

How Experiential loyalty Enhances Customer Advocacy

BLOG



Overview

It is an open secret that brands invest significant revenue to nurture loyal customers (research shows over 75% of brands invest more than 3% of total revenue)—after all, a 5% increase in customer retention can increase a company's profitability by 75 percent. Today more companies than ever have loyalty programs, estimated to be growing at 10% a year.

But there is another elusive type of customer that brands vie for even more - the advocate.

The term 'customer advocacy' should make brands lean in with rapt attention. They are the people who evangelize your brand to their family, friends, and colleagues. Customer advocates contribute to a higher Customer Lifetime Value, improving brand awareness, and they uplift your revenue when they share the incredible experiences they had with your brand.

Sound familiar? You might be wondering — aren't all loyalty programs supposed to be driving higher sales and boosting brand affinity through positive reviews and word of mouth marketing?

In an ideal world, the answer is 'yes'. A strong loyalty program must also drive customer advocacy. Even though there are more loyalty programs now, the number of customers who actively participate in them continues to remain at only about 45%, highlighting that there is scope for improvement in most programs.

Overwhelming evidence shows that Customer Expectations have changed in the last decade or so. Customers' behavior and purchase journeys have become increasingly complex and non-linear, but unfortunately retailers are still stuck with a one-dimensional view of customer loyalty. According to research, 96% of loyalty programs rely on transactional rewards, but 75% of transaction-based programs fail in the first two years.

The harsh truth is the loyalty programs from the by-gone era simply don't cut it anymore. To go beyond discounts and points, brands need to reward loyal members with memorable experiences. This creates an emotional loyalty to your brand far more often.

What Is Experiential Loyalty— and why does it work?

In the pursuit of identity, a 'experientially loyal customer' seeks personal symbolic meanings in the act of purchasing and investing in a brand, and interacts around these meanings individually or as a group.

Experiential loyalty should go beyond transactions to focus on the larger customer experience and values. Its application can be found across various industries, from supermarkets to high-end fashion brands.

For example, the popular American wholesale-retailer charges an annual membership, but helps their die-hard loyalty customers make wise financial decisions beyond just groceries, by offering their own pharmacy, eyewear store, liquor store, fuel stations, and so much more. In more recent years, they've successfully been offering ecommerce options. Similarly, Indian grocery retailers flourish by combining great price deals with the convenience of creating and delivering your grocery list.

Of course, not every grocery store can imitate them. But remember your favorite corner store as a college student, the one you could spend hours at with your friends? The memorable ones value their customers, and create experiences— whether it is by serving hot meals when we need it, or delivering groceries when we're a desperate tied-up parent.

Some brands, like US-Canada-based QSR, state their values clearly in their restaurants and online— making fresh healthy food, with emphasis on high-quality ingredients locally sourced from farmers. Recognizing the importance of omnichannel experiential loyalty, they offers a card-based loyalty program and a mobile app, and rewards its customers with free food items, tasty nutritious meal recipes, invitations to special events, and more.

The goal of experiential loyalty is to create a unique bond with your best customers by allowing them to enjoy exclusive experiences that are hard to replicate anywhere else. This could include anything from concerts, backstage passes, private events, celebrity meet and greets, personalized products, exclusive training workshops, and so much more. Experiential loyalty boils down to activities, not mere items.

In many cases, experiential rewards rely on people's "fear of missing out". When people share their best experiences with their friends & family, either in person or through social media, it can powerfully motivate other consumers to learn more about your brand and experience it for themselves, driven by the fear of missing out or longing to be part of something exclusive.

While transactional rewards and dollar savings attract consumers most frequently, it's the experiential rewards that create long-term impact. The transactional rewards that most loyalty programs offer are rarely unique, that's not the case in experiential rewards. The experience your brand provides loyal customers must be different from what other brands can provide.

Best way to engage the most consumers with your brand is combining transactional benefits and experiential benefits. And keep in mind that excessive transactional and discount-based rewards can have the opposite effect of experiential rewards— diluting perceived value of the brand. Good transactional rewards make your customers feel smart, where experiential rewards let them feel special.

Here are some of the key points of experiential loyalty:

1. Emotional Rewards: Create remarkable non-discount rewards, such as personalized experiences, value-driven engagement and exclusive services, to help customers feel appreciated and valued.

2. Reflect your brand's value: Align your brand's values while creating experiences to attract the interests and passions of your customers. Understand the interests of consumers by leveraging relevant transaction history and a single view of the customer across all channels of interaction

3. Unique Experiences: Unique brand experiences cause heightened customer engagement & build advocacy that permeates throughout a customer's network, allowing you to build better relationship with your customers. Today, many customers (including 70% of young customers today) give more importance to experiences over products

4. Keep it exclusive, Optimize costs: Depending on how elaborate your reward is, experiential rewards can accumulate heavier cost than traditional transactional rewards. It may make sense to offer the high-end perks only to your very best customers which also lends exclusivity to the experience. Less expensive experiences can be offered to lower tier groups, and the rewards steadily grow for each loyalty tier. Consumers who participate in top loyalty programs are 82% more likely to choose that brand over its competitors, and two times more likely to recommend it to others.

5. Perfect Timing: Although often overlooked, timing in marketing (just like in comedy) should be perfected—especially by those with small teams and smaller budgets. Brands must be aware of any social movement affecting their products or their customer segments, and modify their message and product accordingly. Additionally, by leveraging digital data and engagement trends, brands must understand when their customers pay the most attention, engage, and make purchases. Marketers can also utilize technologies like geofencing, and send coupons, push notifications or engage when customers enter a certain location area

Examples of Experiential Loyalty

French Multinational Retailer

Although the beauty retailer began as a simple points-based loyalty program, it has now expanded to a community that motivates members to share tutorials, and engage with other makeup enthusiasts and professionals. Company's mobile app even uses augmented reality so members can virtually test products on themselves. Retailer offers free samples of beauty products to loyalty members of all tiers, which strengthens their own loyalty program while promoting other brands. But perhaps the best aspect of retailer's experiential loyalty program? For higher-tiered members, they offer one-on-one makeup consultations with professionals.

American Outdoor Recreation Products Company

Company provides their loyalty members with tailored rewards for their lifestyles. As part of their VIPeak program, customers can earn points through traditional methods like making purchases and through less traditional ways like events, checking-in at certain locations, downloading the company's mobile app, and more. However, the most captivating factor of their experiential loyalty program is the vast array of choices they offer when members redeem their reward. Customers can redeem their points for unique travel adventures like mountain climbing or excursions.

Japanese Multinational Conglomerate

Company uses their ultimate Rewards and Show Stoppers rewards program to take their CX to next level. These rewards are larger than life experiences that allow customers to use their points to bid on various exclusive experiences, from Hollywood premieres, to sporting events, to sold-out concerts. They allows their customers a shot at making their dreams come true— if they bid the highest! This added level of gamification empowers the consumer to define their own value of an experience. All these factors have set their Loyalty Program a class apart.

Conclusion

Experiential loyalty really comes down to the fact that when you give customers a positive memorable experience, by creating an exceptional feeling that keeps customers coming back for more. Experiential loyalty programs should offer tailored unique rewards to make customers feel important. This can evoke a much stronger and longer-lasting connection with your customer than transactional benefits— one that gets them to relive their happiness with friends and loved ones, and turn into an advocate for your brand.

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