to know what you have available and even more important to know what you will need to bring in to succeed.
Leverage Your Community

Speaking of resources, one of the first resources you should assess and leverage when driving customer loyalty is your existing community. Can you leverage your community for feedback? Can you pick a few members to create a customer advisory board? Can you use them to poll sentiment or current brand affinity? Anything your community can give back on how loyal they are as current members or customers is a great way to get a pulse on where you are starting from, and how far you have to go.

If you don’t have a community yet, don’t fret. This might mean you simply have to work smarter to get an initial gauge on customer loyalty, but over time, you’ll hopefully have a number of feedback channels set up.
Create Personas and Begin Work On Your Cohorts

Here is where the real work comes in, but trust us, it will pay off. Revisit Chapter 7 around measurement and start thinking about how you can break up your current audience and/or customer base into personas or cohorts. This preliminary work will not only help you measure loyalty more effectively, but will also help you market more effectively.

To drive customer loyalty, we must be personalizing our messages and marketing campaigns to create exceptional experiences. This type of marketing is impossible without understanding our personas and building out cohorts. It’s time to leverage that data and use it to your advantage.
Begin Exploring Options

You’ve put in the preliminary work, you’ve done the research, made the case, found a champion, got top-down buy in, and even finagled some budget to get moving on customer loyalty...but now what? Based on what priorities you’ve decided to focus on, you can begin exploring loyalty options.

A good place to start is looking into launching a loyalty program or campaign. If a program or campaign doesn’t hit the spot, maybe it’s time to rework your rewards or invest in your customer feedback channels. Perhaps the lowest hanging fruit comes in customer service enhancement, or even in better onboarding. Now that you have all the pieces in order, you should be able to jump right in and make real progress in driving customer loyalty.
Congratulations! You’ve made it to the final page of the Marketer’s Guide to Customer Loyalty. Thanks for sticking with us through this journey, and for expanding your loyalty knowledge with BigDoor. We hope you’ve learned new tips and tricks to help your brand double down on your loyalty building efforts, and know what it takes to plan and execute a successful loyalty initiative.

We’d love to help you take the next step of your brand’s journey to lasting customer loyalty. For more information about BigDoor’s customizable Loyalty Program and Loyalty Campaign products, drop us a line any time at team@bigdoor.com.

If you’re interested in learning more about the newest trends in the world of customer loyalty, check out the BigDoor blog (bigdoor.com/blog) and follow us on Twitter @BigDoor.

Happy loyalty building!
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