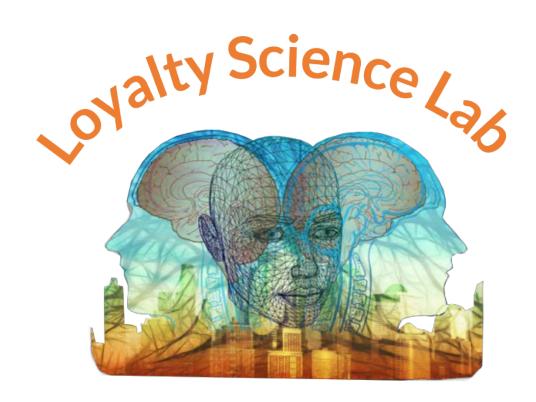# THE LOYALTY PUZZLE

High-Priority Loyalty Research Questions
for 2020-2022

Introduction

During the first three months of 2020, Loyalty Science Lab spoke with a group of leading marketing practitioners. The purpose of the conversations was to identify important loyalty-related issues that need deep, focused research. The questions generated through the process were further narrowed down by the Lab's advisory board members into top-tier versus secondary questions. We are sharing these questions with the business and academic community with the hope that they will inspire more research on these important issues.

Top-Tier Research Questions

Top-Tier Areas of Research

- Dealing with and recovering from unexpected large-scale disruptions
- Changing nature of loyalty and loyalty evolution
- Loyalty metrics and ROI
- Customer experience

Top-Tier Research Questions

I. Dealing with and Recovering from Large-Scale Disruptions

1. How can companies/brands prepare for and deal with large-scale unexpected negative disruptions such as the covid-19 pandemic from a loyalty perspective?
   a. How much does loyalty help in mitigating the impact of such disruptions?
   b. How do companies maintain a sense of continuity in their customer relationship during such disruptions?
   c. What mechanisms should companies/brands have in place to deal with such disruptions in the future?
2. What will the post-pandemic "new normal" look like from a loyalty standpoint? How long will it take to get to the new normal?
   a. When consumers' purchase behavior and habit get interrupted and/or when companies have to change their offerings temporarily to survive (e.g., deeper and more frequent discount), how do you get consumers back on track from a loyalty perspective after the disruption is over?
   b. Will loyalty have a new meaning? How will consumer needs change? How should businesses evolve to meet those needs?
   c. How will market structure/customer clustering change after the disruption? Who will gain and who will lose in terms of customers/market share and loyalty?

II. Changing Nature of Loyalty and Loyalty Evolution

1. What are the meaning and drivers of loyalty today? Consideration factors:

      a. Generational differences
      b. Changing values
      c. Growing socio-economic divide
      d. Platform economy
      e. Sharing economy
      f. Pandemic/disruptions

2. How do different generations view marketing attempts to win their loyalty? What will be next?
3. Benchmarking brands along a loyalty curve. Where should a brand be? How to manage brands along the curve in a multi-brand corporation setting?
4. Benchmarking and moving consumers along a loyalty curve:
   a. How can businesses tell where their customers are? (Related to metrics)
   b. How to grow loyalty, e.g., from apathetic to enthusiastic, repeat purchase to love?
   c. Detecting and proactively preventing loyalty decline.
5. What is the role of social in customer loyalty? How can social elements such as social value and social reputation be integrated into loyalty management and loyalty programs?

III. Metrics/ROI Issues

1. What are the right metrics for loyalty today?
   a. How can we measure and benchmark different types of loyalty, especially the non-mercenary types (e.g., social loyalty and true loyalty)?
   b. How to measure/identify increased loyalty?
   c. What are the right loyalty metrics for different stakeholders that predict how the business and its brands will grow?
2. How can additional values of consumers as message creators, influencers and other roles be captured in customer lifetime value calculation? Is the current revenue-based customer lifetime value metric outdated? If so, what should the right CLV formula be?
3. Can loyalty be measured through user-generated content and conversations?
4. How to demonstrate the ROI on loyalty? How can we link loyalty to business performance and brand value?
5. What is inertia and what is loyalty? How can a business tell? How are they different now?

IV. Customer Experience

1. What constitutes an "elevated" experience for consumers? Is it the reduction of friction (i.e., making things easier)? Or is it (pleasant) surprises? How do product categories/industries play a role in that?
2. Is the last mile more important now? How important is seamlessness and friction-lessness given the need for a leaner business model today?
3. When consumers' expectations have risen so much in recent years, what can companies do to meet those expectations and "delight" their customers while still remaining profitable? What's a sustainable level of customer experience in today's environment?

Secondary (But Still Important) Research Questions

Secondary Areas of Research

- The role of social Influence in loyalty
- Data, analytics, and privacy issues
- Enhancing customer experience and loyalty with technology
- Loyalty program design and management
- Loyalty in non-profit organizations

Secondary (But Still Important) Research Questions

I. *The Role of Social Influence in Loyalty*
1. How are social media impacting loyalty? What does a company need to do in social media to gain that loyalty? How do negative ratings/comments affect loyalty and reputation?
2. What are the different purposes of social connection? What type(s) of social connection are most relevant to brands and social loyalty? How much social connection is needed to activate brands through such social connections?
3. What is the best balance between overt brand messaging versus subtle nudging (e.g., Apple stickers) to create and propagate social loyalty? What is the role and limit of transparency?
4. How can social listening and possibly other tools be used to detect the beginning of brand decline so that brands can proactively prevent such decline? More generally, how can social listening and other tools be used to identify shifts in trends/macro-thought processes?
5. How will social currency/social experience/social reputation work in the future in place of monetary currency that is common today?
6. Brands are increasingly communicating with each other on social media, sometimes acting as BFFs and sometimes challenging each other. How does the interaction among brands affect brand image and brand loyalty? What is the best response strategy when you've been "tagged"?

II. *Data, Analytics, and Privacy Issues*
1. When businesses have a lot of data on consumers' actions, how can those actions be effectively leveraged by recommendation engines to influence future consumer behavior?
2. How do consumer privacy work in this environment? When and why do consumers share vs. not share their data? How to manage data, data usage and data rights given consumer opinions and the regulatory environment?
3. How can knowledge from behavioral psychology and behavioral economics be leveraged to inform loyalty-related research and to design better responses to consumers?

III. *Enhancing Customer Experience and Loyalty with Technology:*
1. Companies now have a lot of technology-enabled touch points with consumers (e.g., mobile phones, AI-enabled chatbots). When does technology benefit or do harm to consumer

experience? Can there be too much technology sometimes? What is the right amount and right approach?

2. Purchases through voice assistants such as Amazon Echo and Google Home are on the rise. The voice interface limits the number of options presented to consumers, usually at the discretion of the voice platform. How will this new way of choosing affect the development and maintenance of loyalty? Is it like going back to a more limited in-person store choice environment and are brands fighting for "shelf space" again? Or is it a new mode of consumer choice altogether?

IV. *Loyalty Program Design and Management*
1. What are the benefits/values of having a formalized loyalty program? How to demonstrate business value/ROI of such a loyalty program?
2. Have consumers developed points fatigue for traditional loyalty programs? What should loyalty programs of the future look like? How should loyalty programs be designed/adapted according to the business goal for the program?
3. When is a paid vs. free program suitable? How does the nature of the product category play a role?
4. How to best define offers versus benefits?
5. How to manage data issues surrounding loyalty programs?
6. How to communicate more effectively in loyalty programs? What are the windows of opportunities? How much communication should be appropriate along the way?

V. *Loyalty in Non-Profit Organizations*
1. Given limited resources, what is the proper balance between maintaining existing loyal customers/donors and going after new ones? Should a non-profit organization go after everyone?
2. How do lifecycle stages affect consumers' pattern of support for non-profit organizations and causes?
3. How to turn existing audience who have lukewarm support or are apathetic into a higher level of loyalty and commitment toward the organization?

Appendix

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- Todd Sawyer, VP of Global Loyalty and Benefits Product at Visa
- Bert Schmidt, President and CEO at WHRO Public Media
- Robert Welborn, Director of Data and Data Science at GM
- Telisa Yancy, COO at American Family Insurance

About Loyalty Science Lab

Loyalty Science Lab is a collaborative research initiative housed in the Strome College of Business at Old Dominion University. Its mission is to create and promote cutting-edge scientific research on brand and customer loyalty. Through collaborative efforts between marketing practitioners and academic researchers from multiple disciplines, the Lab will identify high-priority loyalty-related issues, engage in deep, evidence-based scientific research on these issues, and disseminate the insights to benefit loyalty research and practice. Ultimately, the Loyalty Science Lab aims to become a think tank of top loyalty experts around the world.

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