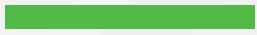


The loyalty iceberg: Creating human-centered experiences



For a long time, customer loyalty focused on two things: signups and discounts. The commonly accepted thinking was to capture email addresses and send promotions to increase transactions—because traditional loyalty really meant transactional loyalty.

But we now know that, when it comes to creating enduring customer relationships, transactions are just the tip of the iceberg. A customer must choose you over the competition over and over—and for reasons beyond price.

They have to feel they're understood and valued. So, the experience has to be about more than the transactional cycle of spending money > earn rewards > spend more money.



The loyalty iceberg

When we go beyond transactions, and dive below the flat one-dimensional surface of spend-based loyalty programs, we discover experiential loyalty. This is the next generation of devotion, and has six core concepts:

1. Recognition

2. Understanding

3. Embracing

4. Removing friction

5. Knowing

6. Adding value

In this ebook, we explore each concept, providing concrete advice for how to create the kinds of engagements that result in true loyalty. These recommendations will help you retain customers, drive more revenue from those relationships and succeed in beating out the competition.

Let's start by exploring the need to be recognized, remembered and acknowledged as an individual.



Recognize me

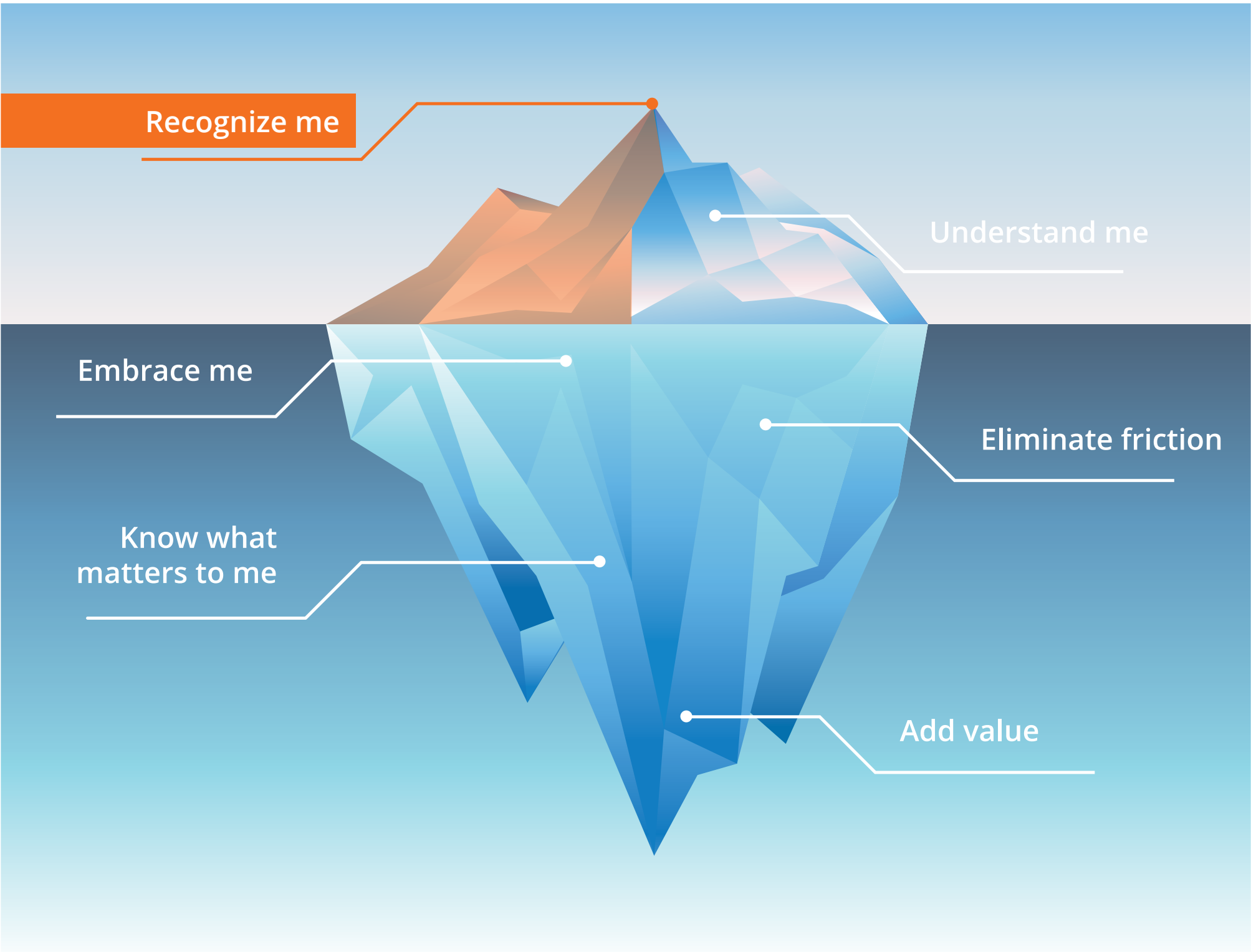
Understand me

Embrace me

Eliminate friction

Know what matters to me

Add value

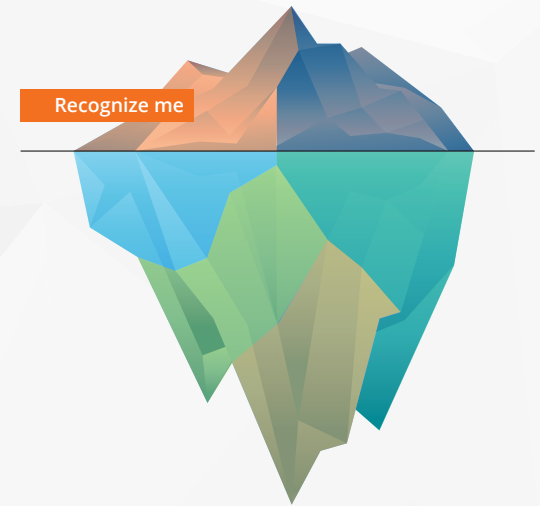


The loyalty iceberg, part 1: Recognize me

Customers expect to be recognized and appreciated in places where they're "regulars" and **nearly half (47 percent) of consumers will abandon a brand when not treated as a recognized customer.**

And since every brand is constantly collecting data on their customers, there's really no excuse for businesses not to use the data effectively, and at a minimum to remember their customers' identities and their patronage.

Here are five tips to make sure your customers know that yeah, you see them, and absolutely! You know they're there, and are so glad they came.



Nearly half of consumers

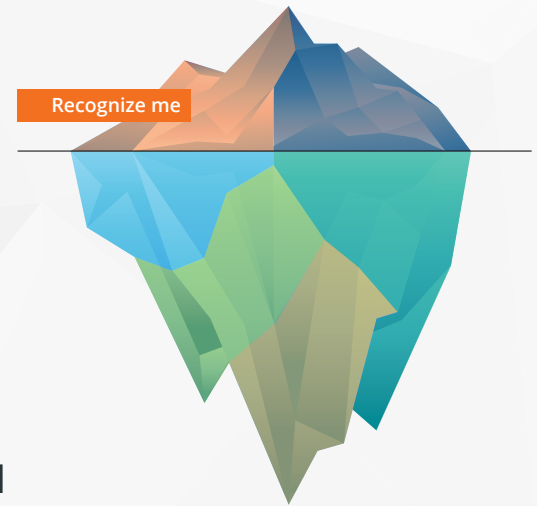
will abandon a brand when not treated as a recognized customer

The loyalty iceberg, part 1: Recognize me

1.

Address customers by name. As Dale Carnegie once said, “Names are the sweetest, most important sound in any language.” At our core we are all simple creatures, and the humble acknowledgement of our individual identity is a powerful thing: the mere act of hearing one’s own first name **uniquely activates portions of the brain related to feelings of self-worth and personal identity.**

When someone uses our name, it immediately grabs our attention: we turn toward the speaker, returning the attention paid to us with reciprocal regard. In short, when we say (or show) a person’s name, we are **demonstrating how important they are.**

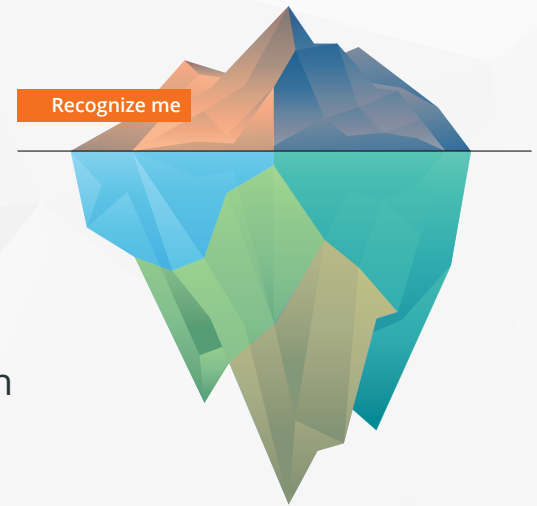


The loyalty iceberg, part 1: Recognize me

2.

Know where they are.... Proximity technology allows brands to know when customers are in an area where they can engage with a brand, enticing nearby customers with sales and promotions and welcoming customers as they enter a store or place of business.

With an **average clickthrough rate as high as 80 percent**, proximity marketing is a powerful weapon in any marketer's arsenal, propelling explosive market growth of proximity technology, **more than doubling from 2012 to 2019**.



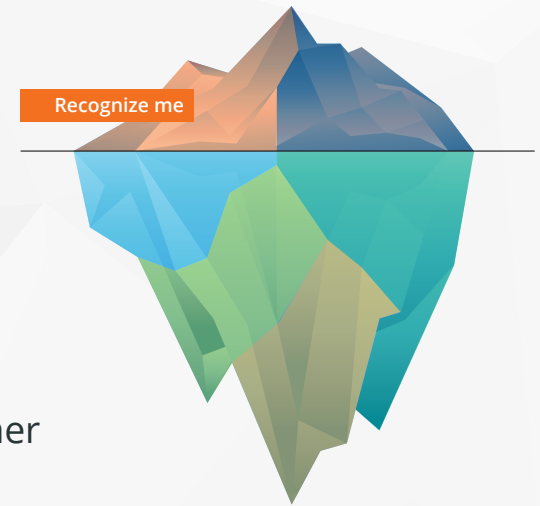
The loyalty iceberg, part 1:

Recognize me

3.

...And where they've been. If a customer has been to a website or an app recently, start from there to continue their journey at their last touchpoint. It builds a sense of continuity in the customer relationship, instead of starting over with each interaction.

Like the 2004 RomCom [50 First Dates](#) where Adam Sandler struggles to connect with a woman with short term memory loss, so every date is a first date... if every interaction with your customer is the same as the first one, you're missing out on opportunities to build upon that first initial encounter and create anything approaching loyalty.



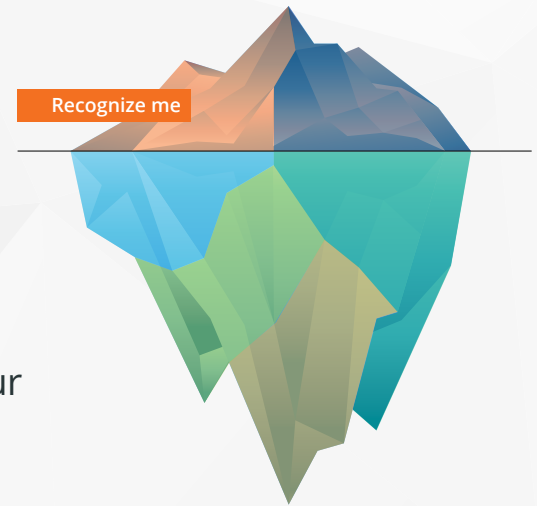
The loyalty iceberg, part 1:

Recognize me

4.

Know their story. If you have a customer loyalty program, let them know where they stand when they enter your store, visit your website or open your app. Tell them about their point totals, and make relevant product recommendations. Advise them of ways they can use their loyalty perks, or reasons why they might want to hold off if some new promotion is in the works.

The more you can engage with your customers and get them excited about a loyalty program, the more likely they are to repay you in, well, loyalty. And with the **endowed progress effect**, every reminder of how much progress they've made in their journey to a reward makes them less likely to defect to a competitor.



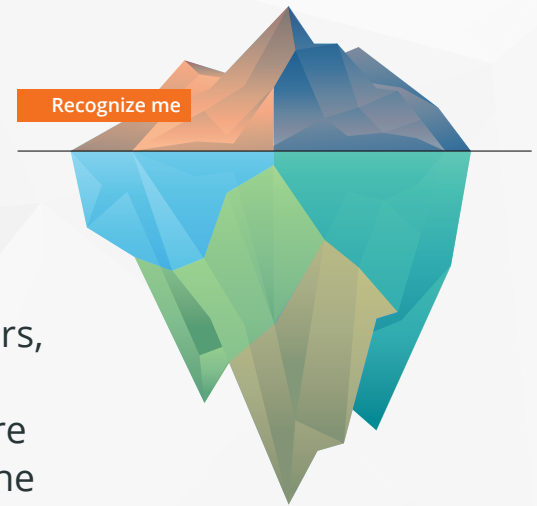
The loyalty iceberg, part 1: Recognize me

5.

Say goodbye...and thanks. Follow-up interactions with customers, whether through apps, emails or SMS, work to heighten the customer experience, give the opportunity for feedback and share any upcoming promotions. But, most important, they reinforce the customer relationship through a simple “thank you.”

A customer who thinks a company is indifferent to his or her patronage is a customer who can be drawn to competitors... and with 42 percent of consumers willing to pay more for a friendly, welcoming experience, it's an easy leap to make the experience friendly by saying “thank you” after it's completed.

Simply remembering a customer can start you on the path to creating a meaningful and memorable experience for your customers. Recognition is the opening gambit for any relationship, and one that will pave the way for further opportunities to build your brand... and your customers' devotion to it.



42% of consumers

willing to pay more for a friendly,
welcoming experience

Recognize me

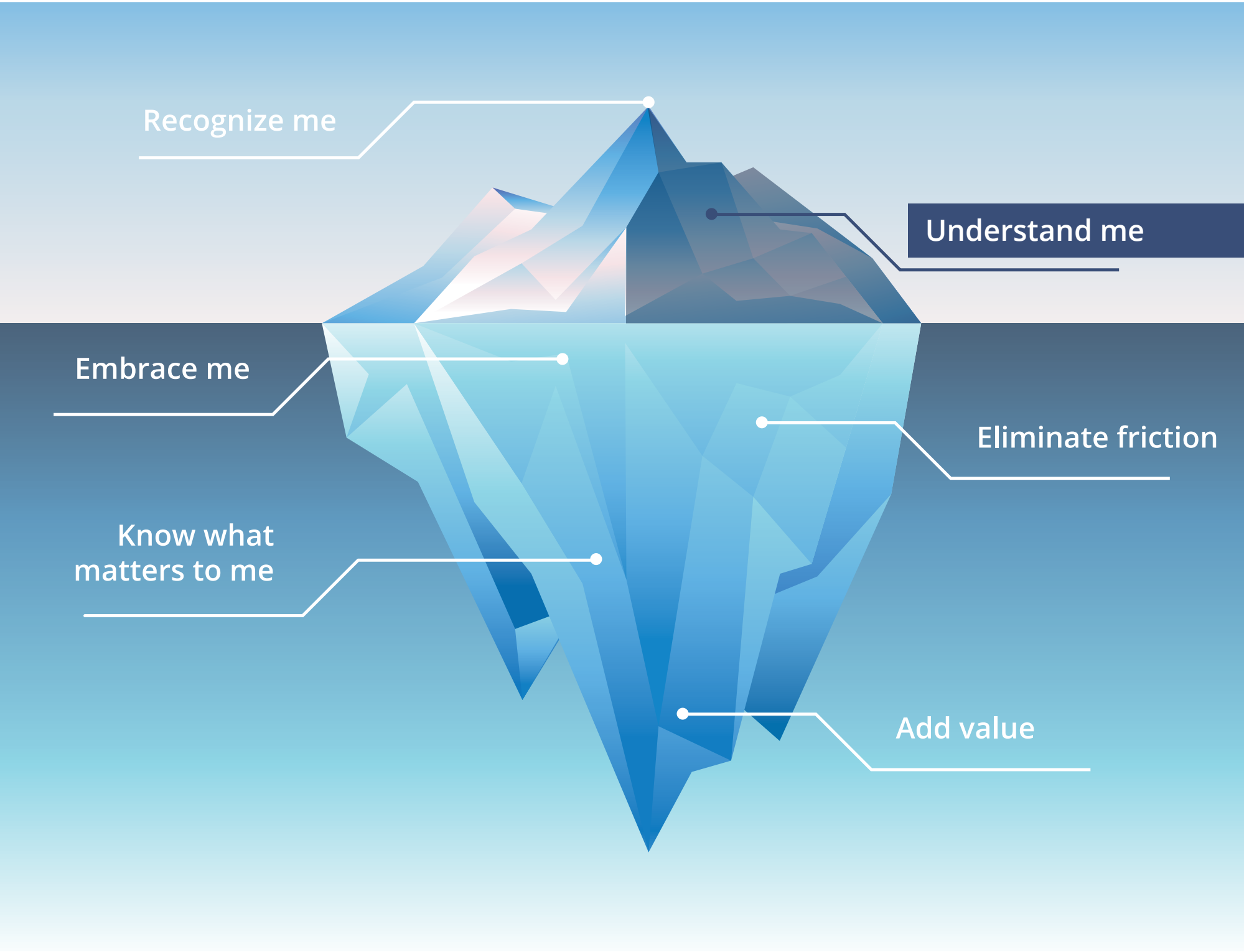
Understand me

Embrace me

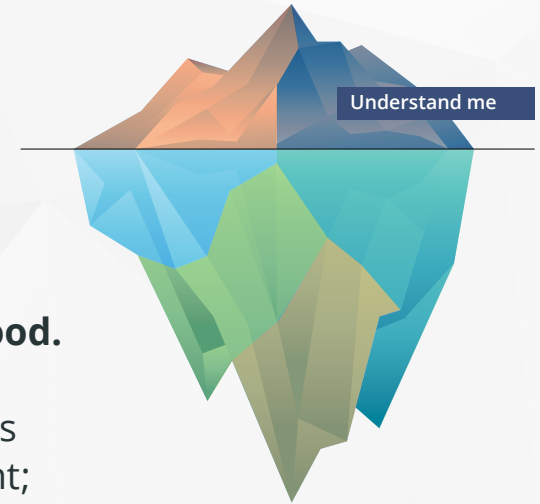
Eliminate friction

Know what matters to me

Add value



The loyalty iceberg, part 2: Understand me



It's one thing to be recognized, but it's quite another to be understood. Until a company understands its customers, it has no idea what they want, what they need or what makes them tick...and making a sale to this stranger with unknown motivations is nothing more than a lucky accident; most of all, it's hard to duplicate. For those who seek to understand their customers (and reap the benefits of this understanding), here are a few tips and considerations:

1.

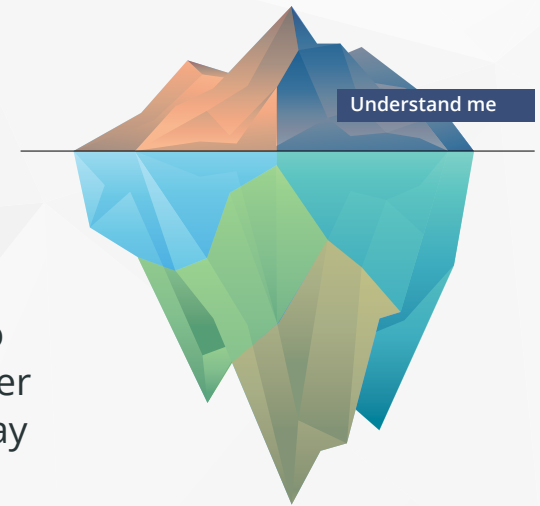
Start with a persona... The first step toward understanding your customers as individuals is to know them as an abstract, as a customer persona, an avatar of a customer type. As a recent [Forbes article noted](#), a handful of personas can help you solidify a wide range of customer types. Once customer persona, or personas, are created you have the basis for determining the individual members of the persona's motivations, goals and needs.

The loyalty iceberg, part 2: Understand me

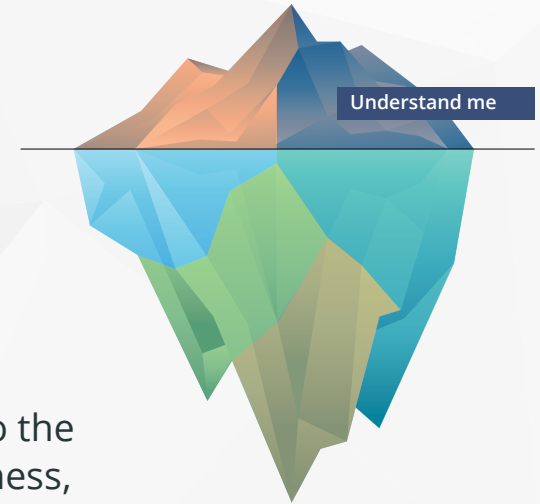
2.

...and end with a person. While a persona is a great first step to gaining insight into your customers, the journey towards customer knowledge should not end there. While an individual shopper may have many of the characteristics of the persona of say, “NASCAR dad” or “soccer mom,” this is a generalization, not an identity.

According to Forbes they attempt to “**put one face on something that actually represented a large group of unique individuals.**” So, while the persona is useful in segmenting your customer base to get a handle on individuals, it needs to be followed up with further analysis of habits, behavior and preferences to give flesh and bones to the marketing equivalent of a stick figure.



The loyalty iceberg, part 2: Understand me



3.

I shop, therefore I am. We all reveal ourselves in our shopping habits. A recent research study found that it's **possible to predict people's personalities from their spending**, including insights into the "big 5" personality traits (openness to experience, conscientiousness, extraversion, agreeableness and neuroticism) simply by seeing what people purchased. You already know what your customers are buying — why not use that information to gain a little insight into who is the person behind the purchase?



The loyalty iceberg, part 2: Understand me

4.

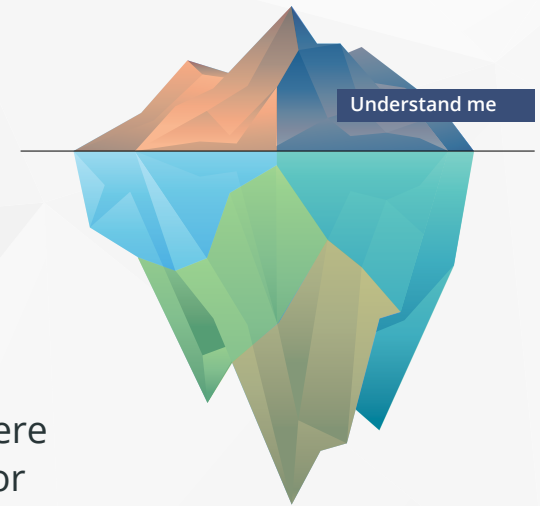
Offer free Wi-Fi. With nearly 60% of shoppers regularly looking up product information and prices on mobile phones while in stores, providing the comparison shoppers a free venue to do so provides valuable insight into your customers...and your competition. Even better, if you use a social media outlet such as Facebook for a login to your branded Wi-Fi service, your company is able to learn valuable customer data, including a **verified identity, public profile information and email address**—all the better to plug into a CRM for analysis.



Nearly 60% of shoppers

regularly looking up product information and prices on mobile phones while in stores

The loyalty iceberg, part 2: Understand me

**5.**

Just ask. Sam Walton, the richest man in America, has been known to stand outside the parking lot of the local Walmart and ask customers what they thought of the store. And customers were happy to share their thoughts. While not many store managers (or billionaire CEOs) have the time or inclination to lurk around outside their stores to see how things are going, that doesn't mean you can't create a quick online survey or send out a text with a couple of questions to discover a little more about the people who pay to keep the lights on.

Listen, it's important to note that anyone can make a sale, at least once. But if you want to make a second sale, and a third, and a fourth, you need to know the person you're selling to: what makes her smile, what makes him angry, what makes them tick. This eventuallys lead them to the most important question: why should I care?



Recognize me

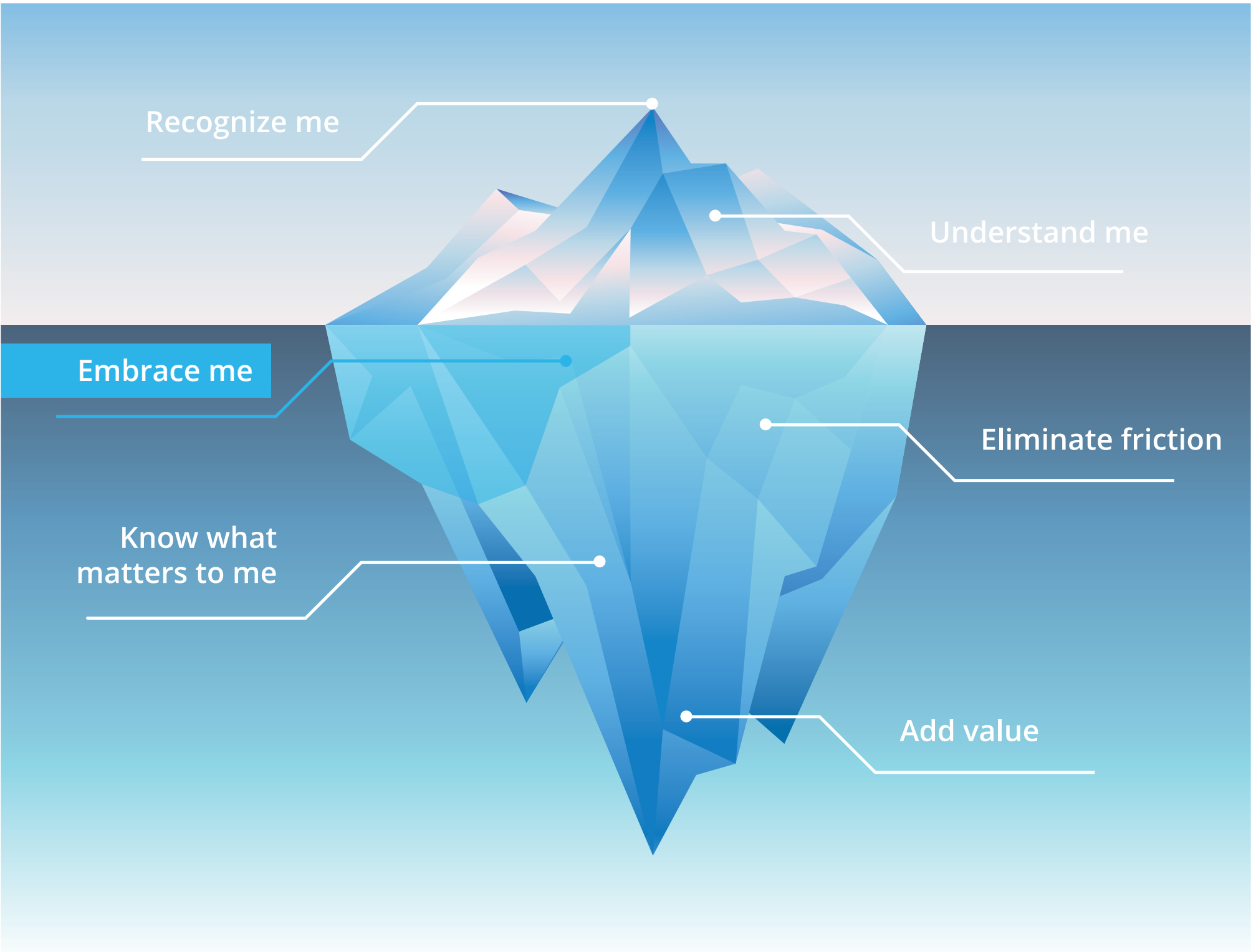
Understand me

Embrace me

Eliminate friction

Know what matters to me

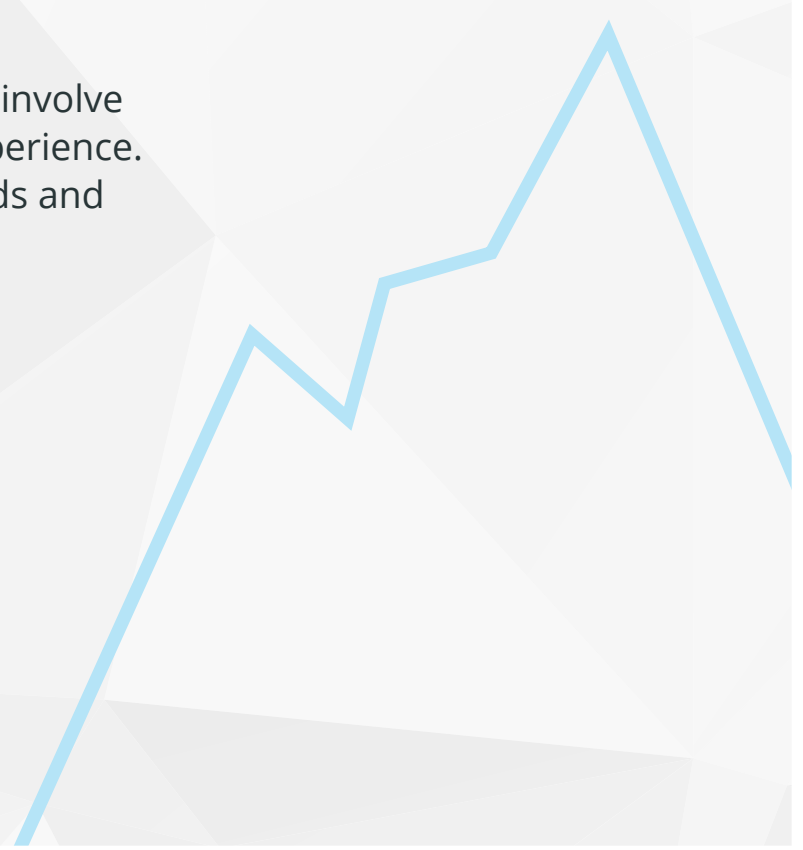
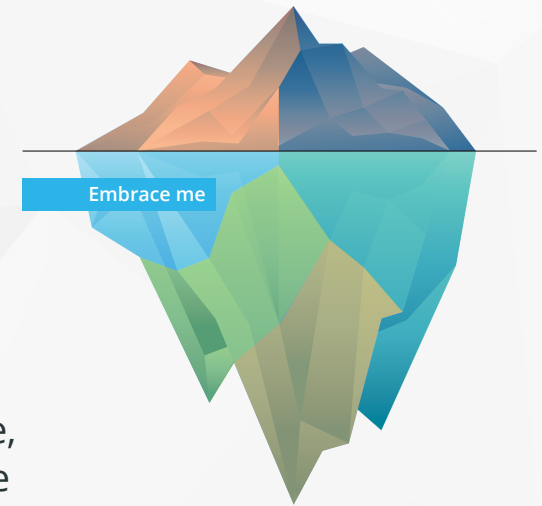
Add value



The loyalty iceberg, part 3: Embrace me

So, we've set the stage for this step by first **recognizing** each customer as an individual and starting to **understand** them on a **personal level**. Now it's time to really make sure customers feel the love, because customers who feel appreciated are customers who make more purchases, spend more per purchase, refer new customers—and are less likely to seek out your competition.

Below are five tips to show your appreciation in ways that don't involve a coupon or promotion, but offer authentic and memorable experience. Sometimes these things have a much bigger impact on the minds and hearts of humans than anything else.

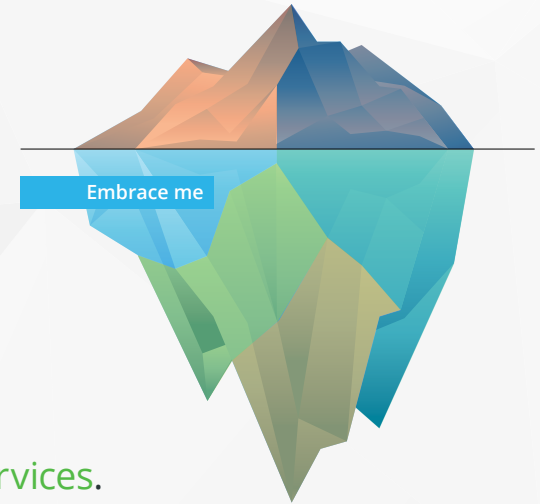


The loyalty iceberg, part 3: Embrace me

1.

Company-wide customer focus. In the quest to provide great products at low prices, the actual customer experience can be overlooked, which is a problem: for 82 percent of customers, the experience a company provides is as important as its products/services.

To keep in line with consumer expectations, the single-minded focus of your company must be customer experience. As Shep Hyken, customer experience guru, explained, “Customer service is not a department.” In keeping with this notion, everyone on the payroll—from the janitor to the CEO—needs to embrace his or her role as a customer service employee.



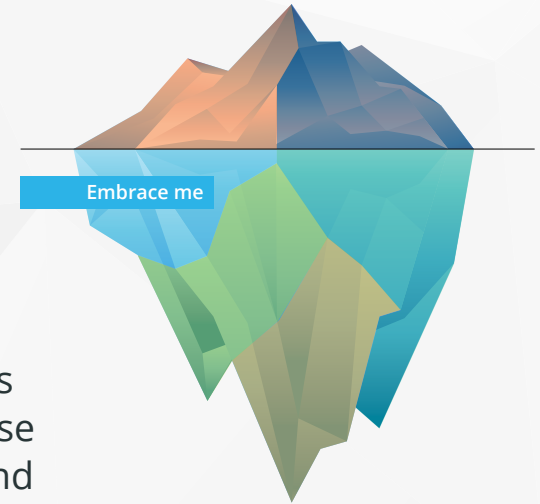
82% of customers

think the experience a company provides is as important as its products/services

The loyalty iceberg, part 3: Embrace me

2.

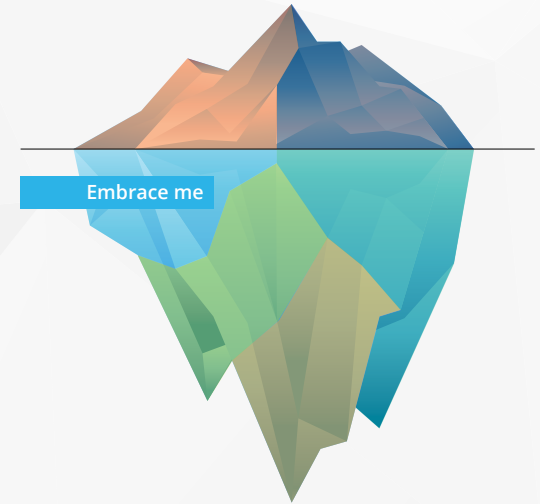
Create a community forum. Establishing an engaged online community has benefits far beyond simply giving your customers a platform to interact with your brand and other customers. These communities increase brand exposure, provide insights to you and your team through your an authentic dialogue. They have also been successful in **reducing customer support costs** for many companies – by as much as 10 to 25% per year!



The loyalty iceberg, part 3: Embrace me

3.

Engage on social media. Not only should your business have social media accounts to reach customers, actively interacting with those who mention your brand, respond to your posts and shares your content allows for a personal connection with your followers. When done right engaging on social media **can foster feelings of loyalty and create a lasting emotional connection.**

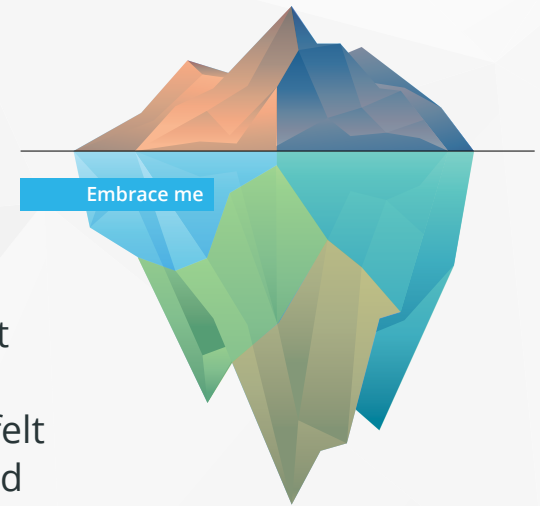


The loyalty iceberg, part 3: Embrace me

4.

Love your haters. While it's unpleasant to hear bad things about your brand, the complainers are a blessing in disguise, as each problem is an opportunity to impress. A quick response, a heartfelt apology, a fix of the problem—or the promise to explore the need for change if there is a need to brand self-reevaluation—all show your customers that you care.

Haters also have the potential of becoming your best customers, *as those who have received responses to complaints will spend more on average with the offending company.* Finally, you should keep in mind the *words of Nobel Peace Prize winner Elie Wiesel:* “The opposite of love is not hate, but indifference.” The simple fact that someone took the time to complain indicates that she cares enough to engage, giving you the chance to make it right.



The loyalty iceberg, part 3: Embrace me

5.

Be transparent. In this era of misinformation, data breaches and privacy abuses, **consumer trust is at an all-time low**. Building a reputation as a company that values truth, openness and integrity can serve as both a brand-builder and brand differentiator, with truly remarkable benefits in both customer loyalty and customer retention. When a brand with a reputation for transparency provides a bad experience, **almost nine in ten customers will give it a second chance, while 85 percent will be more likely to remain loyal even after a true business crisis** such as a data breach or scandal.

When the company culture is focused on the customer experience, it can transform all business operations for the better. It takes time and dedicated effort but will pay off in the end.



85% of customers
will be more likely to remain loyal
even after a true business crisis

Recognize me

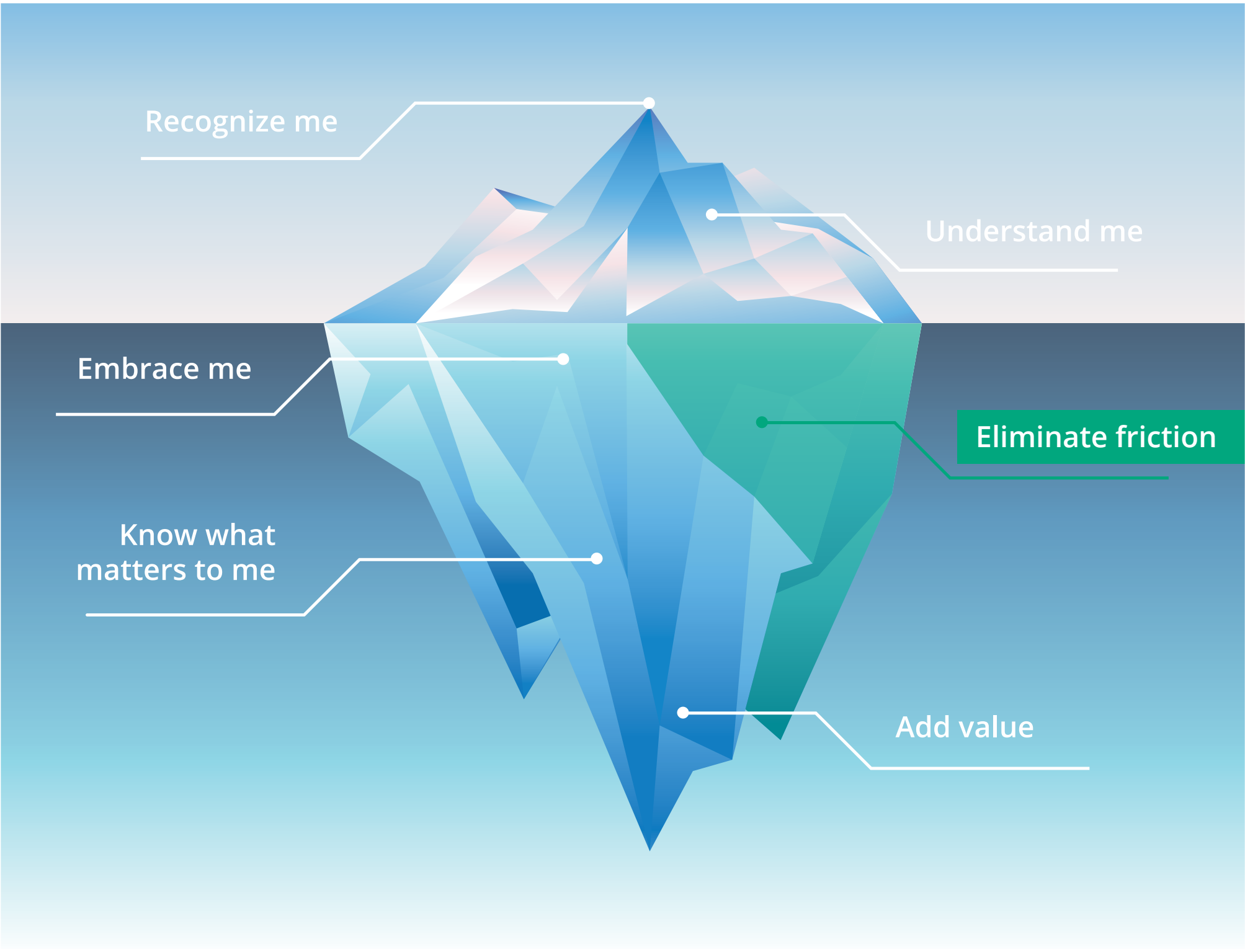
Understand me

Embrace me

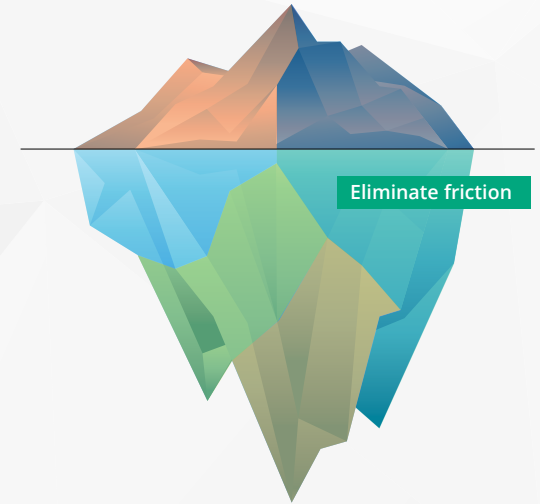
Eliminate friction

Know what matters to me

Add value



The loyalty iceberg, part 4: Remove the friction



With nearly **three-fourths of customers likely to switch brands if they find the purchasing process too difficult**, it's mission critical to make each transaction friction-free. Below are four practical tips on how to make your customer experience smooth and friction-free:

1.

Let the channel surfers surf. Your customers live in a multi-channel world: **73 percent use multiple channels during their shopping journeys** and that's what they want—**85 percent of consumers prefer a blend of digital and physical channels**. Perhaps the most compelling argument for an omnichannel experience is the value of the omnichannel shopper: a Harvard study found that the more channels the customer used, the more valuable they were, with multichannel shoppers spending an average of 4 percent more in-store and 10 percent online than single-channel customers.

The absolute necessity of omnichannel for your customers to be happy coupled with its amazing ROI in sales make omnichannel functionality a true must-have item in your CX arsenal.

73% of consumers use multiple channels during their shopping journeys and that's what they want

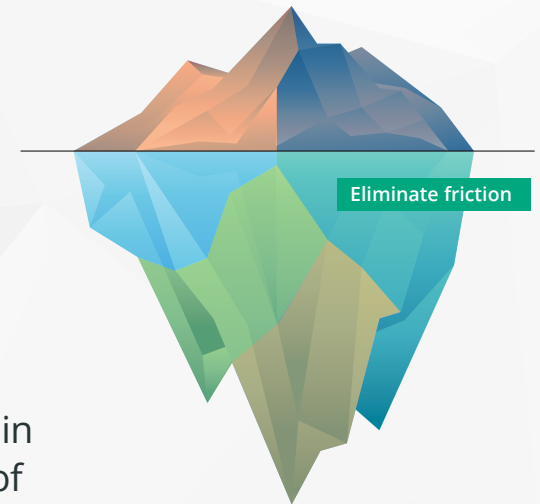
The loyalty iceberg, part 4: Remove the friction

2.

Eliminate shopping journey pain points. Are you sending lots of abandoned cart messages like “Did you forget something?” to your ecommerce shoppers? If so, you’ve identified a shopping pain point: Something happened that made a customer on the brink of buying...suddenly change their mind.

And it’s not unique to any one industry—across markets, retailers can expect an **average e-cart abandonment rate of over 68.8 percent**¹, with actual storefronts coming in at about half that.

Figuring out where you lose your customers and making changes takes time and effort, but it’s a worthwhile investment: for a start, streamlining a checkout process, adding more payment options and not having hidden extra fees help keep your customers from walking away empty handed.



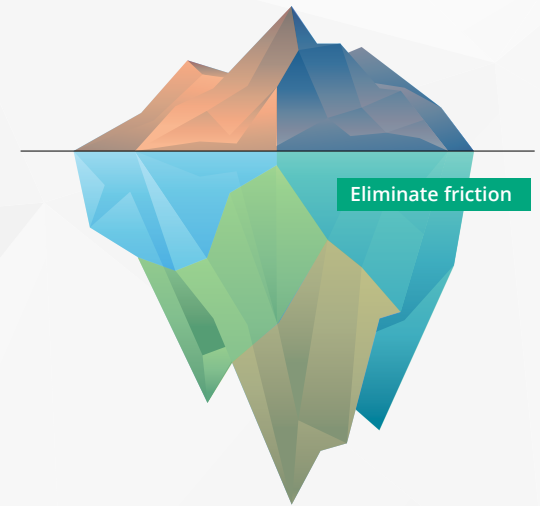
¹ <https://www.geckoboard.com/best-practice/kpi-examples/shopping-cart-abandonment-rate/#:~:text=Industry%20Benchmarks,most%20recent%20study%20showing%2074.52%25>

The loyalty iceberg, part 4: Remove the friction

3.

Loyalty programs that reward loyalty instead of testing patience. It shouldn't take half an hour and/or sharing every detail about yourself to enroll in a loyalty program, and if your loyalty program is guilty, your enrollment percentages will suffer. **Half of consumers are reluctant to join loyalty programs**, with long enrollment processes and brands that ask for too much information leading the pack when it comes to deal breakers.

Loyalty programs only work if your customers think they're worth the trouble, and ensuring your program enrollment process is both quick and non-invasive will ensure your participation rates remain robust.



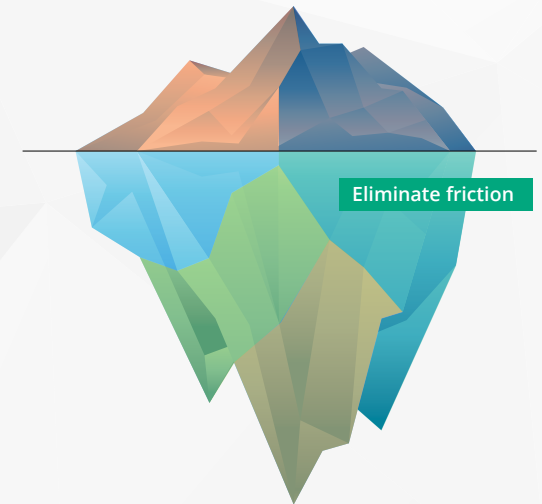
50%
of consumers
are reluctant to join
loyalty programs

The loyalty iceberg, part 4: Remove the friction

4.

Allow for DIY denizens. While some customers prefer a hands-on shopping experience, others want to be able to do everything from checking out to resolving customer service tasks by themselves, online or in person. Why not let them? For the **57 percent of shoppers who prefer self-checkouts**, self-checkout kiosks mean more checkout stations are available when they need them.

There are plenty of great reasons to enable the 81 percent who will try to take care of matters themselves: As **Harvard Business Review** noted, the cost of a do-it-yourself transaction costs mere cents, where a live service interaction is more than \$7 for a B2C organization.



57%
of shoppers prefer
self-checkouts

Recognize me

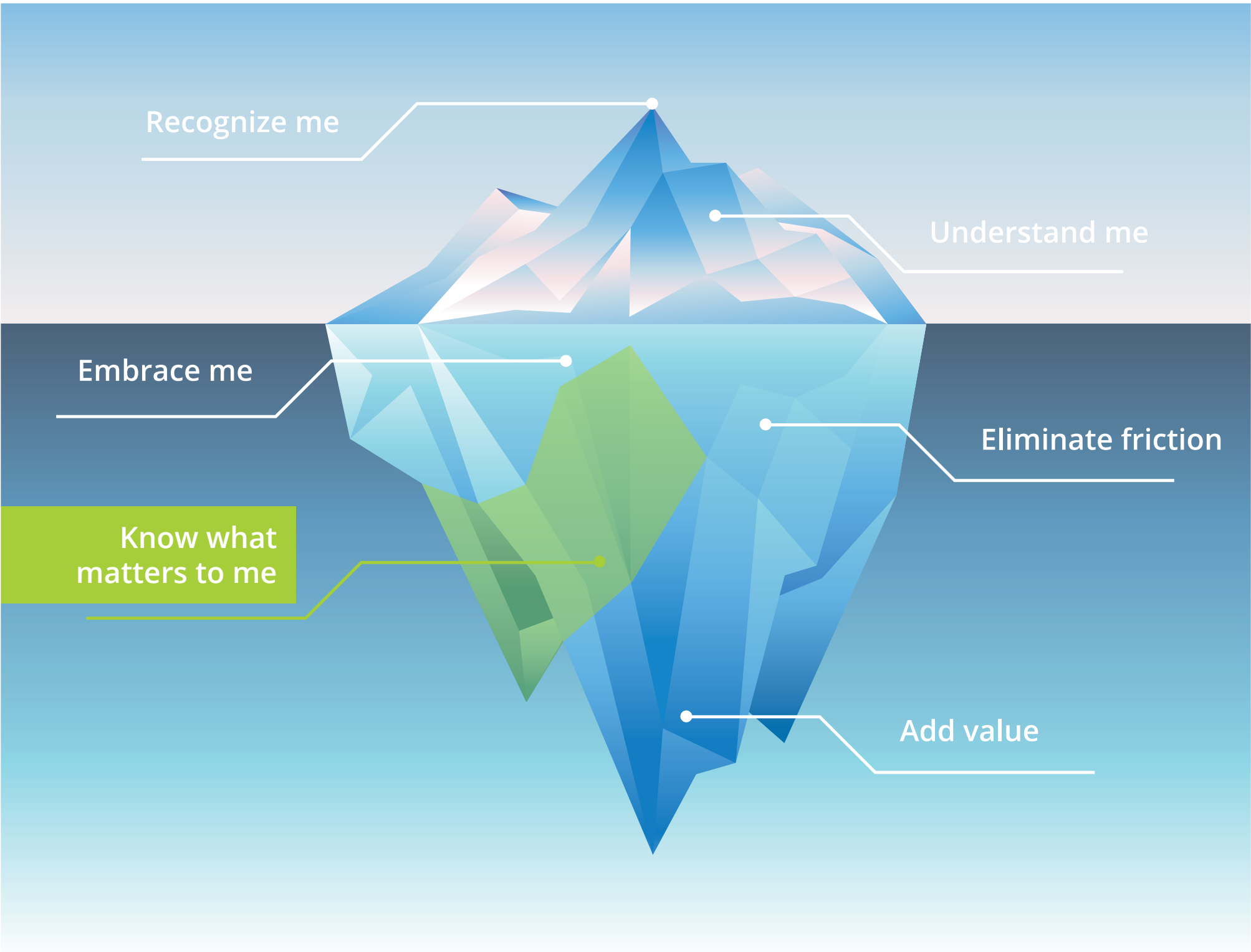
Understand me

Embrace me

Eliminate friction

Know what matters to me

Add value



The loyalty iceberg, part 5: Know what I care about

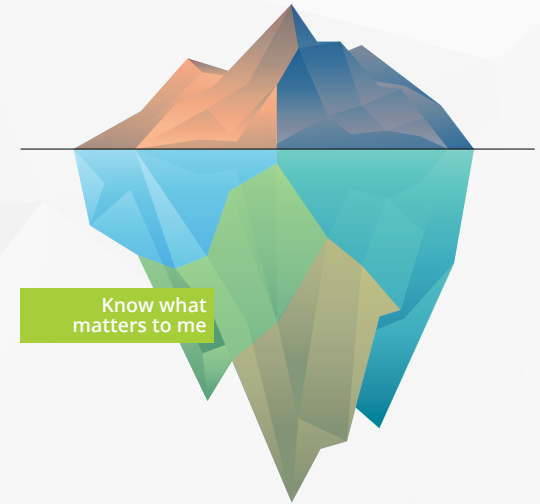
More than three-quarters (76 percent) of customers expect brands to understand their needs and expectations. Below are five tips to help your company learn what your customers care about:

1.

Analyze their purchases. If your customer buys locally-sourced produce and organic meats, she probably has different priorities than the shopper who buys whatever's on sale and favors big national brands.

Using a bit of sleuthing, it's not much of a leap to link shopping behavior to what a consumer finds important, even if it may feel like a bit of an over-generalization: the premium cat food shopper who gets the off brand mac & cheese for themselves will likely care about animal rights more than premium fashion labels.

Finally, remember customers buy on the "basis of expectation"—what they believe the product or service will do to help them. Going backward from the sale as the starting point will allow marketers to decipher what matters to the consumer who made the purchase.



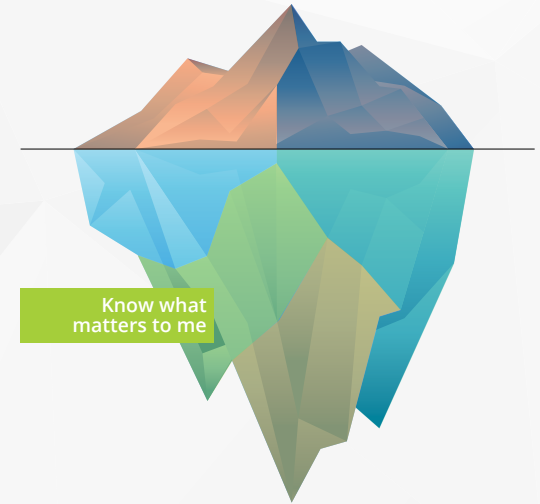
76% of customers
expect brands to understand
their needs and expectations

The loyalty iceberg, part 5: Know what I care about

2.

Give them options. With nearly two-thirds (63 percent) of consumers reporting that they feel loyal to brands that “tailor their experiences to their preferences and needs,” it’s smart to develop your company’s loyalty program with a “one-size fits-me” sensibility. Loyalty program choices, such as being able to pick extra points for one item out of many, will give insight into how that shopper lives...and what they like.

The carpooler may always choose extra savings on family-focused utilities like gas or food staples, while the fitness fanatic might prefer anything related to self-improvement. From these choices you can determine what is important to your customers, what they shop for most, what moves them most (and least) to act.



63% of consumers

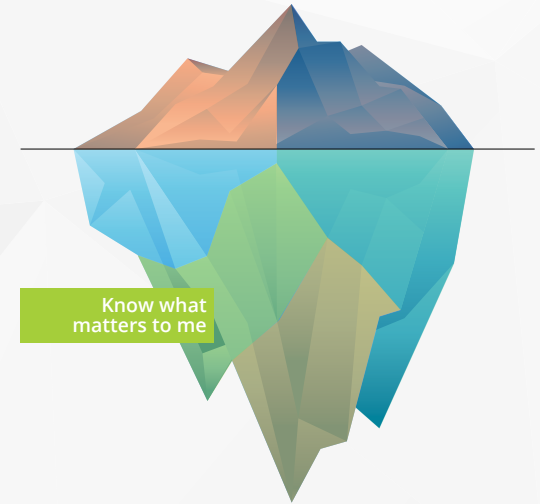
reporting that they feel loyal to brands that “tailor their experiences to their preferences and needs,”

The loyalty iceberg, part 5: Know what I care about

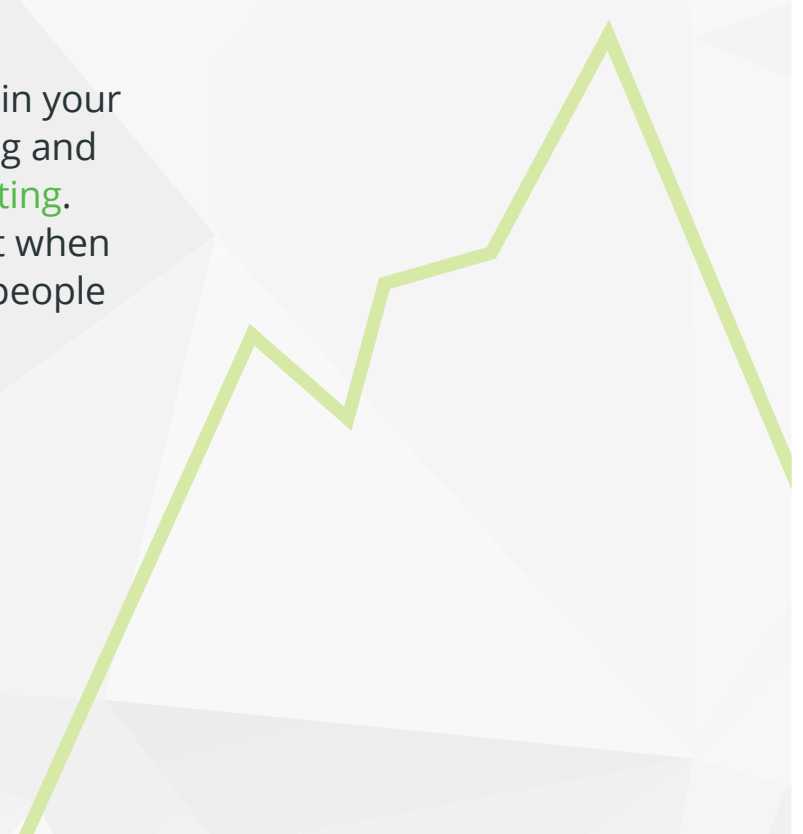
3.

Follow them back. Your customers share intimate details of their lives on Instagram, Twitter, Pinterest and Facebook. If they take a moment to look up your brand and follow you, you should consider following them back. While obviously there are limits to how many people you can realistically follow, it's smart to be a little selective.

Some of the best follow-back candidates include people in your target audience, influencers (people who have a following and are well-known), and **maybe just people you find interesting**. Knowing what people who are into you are talking about when they aren't talking about you is a great way to see what people are talking about, arguing about, caring about.



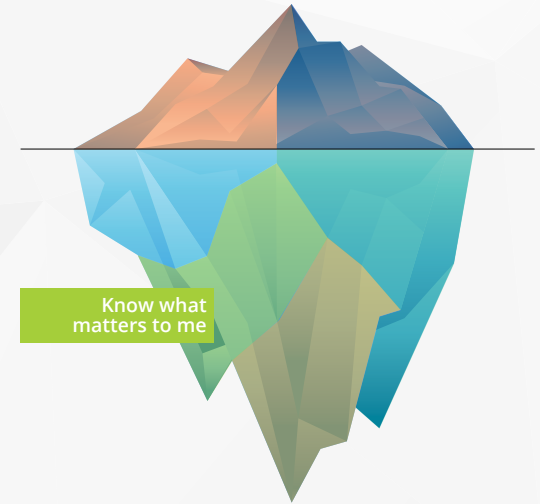
Know what
matters to me



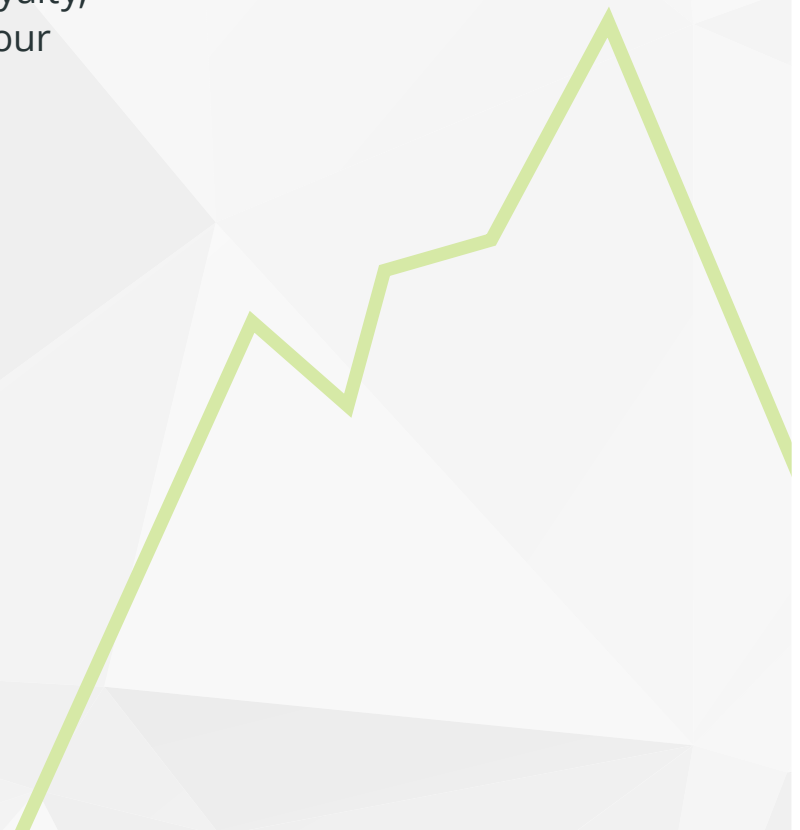
The loyalty iceberg, part 5: Know what I care about

4.

Support their passions. If people care about a cause, venture or idea enough to approach you for financial support, it's worth your time to think it over. In addition to the benefits of **increased visibility and revenue, expanded network opportunities and heightened employee morale**, your brand will also be rewarded in increased goodwill and loyalty, not to mention given valuable insight into what moves your customers, both current and prospective, into action.



Know what
matters to me



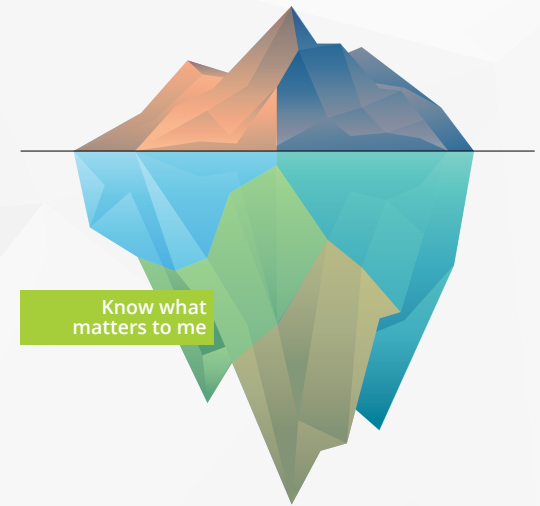
The loyalty iceberg, part 5: Know what I care about

5.

Get local. Getting involved in the communities in which you do business is not only a great way for brands to boost visibility and brand awareness, it's also effective to aid in learning what your customers care about. By joining a local chamber of commerce, speaking at a career day at a local high school or college, sponsoring a local sports team, or giving your employees the opportunity to work a few hours a month for pay for a local charity event, you signal that your company is interested in more than just the bottom line. In addition, once your company has the reputation for community involvement, you will have more opportunity to learn what matters most to your customers.

With these points of advice in mind, your brand can fine-tune its understanding of its customers to finally make the personas, segments and demographics into something like a real person.

And once you recognize, understand and embrace this real person, with the attendant insight into what really matters to them, you'll at last be able to transcend the mere sale or simple transaction into something that's more authentic...and enduring.



Know what
matters to me



Recognize me

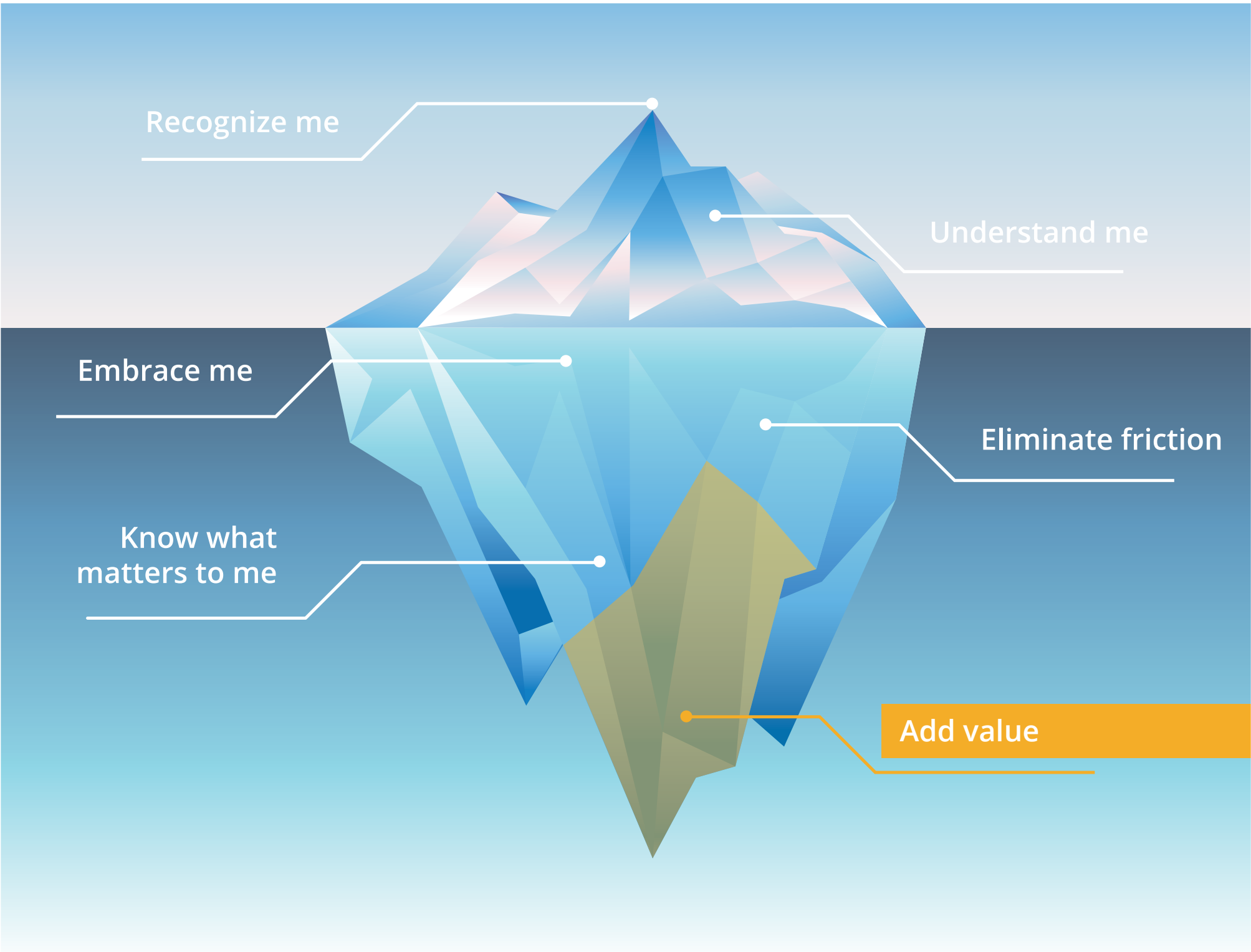
Understand me

Embrace me

Eliminate friction

Know what matters to me

Add value



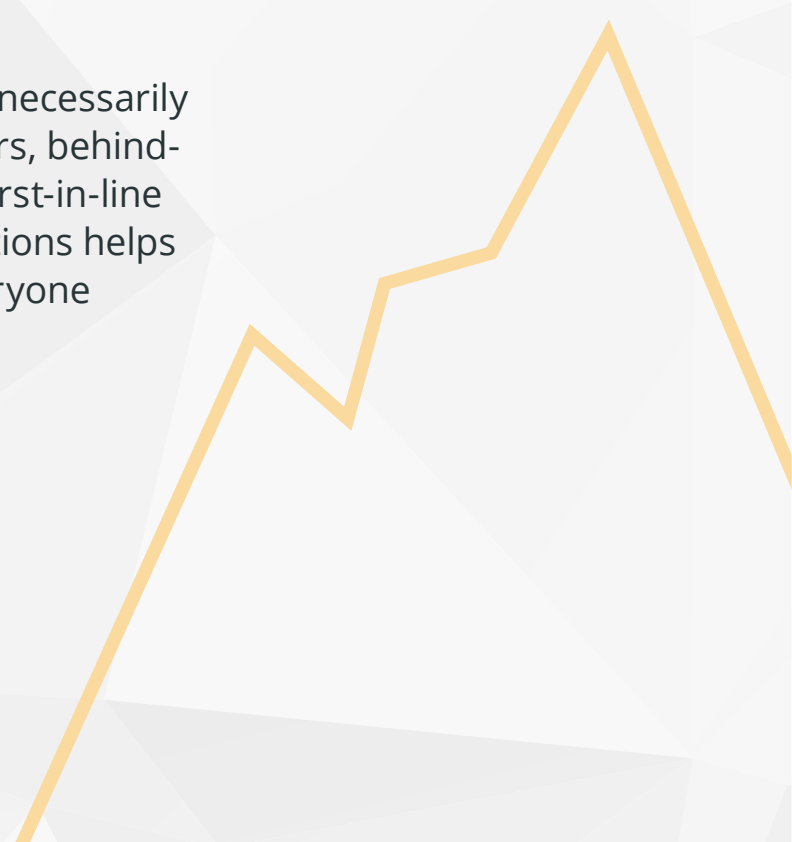
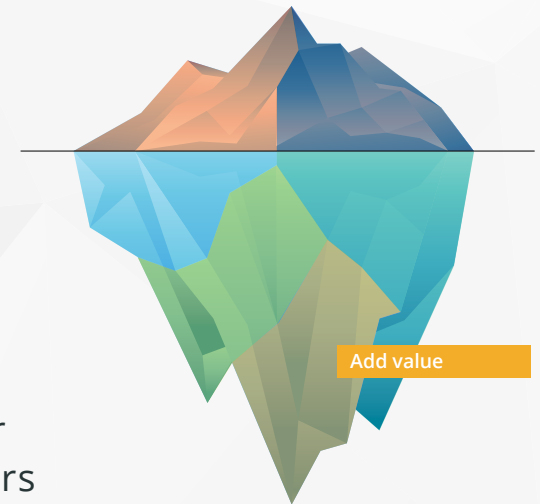
The loyalty iceberg, part 6: Add value

Finally, we'll dive into one of the most important aspects of an excellent customer experience that drives loyalty: Adding value because the value you add to the experience is what keeps your customers coming back. Here are five tips to help show your customers that your brand is worth their time and loyalty, fulfilling the expectation that you add value to the relationship:

1.

Offer privileges, not just price. Rewards don't have to necessarily have a dollars-and-cents component. Giving special hours, behind-the-scenes tours, pre-sale access to specialty goods or first-in-line availability of in-demand products with in-stock notifications helps your customers shop smarter and, well, better than everyone else, making them feel particularly in the know.

Some retailers have embraced personalized programs, like [Freson Bros.](#), whose updated loyalty program gives their customers the same feeling of being understood and appreciated.



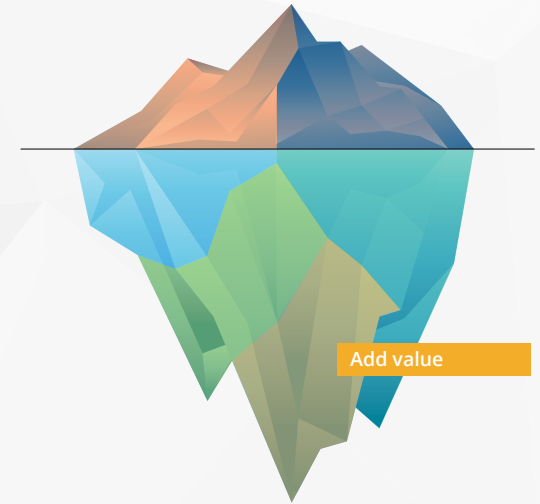
The loyalty iceberg, part 6: Add value

2.

Use little things to make a big impact. In classic research performed by German psychologist Norbert Schwarz, he determined that finding a single dime improved someone's day. As Schwarz reported, "It's not the value of what you find. It's that something positive happened that surprised you."

Similarly, not every loyalty program perk has to come with a huge price tag. For offline retail stores, offering a small freebie with sales, such as a keychain, free reusable shopping bag, branded item or other inexpensive gift can surprise and delight customers.

Food, in particular, is a low-cost perk that may impact product perception: another study found that when a random group was asked to rate their televisions, consistently better ratings were given by those customers who had just been treated to a free food sample.

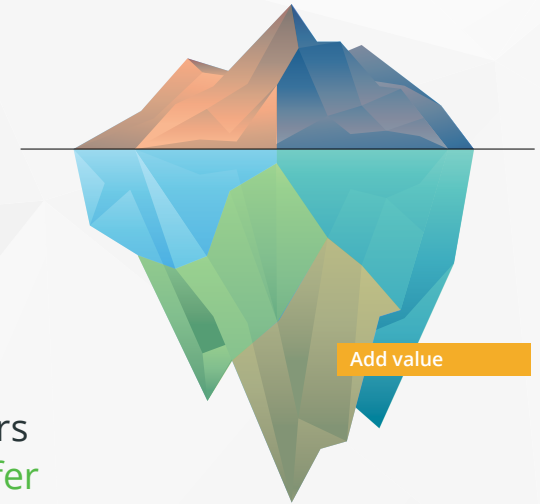


The loyalty iceberg, part 6: Add value

3.

Give them discounts on what they already buy. You know what your customers like, and you know what they buy. Why not give them a perk to keep doing what they're doing? Customers like the idea: **nearly three-fourths (73 percent) of consumers prefer to shop at stores that send custom discounts based on their purchase history.**

And **with nearly half (47 percent) of customers expecting more if they share personal information with companies,** it makes sense to make use of the data you've already collected to give customers something they already have proven they want, need and use.



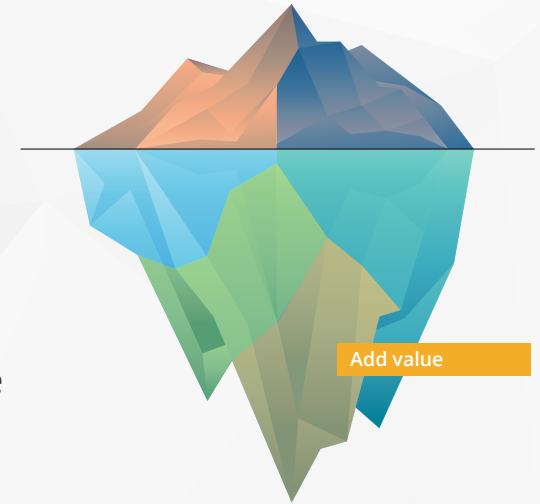
47% of customers
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The loyalty iceberg, part 6: Add value

4.

Celebrate! Recognizing a loyalty milestone, such as reaching a new point tier, or celebrating a loyalty “birthday”—the anniversary of the date of joining the loyalty program—are easy ways to establish a more emotional connection with your customers.

77% of consumers state that receiving birthday/anniversary content would have a major impact on brand loyalty. In addition, birthday-centered campaigns are not only nice for your customers, but they're also nice for you: birthday email promotions, for example, achieve a 4X increase in transaction rates and over 3X the revenue of regular marketing emails.



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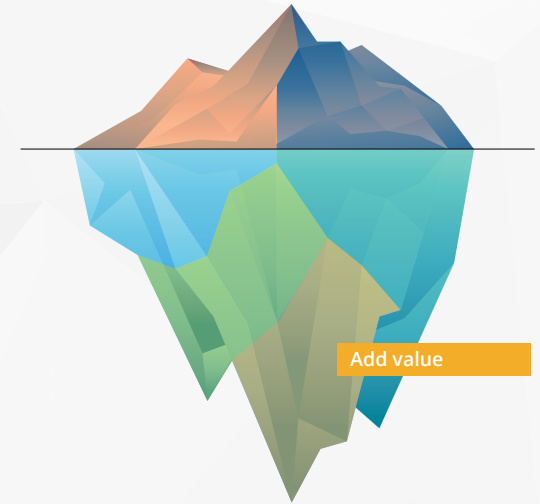
The loyalty iceberg, part 6: Add value

5.

Be helpful. As clinical professor of marketing Mohan Sawhney at the Kellogg School advised, “Ask not how you can sell, but how you can help.” Some customer-loyalty building ways to help include offering free advice, self-help tips newsletters, guides—any content deliverable that is of value to your customer.

Whether it’s a free recipe handout at a grocery store, an article about how to measure your wall to install bookshelves on a home improvement store’s website, or a text message linking a shopper to a new fashion trends, the goal is not to sell but to entertain, inform or educate.

As one marketer stated, the goal is to answer your customer’s question: *What’s in it for me?*; the smart brand will make it clear what’s in it for him, her and them by passing along content that’s timely, informative, and, ultimately, useful.



Add value



Conclusion

Remember: customer loyalty is not only a win for you, as repeat customers generate a disproportionately large share of revenue and drive higher profits, but also for your customer. With a company they trust, they don't have to do the work to explore and research other options every time they make a purchase.

This reciprocity is the heart of customer loyalty, and once you ensure you're keeping your end of the bargain by staying true to your customers, your customers will be moved to do the same.

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