



# State of the LOYALTY INDUSTRY™

*powered by Loyalty 360*

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## Loyalty in the Digital World

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It's no secret that consumer purchase behavior has morphed into a totally new, 21<sup>st</sup> century paradigm. CMOs – particularly those who understand the importance loyalty can play in making those quarterly numbers – have come to recognize that consumer experience and engagement is a combination of both *brand and channel*.

To add to the complexity of engendering real loyalty, according to an IBM CMO study conducted last year, 68% report they are unprepared regarding social media and other digital marketing platforms. What would help that situation would be connected brand and digital foresight. But current research methodologies tend to focus *individually* on digital usage. Or on the online platforms themselves, or on the brand. No approach has provided a perspective on the interactive power of all three, nor how to best approach consumers who are more-and-more digitally-involved.

To respond to these critical needs, one needs to move away from traditional targeting and program development and approach digital from the leading-indicator perspective of loyalty. Which means not just another digital report or a report on digital usage. Nor a demographic analysis of digital usage, or an attitudinal analysis of the demographics of digital usage. All of these things are based on *which* consumers are doing *what*, and *not* on *how* brands can best participate digitally and build loyalty in their categories.

This year Brand Keys has approached these issues from the perspective of our Digital Platform Engagement Index, exploring the question, “How does digital, and the digitally-involved consumer, affect the way building brand loyalty works today?” We sought to link digital platform engagement to the emotional and rational aspects that drive consumer loyalty with brands in a given category, because to be successful, you need to determine the *specific* contribution to loyalty that key digital touch-points make in *specific* categories. It turns out that like categories and brands in categories, they're *not* the same.

The truth is, for example, most brands have not actually answered the “should we be on Facebook?” question. They participate by default because they're afraid not to: “talking” to friends, offering up coupons and rebates and sweepstakes. But behind closed doors, CMOs don't really know if social media matters when it comes to building loyalty for brands. Or, if it does, exactly how it should link back to what drives loyalty in the category. And that's just Facebook. Those questions exist for other digital platforms, and must be solved if brands are to finally operate strategically in the digital space.

We talked to 49,000 customers, Male/Female, 18-65 years of age, drawn from the nine US Census regions, who self-classified for category and brand participation in 83 categories made up of 598 brands. Results are generalizable at the 95% confidence level and uses a methodology that has been independently validated. Within the context of our annual loyalty measures we introduced 14 digital platforms that marketers might commercially use. They included – in alphabetical order – the following:

- Blogs
- Brand's own website
- Browsing portals
- Classified
- Digital magazines
- Digital Newspapers
- Email
- Gaming
- Mobile Apps
- Music
- Online video

Search  
Shopping portals  
Social Networks

Which one do you think was the most powerful platform? If you are thinking, “well doesn’t that depend on my category?” you’d be absolutely correct. People do not engage with and become/remain loyal to cars the same way they do with colas. Or computers. Or cosmetics. No matter how similar the demographic or which letter of the alphabet your category begins with. (But because we know you’re curious, we’ve indicated the digital platform that was the biggest contributor to loyalty across the 83 B2B and B2C categories at the end of this piece.)

The bottom line? For loyalty to be successful digitally you have to examine your involvement with digital on a category basis because it will provide you with 4 unique perspectives on digital usage, platforms, category, and brand, and will offer marketers the following insights:

1. Category-specific identification of ranges of Digital Involvement, *i.e.*, time spent weekly on any/all of a set of digital platform archetypes (Social media networking, blogs, mobile apps, etc.), which means you can segment your loyalty efforts on a continuum of low-to-high digital-involvement.
2. The ranking of each digital platform in a specific category, based on the percent-contribution those platforms make to loyalty, which offers a hierarchy that can finally inform where to best allocate resources in the digital space;
3. Exactly *how* those digital platforms connect with the emotional and rational drivers of consumer decision-making in your category, thus allowing you to customize loyalty content and tactical program approaches when using those digital platforms;
4. How consumers with high-digital involvement “see” and engage with your category versus, say, the general population to help you steer brands into a digitally-pervasive future as regards loyalty-building.

Also, just because more and more loyalty programs are relying on digital gadgets and devices to engage consumer, we looked to see whether Smart Phones were better than Tablets, or Multi-functional Music Devices were better than E-readers, or Laptops were better than all of them in supporting programs and reinforcing loyalty values. Think of it as a Digital Platform GPS®, an identification of electronic devices providing the “best” interaction with each digital platforms for each category, the intersection of platform, program, and device, with a final equation that looks like this:

What Digital Platforms + Which Electronic Devices = ↑Digital Loyalty Engagement

Our bottom line? If you are conducting yet another digital platform study, stop and ask the hard questions about how the study will actually illuminate what you should be doing in the digital space, and what really matters to the consumers in your category. Because we’re pretty sure you already know who you’re talking to and how to reach them (although, for what it’s worth, across the 83 categories we examined, *Search* made the biggest contribution to loyalty of all 14 platforms).

It’s been said that one of the Internet’s (and its myriad digital platforms) strengths is its ability to help consumers find the right needle in the digital haystack. Turns out, done correctly, that works for loyalty marketers as well.

*About the Author:*

*Robert Passikoff, Brand Key’s founder and president, is a sought-after speaker and thought leader on engagement and loyalty. He has pioneered work in the area of loyalty and engagement, creating the Brand Keys Customer Loyalty Engagement Index®, the Brandweek Loyalty Leaders List®, the Sports Fan Loyalty Index®, and the Women’s Wear Daily Fashion Brand Engagement Index®.*

LOYALTY EXPO 2012 SPEAKER: ROBERT PASSIKOFF

Join Brand Keys Managing partners, Dr. Robert Passikoff and Amy Shea at [Loyalty Expo](#) this spring on March 18<sup>th</sup> – 20<sup>th</sup> in Orland, FL. During the session entitled, “How to Create Loyalty (and the Brands That Are Doing It Best),” Robert and Amy will share the most recent results of the 2012 Customer Loyalty Engagement Index, encompassing 85 product and service categories, including airlines, cosmetics, social networking sites, retailers, hotels, and technology brands, and addressing 600 specific brands, including Apple iPhone, Microsoft, T.J. Maxx, Toyota, Progressive Insurance, Amazon, Domino’s, and Verizon.