

Australian Report

Customer Loyalty Index 2021



Introduction

For over a year, the retail industry has been going through a seismic shift. Across the globe, we've seen long-established and popular retailers crumbling under the pressures that the pandemic has wrought, being forced to furlough staff, shift to 'online-only' selling, or even close their doors for good.

At the same time, the industry is also finding new ways to transform and overcome these challenges. E-commerce, click and collect, and mobile subscription services have all surged during this time, changing the way that consumers buy.

For businesses that have survived this tumultuous time, the rivalry between brands has been fiercer than ever before – and keeping shoppers loyal has been a growing challenge. With many consumers having tried new products, new stores, and new ways of shopping during the pandemic, 17% say that COVID has made them less selective when it comes to brands.

So, what does this mean for customer loyalty?

While the pandemic has undoubtedly changed the face of shopping, it has also provided an opportunity to take stock and reconsider what true loyalty looks like for today's customers.

This index explores what customer loyalty means in 2021, what consumers look for from brands, and how some of the world's biggest retailers have rethought their loyalty approach post pandemic. Key to this is an understanding that not all customer loyalty is the same. By examining the different types of loyalty, this index offers a guide for retailers looking to create a truly tailored approach to customer loyalty.

How does Emarsys define loyalty?

- ▶ Working with over 1,500 customers, loyalty is at the heart of everything Emarsys does. Whether they offer a loyalty program or not, each one is able to use insights from customer, product, and sales data to better understand their existing customer base and personalise those communications with context and relevance for each customer.
- ▶ These elements are all tailored towards selling value to the customer, so that a brand can progressively build engagement, drive lifetime value, and encourage behaviours that drive a profitable outcome. At the same time, these elements must also reward customers for their engagement.
- ▶ Whether shopping online, in store, via a mobile app, or calling a service centre, consumers need to feel that they are valued beyond their transactions. Rewarding customers means keeping them engaged between purchases by knowing who they are, understanding their attributes, and ensuring that the channels they use are consistent and personalised.



Understanding your business and your customers

Everything a brand does impacts customer loyalty, but not all loyalty is the same.

When talking about loyalty, it's important to distinguish between a customer who has been loyal to a brand for many years and a new customer that only signs up to a loyalty program for a discount — these two shoppers do not have the same value.

So, to drive loyalty successfully, a brand must first understand their business and appreciate what inspires and drives loyalty within their customer base in a more personalised way — whether that's offering regular discounts or providing a highly personalised customer experience.

To a retailer that sells mattresses, a loyal customer is one who faithfully returns every eight years. Making a lasting and memorable impression the first time around could well be the difference between seeing that customer return or not – even if it's not for several years. In contrast, a fashion brand might see that very same customer come back every season to make new purchases. It's therefore essential to define what a loyal customer looks like for your brand and to understand what options are available to increase this loyalty.

Just as your business will have a unique approach to loyalty, treating each customer as an individual is equally important. With three-quarters of customers saying that they consider themselves loyal to certain brands, it's time retailers considered what loyalty means to them as a business and the best ways to approach it.

Maintaining a faithful customer base is about truly understanding your customers – giving your shoppers what they want and when they want it. By treating each customer differently, you can provide them with the emotional element of being valued as an individual – no matter what they want from a brand.

What inspires loyalty in brands in 2021?



How loyal are today's customers?



The five types of customer loyalty

Nearly three-quarters (71%) of consumers consider themselves loyal to one or more brands, but what makes people stay loyal to retailers? And how do they show this loyalty?

From offering a wide range of products to providing shoppers with discounts and even upholding strong ethical values, there are numerous reasons that consumers stay loyal to brands.

How consumers exhibit loyalty can not only vary from person to person, but it can be different depending on what retailer they're interacting with and when they're interacting with them. A shopper could be loyal to a tech brand once a year because the company always provides them with a great Black Friday deal on the latest gadgets. At the same time, they could exhibit signs of loyalty to a beauty brand because it aligns to their ethical values (such as using a vegan formula). The same shopper could share their love of one brand vocally, while frequently purchasing products from other retailers that they do not publicly endorse – or are even ashamed of.

In exploring this trend, our research has uncovered five different loyalty types which can be seen across loyal customers at all of the world's biggest brands. Every consumer has the capacity to exhibit these loyalty types at different times and for different retailers. By understanding these different kinds of loyalty, and where their customers fit within this loyalty index, brands can create a tailored strategy to engage and communicate with each customer.

So, whether it's reaching out to your customers with an email that's perfectly tailored to their tastes, or offering an exciting subscription service full of items they'll love, you can make sure there's something for everyone.

At the heart of all of this is personalisation. Personalisation is the thread linking every type of loyalty and it's up to brands to consider their unique value proposition for building and maintaining that loyalty with each customer. The challenge is how you appeal to them simultaneously and know which trigger will be most relevant to them.



“Emarsys was the catalyst for us to reengineer the way we talk to our customers. Unlocking key data insights, we’ve been able to accelerate our personalisation maturity across the customer lifecycle with an omnichannel delivery and build a more connected and rewarding customer experience.”

Elisse Jones, National Loyalty Manager, Total Tools



Incentivized Loyalty

Loyalty developed through discounts, incentives, and rewards.



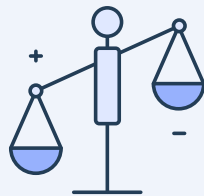
Inherited Loyalty

Loyalty that's built through association with other brands.



Silent Loyalty

Customer loyalty without public advocacy or endorsement.



Ethical Loyalty

Loyalty founded on strong emotional connections and shared values.



True Loyalty

Every brand's dream — unshakeable loyalty that's built through brand love.

Why do consumers stay loyal to their favorite brands?



60% Product selection



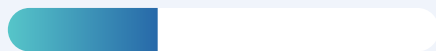
51% Discounts and rewards



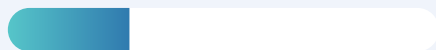
51% Consistently low prices



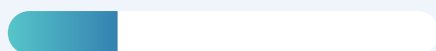
48% Excellent customer service



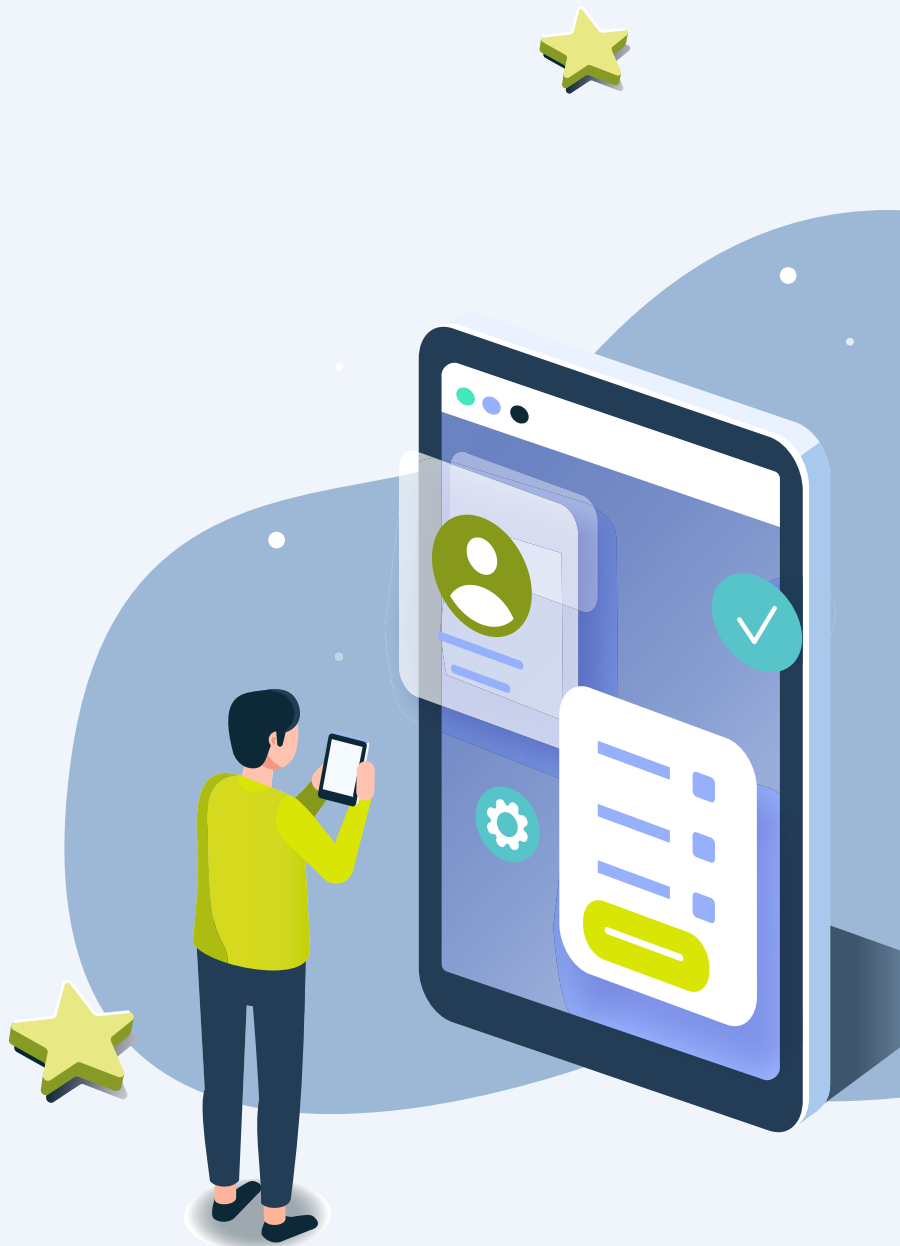
29% Trusted heritage



23% Emotional connection



21% Strong ethical values





Incentivized Loyalty

Retailers have long relied on slashing prices to attract crowds. Two-thirds (65%) of consumers will switch products if a cheaper option is available, and a further 38% admit to only staying loyal to brands due to being regularly offered discounts, points, prizes, and rewards. This is **incentivized loyalty**.

Our research shows that consumers often join loyalty programs specifically to get their hands on discounts. However, a new customer who has just joined a loyalty program to get the introductory perks may never shop with that brand again. In comparison, you might have a customer who has been shopping with you for years who has high lifetime value but might not be part of your loyalty program.

When there is such a disconnect and lack of customer insights, it's very difficult to make a loyalty program a success. Instead, working out how to individualise these deals, from controlling who sees what reductions to deciding exactly how much of a discount each person receives, is a key strategy.

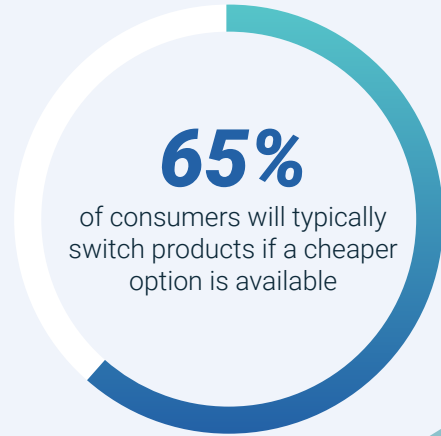
Targeting a customer with the right incentive, at the right time, and on

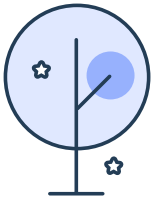
the right channel drives first-time customers to repeat purchases and ultimately, creates more loyal customers. One way to dial up incentivised loyalty is through an app. This not only provides shoppers with real-time, contextually relevant offers that are unique to them, it also provides your brand with key customer insights. This behavioural data can be used to drive engagement with relevant experiences that anticipate and deliver what customers want – when and where they want it, at scale.

ADOREBEAUTY

“Emarsys has allowed us to easily integrate our daily campaigns, lifecycle strategy and loyalty program communications across multiple channels. With the ongoing support of Emarsys we continually optimise our lifecycle strategy and focus on both re-engagement of lapsing customers whilst improving the value of sticky customers.”

Miranda Bliss, Loyalty and Retention Manager, Adore Beauty





Inherited Loyalty

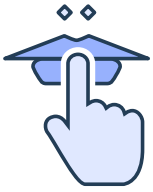
While some companies will only sell their own products, others sell a variety of items from different brands. This choice can attract a diverse group of shoppers, but sometimes a consumer will come in time and time again for one specific brand.

In fact, almost a third (31%) of consumers consider themselves more loyal to specific brands than to the retailers that sell those brands. However, a department store that houses lots of different 'outlets' and sells a variety of brands under its roof might facilitate this type of loyalty. Shoppers will visit these retailers regularly because they know that they can get the brands that they really love – this is inherited loyalty.

If you know the brands your customers are most likely to buy, you can make all communications aligned with that specific company and personalise your touchpoints to reflect that preference. It's equally important to be aware of any dislikes or turnoffs. Instead of making suggestions based on assumptions, the key is to ascertain the specific triggers for each customer and then deliver a program that's contextually relevant.

One way to boost inherited loyalty is via highly engaging, personalised email content. For example, by knowing what brands and items shoppers are keen on, brands can maximise impact with innovative AI solutions like product recommendations, based on similar item sales. This is key to building better relationships with customers.





Silent Loyalty

While not every customer will shout their loyalty from the rooftops, nearly a quarter (24%) have admitted to regularly buying from retailers that they would never endorse publicly.

Shockingly, 15% go so far as to say that they are loyal to retailers they're "ashamed" of buying from. This is silent loyalty – a commitment to those guilty pleasure brands that have a loyal following but no real advocacy from customers.

This type of silent loyalty appears to be on the rise, with younger generations commonly buying from brands that they refuse to endorse publicly.

For retailers, this poses an interesting question: Does it matter that consumers won't endorse your brand if they continue to buy your products? Does every brand need advocates and public fanatics, or is it okay to nurture a silent following that keeps coming back for more?

If brands want to build a reputation in their market, it will be important to launch loyalty programs which help turn these silent customers into more vocal brand advocates. If, however, reputation isn't important to your brand, then it may be better to focus on nurturing your silently loyal fans. This can be achieved through better in-store and online experiences, rather than through community promotions or social media campaigns.

Brands can maximise customer lifetime value with members and non-

members on an emotional level using personalisation. Experience-based incentives over discounts, and personalised content instead of generic marketing, will allow retailers to engage and excite their customers with exclusive access to offers, products, services, content, and more.

24%

of consumers regularly buy from brands that they would not endorse publicly

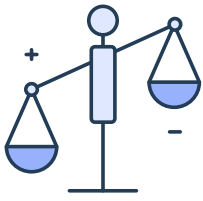
26%

of 16–24-year-olds regularly buy from brands that they would not endorse publicly

15%

of consumers are loyal to retailers they're ashamed of





Ethical Loyalty

While ethical values, CSR initiatives, and “brand purpose” statements have become hugely popular in 2021, our research found that strong ethical values have a very limited impact on customer loyalty. In fact, just 21% of consumers said that they are loyal to their favourite brands because of their ethics.

Just over a quarter of consumers (26%) also agreed that they regularly buy from retailers despite disagreeing with their ethics, rising to 28% for those aged 16-24.

In contrast, seemingly basic considerations such as low pricing (51%) and a wide product range (60%) were far more likely to drive long-term loyalty.

Of course, this isn't to say that retailers should give up on acting in an ethical way – but just that ethical marketing has a limited impact on customer loyalty. Ethical brands should still consider the benefits of regular discounts, a personalised product selection, and data-driven loyalty schemes.

One exception to this rule worth noting was in the beauty industry, where our research shows that ethical values do have a direct impact on customer loyalty. Here, being a brand with strong ethics alone could be enough to drive repeat purchases and customer retention.

Subscription services can be a fantastic way to enhance ethical loyalty. Many companies offer subscriptions to connect with their most loyal

customers and to boost return purchases — and what better way to do this than a quality, monthly package that’s been hand-selected and filled with items that specifically align with that individual’s ethics and values.

26%

of consumers regularly buy from retailers despite disagreeing with their ethics

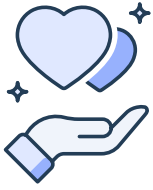
21%

of consumers are loyal to brands for strong ethical reasons

28%

of 16–24-year-olds regularly buy from retailers despite disagreeing with their ethics





True Loyalty

Some retailers have customers who are simply die-hard fans. Over two-thirds of shoppers (69%) admit to having a brand that they love and trust. This final loyalty type is built through absolute and unshakeable advocacy of the brand – **true loyalty**.

This loyalty type can be hard to gain, and even harder to measure, but once you have built it, it can last a lifetime. Almost half (49%) of consumers have retailers and brands that they will never switch from – no matter what. A further 12% wouldn't even consider switching products if a cheaper version was available.

Creating and maintaining true loyalty isn't going to happen overnight. Often built up over time, it can mean different things to different people. One might like the quality of the products, another could value the customer service, and for someone else, it could be as simple as the brand's entertaining, heart-warming, or funny adverts.

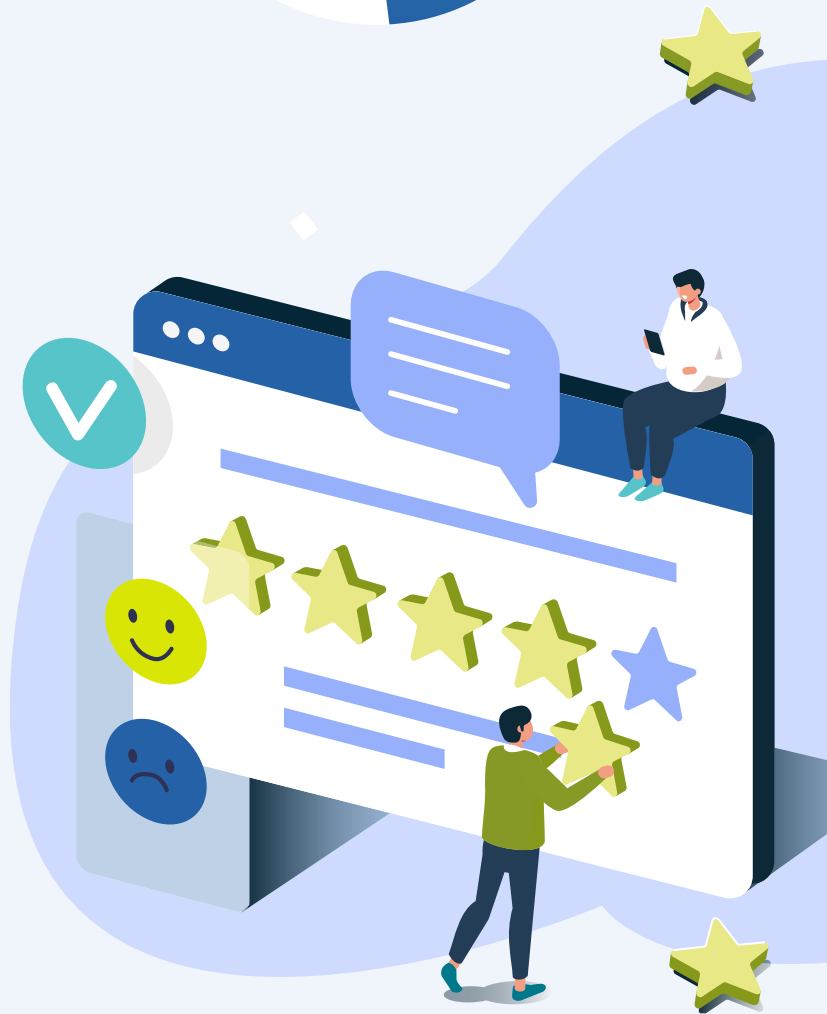
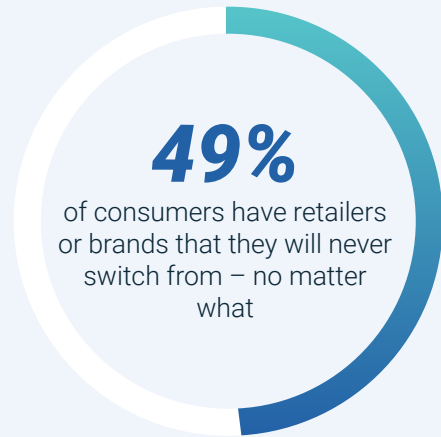
Understanding why shoppers love your brand is essential. If you have enough insight into your customers, then you'll understand why they like shopping with you. From here onwards, every touchpoint you have (whether it's the frequency of communication, the brands you stock, or the discounts you offer) is an opportunity to build a better bond with that person. The deeper the relationship – and the more insight you have – the better chance your company has of driving true customer loyalty.

A simple way to boost true loyalty is having dedicated call centres for those customers who you consider to be the most faithful to your brand. The operators will be able to access the shopper's profile in real time, including past purchase history, web behaviour, product preferences, and even their predicted spend. Providing them with this personal, one-to-one service produces better customer experiences and grows lifetime value.



“Emarsys’ centralised customer data platform has allowed Ryderwear to move away from a batch and blast approach to marketing and instead develop each customer relationship on an individual level.”

Mal Chia, Chief Marketing Officer at Ryderwear



Loyalty drivers by industry

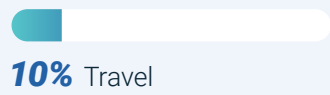
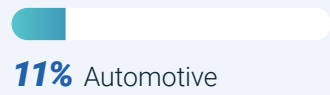
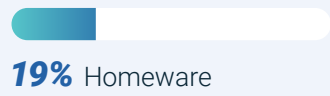
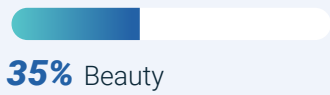
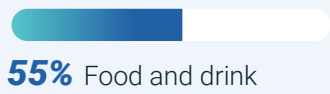
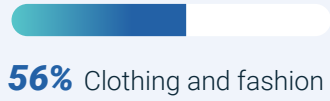
Having explored the various types of loyalty that consumers can exhibit, it's clear that brands need to ensure their approaches to building and retaining shoppers are aligned. However, just as every shopper is different, the same goes for the industries that companies operate within.

During the earlier part of the pandemic, consumers were encouraged to shop local to help keep smaller businesses afloat during a difficult time. It's therefore unsurprising that the majority of consumers admit to feeling 'most loyal' to department stores (36%) – ahead of independent retailers (33%) and "single-brand" shops (29%) like the Apple or Nike store.

But what about taking a closer look at specific sectors such as beauty, technology, or fashion?

In the following section, we'll explain how these different sectors can leverage the state of loyalty based on data and better understand what loyalty means for them.

Which sectors drive the most consumer loyalty?



Pre-loved and secondhand

As consumers become increasingly aware of their environmental footprint and the associated cost of fast fashion, pre-loved stores and secondhand selling apps have seen an explosion in popularity. In fact, for 16% of Australians, it's the pre-loved and charity shops sector where our loyalty lies most.

When it comes to what drives this loyalty, it would be easy to assume that most people are there to pick up a bargain or to support a worthy cause. At the other end of the spectrum, ethical values were actually a lower driver of loyalty for our pre-loved brands. Additionally, just 26% of Australian shoppers say that a strong emotional connection is driving their loyalty towards brands.

For brands within this sector, it could be easy to make assumptions about what's driving shoppers to their stores. Presuming that everyone is there for ethical reasons, or even to simply snag a deal, may do more harm than good. If you know why your customers are shopping, you can keep them coming back.



Beauty

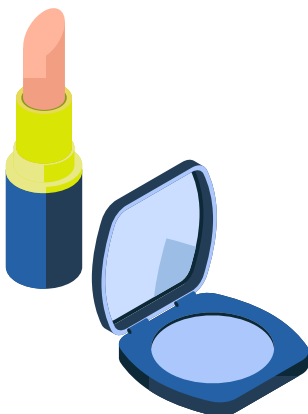
Varied product selection is the key driver of loyalty for beauty brands, with close to two-thirds (60%) of Australian shoppers returning to brands that offer a wide variety of choice. The beauty sector also sees a high level of incentivised loyalty, with over half (51%) of customers remaining faithful due to ongoing discounts and rewards.

Interestingly, regular incentives drive greater loyalty within the beauty industry than consistently low prices. As such, retailers may find that a one-off discount can deliver better results than bargain basement prices.

As mentioned earlier, ethics are especially important for beauty buyers – more so than in any other industry. In contrast, emotional connections seem to do little to drive consumer loyalty. As such, ethical and sustainable products will go further than branding built around founders or human-interest stories.

With so much choice on the market, beauty brands will need to work hard to understand what makes their customers tick and ensure they're applying the right tactics to their

shoppers. Beauty brands that personalise their communications and work to understand the ethical values of their buyers will be best placed to drive long-term customer loyalty.



Fashion

Fashion fans are a seriously loyal bunch. Across the board, consumers are more loyal to their favourite fashion retailers than to any other brands in any other sectors. But what drives that loyalty?

According to our analysis, wide product selections, consistently low prices, and regular rewards are all key factors for driving loyalty within the fashion industry.

Surprisingly, despite the push for ethical fashion, only 21% of consumers recognised ethical values as a key driver of loyalty when it came to their favourite fashion brands.

For fashion retailers looking to drive customer loyalty, it's vital to offer regular incentives and rewards. Still, this doesn't necessarily mean just running a traditional loyalty card scheme. Research shows that over a third of shoppers (43%) have loyalty cards that they never use. As such, fashion brands should look for new ways to offer rewards such as app-based loyalty schemes, memberships, and discounted subscription services.



Groceries

During lockdown, many supermarkets saw record trading, with sold-out items, long queues, and delivery slots almost impossible to book. Many shoppers were forced to go elsewhere out of necessity – meaning loyalties shifted in new and unexpected ways.

With the exception of fashion, the grocery sector drives more loyalty than any other industry. This is particularly prevalent along the older generation, with the over 55s proving the most faithful to their favourite grocery brands.

Low prices consistently drive loyalty to grocery retailers, with 51% of consumers saying this keeps them coming back to the same brands. A wide range of products (60%) is also key, as is incentivised loyalty through the use of discounts and deals – a tactic that many supermarkets deploy.

Interestingly, just 23% of shoppers admitted that having an emotional connection with the brand keeps them loyal, showing that perhaps it's not all about the emotive adverts that pull on people's heart strings – despite this being an angle that many supermarkets take. It could be argued, however, that consistently low prices also drive an emotional engagement when advertisers highlight the lifestyle benefits achieved with the money saved.



Homeware

With so many stuck inside during global lockdowns, homeware is another industry that saw a boom over the last year, with many consumers turning to renovations and DIY to pass the time.

In terms of driving loyalty in this sector, it's all about variety. Offering a wide range of products is the best route to keeping shoppers coming back for more, with 60% admitting this earns their loyalty.

Price is another key consideration for homeware brands, with over half (51%) admitting that they're loyal to brands that offer consistently low prices, and a further 51% saying it's regular discounts and incentives.

The least effective way to drive loyalty in this industry is by showing strong ethical values. Just 21% of Australian respondents agreed that this was a consideration for them.

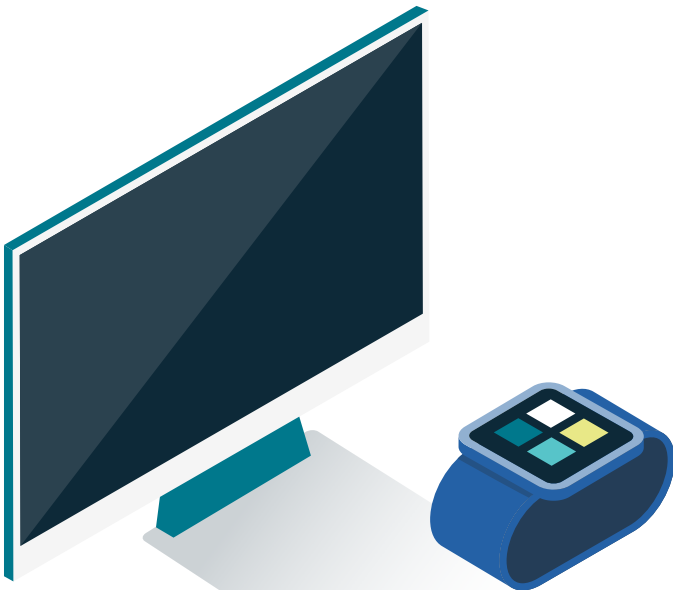
As with many of our industries, variety and price win out over ethical values, showing that homeware brands need to focus on keeping customers loyal using these approaches.



Technology

Tech is another industry with some enthusiastic and faithful fans. In terms of driving loyalty among tech shoppers, the best approach is offering a varied product selection.

Similarly, to other sectors, technology brands will do well to offer occasional discounts over keeping costs consistently low throughout the year. With over half (51%) of Australian shoppers believing that being offered an incentive such as a discount keeps them faithful, compared to just a third (33%) who want to see consistently low prices.



Achieving True Loyalty

Whether it's a shoe shop or a supermarket, every company wants their customers to love and trust their brand beyond all others. But how exactly can retailers achieve this type of brand love? And how can they move their customers into a state of "true loyalty"?

For consumers, we know that it's about how a brand engages with them and treats them even after their purchase. We also know that loyalty doesn't need to mean offering discounts and free gifts. Adding value for your customers to make them truly loyal could be anything from offering prioritised customer service to providing premium shopping experiences for your most faithful customers. Alternatively, it might be more about early access to new products and secret sales – or even behind-the-scenes access.

Focusing on tailored experiences moves your brand away from the traditional approach of offering 'blanket' discounting while still providing attractive, high-value experiences that earn a customer's loyalty.

One of the easiest ways to get this level of understanding is to simply talk to your customers. By asking them for their opinions, you can grow that deeper relationship that is one of the hallmarks of true loyalty.

When the right insights are taken into consideration, brands can differentiate from their rivals and unearth unique opportunities to create and nurture loyalty. Brands therefore need to leverage this information to know who their customers are as individuals and understand what incentivises them so that they can consistently reinforce those positive behaviours.

By being a company that consistently delivers value to customers across every step of their journey, you'll be well on your way to achieving true loyalty.

Closing thoughts

Australian consumers have grown accustomed to shopping online – a trend that has accelerated rapidly due to the pandemic. Many enjoy the new digital experiences that brands have created during various lockdowns. However, we should not assume that demand for physical stores will have disappeared completely. As lockdown restrictions ease across the country and stores begin to settle back into a new, but more normal routines, we can expect e-commerce to thrive, not instead of, but alongside brick-and-mortar stores.

Looking to the future, driving and retaining customer loyalty in this new retail landscape will require digital, mobile apps and in-store shopping to be seamless. It's therefore vital that focus remains on strengthening and supporting the retail sector as a whole, creating the best experiences for consumers – however they choose to shop.

It's all too easy to look at loyalty types in silos and imagine that a 'one size fits all' approach is enough to tick a box when it comes to keeping customers coming back for more. However, rather than looking at these types individually, personalisation must be the thread which covers and connects every type of loyalty.

It's down to the brand to really hone their value proposition for each individual customer. Only then can the retailer decide on and execute their strategy to build customer loyalty.

Emarsys is the only omnichannel customer engagement platform built to accelerate business outcomes – with loyalty at the core of everything they do. The entire Emarsys platform is built to drive customer loyalty and retention, with loyalty within every element of the customer lifecycle.



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