2022 Customer Loyalty Trends

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Now more than ever, customers are leaving brand loyalty at the door. For many customers, it doesn't matter if a product has been their favorite for 20 years – if a new brand can provide a better experience or prioritize the consumer's values and needs better than another, there's a good chance brand loyalty is at risk. Not to mention, COVID-19 caused customers to reassess their loyalties and brands out of necessity – product availability, supply chain disruptions, business closures, and more resulted in customers looking for alternative brands and products. New entrants to market, many digitally born or digitally driven, have also challenged reputable brands that have worked for years to establish brand loyalty and consumer trust.

So, how can retailers drive and maintain customer loyalty, particularly in an increasingly competitive market?

It starts with the customer experience. Below we highlight five customer loyalty trends that retailers should be mindful of to drive, improve, and retain loyalty among customers.

TREND #1

Digitalization and contactless payment

Digital platforms saw massive growth during the pandemic. Companies needed to reinvent themselves, and digitalization was essential in keeping revenue flowing, paticularly as people become accustomed to having orders and payment methods at their fingertips. The switch to digital was a way to keep money coming in, but it was also a strategic customer loyalty play. By creating comprehensive apps and online experiences, companies were able to show consumers that they were ready and able to meet their needs and were taking active steps to make their purchasing journey seamless and convenient.

Through digital platforms, companies are focused on providing a seamless connection between their customers' purchase history, rewards platform, and order management. Companies are also focused on creating a contactless payment experience. Contactless payment and online ordering are beneficial for companies because they promote and enable the ease and convenience of at-home shopping. With the digital approach, consumers are interacting with the company's app or website more frequently, ultimately providing the company with more data on the consumer.

Through digital platforms and easy payment options, brands can foster consumer loyalty by supporting consumers on their path-to-purchase journey, delivering seamless interconnectivity, and providing options, ease-of-use, and convenience.

TREND #2

Customer engagement through in-app games

Games are engaging and interactive. People of all demographics enjoy games, which is why the gaming industry has more than two billion users each year.

But why are companies like Chipotle including games as a part of their customer loyalty experience? It's about more than just providing games – companies are tapping into the gaming market because it's a way for them to keep the consumer engaged with their brand outside of purchasing activities.

If customers are interacting with the company's app to play games and earn rewards, they're seeing the brand more frequently and associating it with a fun experience. The more that customers interact with the app and the game, the more touch points, and in turn data, the company can track. Having this data allows companies to continue to adapt and optimize their customer experience to make it more engaging and further draw in their consumers.

Brands such as Red Bull, Nike, Gucci, and DHL are some of the many companies leveraging the $200 billion gaming industry by introducing gaming solutions into their rewards.
SOURCE

Furthermore, by introducing games to their app platforms, companies are aiming to bring out the competitive nature of their customers and boost engagement. Gamification drives customer retention and loyalty by leveraging the psychological aspect of achievement. Customers want to make it to the next level and keep their status, so they don't want to delete the app or cancel their subscription in fear of interfering with their success or status. Ultimately, gamification can drive loyalty with engaging consumer experiences, helping to reach a new market and build a positive emotional connection between the brand and its consumers.

TREND #3

Enhanced customer service through an omnichannel approach

Companies are trending toward producing an all-service, inclusive, and omnichannel user experience. Customers appreciate the ease when all platforms for the company are cohesive and when their information is presented to them on all avenues.

Artificial intelligence (AI) has become increasingly prevalent in customer service, but now companies must connect AI from the app to the website to the store, keeping information and chat streams constant. Customers don't want to feel like they are having to repeat themselves to reach a solution to their problem, particularly if they're already frustrated. In addition to streamlining the chatbot customer service experience, the idea at the forefront of new company innovation is that "self-service is the new customer service." Customers like to know the answers to their questions and feel like they can help themselves.

Companies like Home Depot have hit the nail on the head (pun intended) in this approach. A customer can enter the product they're looking for into Home Depot's app, and the app will direct them to the exact aisle in-store and let them know if it's in stock. This way, the customer can guarantee they will leave the store with the product they came for and feel like they have found the answer themselves. The consumer has had a positive omnichannel experience, leading to a greater chance that they'll remain loyal and return for other purchases in the future.

A pleasant purchasing experience is essential for any retail brand, as a negative experience may deter the consumer from interacting with the brand entirely. Consumers are increasingly focused on taking a hands-on approach to their daily lives, with the desire for control driving this change, and they want to know that the brand can allow them to learn and discover products on their own accord.

In order to successfully do so, brands must enact ease and convenience into all aspects of the path-to-purchase, leading to improved customer retention and increased loyalty.

89% of consumers experience frustration at having to repeat their questions to multiple customer service reps.
SOURCE

TREND #4

Companies want you to do more with your rewards

A classic rewards system typically involves the customer spending money with a company and in return, accruing reward points to use for future purchases with the same company. However, this concept is changing, as customers want more than a purely reciprocal relationship. Previously, you had to spend more money to get a marginal amount off; now, companies are listening to consumers and changing this process to allow them to do more with their rewards.

A way that companies are making this change is by partnering with other companies or combining brand platforms. Through these partnerships, the user can use their rewards across companies and services. An example is Hilton Hotels and Lyft. This is an advantageous strategy for the companies – customers who were once individually loyal to either Hilton or Lyft can now be loyal to both brands, since they are able to use their rewards with either. This reward partnership is an example of brands finding innovative ways to increase customer loyalty while also broadening their consumer base.

In a 2020 Loyalty Report, 73% of respondents said they were more likely to recommend brands with good loyalty programs.
SOURCE

From partnerships to mergers, consumers want options. The ability to transfer rewards and points from one brand to another will not only expand the purchasing funnel, but it will provide consumers with flexible reward options that can lead to increased customer loyalty and retention.

TREND #5

Subscription economy is alive and well

Subscriptions have been a long-standing method for companies to maintain predictable income, which is helpful for future budgeting and has also proven beneficial for companies looking for investors. Having a subscription model in place tells investors that there is some income guaranteed, and in addition to directly helping financially, can provide companies with other benefits, such as establishing customer loyalty.

Take, for example, Panera's launch of its monthly coffee subscription. Panera's deal is that the customer pays $8.99 a month in return for a "free" coffee every day. This seems like a steal and gets customers in the door. Every time that customers choose Panera over a competitor, Panera strengthens customer loyalty. Companies continue to play on the psychology that people like to feel exclusive and invested in things, with subscriptions and loyalty programs fostering the feeling of exclusivity and keeping consumers interested.

Subscriptions programs, like Panera's, have the opportunity for upselling to help the company financially, but there is something bigger at play. The more that customers interact with the brand, the more data companies can gather. To be a part of Panera's coffee program, users must have an account, which gives Panera the opportunity to further personalize the user's experience, feed into the desire for exclusivity and convenience, and continue to gain and retain loyalty.

SaaS subscription services, a category within XaaS, are projected to see a compound annual growth rate of 12%.
SOURCE

Conclusion

Customer loyalty is blossoming from point-based reward programs, and companies are exploring other avenues to grow and maintain customer allegiance. The trends discussed in this piece highlight how companies are looking to create the best experience for their customers and the tools they are using to do it, all with the ultimate goal of driving customer loyalty in retail.

Through digital platforms, companies are creating an omnichannel experience where customers can manage their orders, rewards, and subscriptions all in one place. Going digital not only presents consumers with greater convenience, but it also allows companies to collect more data and tailor the user experience to each of their customers' interests.

Most importantly, however, companies are targeting customer loyalty by working to show customers that they are as loyal to them as the customers are to the company. Through in-app games and brand partnerships, companies are hoping to provide an enhanced customer experience, encourage brand interaction, and provide flexibility in their rewards. We will continue to see companies leveraging data to personalize the customer experience through digital platforms, omnichannel experiences, and flexible rewards, all in an effort to better drive and maintain customer loyalty.

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