



EBOOK

The “New” Loyalty Playbook

Using Loyalty Amplifiers to
Boost Acquisition, Engagement
and Brand Advocacy



Welcome,

Thank you for downloading this Strategy Brief from The Wise Marketer. We hope you find it valuable and that it adds value to your business.

Over the past year, we have set about identifying the topics that matter most to business-people interested in creating value from customer groups – that’s the outcome of what we refer to as Customer Loyalty. The Strategy Brief series represents a detailed survey and analysis of each of these topics.

By creating a permanent library of topical books representing industry best practices on important topics to the industry, you will have a resource that you can refer to on a regular basis and use as a training tool for your teams.

In each Strategy Brief, we sought out an expert partner to develop perspectives, insights and to illustrate examples of these concepts in practice. Ebbo is our partner in this edition, which surveys the topic of The New Loyalty Playbook.

Stay. Loyal. Always.



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The logo for 'ebbo' is written in a bold, lowercase, blue sans-serif font. A small 'TM' trademark symbol is located to the upper right of the final 'o'.

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The “New” Loyalty Playbook

Chapter One: Loyalty Fundamentals Evolve

Loyalty today is different from yesterday. And tomorrow the landscape will change yet again. What’s a savvy marketer to do? Just like this Ebook, loyalty itself can be explored in multiple ways, depending on what matters most to your customers and the nature of your brand. That’s why we’re here to help you build programs that go beyond personalization to deliver real relevance at every touchpoint. The question for marketers now is: how can you evolve your approach to ensure your loyalty programs aren’t just relevant today, but forever onward?

To properly answer these questions, we must first ground ourselves in four “new” loyalty fundamentals. The concepts behind these fundamentals aren’t new, but as you’ll see, the approach, execution, and future direction for each are currently experiencing a seismic shift:

Emotional Loyalty: It’s not just about rewards anymore, and it hasn’t been for a long time. The concept of emotional loyalty is something marketers have been aligned on for years—it’s now about perfecting the execution. Can you confidently uncover hidden pathways to the hearts of customers that stride past competitive efforts? If not, you’re leaving money on the table. Brands that succeed in nurturing these connections (while also accurately measuring them) will build enduring customer advocacy.

Value-Based Loyalty: More than ever, customers—especially younger generations—are driven by shared values, such as sustainability or social responsibility. But “values” can mean different things for different audiences. At the end of the day, it’s about delivering tangible worth to members at every point in their journey. For some this means price relief through discounts; for others, benefits and rewards that enhance daily life, or even ease of use that adds convenience. Brands must ensure that value is delivered with every interaction, whether through meaningful benefits or usability that consistently makes the program worth engaging with.

Enhanced Realities: Crafting seamless omnichannel experiences has been an expectation for some time. But now, we have far more tools to help interactions across channels to flow effortlessly. AI and predictive analytics personalize these experiences, eliminating friction points and offering valuable insights. However, AI should always inform rather than dictate the nature of the program; the key is giving customers the choice in how they engage and are rewarded, allowing them to shape their own journey. By combining AI-driven personalization with this greater autonomy, brands create a more flexible, relevant, and empowering loyalty experience.

The Choice Factor: Engagement thrives when customers have control over how they interact with a brand or program. Today’s loyalty must offer flexibility, letting customers decide how and when they engage, and what they are rewarded with. Whether it’s completing specific activities, choosing personalized rewards, or navigating their loyalty journey in a way that suits them, this “choose your own adventure” idea empowers customers and makes the experience more relevant and impactful. By offering choice, brands build stronger, more enduring connections and keep engagement high.



Honing in on the Habit Loop: Consistent Motivation, Consistent Behaviors, Consistent Outcomes

Where do we go from here? These fundamentals must be intertwined with strategic and tactical activation to transform latent potential into performance-driven loyalty. Even more than that, this strategy must perform time and time again, and be updated as further insight, trend, or landscape shift presents itself.

This is why the “Habit Loop” is an important concept. The Habit Loop is crucial when it comes to driving consistent customer engagement and loyalty. At its essence, the habit loop consists of three fundamental stages: cue, routine, and reward. Each plays a distinct role in shaping behavior, and when applied thoughtfully, it can transform fleeting interactions into long-term loyalty. Let’s break down how this framework can be practically applied to a loyalty program:

1. Identify Effective Cues

- **Time of day:** Offering rewards at certain times, such as morning coffee discounts for early birds.
- **Location:** Geofencing can trigger notifications when customers are near a store.
- **Emotional states:** Acknowledge moments when customers might need a boost, such as a surprise reward after a stressful workday.
- **Preceding actions:** Use previous interactions to cue the next one, such as reminding customers to redeem earned points after making a purchase.

Cues are the triggers that initiate a customer’s interaction with your brand. The challenge lies in identifying these cues in ways that seamlessly fit into the customer’s existing life. These triggers can be based on several factors:

2. Develop a Simple Routine

Once the cue is in place, the routine should be effortless. The goal is to establish a low-friction action that customers can take immediately after receiving the cue. This could be:

Engaging with email: A personalized email could prompt customers to check their points balance, redeem a reward, or participate in an exclusive offer.

Web interaction: Direct engagement through web portals or pop-ups, offering tailored content based on browsing behavior, purchase history, or past interactions.

Geography-relevant prompts: Whether through SMS, geolocation services, or even receipt-based cues, providing a seamless in-store experience ensures customers can quickly take advantage of rewards or offers, with or without an app.

QR codes: Placing QR codes on physical receipts, store signage, or product packaging allows customers to scan and instantly access exclusive content, rewards, or information.

Social media touchpoints: Social platforms can be used to trigger routine engagement through reminders, contests, or instant offers delivered directly through social channels.

In-app or mobile notifications: A quick tap could take users to special offers, making it easy to engage with the program without disruption.

Voice assistants: Incorporating loyalty interactions through voice-activated assistants (like Alexa or Google Assistant) allows customers to check rewards, place orders, or interact with loyalty programs in a hands-free, convenient way.

Creating a smooth, almost automatic experience for customers reinforces the idea that interacting with your brand is easy and rewarding.



Insight in Action: PepsiCo

PepsiCo utilized QR codes in their packaging and retail environments to boost first-party data collection and customer engagement. By offering instant access to personalized content and exclusive offers, they grew their first-party data by 50% within 18 months, blending digital and in-store experiences for a seamless loyalty journey.



3. Provide Compelling Reward Value

The loop closes with the value component which is critical to ensuring that the behavior continues. To make the habit stick, this must be both immediate and meaningful to the customer. This value component can take on various rewarding forms depending on what resonates most with your audience. Examples include:

- **Instant discounts or freebies:** Rewarding behavior in real-time encourages customers to feel an immediate payoff.
- **Recognition or status:** For example, VIP members may gain exclusive access to events or early product launches.
- **Fulfilling a need:** Whether it's convenience, financial savings, or emotional satisfaction, the reward should align with what the customer values most.

The stronger the reward, the more likely the customer is to repeat the behavior. Over time, this builds a powerful loyalty loop where engagement becomes habitual and customers continuously seek out the next reward.

Benefits of Applying the Habit Loop

Embedding your brand into a customer's habit loop can lead to measurable gains:

- **Increased Engagement:** Customers are likely to interact more frequently as the habit becomes ingrained.
- **Improved Retention:** Customers who form loyalty-driven habits are less likely to churn and more likely to remain invested in the brand.
- **Organic Growth:** Habitual customers are more inclined to refer your brand to others, driving growth without costly acquisition efforts.
- **Competitive Advantage:** Once your product or service becomes a part of someone's daily routine, competitors will find it much harder to disrupt that loyalty.

Consistent Results

Perhaps the most significant benefit of leveraging the habit loop in a loyalty program is the predictability it brings. Once the loop of cue, routine, and reward is established, customer behavior becomes far more anticipatory. Brands can reliably intercept engagement patterns, leading to more accurate forecasting and long-term planning. This consistency not only aids in measuring the success of loyalty initiatives but also in optimizing them over time, allowing businesses to refine their programs for even better performance and sustained growth.



Insight Alert: Consistency is Capital.

The more you can reproduce results, the more you can grow on your success.



Case Study: The Power of Paid Loyalty

Our retail partner, operating 13 distinct retail brands, faced the challenge of revamping its customer loyalty programs to increase acquisition, retention, and overall customer engagement. We helped launch a paid loyalty program as a pilot across three brands, with the aim of nurturing consistent customer loyalty.

The foundation of our strategy lies in leveraging ideas from the Habit Loop to drive consistent behaviors. Cues such as exclusive offers and premium benefits acted as the triggers to prompt customer engagement. Once customers entered the program, their routine was defined by frequent interactions—whether shopping online or in-store—leading to ongoing engagement with the brands. The final, and perhaps most critical element was the reward: immediate discounts, exclusive perks, and paid experiences that reinforced the habit loop and kept customers coming back.

This strategy resulted in significant financial impact. The brands saw a 56% increase in sales per member and a 40% increase in purchase frequency. Additionally, average order values rose by 28%, contributing to over \$187 million in merchandise sales and generating \$119.2 million in subscription revenue for the retailer. Remarkably, this was achieved with **no upfront cost**, and the initial pilot program was launched within just **90 days**. The success prompted a rapid rollout to the remaining brands, completed within **six months**.

This success underscores the importance of creating consistent motivation and behavior loops in loyalty programs. By offering meaningful rewards and nurturing ongoing engagement, this paid loyalty program became a seamless part of customers' daily shopping routines.

Paid Loyalty and Free Tiers – Striking a Balance

The concept of the habit loop offers a useful framework for understanding how to successfully navigate the question of when or why to charge for loyalty offerings or leave program components free. If you're wondering about using a free tier to convert members into a paid program, or moving paid members into a free tier to retain them, the habit loop can be a formula that helps facilitate movement between tiers. Here's how the habit loop applies:

1. Cue: Creating the Initial Trigger

In a free loyalty tier, cues can be strategically crafted around key moments, such as a customer visiting your website, receiving a personalized email, or encountering an in-store prompt. The goal here is to use external triggers to guide customers into their first interaction with the program. Free trials, SMS, or limited-time offers can serve as effective cues that prompt engagement.

2. Routine: Establishing Seamless Engagement

After the initial cue, the routine must be easy for customers to adopt. Signing up for a free tier should require minimal effort, and engagement activities should feel natural and intuitive. This could include daily or weekly reminders to check their rewards balance, simple site interactions, or low-effort ways to earn points through gamified experiences. The easier the routine, the more likely the customer is to continue interacting with your brand regularly.

3. Reward: Providing Immediate and Relevant Benefits

The reward is usually the pinnacle point of value perception. Free-tier members should receive instant benefits that reinforce their decision to join. Whether it's earning points for their first purchase or unlocking a small discount, the reward should be tangible and immediate. Over time, as customers become accustomed to these rewards, they'll naturally look for more. A door opens, enabling an upsell opportunities into a paid tier where greater benefits await. Alternatively, paid members can be transitioned into a free tier during strategic moments, such as when they choose to change their relationship with the brand—like canceling their membership—or during specific times of the year. For instance, some members may only opt into the enhanced value of a paid program during high-spending seasons, such as the holidays, when they seek to maximize their benefits. Offering a free tier at these moments ensures the relationship is maintained, providing continued value at a reduced commitment. By keeping these members in the ecosystem, brands can nurture their engagement and seamlessly pave the way for reactivating paid opportunities when the timing is right.

By leveraging the habit loop, brands can achieve several key outcomes with a free loyalty tier. Ultimately, combining the habit loop with a strategically designed free tier provides a direct pathway to greater customer engagement and retention, making it a powerful tool for brands looking to maximize success.



Insight Alert:

Remember, the only thing dictating directional movement from free to paid loyalty (or vice-versa) is strategy. Just as brands can add a free tier to a paid program, they can also add paid tiers to their free programs, and it is the goals and objectives that should guide this decision.



Insight Alert:

Nothing hurts authenticity more than genericism. Uniquely relevant qualities help programs surpass mere “marketing” and reach the status of art.

Tailored Loyalty: Measuring Twice, Cutting Once

When it comes to loyalty strategies, the adage “measure twice, cut once” has never been more relevant. Planning loyalty programs strategically ensures they not only reflect the latest industry fundamentals, but also remain adaptable as market dynamics evolve. A well-measured approach allows brands to pre-emptively address customer needs, minimizing the risk of program failure. In fact, research shows that companies with a strong strategic foundation are 1.6 times more likely to outperform competitors in customer engagement and loyalty. By planning for agility, brands can ensure their programs are both effective in the short term and resilient enough to thrive in the long run.

Remember, one size doesn’t fit all. As tempting as it may be to chase industry benchmarks, relying solely on external metrics can be misleading, if not counterproductive. Instead, the key to long-term success lies in integrating internal metrics that align with your brand’s unique goals and customer base.

Industry Benchmarks: A Double-Edged Sword

Benchmarks offer a convenient way to compare your performance to industry norms. But as valuable as they can be, benchmarks lack the depth needed to fully understand the nuances of your brand’s specific challenges and opportunities. For instance, industry-wide metrics may focus on superficial numbers like membership totals or short-term sales, while overlooking more meaningful indicators like long-term engagement or customer satisfaction. Relying too heavily on external metrics can stifle innovation, pushing your brand toward genericism.

The Power of Internal Metrics

By focusing on data that reflects your brand’s unique customer behaviors—like Average Transaction Value or Customer Lifetime Value—you gain insights that external benchmarks simply can’t offer. These metrics allow you to tailor your loyalty program to specific customer distinctions, driving emotional loyalty and resonant connections.

For example, understanding your customers’ purchasing habits can help you design targeted rewards that encourage higher spending or more frequent visits. Moreover, internal metrics enable brands to adjust quickly to shifting market dynamics. If your free-tier loyalty program shows a decline in engagement, real-time data analysis allows you to refine the program’s structure—whether by tweaking rewards or introducing new gamification elements—before it negatively impacts customer retention.

Striking the Right Balance: Internal + External

The most effective loyalty programs combine the best of both worlds. While external benchmarks provide a high-level view of industry standards, internal metrics give you the granular, actionable insights needed to fine-tune your strategy. For example, while tracking your Net Promoter Score (NPS) can help benchmark customer satisfaction, combining it with internal data on non-purchase engagement rates or feedback collection can offer a more complete picture of customer sentiment and areas for improvement.

The tailoring process also applies when considering competitive analysis. Benchmarks can show where your program stands relative to competitors, but your internal metrics will reveal how well your rewards are driving the behaviors that matter most to your brand—such as increased cross-selling, upselling, or deeper customer advocacy.

Beyond the Fundamentals

The journey we've taken through loyalty's evolving landscape reveals a simple truth: success is about more than just keeping up...it's about staying ahead. As expectations rise and potential touchpoints multiply, brands must strive to create value, not just to meet the moment, but to create the moments that matter. Relevance, authenticity, and strategic planning are now the cornerstones of loyalty, but there's more ground to cover. The customer journey is dynamic and ever-changing, limned with opportunity, and it demands ideas which deepen connections, inspires action, and challenge conventions.

In the next chapter of this Ebook, we'll dive deeper into how shifting customer expectations require sophisticated tools to bridge behavior and action. Get ready to rethink loyalty- but this time, you'll have game-changing strategies that go beyond expectation and create unforgettable customer experiences.



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