

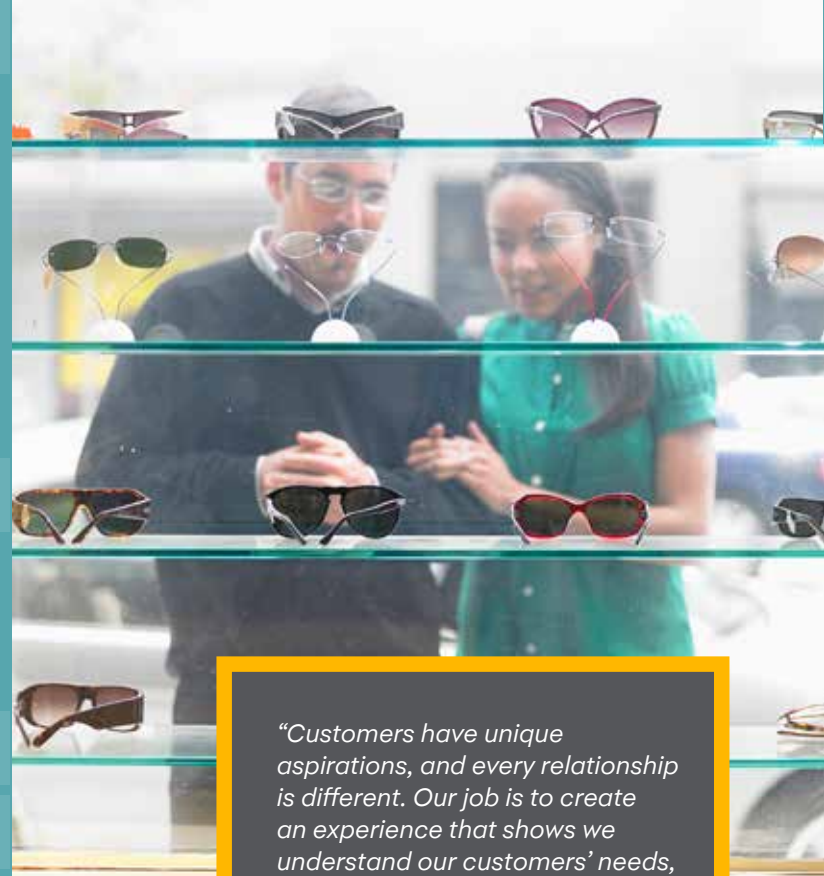
Defining loyalty for your brand

Tips for building the foundation of loyalty



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Loyalty is the result of timely and relevant engagement with consumers that drives them to become advocates for a brand and to consciously select one brand over another.



“Customers have unique aspirations, and every relationship is different. Our job is to create an experience that shows we understand our customers’ needs, we care about them, and we will exceed their expectations. It’s important to form a bond that will create a unique relationship and ultimately drive loyalty to your brand.”

*Bart Schaller,
CMO Synchrony Financial*

Loyalty is more than just discounts and rewards points. Customers are loyal to brands because of quality products, experiences, and benefits. For a brand to build loyalty, it needs to create the best experiences for its customers. So, before a brand launches a new loyalty program or modifies an existing one, it needs to have a clear understanding of what would drive a customer to be loyal to its brand.

4 STEPS TO BUILDING YOUR LOYALTY FOUNDATION

1

Define what a loyal customer looks like to your brand

2

Understand the value of a loyal customer

3

Determine the factors important to you and your customers

4

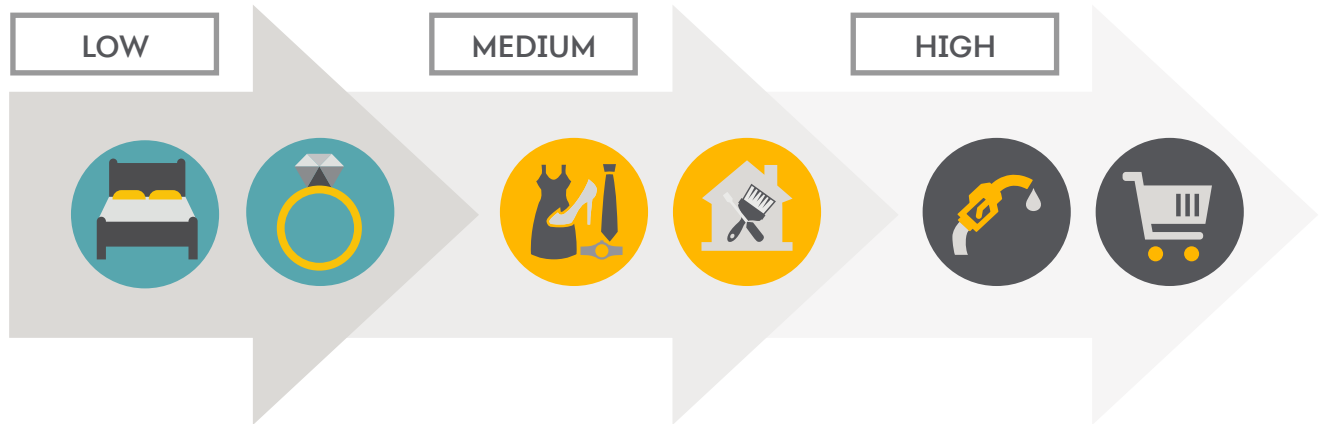
Build a deeper relationship with your best customer

1

DEFINE WHAT A LOYAL CUSTOMER LOOKS LIKE

Engagement Frequency

First, identify where your brand lives on the customer engagement spectrum.



Next, answer these questions about your customers and the types of behaviors you want to drive:

What is your brand's definition of loyalty?

Loyalty looks different for each brand—for some, it means customers shop weekly, for others, the brand is in the top 3 brand choices of the purchase decision.

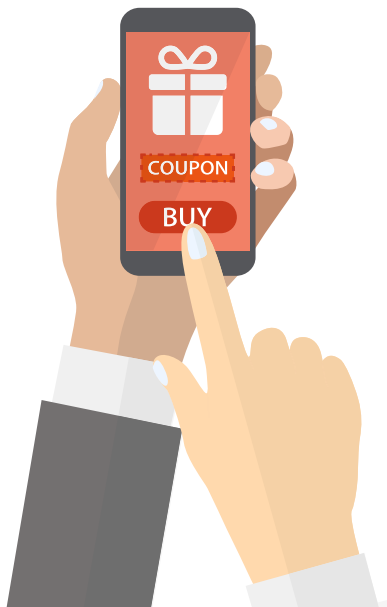
What behaviors do loyal customers display?

Analyze the behaviors of your loyal customers. Which channels do they prefer? Do they primarily

make large purchases? Are they shopping all categories within the brand or limiting their spend to specific categories?

What valuable incremental behaviors do customers need to exhibit?

The more a customer engages with a brand the more likely they are to be a loyal customer. Do they engage via social media? Are they recommending your brand to friends? Are they helping to create brand buzz?



Clarifying your brand's definition of loyalty and what a loyal customer looks like will help guide decisions on how to drive long-term customer engagement.

2 UNDERSTAND THE VALUE OF LOYALTY TO YOUR BRAND

To maximize your loyalty efforts, it's important to identify which customers have the highest probability of coming back and spending more.

LOYAL CUSTOMERS SPEND MORE AND EXPECT MORE FROM BRANDS

I love this store!



81% say loyalty programs make them more likely to continue doing business with a particular brand¹

73% are more likely to recommend brands with good loyalty programs¹



66% modify spend to maximize loyalty benefits¹



50% of consumers say if a favorite retailer sent relevant offers to a mobile device, they would shop there more often²

TO UNDERSTAND THE LIFETIME VALUE OF A LOYAL CUSTOMER, CONSIDER THESE KEY QUESTIONS:

What do loyal customers look like and how do they engage?

Leverage segmentation to identify who the most loyal customers are and what their channel, communications and shopping behaviors are.

What is the value of a loyal customer to your business?

Understand the value of the most loyal customers and invest in those with the greatest potential for loyalty.

How much more growth could be generated if just 10% of customers turned into loyal brand advocates? Once you know who your most loyal customers are, you can quantify the value they provide to your business. Are they worth an incremental \$20 or \$50? Use this number to calculate the potential value of marketing to the next tier of customers, to encourage higher engagement and brand loyalty.

Understand the lifetime value of your customers and identify those customers in which to differentially invest.

¹Visa / Bond Loyalty Survey, Market Insights Fall 2017.
²Synchrony Financial 2017 Digital Study

3

DETERMINE THE FACTORS IMPORTANT TO YOU AND YOUR CUSTOMERS

Do you know what is important to *your* customers? Making unfounded assumptions about customers can lead a loyalty program in the wrong direction, costing money and wasting time. The best way to truly understand what customers want is to ask them directly.

In 2016, Synchrony Financial conducted an Affluent Study that showed that:

84% of customers feel quality is more important than brand

71% of shoppers select retailers for their excellent customer service

By identifying what delights customers and prospects, brands can create solutions that better align with their customers' wants and drive more of the brand's desired behaviors.

DRIVERS OF A SUCCESSFUL LOYALTY PROGRAM FOR A BRAND:

- Repeat patronage
- Increased sales/share of wallet
- Purchase of ancillary services
- Non-price based differentiator
- Insights from consumer data

DRIVERS OF A SUCCESSFUL LOYALTY PROGRAM FOR A CUSTOMER

- Recognition and reward for their patronage/loyalty
- Assurance that they are getting the optimal deal
- VIP and insider services
- Personalized offers

Reward the actions that drive incremental results. Find the balance between meeting customer needs and managing ROI.



4

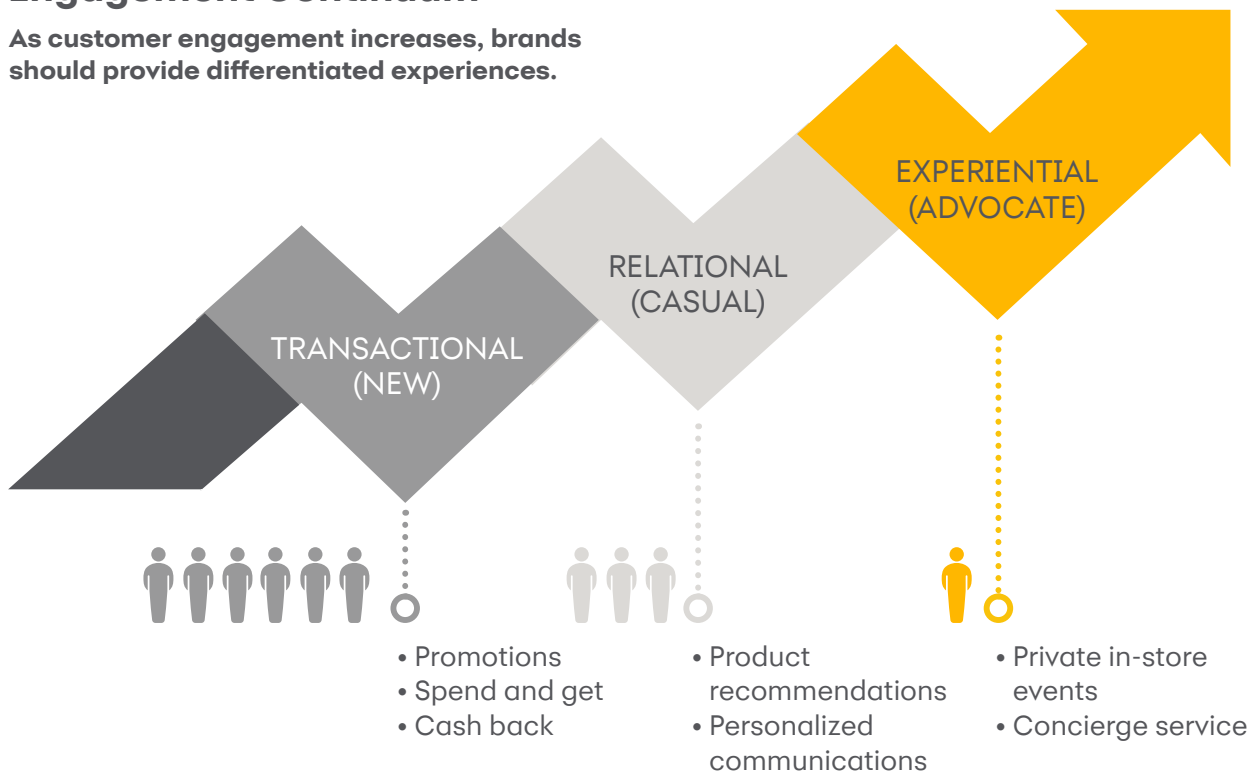
BUILD A DEEPER RELATIONSHIP WITH YOUR BEST CUSTOMER

Brands can develop deeper relationships with customers by leading them up the engagement continuum through more personalized experiences.

The initial reason a customer engages with a brand or signs up for a program can be a discount or a special promotion. But a customer stays engaged because of the product, experience and the relationship they maintain with a brand. The more a customer engages with a brand, the more the brand should look to acknowledge them. Providing special and exclusive customer access and experiences can serve as a brand differentiator in the market.

Engagement Continuum

As customer engagement increases, brands should provide differentiated experiences.



Discounts and promotions will bring a customer in. Then, deliver the right experiences to encourage engagement, create long-term relationships and improve the bottom line.

Loyal customers are the most valuable. Before creating a strategy to engage customers, have a clear definition of brand loyalty. The four steps outlined here are the starting point to developing long-term customer relationships and ultimately driving more customer loyalty to your brand.





Conclusion

Whether supporting a brand through regular purchases, or advocating for it via word of mouth and social media, loyal customers are essential to a brand's long-term success. Loyalty is not built overnight. It comes from timely, relevant engagement and results in customers consciously choosing that brand time and again - ultimately, leading to advocacy.

It's important for brands to create a strong foundation of loyalty by understanding what loyalty truly looks like for each brand. This means finding the intersection between the benefits a brand offers and the types of experiences the customer values. Brands that can differentiate themselves through a combination of rewards, experiences and personalized engagement will build the most successful customer relationships and ultimately drive loyalty.



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Grow

Marketing, analytics and research expertise to help you drive business growth

Lead

Tools for leading your organization and developing yourself as a leader

Operate

Best practices around business strategy and optimizing cost

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