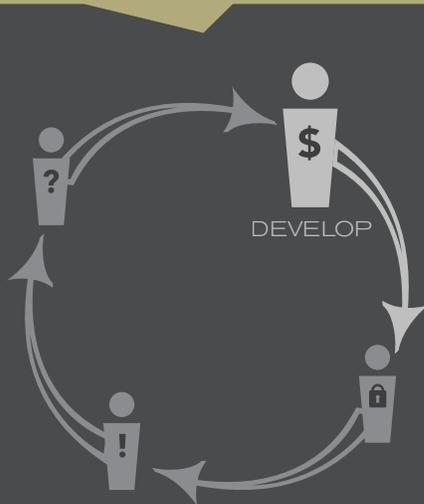# CUSTOMER BRAND LOYALTY

CULTIVATING TRUE LOYALTY STARTS WITH A FOCUS ON DEVELOPMENT

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Although development is the second stage of the customer lifecycle, it is the first real opportunity to cultivate brand loyalty. Allocating the appropriate focus and resources to behaviors in this stage is critical. Not only does it optimize your customer base from a financial perspective, it also builds a solid foundation for longer-term relationship development, increased retention and ideally, advocacy.

ACQUIRE   DEVELOP   RETAIN   AMPLIFY

Customer Development Behaviors

Development behaviors can generally be grouped into three categories – continuity, onboarding and growth. These behaviors are universal in that they apply to many different types of customers, including B2C and B2B2C.

Continuity behaviors focus on getting a trier to become a buyer, habitually purchasing the product or service and in the long run, becoming a regular customer. These may include:
- Making a second purchase
- Repeating or routinely purchasing
- Increasing frequency of purchases
- Increasing ticket average of purchases

Onboarding focuses on driving the behaviors of your best or ideal customers from both a revenue and profitability perspective. Specific examples include:
- Optimizing purchase-related behaviors
- Driving profitable behaviors - e.g. channel migration and optimization; online billing, pre-approval and auto pay; pre-orders and recurring orders
- Omni-channel activation — e.g. retail, online, mobile and social
- Initial relationship development — e.g. opt-in and channel preferences, profile completion or enhancement, feedback

Growth behaviors focus on expanding beyond the initial product or service purchased. Specific examples include:
- Trial across categories
- Up-sell or cross-sell
- Private label or higher margin alternatives
- Service enhancements
- New product/services

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Designing Programs for Customer Development

Compared to the other stages of the customer lifecycle, the development stage generally involves both a higher number and greater variety of behavior types, many of which are sequential. This has significant impact on program design. There are specific behavioral economic theories and program frameworks that work particularly well at engaging customers in this stage.

Behavioral Economics

- **Goal Orientation:** We leverage the human disposition to achieve goals by reframing lifecycle objectives as goals and breaking those goals into specific behaviors.
- **Motivation:** We address the two often-opposing forces influencing customer behavior—the desire for both immediate gratification and long-term benefits.
- **Gamification:** We apply game mechanics and dynamics as heuristics, or mental shortcuts, to increase engagement and capitalize on intrinsic motivations.

Program Frameworks

Transactional or points programs are effective at driving continuity behaviors. They are also a great foundation for onboarding and growth. However, targeted promotions or bonus opportunities are more effective at driving individual critical development behaviors whereas triggered behavioral promotions are more effective at driving sequential or progressive behaviors. Both can be integrated overlays to a core transactional program.

Industries with a Primary Focus on Customer Development

Many companies under-allocate priority, focus and budget for this critical state. In some cases, companies spend disproportionately on acquisition of new customers versus development of existing customers. This results in a failure to turn triers into buyers and creates a leaky bucket that significantly erodes the ROI of acquisition. In other cases, companies skip development entirely and rush from trial to retention or worse, advocacy. By ignoring the crucial need to cultivate behaviors in the development stage first, they negatively affect potential response to future retention and advocacy initiatives. They also put the customer relationship at risk. There are certain industries that should allocate more resources to the development stage because of purchase frequency and average ticket size.

Consumer Packaged Goods (CPG)

Consumer packaged goods are generally higher frequency and lower ticket. Historically, a lack of access to customer level data has limited the ability to market across the entire lifecycle. As a result, marketing resource allocation focuses primarily on the develop stage (especially continuity) where they can truly influence behavior and have the biggest impact. However, customer specific data is becoming increasingly available and this will have a significant impact on the future of marketing in the CPG industry.

Communications, Information and Entertainment

Many companies in this industry are challenged with marketing infrequent, high-ticket purchases combined with an on-going revenue stream tied to utilization. In many cases, there is a subscription or contract and the initial high-ticket purchase is often subsidized. As a result, the development and retention stages need extra focus. In development, onboarding behaviors are most critical - for example, up-sell or cross-sell to maximize revenue and profit, channel optimization to reduce costs and a focus on customer service and brand engagement to ensure satisfaction.

Automotive

The auto industry has historically defined the lifecycle based on a high ticket, low frequency purchase. As a result, the focus has traditionally been on retention — the next car purchase that is many years in the future. But think about the lifecycle marketing potential associated with service-related behaviors, as well as the increasing importance of onboarding related to new automotive technology like telematics. Accelerating the learning curve to reduce customer service costs and minimize frustration, which in turn increases customer satisfaction, is critical. With this new perspective, allocating more resources for development makes sense.

The development stage is a crucial step in the overall customer lifecycle. By designing a program that has a heavy focus on reinforcing desired purchase-related and relationship-based behaviors in this stage, you will build a strong foundation for customer loyalty and brand advocacy.

To learn more about BIWORLDWIDE and how we can help engage your customers in every stage of a lifecyle program, visit: BIWORLDWIDE.com or email info@BIWORLDWIDE.com.