

THE SPLIT PERSONALITY OF LOYALTY

The Maritz Motivation | Wise Marketer
Loyalty Landscape Study





WELCOME TO THE POSTMODERN ERA OF LOYALTY

For some time, we have anticipated that a revolution in customer marketing was just on the horizon. Now, in the blink of an eye, we find ourselves enveloped in that change. We are living in a postmodern era of customer loyalty where the known and accepted patterns of interaction between loyal customers and brands is morphing at a surprising rate. Do you feel equipped to harness that change?

In talking with peers, clients and readers, we have found that almost everyone acknowledges they are struggling to fully capitalize on these shifts (and those that claim confidence probably just aren't paying attention). That's why when we commissioned the research underlying ***The Maritz Motivation | Wise Marketer Loyalty Landscape***, our goal was not to simply define

where that change has landed us today. Instead, we focused our efforts on uncovering consumer insights that you can use to stay ahead of the curve when designing more effective loyalty strategies. In that process, we also uncovered the key insight of this report: the two distinct personalities of loyalty and how to best engage each.

This report is just a snapshot of the rich treasure trove of insights that more than two thousand US consumers shared with us. We hope you find inspiration in the practical suggestions built on this research. And we encourage you to continue the conversation with us, especially if you are interested in a deeper dive into the data or in exploring how you can put it into practice for your business.

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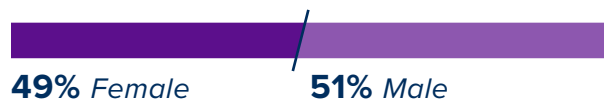
OUR METHODOLOGY

Data collected in March of 2019



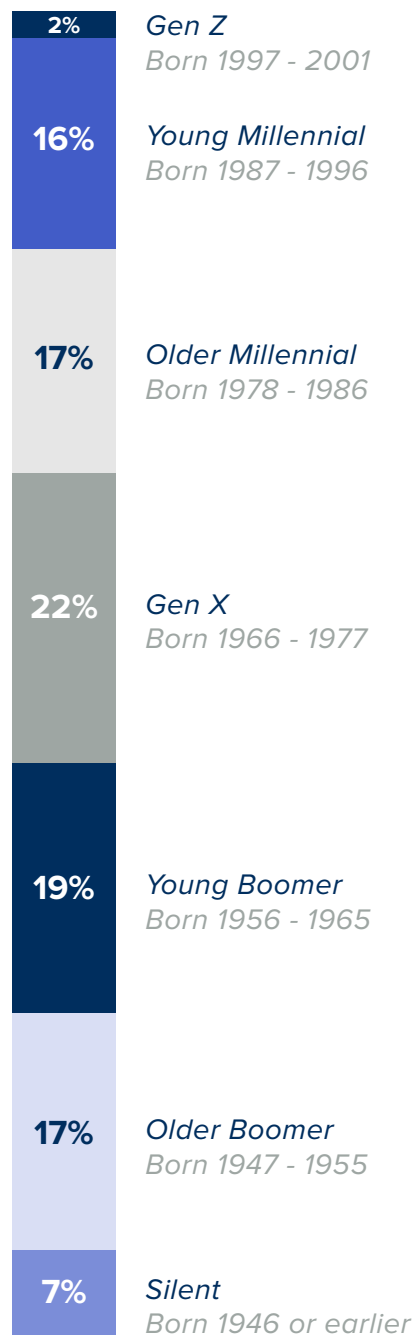
Participate in a points-based
loyalty program

GENDER



Respondents are purchase
decision-makers in one or more
categories: Banking Services,
Credit Card Services, Automotive
Services, Hospital Services,
Hotels, Airlines, Retail

GENERATION



THE SPLIT PERSONALITY OF LOYALTY

SEVENTY PERCENT OF ALL CUSTOMER LOYALTY IS CONTINUALLY UP FOR GRABS.

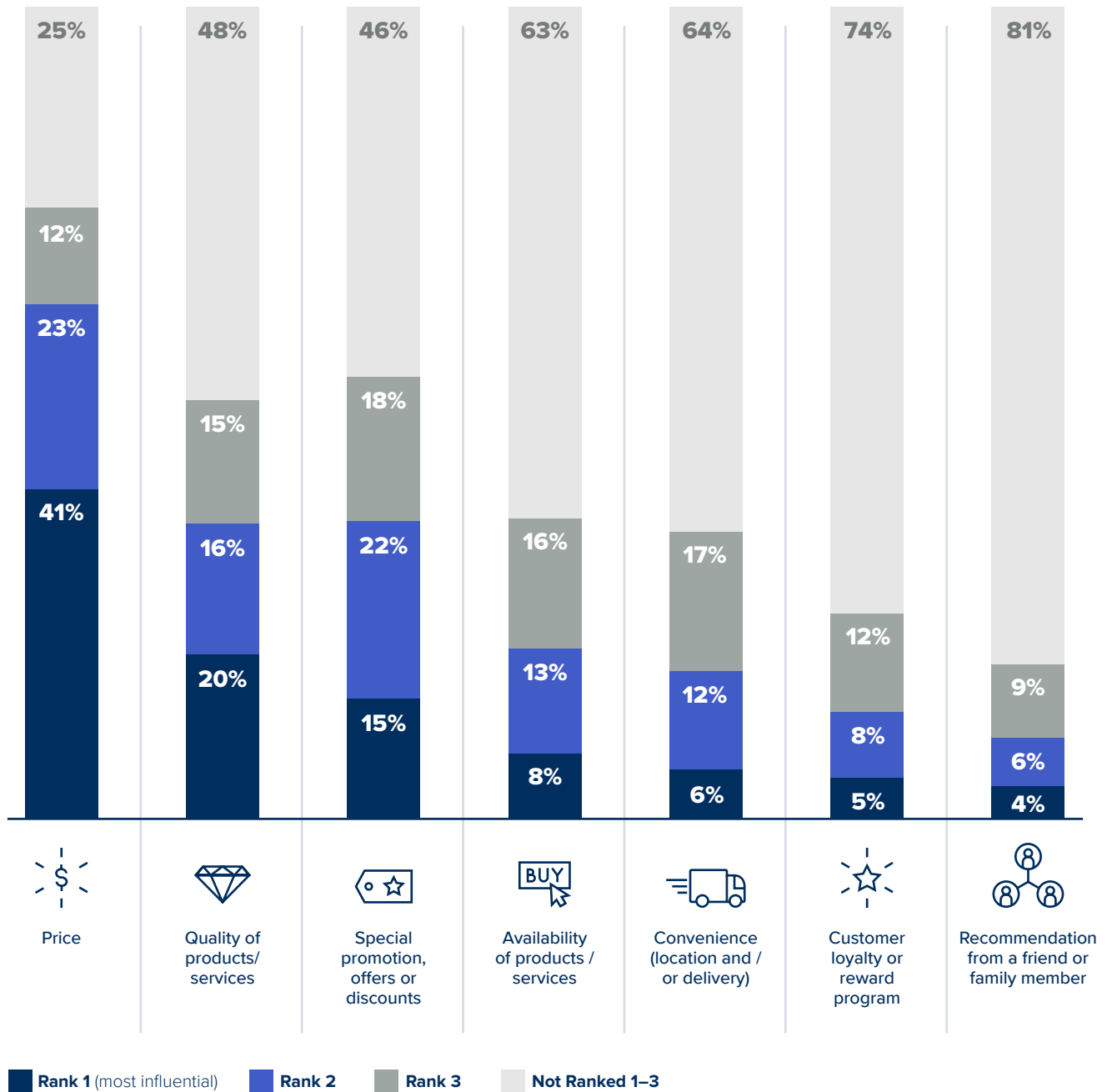
Let that sink in for a moment. Seventy percent.

Of all the new findings from *The Maritz Motivation | Wise Marketer Loyalty Landscape* study, this one insight best represents the current state of the consumer market. It illustrates the hard reality that most of your customers are likely to be receptive to offers from your competition. But it equally reveals that your competitors' customers are similarly in play, and they may be receptive to your brand's offer of a better loyalty experience.



REASONS FOR BRAND SWITCHING

Almost all consumers identify themselves as brand loyalists — only 2% of respondents claimed no brand loyalty at all. But the majority tell us that their loyalty could shift if a more enticing offer grabs their attention, citing price, product/service quality and promotions as their primary drivers for brand switching.



DEPTH OF LOYALTY

Building off these foundational insights from this year's study, we decided to specifically explore a notion we are calling **Depth of Loyalty**. Sure, customers can self-identify as "loyal" by enrolling in your program, but how loyal are they really? How secure can you be in their ongoing engagement? And is that loyalty ever truly steadfast, or is it always changeable?

By segmenting respondents specifically on how deeply committed they feel to the companies that have earned their business, we found that brand loyalty has a clear split personality: **the somewhat loyal consumers, the Ephemerals, and the very loyal consumers, the Unshakeables.**



70%

Ephemerals — Somewhat Loyal

"I buy those brands, but could be convinced to also buy from their competitors."

28%

Unshakeables — Very Loyal

"I only buy those brands, not competitor brands."

Ephemerals share the world with Unshakeables — a much smaller, but highly desirable enclave of consumers who lock in on their favorite brands and then rarely, if ever, stray from that decision.

As we looked deeper into the responses of the Ephemerals and the Unshakeables across a host of questions about brand engagement and loyalty programs, we uncovered distinct loyalty “personalities” for each — personalities that clearly set them apart from one another in their attitudes, expectations and behaviors.

This insight is important because it reveals that brand loyalty is not monolithic. Rather, the expression of loyalty varies significantly based on which personality a given customer aligns to. Understanding the personality of each group will unveil direction into how best to engage them and what behavior to anticipate from them.



“ Our world is full of Ephemerals — consumers who feel connected to brands, but whose devotion may be ever-shifting. ”

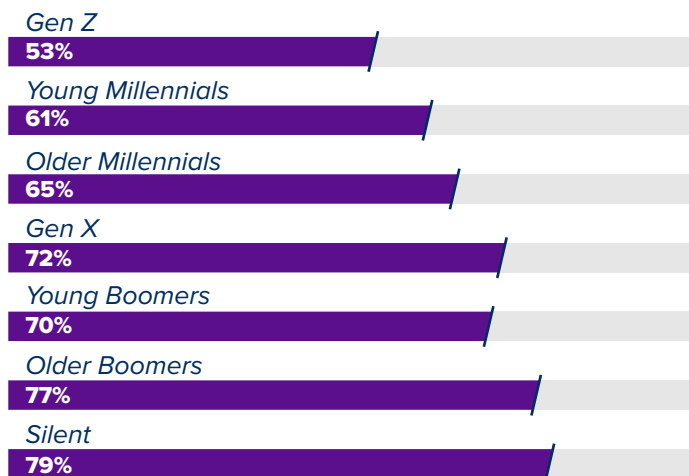
WHO ARE THE EPHEMERALS?

Ephemerals make up the majority of U.S. consumers and share two notable demographic attributes

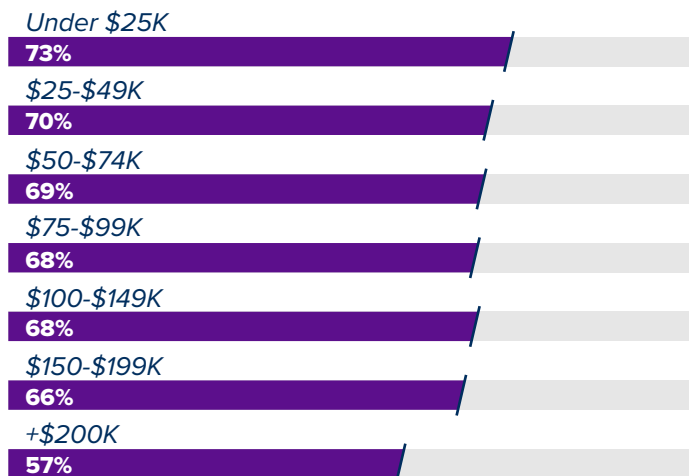
First, the older a consumer is, the more likely they are to identify as an Ephemeral. This suggests that as consumers age and mature, they become less likely to offer many brands their loyalty.

Secondly, the lower the annual household income, the more likely a consumer is to identify as an Ephemeral. This suggests that disposable income may be a factor in whether a consumer feels they can afford the luxury of locked-in loyalty.

EPHEMERALS AS A PERCENT OF GENERATION

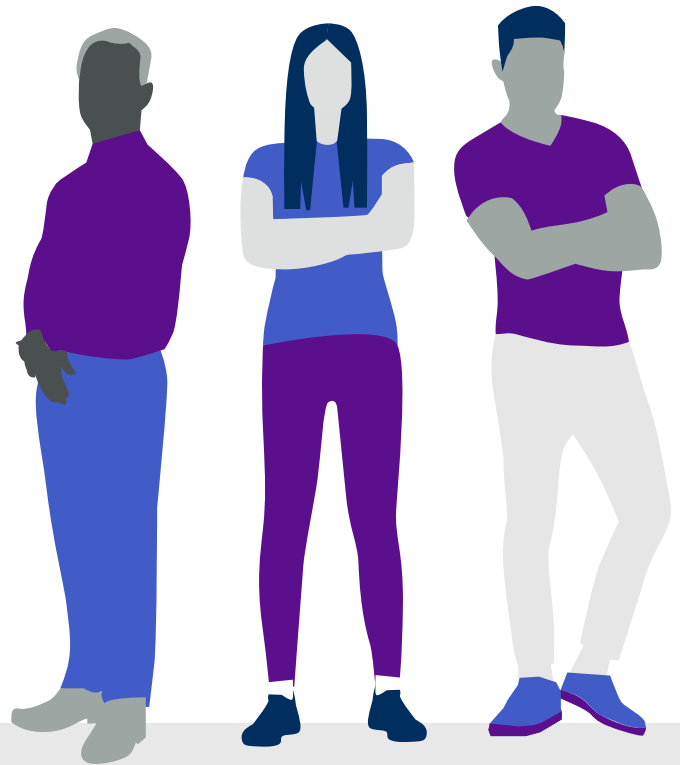


EPHEMERALS AS A PERCENT OF HOUSEHOLD INCOME BRACKET

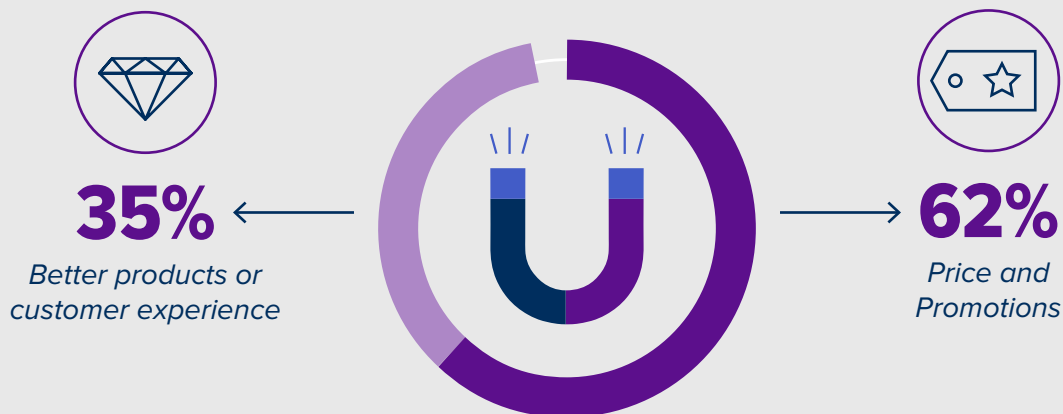


What Offers Do Ephemerals Prefer to Attract Their Loyalty?

Consumers on the Ephemeral side of the loyalty divide rarely, if ever, pledge complete devotion to a brand or brand experience. This does not mean they don't have their favorite brands — in our study, many consumers who identified generally as Ephemerals also had specific brands to which they felt more steadfast loyalty. But it does mean that most brands must continually prove their worth under the critical eye of those consumers.



What Offers Do Ephemerals Prefer to Attract Their Loyalty?



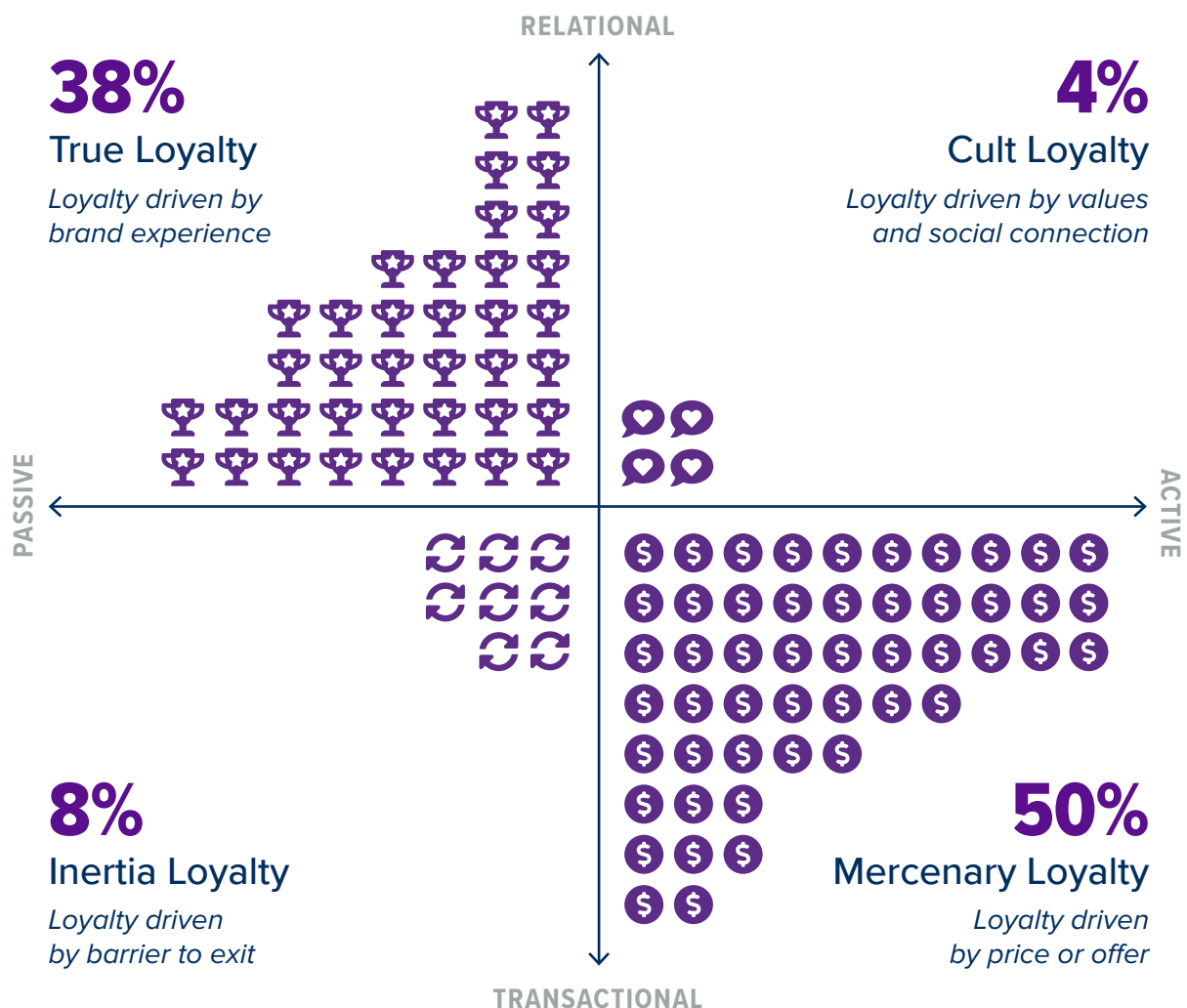
As asked in survey: When thinking about your favorite brands, which of these three benefits would you prefer a brand offer to attract your loyalty?

What kind of brand loyalty do Ephemerals most often express?

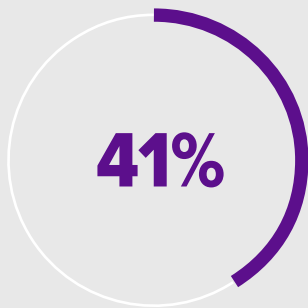
Considering the Maritz Multi-Loyalty Framework, a proprietary framework where we've identified four core types of loyalty, Ephemerals are predominantly attracted to Mercenary engagement. Promotions, discounts and reward structures all capture their attention, and will likely be required to hold it. However, they secondarily engage at the level of True Loyalty, taking into consideration the quality of your products, service or experience once you have satisfied their expectations of price.

So, Ephemerals are conscious of quality, but not willing to overpay blindly. That isn't to suggest that they never buy expensive or luxury goods. However, when they do, they will likely feel the need to articulate the product's value and rationally justify why it warrants a premium price.

Ephemerals also tend to take a more passive and reserved approach when it comes to outwardly displaying their allegiance to a brand, though they are not against actively making their opinion known if the right circumstance should arise.



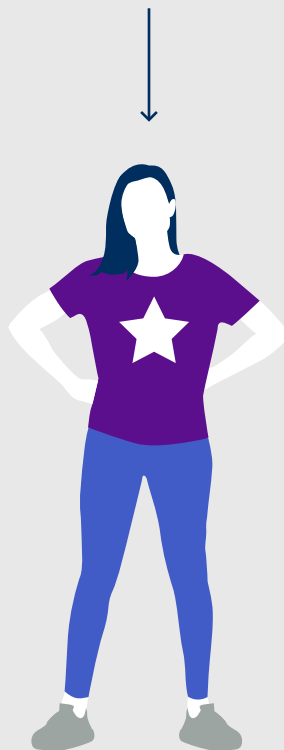
Which of these would an Ephemeral do to express brand loyalty?



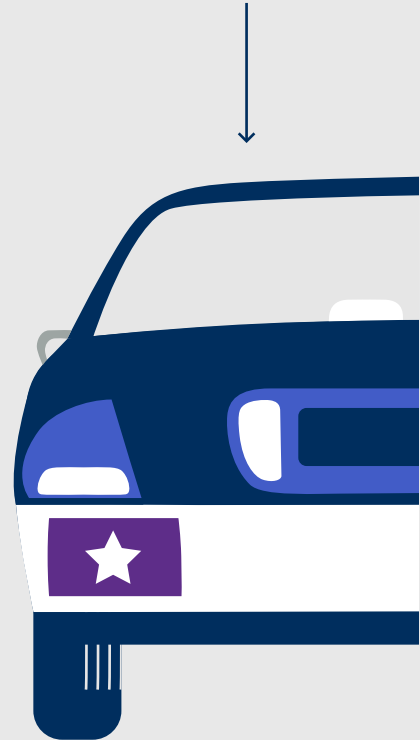
Would defend a favorite brand in an argument



Would wear a t-shirt displaying a favorite brand's logo



Would display a sticker of a favorite brand on their car

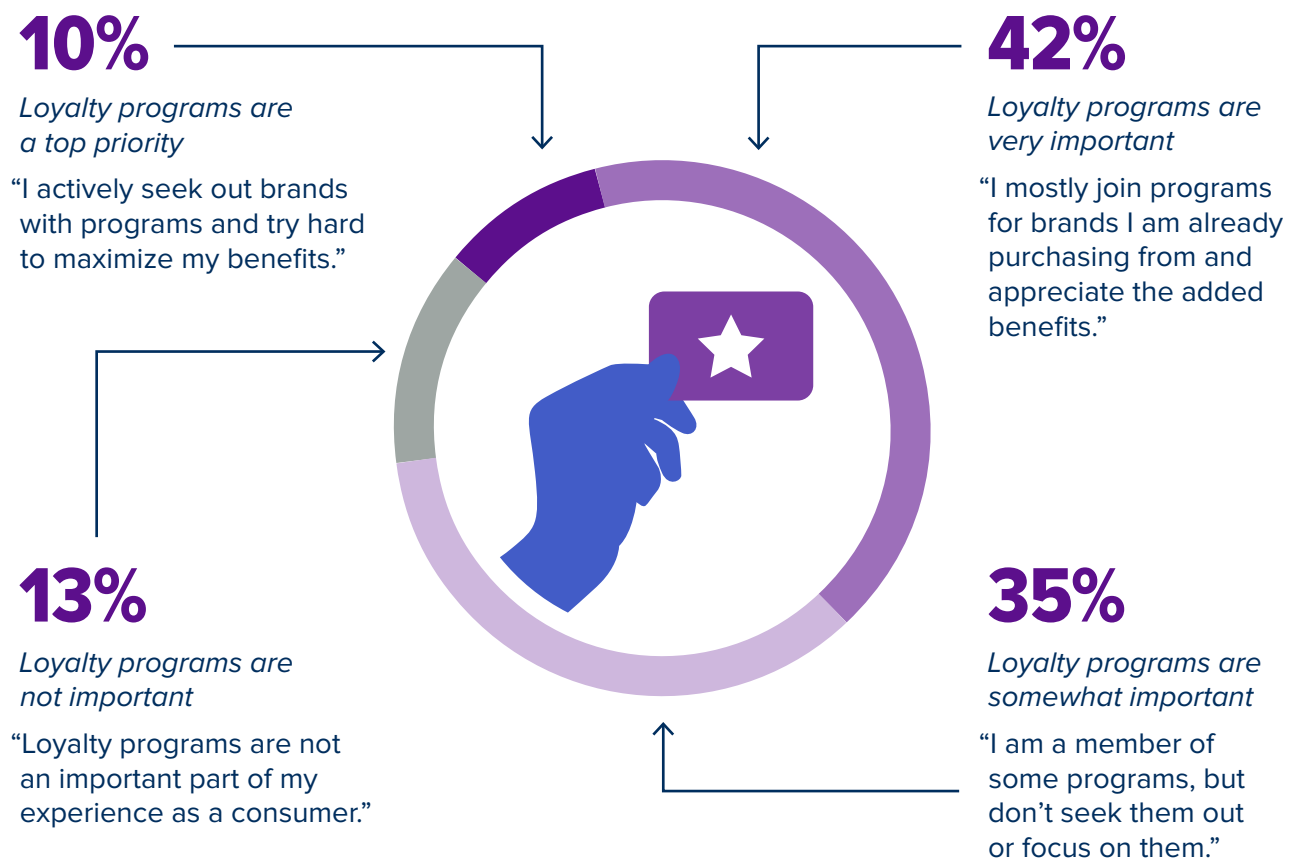


40% *Aren't devoted enough to any brand to make any of those expressions*

As asked in survey: Think of a brand that you are fanatical about. Which of the following would you consider doing?

How influential are loyalty programs to Ephemerals' decision-making?

When specifically considering loyalty programs, most Ephemerals say those programs are in the realm of “somewhat” to “very” important to their purchase decision making. Only 10% see them as a priority. This data also indicates that Ephemerals most often join programs for the brands they are already purchasing from. Ephemerals appreciate the added benefits a loyalty program can bring to an existing brand relationship, but they don't seek out those programs as a rationale for switching brands.



As asked in survey: Of the following, which statement would best describe the role loyalty programs play in your decision-making as a consumer?

Finally, when engaging with your loyalty program, Ephemerals are more likely to save their points, and may lose interest if points take too long to earn.



Focus more on saving up their points for a future redemption versus spending those points as soon or as often as possible



Cite "program benefits took too long to earn" as their primary reason for disengaging if they quit the program



As asked in survey: Why did you stop participating?

TIPS FOR ENGAGING THE EPHEMERALS

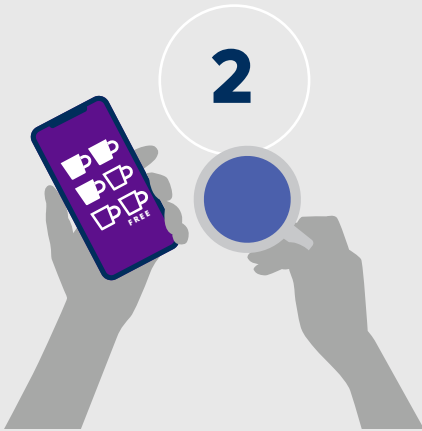
1



Ephemerals are pragmatic consumers

For them, price is the bottom line. This is not to say that they are not emotional — all human decision making is a mix of emotional and rational impulses. Rather, they are most likely emotionally satisfied when they complete a purchase that fulfills their need to balance the perceived utility with the cost to attain. As a result, they are more likely to react to value-based “What’s in it for me?” messaging. If you can answer that question convincingly, you will have their business — at least for now.

2



Make your customers immediately aware of your program’s benefits

Ephemerals make their brand decisions based on transactional considerations, so your mercenary benefits will be their focus. Ideally, some part of those benefits should be readily obtainable on a repeat basis, but at the very least those benefits should be made clear and the path to achieve them made straightforward. The Ephemerals’ inclination toward saving points suggests they can also be engaged through effective use of deferred gratification tactics, but only if their progress toward a reward goal is made tangible through periodic update messages or clear earning tracking tools on your program’s app.

3



Provide nudges and tools that help them express their brand loyalty

Ephemerals will broadcast their brand allegiance, but likely will need to be prompted first. Encourage them to share their love for your brand through structured opportunities like formal referral programs or preformatted social media content.

WHO ARE THE UNSHAKEABLES?

If you had the luxury of hitting a magic button that would immediately identify and sort your customer database by ranking their affinity for your brand, Unshakeables are the ones who would rise to the top. Unlike the Ephemerals, once the Unshakeables' loyalty is established, it's unwavering and largely grounded in an emotional connection to a brand.

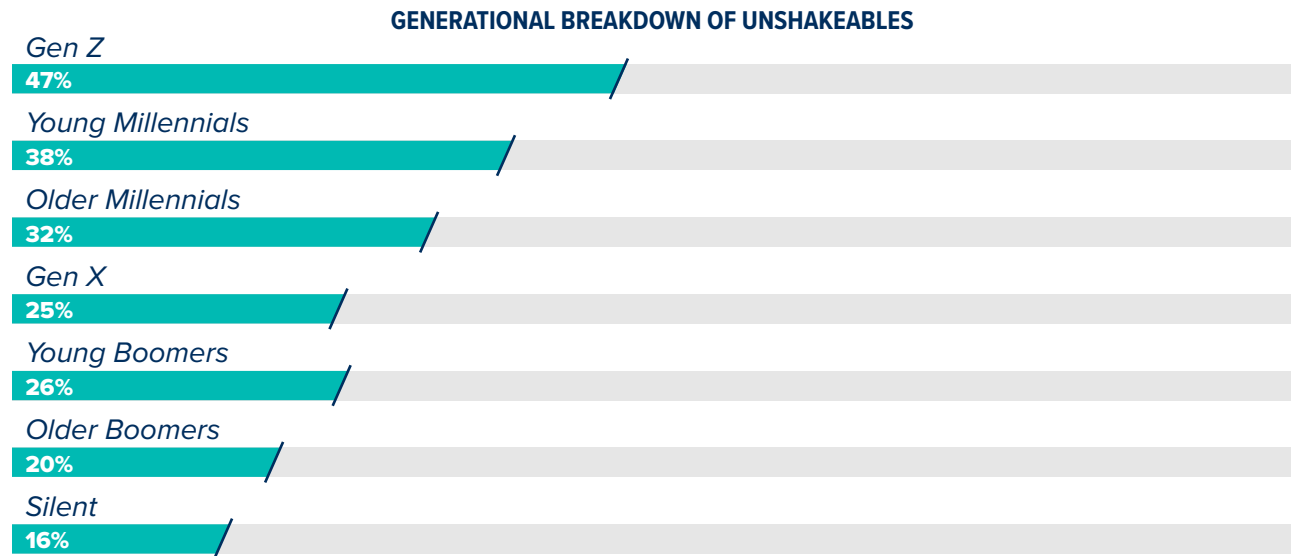
An Unshakeable's loyalty runs deep — they are willing to get in arguments with friends who may not agree with their attachment, sometimes even to the point of jeopardizing those relationships. And, for those brands that are truly their favorites — well, let's just say an Unshakeable is more likely to wear their emotions on their sleeves, literally, with a branded tattoo.



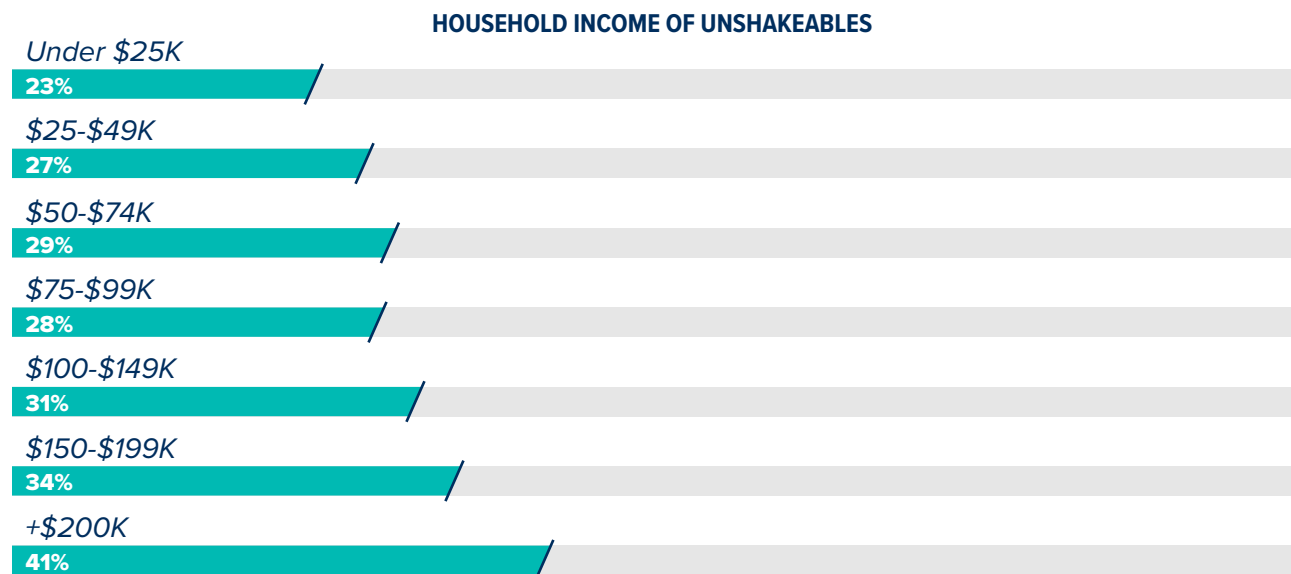
“Unlike the Ephemerals, once the Unshakeables' loyalty is established, it's unwavering and largely grounded in an emotional connection to a brand.”

Demographic Attributes That Distinguish the Unshakeables

Although you will find them scattered throughout most generations, the younger a consumer is, the more likely they are to identify as an Unshakeable. If you have Unshakeables in your customer base, they are most likely to be Millennials or Gen Z.

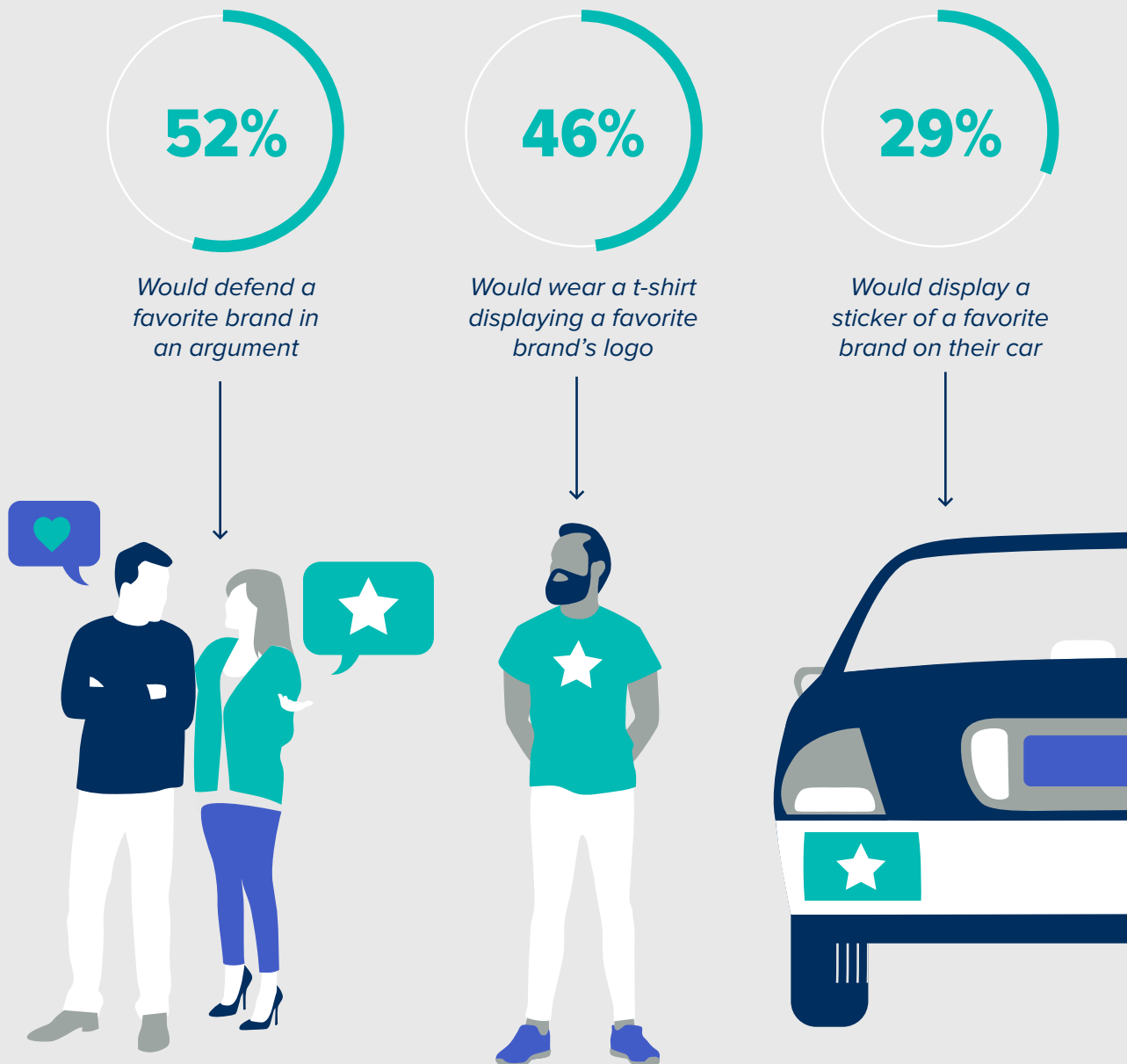


Unshakeables are more commonly found in higher-income households, again possibly suggesting that greater disposable income enables a consumer the luxury to commit to a brand without continually evaluating the logical wisdom of that choice.



Unshakeables Likelihood to Openly Express Brand Loyalty

Being more committed to their brand choices, it's not surprising that the Unshakeables are also more likely than their Ephemeral counterparts to make an overt public expression of their brand loyalty.



As asked in survey: Think of a brand that you are fanatical about. Which of the following would you consider doing?

And perhaps not surprisingly, a small percentage of Unshakeables say they would go to extremes for their favorite brands.

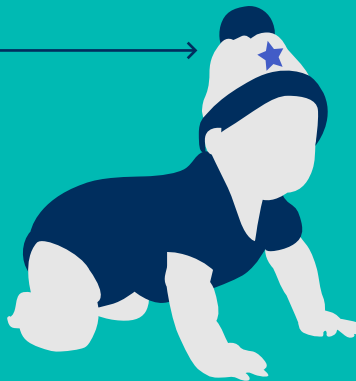


9%

Would get a permanent tattoo of a brand's logo

9%

Would consider naming their child after a brand or a company founder



Unfollow

8%

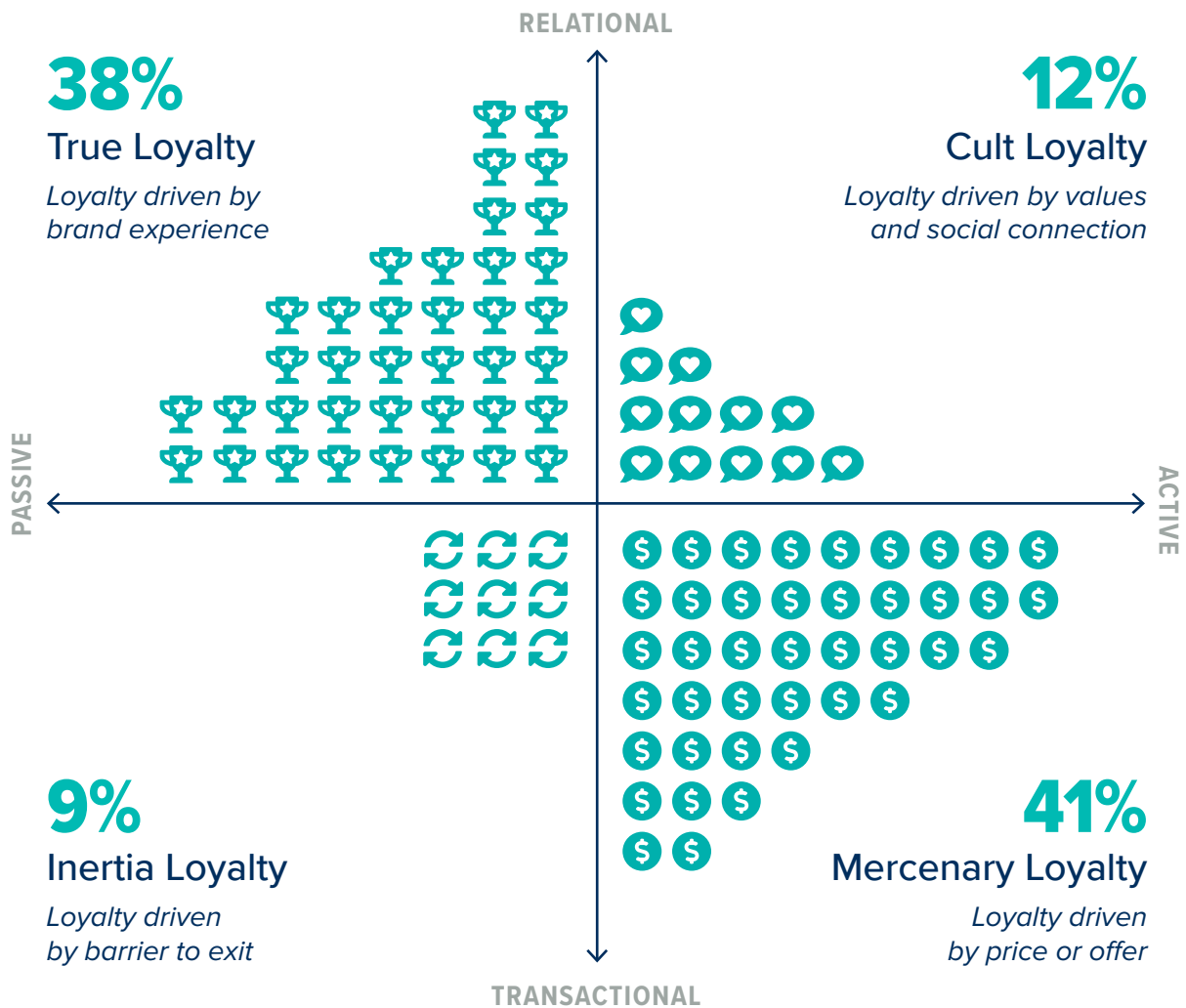
Would break off a friendship if a friend trash talked their favorite brands

As asked in survey: Think of a brand that you are fanatical about. Which of the following would you consider doing?

What kind of brand loyalty do Unshakeables most often express?

While it's unlikely that you'll be asking these particular behaviors of your customers, the important insight here is that the Unshakeables' connection to their preferred brands is oftentimes both emotion-based and identity-based, a stark contrast to the more transactional focus of the Ephemerals.

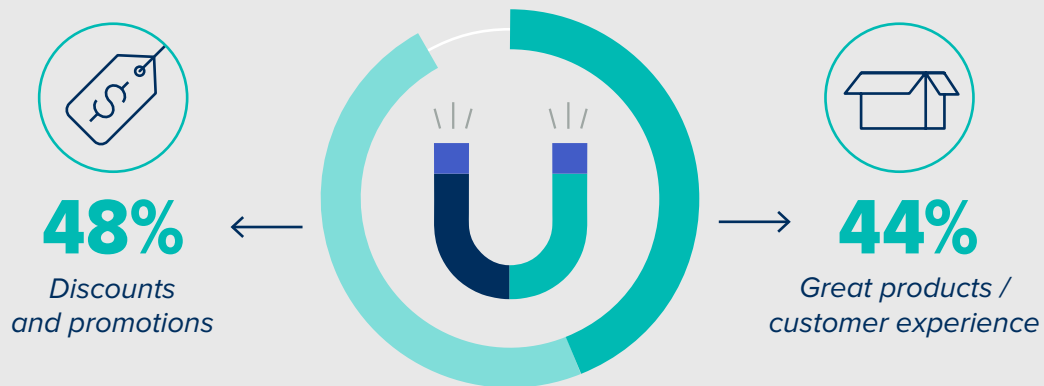
The Unshakeables' intensity also exhibits itself in their focus on Cult Loyalty, which is double that of the overall consumer population and three times that of the Ephemerals. This would strongly suggest that Unshakeables see values playing a part in their decisions to attach to brands, and are attracted to the idea of social proof to reinforce the wisdom of their brand choices. They are also more balanced in their attraction to the brand experience versus a financially based benefit, reflected in their percentages of True and Mercenary Loyalty.



As asked in survey: When thinking about your favorite brands, which of these three benefits would you prefer a brand offer to attract your loyalty?

What offers do Unshakeables prefer to attract their loyalty?

When the Unshakeables evaluate whether to offer you their loyalty in the first place, they are almost equally likely to be attracted to the quality of your brand experience as they are to your price or promotions.



Primary drivers that cause Unshakeables to switch brands

Similarly, when asked what their primary driver for switching brands is (something they still do, but at a lesser rate than the Ephemerals), the Unshakeables presented a balanced response.



As asked in survey: When you have switched brands from those you usually purchase, what generally drives that switching?

How influential are loyalty programs to Unshakeables' decision making?

But the Unshakeables are loyal to more than brands — they are also loyal to loyalty programs, seeing them as a core aspect of their experience as brand loyalists.



71%

Having a loyalty program is a priority or very important to my purchase decision-making



67%

Are willing to pay a fee to join a loyalty program



1 in 3

Actively seek out brands that offer loyalty programs

Unshakeables' expectations in exchange for paying a program fee

67% of Unshakeables say they are willing to pay a fee to join a loyalty program, with **51%** of those respondents receptive to a fee of more than \$25. However, their openness to a fee-based program comes with very specific expectations.



51%

If it saved them money

32%

If it saved them time or hassle

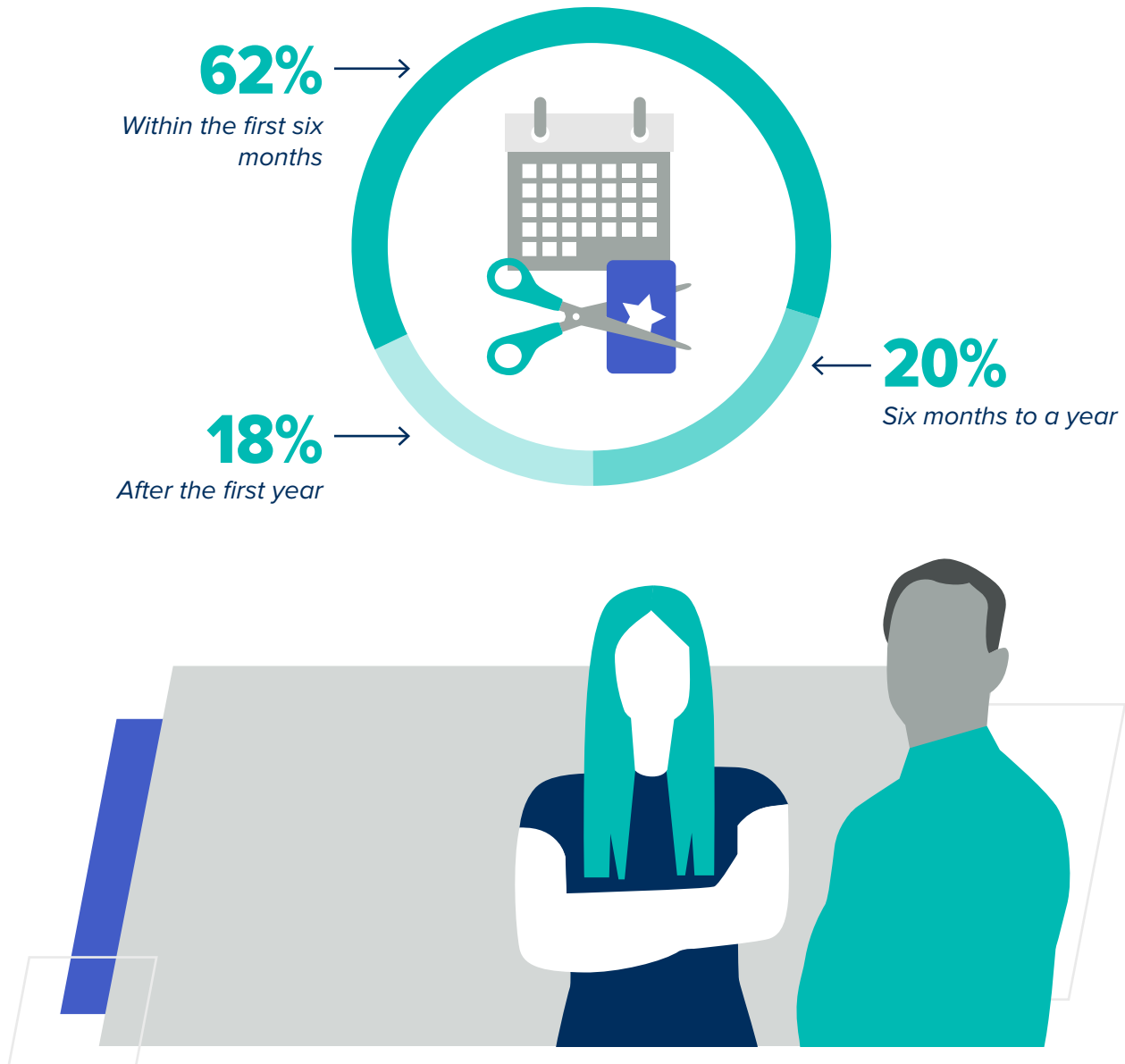
30%

If rewards were exclusive or hard to get

As asked in survey: I would consider paying an upfront membership fee to join a company's customer loyalty program if...

How soon after enrollment do Unshakeables quit a loyalty program?

Finally, while an Unshakeable's loyalty to your brand might be persistent, the same may not hold true for your loyalty program. Whether they are paying a fee or not, the Unshakeables are quick to evaluate whether a given loyalty program is worthy of their time and attention. Most Unshakeables give a program less than six months to truly demonstrate value, an inclination likely driven by the higher percentages of Millennials and Gen Xers in this population.

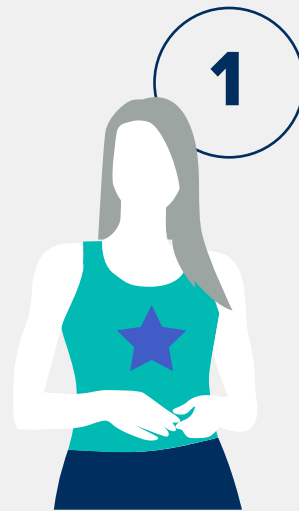


As asked in survey: In general, when you have quit engaging with a loyalty program (stopped paying attention to it and/or earning in it), how soon after you join does that happen?

TIPS FOR ENGAGING THE UNSHAKEABLES

Unshakeables are resolute and even emotional in their attachment to their favorite brands.

Expressions such as “wearing their heart on their sleeve” or a “walking billboard for brand X” are apt descriptions for how they connect to the brands lucky enough to earn their loyalty. Don’t hesitate to use emotional language to attract them, connecting with them as human beings first, not just as customers. You should also be intentional about offering them periodic opportunities to publicly showcase or share their love for a brand, using this as a strategy to help them live into and double-down on their attachment.



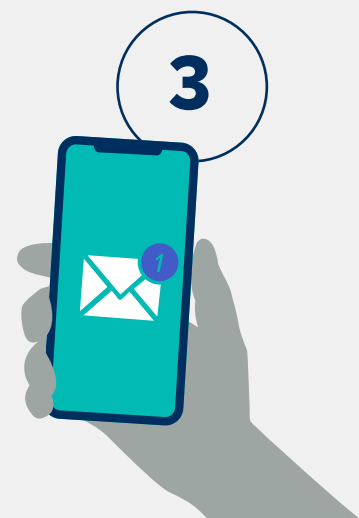
A loyalty program will be table stakes for attracting the Unshakeables.

If you don’t have a loyalty program for your product or service, then you’re truly limiting your brand’s ability to connect with the Unshakeables and the sizeable revenue they offer. Loyalty programs are a critical part of their DNA and play a significant role in influencing purchase. An active marketing strategy that promotes your brand’s loyalty program and continually reinforces its value to members, will allow you to connect with this highly coveted group.



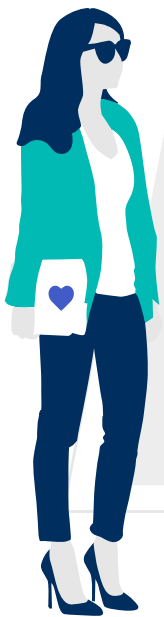
Unshakeables expect your loyalty program to be engaging from the start.

Having a loyalty program will get their attention, but the real challenge is keeping them engaged. Since the Unshakeables are known for their quickness to disengage from programs, you will need a strong onboarding strategy with ongoing campaigns and quick wins that reinforce the program’s value. The good news is, because of their tendency toward more emotional and values-based brand connection, you don’t have to rely solely on the traditional points-based structure to keep them engaged.



COMPARING THE SPLIT PERSONALITIES OF LOYALTY

Ultimately, the data is clear that Unshakeables are the more desirable segment of the consumer population — more persistently loyal, more likely to engage with your program and more focused on experience over discounts. But the reality is that the Unshakeables are far outnumbered by their Ephemeral counterparts who represent a much bigger target for both customer acquisition and growth. So, your brand will need a mix of both to be successful and competitive. To successfully engage each, we suggest you address these questions when forming or evolving your own loyalty strategy:



- Who are my Unshakeables?
- Who are my competitors' Unshakeables?



- Who are my Ephemerals?
- Who are my competitors' Ephemerals?

“

Ultimately, the data is clear that Unshakeables are the more desirable segment of the consumer population.

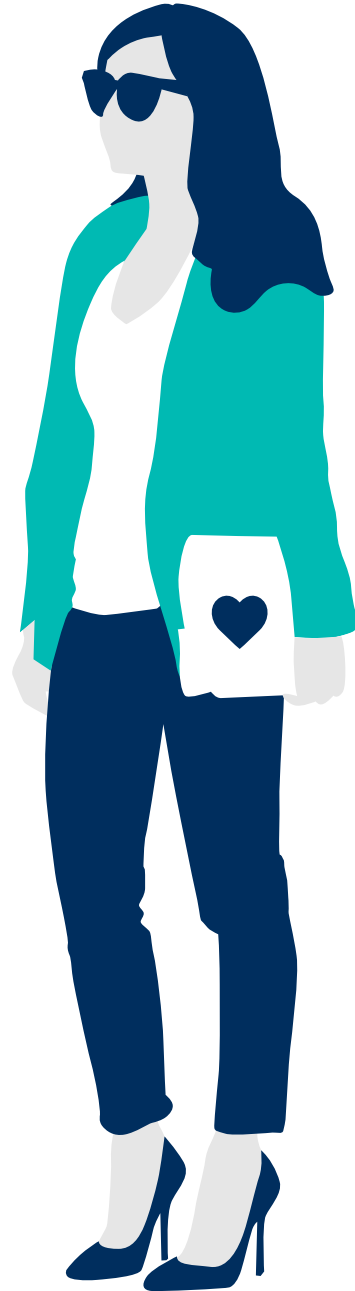
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WHO ARE MY UNSHAKEABLES?

Identifying them is critical to your business because they are your most reliable and most valuable customers and the ones most likely to advocate for you. They are also the ones least likely to abandon your brand. As a result, while you need to nurture them and let them know they are appreciated, you don't need to place the same emphasis (and marketing expense) on them that you would on less reliably loyal customers.

WHO ARE MY COMPETITORS' UNSHAKEABLES?

While they may seem like attractive targets (they likely look like your Unshakeables!) they are also the consumers least likely to react to, or even notice, your acquisition messages.





WHO ARE MY EPHEMERALS?

They likely represent your largest and least reliable segment of customers, so their ongoing engagement can never be taken for granted. However, the transient nature of their loyalty means they are perfect targets for a strong loyalty program, and should be the primary focus of your program's growth strategy. Understanding who they are — what their drivers are, what their values are and what behaviors are predictors of their attrition — will help you retain them and potentially even shift some of them from Ephemeral to Unshakeable loyalty for your brand.

WHO ARE MY COMPETITORS' EPHEMERALS?

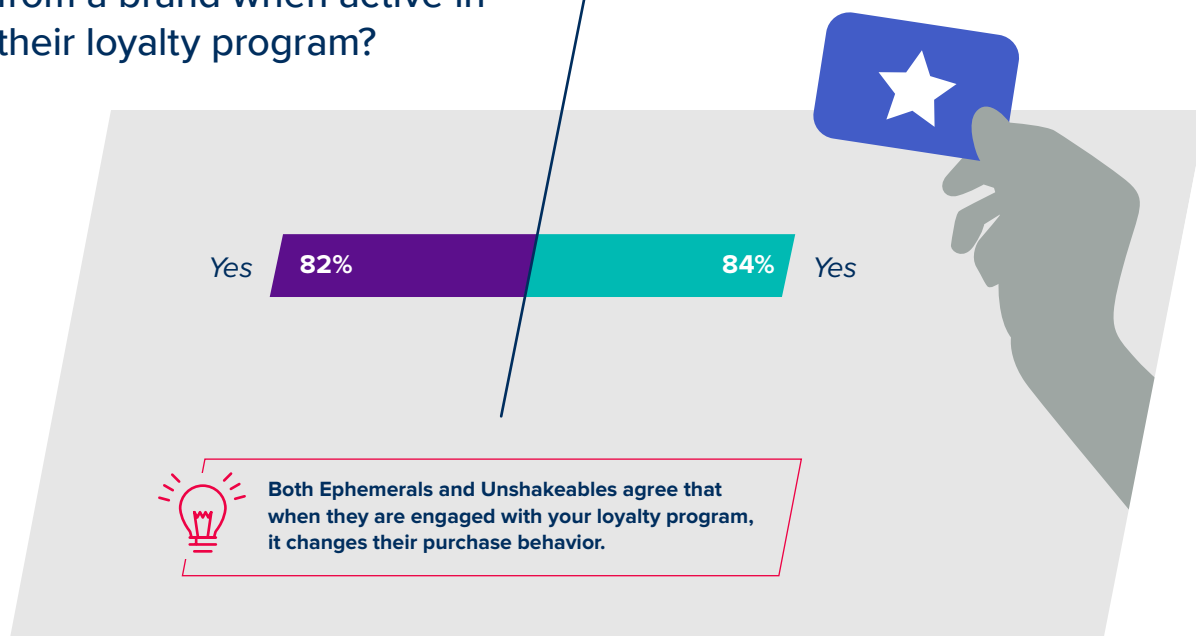
As a target population, they are your most attractive and lucrative group. They will be significantly more receptive to your acquisition messages and will offer you the greatest opportunity for growth if you can earn their business and perhaps — with the right effort — some of their Unshakeable loyalty.

BY THE NUMBERS

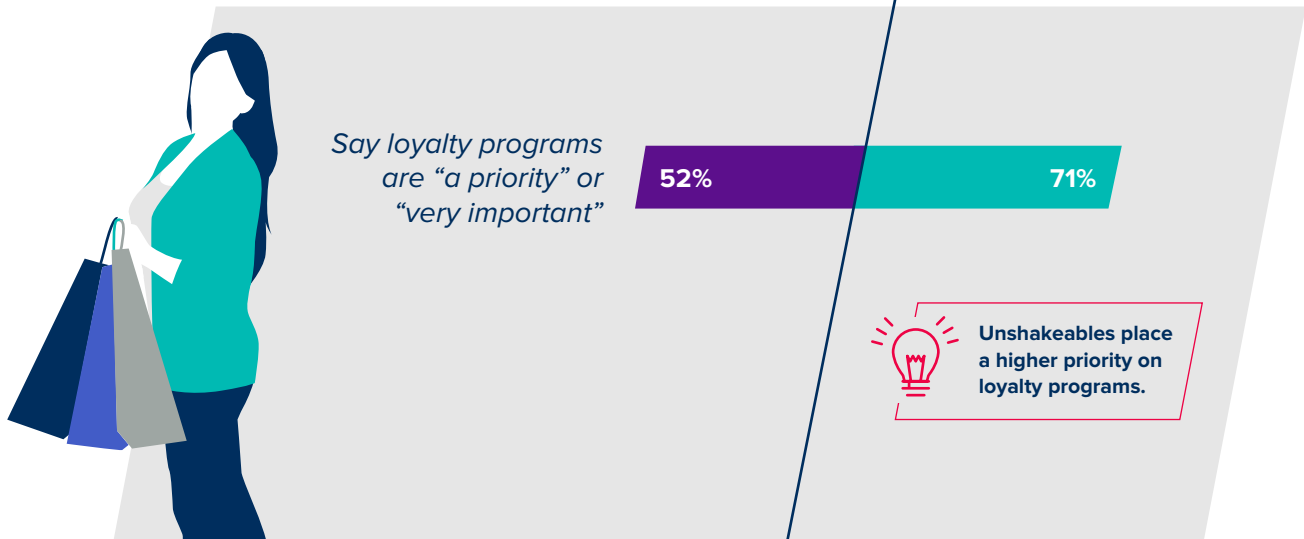
What most attracts your loyalty to a brand?



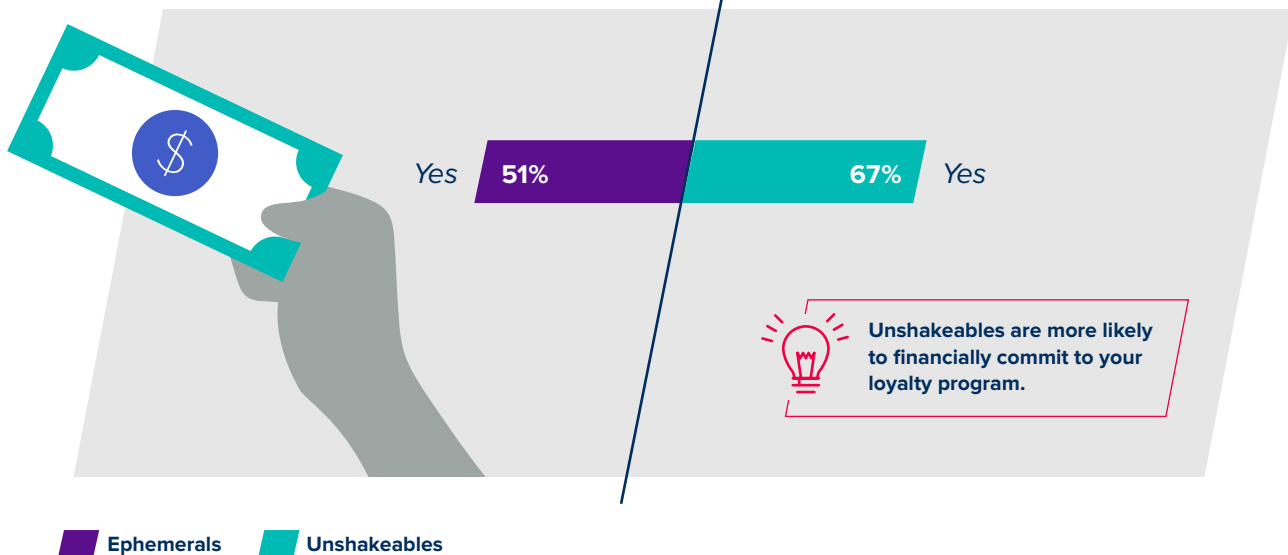
Are you more likely to purchase from a brand when active in their loyalty program?



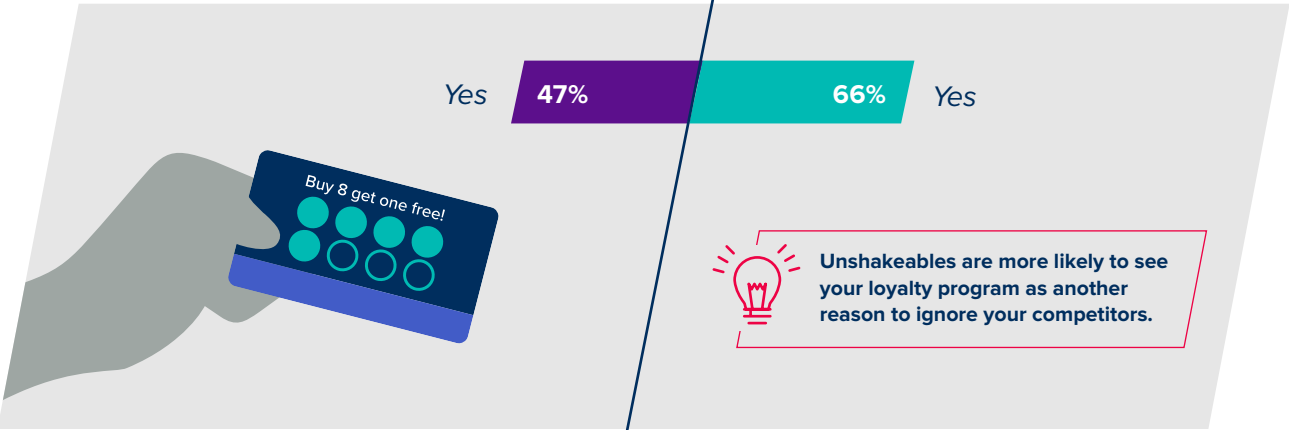
How important are loyalty programs to your purchase decision-making?



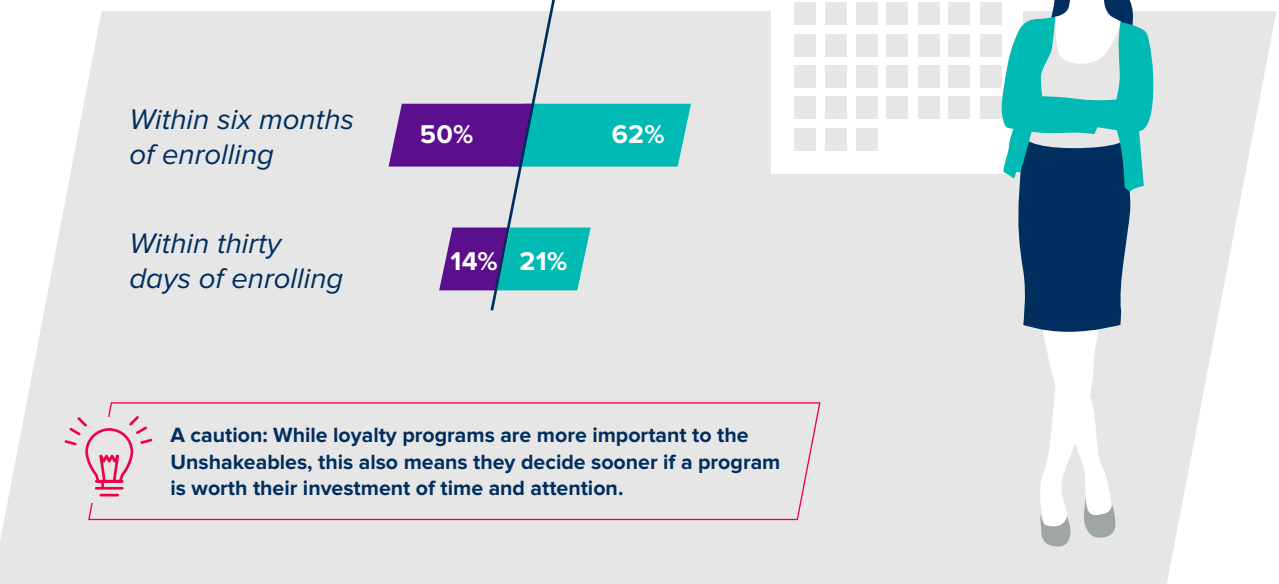
Would you consider playing an upfront membership fee to join a loyalty program?



Could a points-based loyalty program influence you to ignore offers from competitor brands?



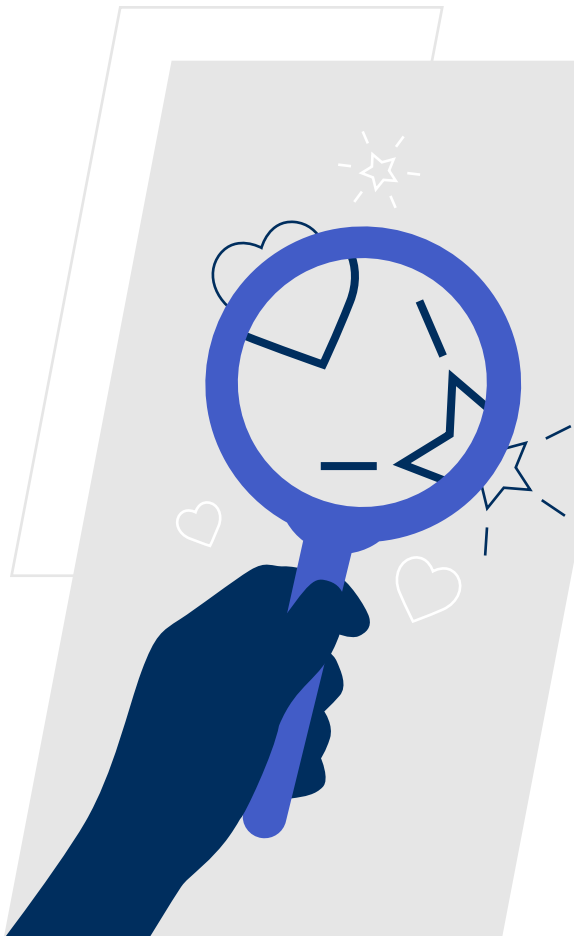
When you disengage from a program, how long does it take you to decide?



Ephemerals Unshakeables

LOYALTY AT A GLANCE

FIVE OTHER KEY FINDINGS



1

Most brand loyalty is still being bought, but experience-based loyalty is on the rise.

2

Loyalty programs continue to strongly influence customer behavior.

3

Losing program members? Rewards and communications are likely to blame.

4

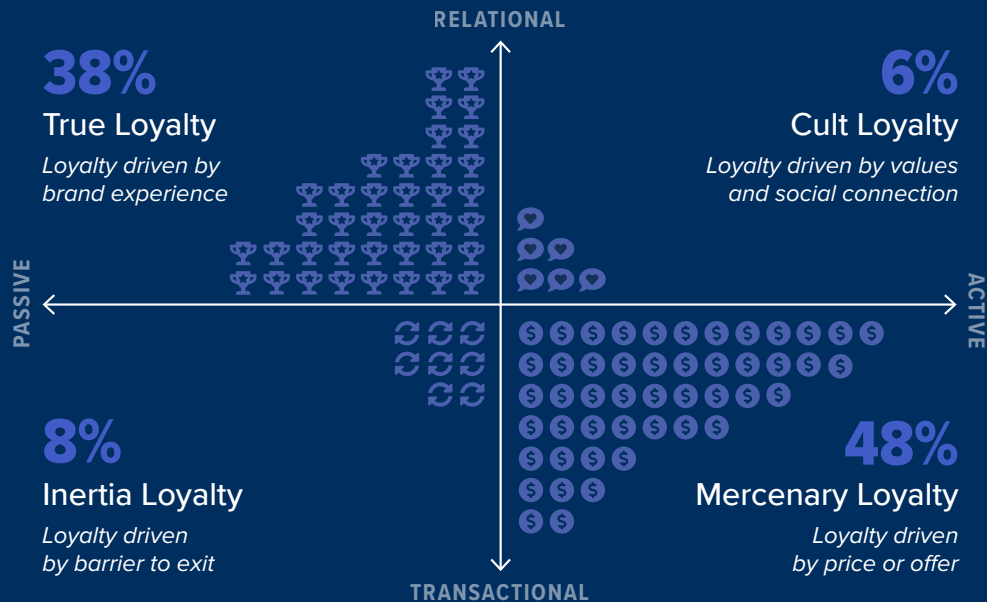
Willingness to join a fee-based loyalty program is on the rise.

5

Customers have their limits when it comes to showing their loyalty.

1

MOST BRAND LOYALTY IS STILL BEING BOUGHT, BUT EXPERIENCE-BASED LOYALTY IS ON THE RISE.



THE AHA!

How consumers align to the Maritz Multi-Loyalty Framework showed an interesting shift in this year's data. The Maritz framework provides a diagnostic approach for brands to determine the degree to which their customer loyalty is primarily transactional or relational, and whether it is based on passive or active customer interaction.

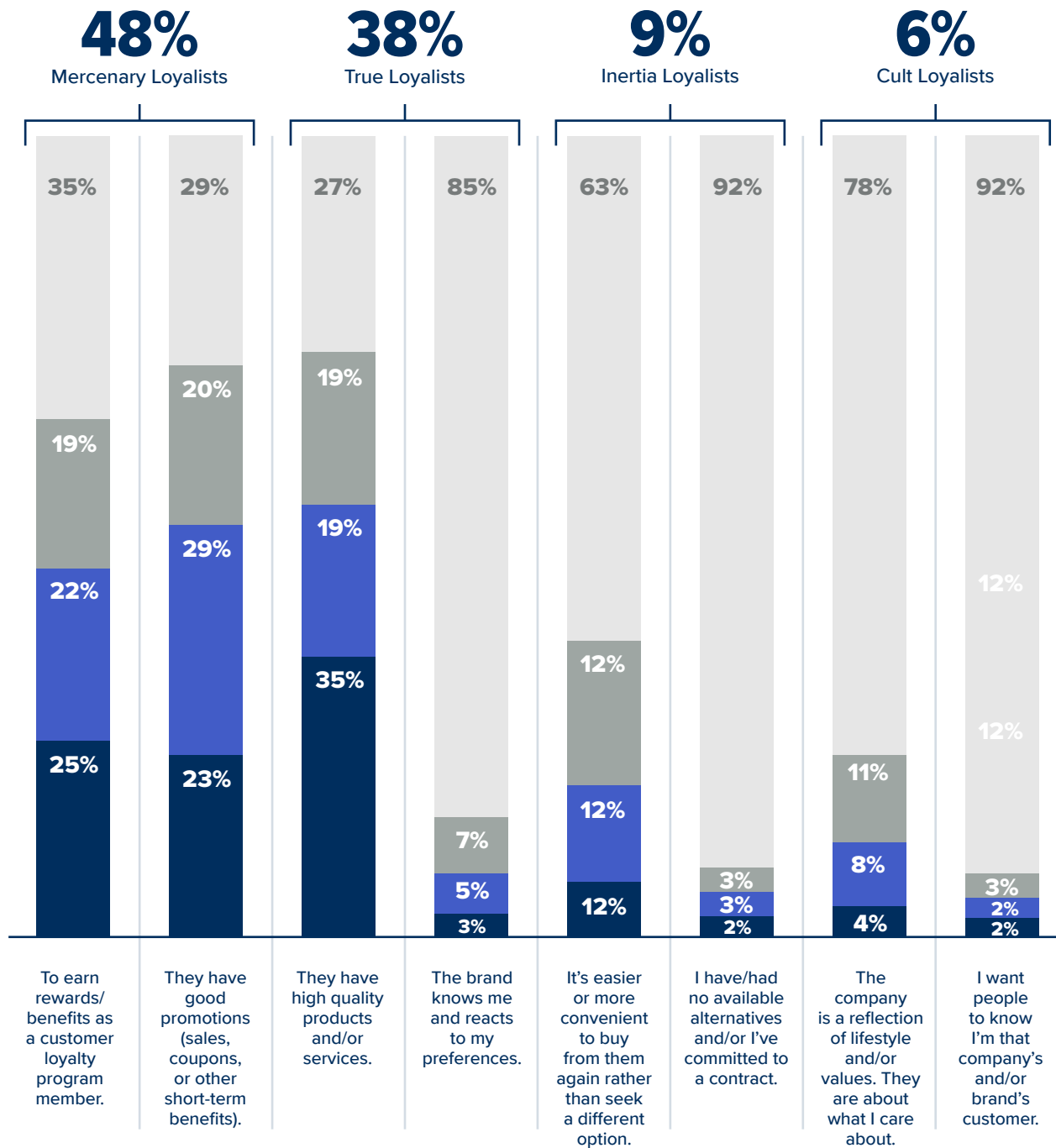
While most consumer loyalty continues to be driven by price or offer, True Loyalty based on a superior customer experience is gaining traction (+8% in popularity since 2017) at the expense of Mercenary Loyalty (down 7% in popularity). The other two types of loyalty have held steady.

This movement in customer attitude is not surprising. The past several years have revealed a marked prioritization of experiences by US consumers, with the expenditure growth rate for experience-related services increasing at 4x the pace of that for physical goods. With their favorite brands, this translates to an accelerating expectation for a more personal, connected, relevant and shareable loyalty experience.

While a traditional points-and-rewards program can still drive results, increasingly you need to couple it with a loyalty experience that is unique, memorable and encourages emotional connection to your brand.

MAIN REASONS CUSTOMERS PURCHASE FROM BRANDS

(grouped by loyalty level)



Rank 1 (most influential)
 Rank 2
 Rank 3
 Not Ranked 1-3

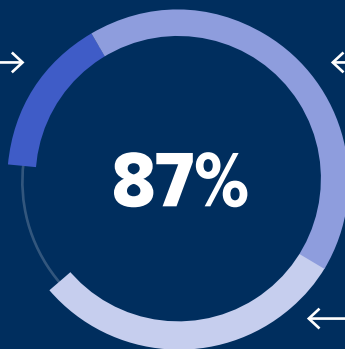
2

LOYALTY PROGRAMS CONTINUE TO STRONGLY INFLUENCE CUSTOMER BEHAVIOR.

Almost 9 in 10 consumers (87%) consider loyalty programs to be important in their purchase decision-making process:

15%

Say they are
a top priority

**87%****42%**

Say they are
very important

30%

Say they are
somewhat important



THE AHA!

Consumers expect companies to offer loyalty programs as a standard part of a great customer experience, ranking their influence only secondary to product or service quality.

If you don't already have a loyalty program, you're losing out on identifying and retaining valued customers. If you do have one, you should determine how well it's living up to its potential to drive purchase decisions and to create resistance to competitive offers.



3

LOSING PROGRAM MEMBERS? REWARDS AND COMMUNICATIONS ARE LIKELY TO BLAME.

Consumers' top 3 reasons for quitting a loyalty program:



63%

*Rewards were too
hard to earn*



41%

*Rewards were
not appealing*



23%

*Communications /
offers weren't relevant*

THE AHA!

Well-designed and well-managed loyalty strategies carry an implicit agreement between brand and customers: You provide us with your personal data and the ability to track your behavior, and we'll provide you with relevant and appealing rewards and communications. Delivering on that promise can drive tremendous benefits in terms of both retention and growth of best customers. But failure

to do so will likely result in a customer defecting from your program, and possibly from your brand altogether. The best way to ensure you succeed is to regularly mine program data for insights into customer reward and communication preferences, and to embrace a discipline of continual testing to see what might appeal to them even more.

4

WILLINGNESS TO JOIN A FEE-BASED LOYALTY PROGRAM IS ON THE RISE.

55% of consumers would consider paying an upfront program fee. The most appealing reasons?



45%

It would save me money



24%

It would save me time / effort



23%

It got me access to exclusive rewards / experiences

THE AHA!

The number of consumers willing to pay a program fee rose 10% over last year's data, suggesting more companies should consider a fee as part of their program structure. It's important to note, though, that many fee-friendly members are expecting an experience-based value prop, not just a financial one. So, while introducing a fee can provide a major benefit in funding program costs, companies need to be sure they can provide the kind of experience that justifies this upfront financial commitment by the members.

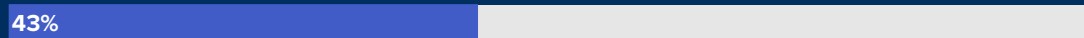


5

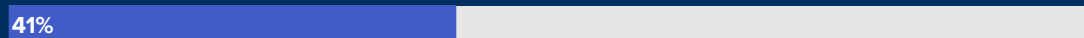
CUSTOMERS HAVE LIMITS WHEN IT COMES TO SHOWING LOYALTY.

How far would brand fanatics go for their favorite companies?

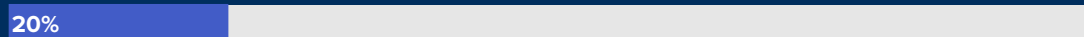
Willing to get in an argument to defend the brand



Wear a t-shirt promoting the brand



Display a brand sticker on my car



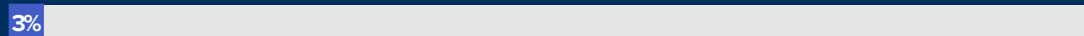
Get a permanent brand logo tattoo



End a friendship over criticism of the brand



Name my child after the brand or company founder



THE AHA!



Many consumers are willing to be evangelists and advocates for their favorite companies, but brand loyalty only goes so far. The important question is, “What would your customers do to show their loyalty and advocate for YOUR brand?” And how will you know until you ask them?



WANT A BETTER LOYALTY EXPERIENCE?

The data and insights from ***The Maritz Motivation | Wise Marketer Loyalty Landscape*** go well beyond this single report, with rich insights that have been filtered by industry, generation, gender and household income. If you are interested in a deeper dive into this data and understanding how it can help engage your Unshakeables and Ephemerals, as well as inform a better loyalty experience for your company, please reach out directly to the authors of our study to continue the conversation.



WE DO MORE THAN TRACK TRENDS. WE START THEM.

When you're ready to take a scientific approach to influencing your customers' behavior and impacting your bottom line, we're here to help. Reach out to the loyalty experts at Maritz Motivation today.

[**maritzmotivation.com/connect**](https://maritzmotivation.com/connect)