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Story

Brand Keys: Loyalty Now Hinges On 'Delight'

Karlene Lukovitz, Feb 07, 2011 08:00 AM

Editor's Note: Today, Marketing Daily brings you an exclusive first look at highlights from the results of the 2011 Brand Keys Customer Loyalty Engagement Index. In addition to this overview and look at some key results in the food/beverage, restaurant and spirits/beer categories, this week's issues will feature in-depth looks at the results in the automotive, retail, technology and cosmetics/beauty categories. Look for related charts in the week's Engage: and Marketing: newsletters as well.

Today, the brands across all categories that are knocking the ball out of the park when it comes to customer engagement and loyalty have one critical thing in common: They "delight" customers with authentic innovation and an overall brand experience that delivers on consumers' key expectations within their product categories.

That's the core takeaway from the results of the 15th annual Brand Keys Customer Loyalty Engagement Index (CLEI), which quantifies consumers' current engagement/loyalty levels across 530 brands in 79 categories tracked by Brand Keys.

BRAND KEYS CUSTOMER LOYALTY Index: Top Performers	
1.	Netflix
2.	Apple
3.	Walgreens
4.	Discover
5.	Hyundai
6.	Mary Kay
7.	McDonald's
8.	J. Crew
9.	Samsung
10.	Nikon

"This year's results make it clear that 'delight' is now the critical brand differentiator and most important driver of engagement and loyalty," stresses Robert Passikoff, founder and president of the Brand Keys consultancy. "Mere brand 'satisfaction' has never been more cost-of-entry. Consumers already know the brands. They know what they do and they know what they're willing to pay for them. Now, they're looking to be delighted."

"Consumers' evolution toward defining value in total experience terms rather than price terms has been accelerating for some time, and it's now taken firm hold," he says. "Product/service attributes relating to brand 'experience' and 'authentic innovation' -- the attributes that most drive 'delight' -- are exerting the strongest impact on customer decision-making, category

expectations and engagement. This year, 93% of all categories tracked are showing their greatest increases in expectations within purchase-drivers that are centered on innovation and other attributes that most strongly impact customers' overall experience and produce that 'delight' factor."

Authentic innovation -- meaning that which makes some kind of a positive difference in users' lives or lifestyles -- has never been more critical because of its key role in producing an overall brand experience that achieves the "delight" level, Passikoff explains. In addition to launching new products/ services that offer the consumer something new and meaningful, innovations that improve existing products or how they are delivered or serviced post-purchase are hallmarks of the brands that are leading their categories in loyalty/engagement, he reports.

The CLEI data predict coming shifts in the consumer marketplace 12 to 18 months before they show up in traditional research, according to Passikoff. "Given the levels of commoditization we've witnessed in so many categories as a result of product/service delivery and pricing/ promotion strategies, it's no surprise that consumers are now looking for their favorite brands to make a real difference in their lifestyles," he observes.

The more specific product or brand attributes that drive loyalty/ engagement and the expectation levels for delight vary by category. However, looking across all brands/categories tracked, the 10 brands that indexed highest in terms of the degree to which they have met or exceeded consumer expectations within their own categories -- that is, the degree to which they "delight" their customers -- are (in order of their index scores) Netflix, Apple, Walgreens, Discover, Hyundai, Mary Kay, McDonald's, J. Crew, Samsung and Nikon.

Highlights: Restaurants, Coffee, Cereals, Spirits/Beer

Here's a rundown of the brands that indexed highest for loyalty/ engagement -- and therefore most "delighted" their customers -- within some specific categories:

- QSRs: McDonald's, followed closely by Subway, leads the pack, with all other (non-pizza) QSRs trailing substantially. Among pizza QSR's, Domino's indexed highest, followed by Papa John's, Pizza Hut and Little Caesar's and Round Table.

While taste and price or "brand value" continue to be core drivers in these categories, these have become "givens." Importantly -- particularly in the context of national concerns about health, nutrition and obesity -- menu variety/healthier choices and quality ingredients are now the big loyalty differentiators or drivers among non-pizza QSR's. Also, quality ingredients (which may reflect taste as much as health concerns) are the #1 driver for pizza QSRs.

"Consumer expectations for QSRs have risen tremendously," says Passikoff. "Perceived brand value is the price of admission; now they want more choices, healthier choices - like McDonald's oatmeal and salads and Subway's lower-calorie offerings and whole-grain bread options -- and better ingredients all around." Domino's has clearly scored by following its product reformulation with an emphasis on its natural ingredients, essentially "co-opting" Papa John's marketing strategy, he says.

- Casual dining restaurants: Olive Garden, Ruby Tuesday, Red Lobster, Outback and T.G.I. Friday's lead the loyalty/engagement rankings. In this category, the big loyalty drivers are brand value and menu variety, customer service, décor/entertainment value, and healthy choices.
- Coffee (out-of-home): Dunkin' Donuts comes out on top for the fourth consecutive year, followed by Starbucks, McDonald's (which was #2 last year), Tim Horton's and Krispy Kreme. The #1 loyalty driver in this category is *not* quality/taste (which ranks second), but service/surroundings. These are followed by variety/selection and brand value and location.

"Starbucks lost ground to McDonald's not just because of McDonald's' introduction of premium 'café' offerings, but because Starbucks for a time made its store environments less welcoming and comfortable, harming the consumer experience," says Passikoff. "Now, they're addressing this along with other initiatives, and they're regaining loyalty strength."

- Cereals: Among adult breakfast cereals, the leaders are Cheerios, Honey Nut Cheerios, Special K, Mini-Wheats and Fiber One. A brand's perception as a "tasty lifestyle" cereal is the biggest loyalty driver, followed by ingredients/nutrition value and price/value.

Among children's breakfast cereals, the leaders are Frosted Flakes, Lucky Charms, Cocoa Puffs, Trix and Cap'n Crunch. "Family focus" and taste are the strongest drivers

(basically meaning that kids like and will eat the cereal), followed by ingredients/ value-added, nutrition/health concerns, and price/value.

- Bottled water: The highest-indexed brands are Aquafina, Fiji, Poland Spring, San Pellegrino and Evian. Here, the key drivers are "brand for value," environmentally sound/purity of source, refreshing taste and widely available.
- Beer: Among regular (non-light) beers, Sam Adams and Coors come out on top. Full-bodied taste and "a brand appropriate for all occasions" are the top drivers in this category.

"This is a highly commoditized category, and it's interesting that the big driver is no longer 'taste for the value/price' but, instead, just full-bodied taste," notes Passikoff. "It's also key to consumers that the beer is a real or known brand that they feel they can serve to friends and family, as well as enjoy themselves. Sam Adams and Coors are obviously familiar brands, and on the taste attribute -- one is a craft beer and the other benefits from its emphasis on its use of mountain spring water."

- Vodka: Kettle One leads, followed by Grey Goose, Chopin, Ciroc and Stolichnaya. Here, the key drivers are brand image, price/value and smoothness. "This is one of the categories that is most sensitive to carefully crafted advertising," reports Passikoff. "For example, Absolut is no longer among the short list of top-indexed brands because, while it's great on offering a wide variety of flavors, it seems to lack a clear, compelling image in consumers' minds."