

2327 Brand Management

Dr. Sofia Kousi

Week 6

The Menu

Topic 1. Taylor swift case

Topic 2. Brand Loyalty & engagement

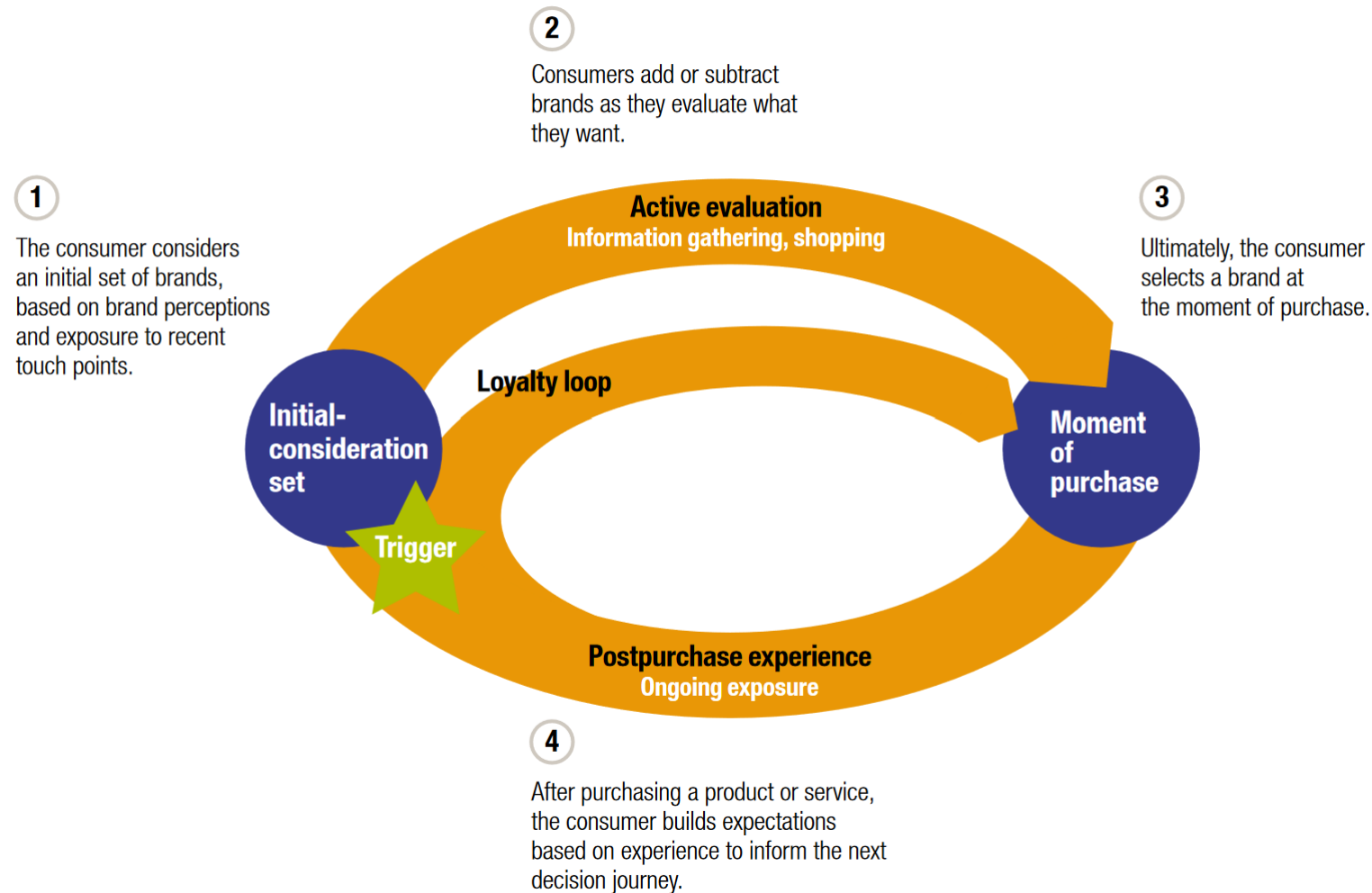


A brand is a **fusion** of the
emotional and **functional**
components of a product or service...

...the **relationship** that
secures future
earnings by securing
preference and **loyalty**

McKinsey Consumer Decision Journey (2009)

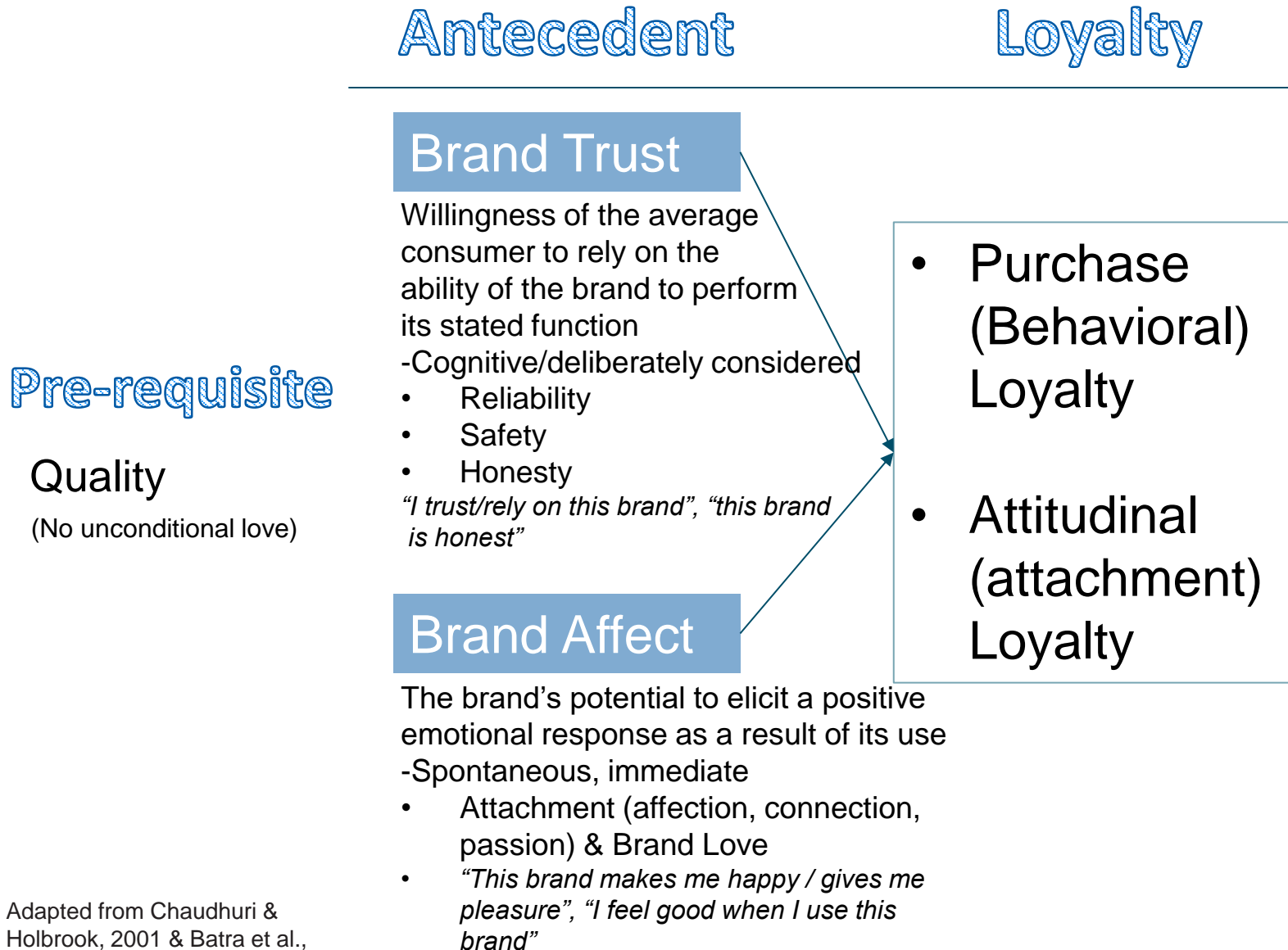
The consumer decision journey



What is loyalty?

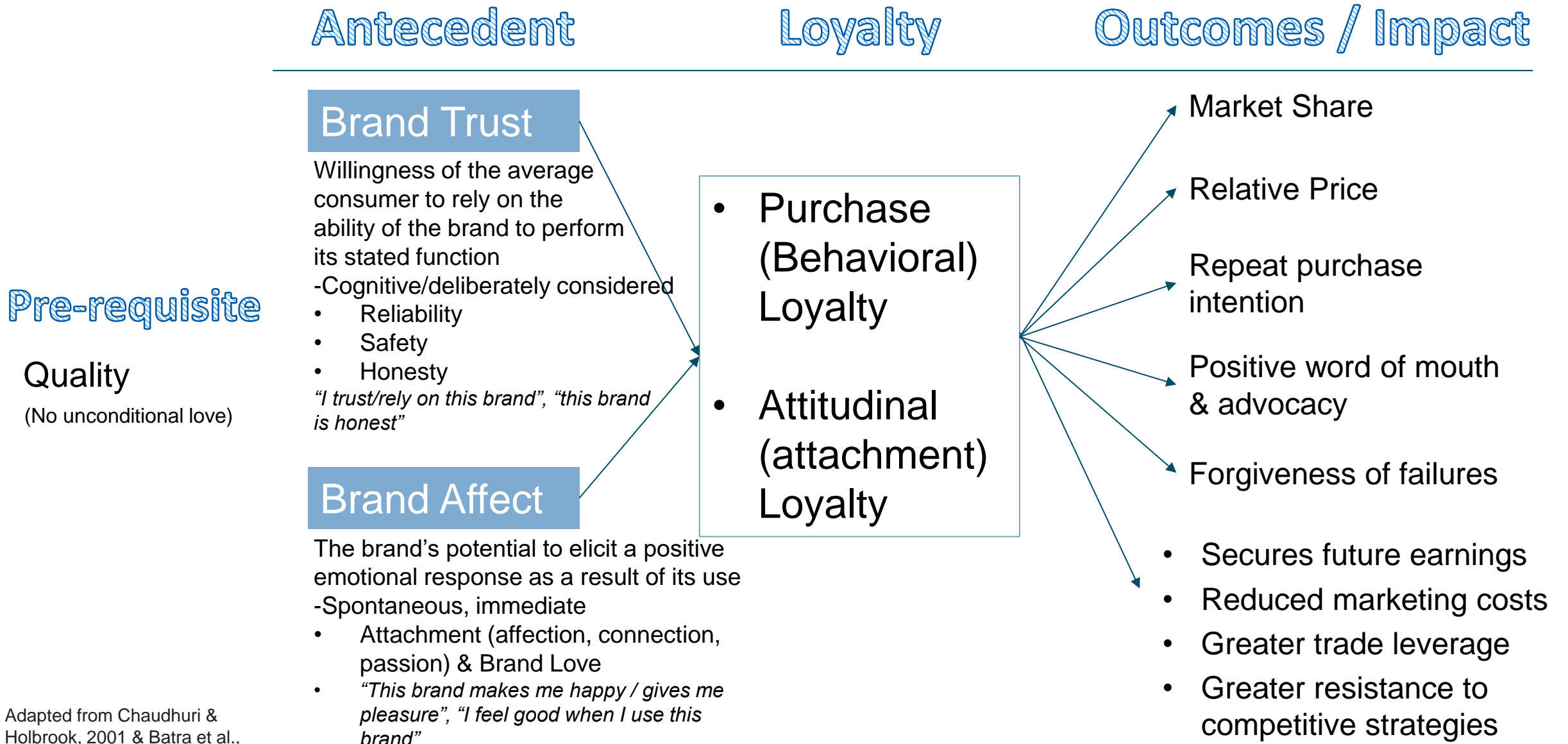
- Brand loyalty is a measure of a **consumer's attachment to a specific brand**
 - End goal in managing a brand: To create intense, active loyalty relationships with customers
- “A deeply held commitment to **rebuy** or **repatronize** a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior” (Oliver, 1999, p. 34).
 - Behavioral Loyalty
 - Attitudinal Attachment
 - Sense of Community
 - Active Engagement

What does loyalty depend on? (Antecedents)



**Why is loyalty
important?**

What does loyalty depend on & what is its impact?



Building Loyalty / Customer Retention

- New customer acquisition **5-25** times more expensive than retaining an existing one (Gallo, 2014)
 - *“Keeping the right customers is valuable”* (Gallo, 2014)
- Increasing customer retention rates by 5% increases profits by **25-95%** (Bain & Company)
 - 2% increase in customer retention has the same effect as decreasing costs by 10% (Emmett & Mark Murphy)
 - Existing customers are more likely to buy brand extensions

Customer Retention: Churn Rate

Churn rate

- “Measures the % of customers who choose to end their relationship with the brand” (Gallo, 2014)
- Calculation:
Total number of customers who left, divided by the total number of customers at the beginning of the period
- Monitored annually, but also weekly, monthly, or quarterly
 - Understand churn rate by customer segment to understand the ‘at risk’ customers and intervene in time.
- Important to understand why someone is leaving the brand: use the metric to understand behavior and take action



What question would you ask
customers
to determine
how satisfied they are with your
product?

Net Promoter Score (NPS)

How likely is it that you would
recommend [brand] to a friend
or colleague? (0-10 scale)



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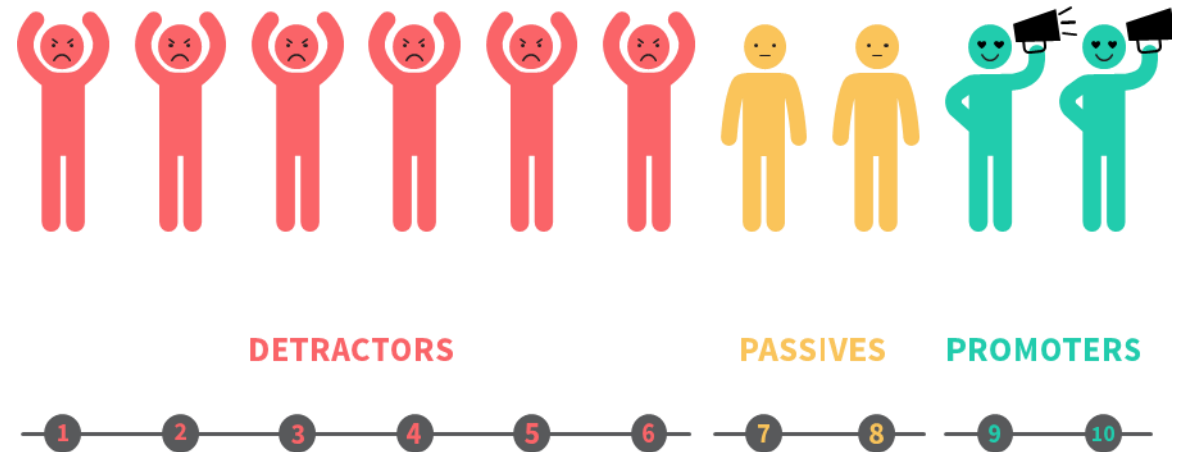
- Described as the “Ultimate Question”
- Developed by Fred Reichheld / Baine as a loyalty metric, based on research
 - High scores on this question correlated strongly with **repurchases**, **referrals**, and other customer behaviors that contribute to a company's growth
 - In 11 of the 14 industry case studies that the team compiled, no other question was as powerful in predicting behavior.
- Basis for calculating the Net Promoter Score
- Simple, but **quite controversial** metric

Net Promoter Score (NPS)

Respondents are grouped in the following 3 categories:

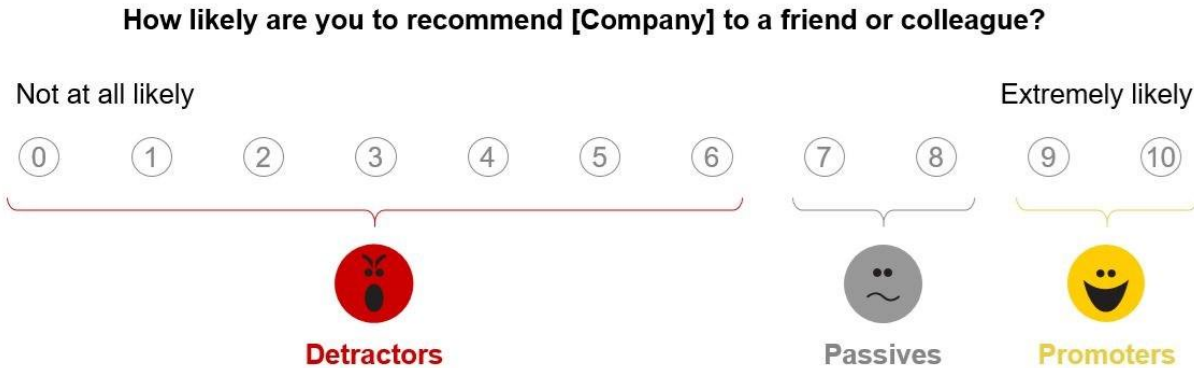
- **Promoters** (score 9-10) are loyal enthusiasts who will keep buying and refer others, fueling growth
- **Passives** (score 7-8) are satisfied but unenthusiastic customers who are vulnerable to competitive offerings.
- **Detractors** (score 0-6) are unhappy customers who can damage your brand and impede growth through negative word-of-mouth.

NPS exists to measure loyalty, but it mostly exists **to reveal Detractors** and show the way to turning them into Promoters (who refer more, buy more, stay longer and cost less to serve)



Net Promoter Score (NPS): calculation

The
ultimate
question



The
score

$$\text{Net Promoter Score} = \% \text{ Promoters} - \% \text{ Detractors}$$

Calculation:

Subtract the percentage of Detractors from the percentage of Promoters yields the Net Promoter Score

- Can range from a low of -100 (if every customer is a Detractor) to a high of 100 (if every customer is a Promoter)

Net Promoter Score (NPS): evaluation

Company X – a technology company - has a Net Promoter Score of 50

Is this a good score?

Net Promoter Score (NPS): benchmark

SurveyMonkey Global Benchmark NPS data of more than 150,000 firms

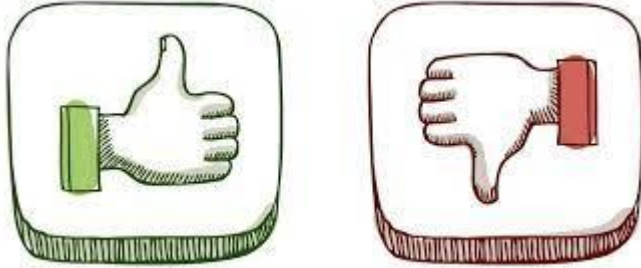
- The lower quartile of organizations (or the bottom 25% of performers) have an NPS of **0 or lower**
- The upper quartile of organizations (or the top 25% of performers) have an **NPS of +72** or higher
- The median NPS is +44 (Half of organizations have an NPS below this score, and the other half have a score that's higher)

Industry	Professional services	Technology companies	Consumer goods and services
Average NPS	+43	+35	+43
Median NPS	+50	+40	+50
Top quartile	+73 (or higher)	+64 (or higher)	+72 (or higher)
Bottom quartile	+19 (or lower)	+11 (or lower)	+21 (or lower)

“It’s not the score that matters; it’s what you do with it to make promoters that really counts”

Fred Reichheld,
Founder of NPS, Bain
& Company

Net Promoter Score (NPS): handle with care



- Simple and easily comparable across brands
- ‘Reality check’ for brand managers
 - A study by Bain & Co revealed that 80% of companies believed they offered a “superior experience” to their customers
 - Only 8% of customers agreed

Correct use:

- The comparison that matters is
 - a) your NPS versus your competitors
 - There is no point comparing your score with those in other industries
 - b) how your score has changed compared with previous years
- It is not useful for **low involvement** products and FMCG
- Avoid NPS to compare how a brand performs in different countries: there are cultural differences in how likely people are to recommend something
- *“NPS will also never tell you why you suck or why you are improving. For diagnostic data you need to use the NPS to set up focus groups of promoters and detractors.”*

Loyalty (rewards) programs

A loyalty program is a marketing program that is designed to build customer loyalty by providing incentives to **profitable** customers (Yi & Jeon, 2003)

Customer loyalty programs **reward customers who repeatedly interact with a brand...** The more a customer buys or engages with the brand, the more rewards they earn (Shopify.com)

The goal of a loyalty program is to establish a **higher level of customer retention** in **profitable segments** by providing more satisfaction and value to certain customers (Bolton, Kannan, & Bramlett, 2000)

Loyalty programs

TAP AIRPORTUGAL

Booking and managing

Preparing the trip

TAP Benefits

Stopover

TAP Miles&Go



Book a flight



My Trips



Check-in



| TAP MILES&GO PROGRAMME



TAP Miles&Go Programme

Discover the Programme that offers advantages for your daily life.



Loyalty programs - examples

1. Points based programs to exchange for a one-time benefit/perk
 - Airlines (miles)
 - Supermarkets
- Points can be **donated to a charity**, redeemed at the brand or a partner one
- Examples of actions rewarded
 - Sale
 - Newsletter signup
 - Writing a review / social media post

SEPHORA ACCELERATE

Use Your Points to Give Back. You can now use your points to make a difference. Sephora's Charity Rewards make it easier to support organizations that provide critical aid in our communities. When you redeem your points for a Charity Reward, Sephora will donate the corresponding amount below through our philanthropic partner, the Tides Foundation to benefit the featured charity. We will be selecting a new featured charity on a rotating basis and will share information about the current feature here.

500 points = a \$10 donation 1,000 points = a \$20 donation 1,500 points = a \$30 donation

Visit the [Beauty Insider Rewards Bazaar](#) to redeem points for the featured charity.

Our current featured charity for the month of August is: [The Leadership Conference on Civil and Human Rights](#)

While many marched in the streets, sat-in at lunch counters, and refused to ride in the back of the bus, The Leadership Conference worked to get Congress to pass legislation that would protect the civil and human rights of all people in America. The Leadership Conference on Civil and Human Rights of today is a coalition charged by its diverse membership of more than 220 national organizations to promote and protect the rights of all persons in the United States. They focus on defending civil rights in key areas including: policing, justice reform, federal judges, education equity, a fair and accurate Census, economic security, media and technology, immigration, fighting hate and bias, voting rights, and civic engagement. In short, The Leadership Conference works toward building America as good as its ideals.

Loyalty programs - examples

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Buy 8 drinks to get 1 free in store


Any handcrafted drink, any size.* On the house. Just visit a Costa or go to a Costa Express machine to get 1 bean for every drink you buy.

Free cake on your birthday

Celebrate your birthday with cake for free.** Just tell us when it is on the app - open "Settings", then tap "View and edit birthday".

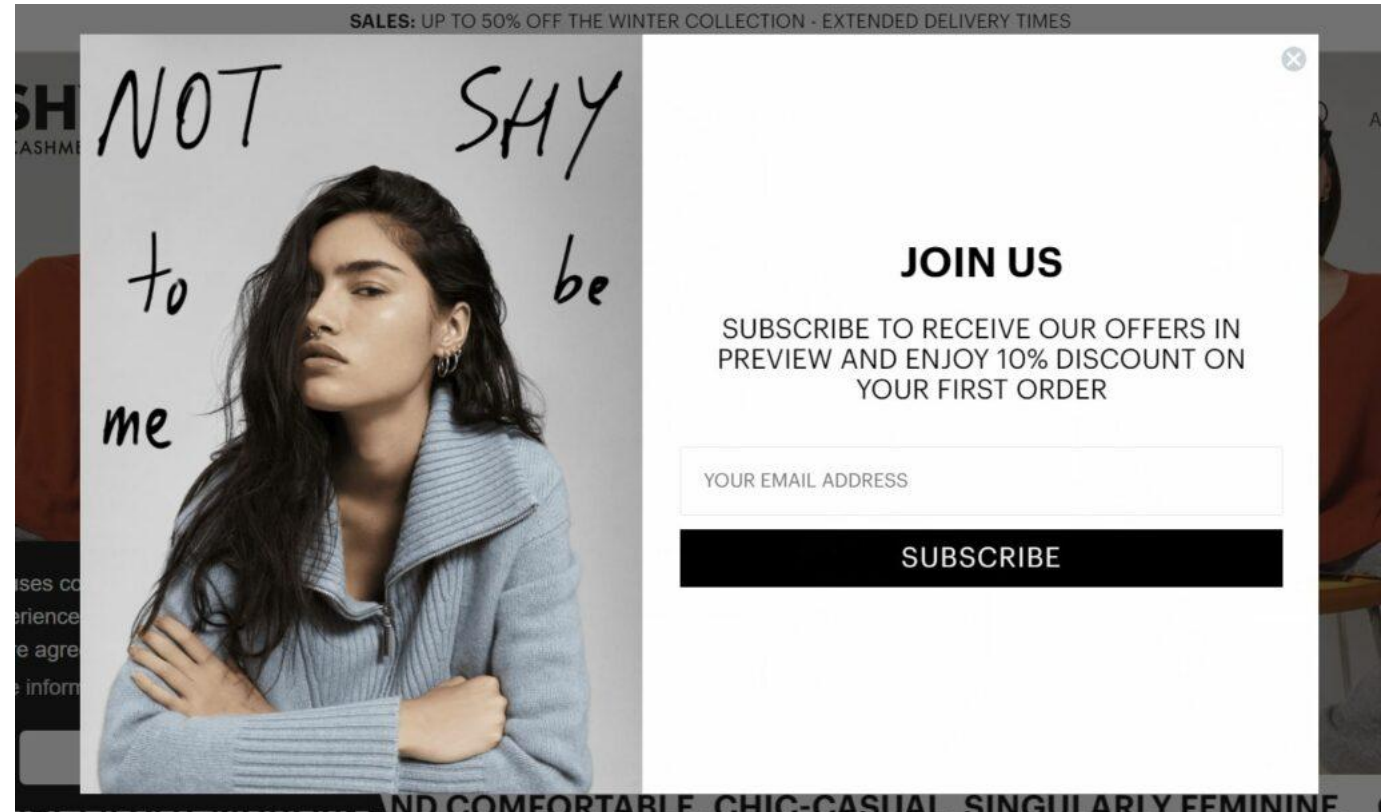
Exclusive rewards

Make sure you check the app regularly for exclusive money off rewards and bonus beans.



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 - Writing a review / social media post



Loyalty programs - examples

2. Tiered programs

- Hotels
- Can be combined with a points-based program
- Customer reaches a certain level of benefits by their behavior

The screenshot shows the Marriott Bonvoy website's navigation bar with links for COVID-19, Help, English, My Trips, and Sign In or Join. Below the navigation bar, the 'Elite Membership Tiers' section is highlighted with a green dashed box. The tiers listed are Silver Elite, Gold Elite, Platinum Elite, Titanium Elite, and Ambassador Elite. Below the box, the Silver Elite tier is detailed with the following benefits:

- Silver Elite***
10 nights per year
Make the most of your stay
- Get 10% More Points**
Earn 10% more points on every eligible hotel purchase, including room rate and other incidentals that can be charged to your room, such as dining and spa.
- Priority Late Checkout**
Enjoy late checkout and sleep in longer.
- Member Rates & Complimentary WiFi**
Enjoy exclusive member room rates and complimentary in-room Internet access when you book through any of our websites or app.

Loyalty programs - examples

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Elite Membership Tiers

Silver Elite Gold Elite Platinum Elite Titanium Elite **Ambassador Elite**



Ambassador Elite

100+ nights per year + \$23,000+ USD qualifying spend per year

Seize the whole day.



Ambassador Service

Dedicated Ambassadors available to assist anytime, anywhere.
Coming in mid-2023, personal Ambassadors will be available for all your travel needs.



Your24™

Get the flexibility to choose the 24 hours of your stay. Check in at 9 p.m., check out at 9 p.m. the day of departure – it's up to you.













Get 75% More Points

Get 75% bonus points for every eligible hotel purchase, including room rate, dining, spa, and more.

Loyalty programs - examples

2. Tiered programs

- Hotels
- Can be combined with a points-based program
- Customer reaches a certain level of benefits by their behavior

Compare Elite Benefits	 Silver Elite Stay 10 nights/ yr	 Gold Elite Stay 25 nights/ yr	 Platinum Elite Stay 50 nights/ yr	 Titanium Elite Stay 75 nights/ yr	 Ambassador Elite Stay 100+ nights/yr + \$23K+ USD spend/yr
Ultimate Reservation Guarantee If we can't honor your reservation for any reason, we guarantee that we'll pay for you to stay nearby and compensate you for the inconvenience. Learn more about compensation rates.					
Points Bonus Earn bonus points on eligible hotel purchases.	10% Bonus	25% Bonus	50% Bonus	75% Bonus	75% Bonus
Late Checkout Based on availability	Priority Late Checkout*	2pm*	4pm**	4pm**	4pm**
In Hotel Welcome Gift Varies by brand		Points***	Points, Breakfast Offering, or Amenity***	Points, Breakfast Offering, or Amenity***	Points, Breakfast Offering, or Amenity***
Enhanced Room Upgrade Based on availability		Based on Availability	Based on Availability Including Select Suites	Based on Availability Including Select Suites	Based on Availability Including Select Suites
Dedicated Elite Support 24/7 service for all your hotel booking needs.					

Loyalty programs - examples

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Blue Tier

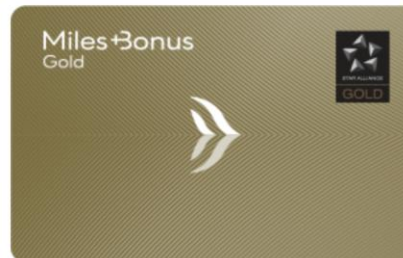
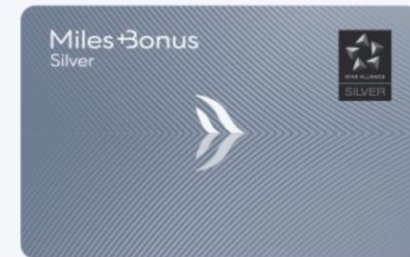
The Blue tier is where it all starts, giving you the opportunity to earn and spend miles, enjoy discounts and benefits from our partners' network and build up your tier miles to move up to Silver tier. Your journey starts here!

[Read more →](#)

Silver Tier

Things start to get really interesting while on Silver tier. Silver membership gives you more benefits to enjoy and if you keep earning those tier miles, you are on the way to becoming a Gold member!

[Read more →](#)



Gold Tier

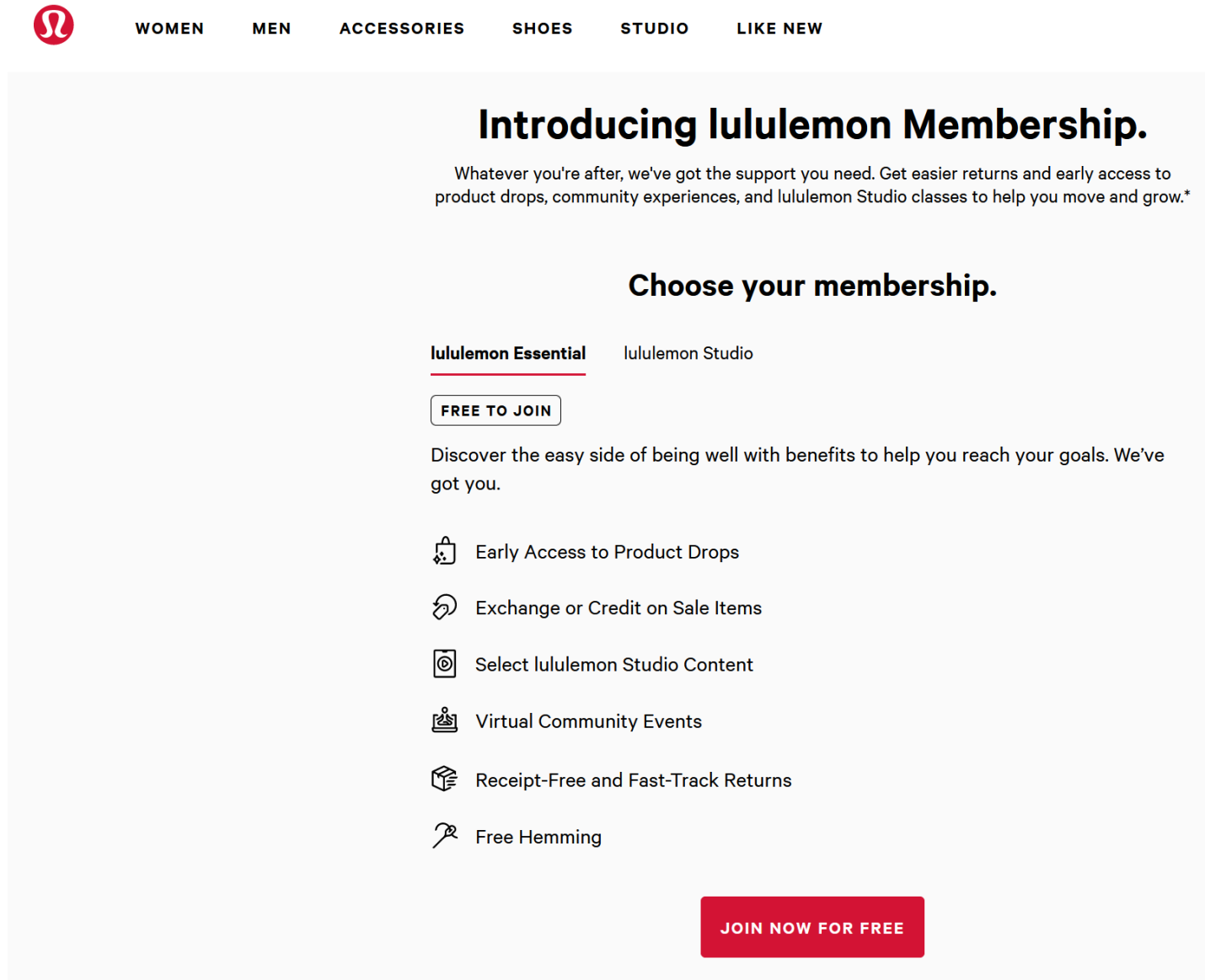
Gold is a serious upgrade, so we add on even more benefits. Imagine a membership where you will get the highest level of comfort, service and luxury together with the Star Alliance Gold privileges across all member airlines.

[Read more →](#)

Loyalty programs - examples

3. Paid loyalty programs

- Subscription-like, for access to desirable benefits
 - E.g. Amazon Prime
- “62% of consumers are more likely to spend more on brands after subscribing to a paid loyalty program; double the rate of a free loyalty program” (McKinsey)



The screenshot shows the Lululemon website's navigation bar with the logo and links for WOMEN, MEN, ACCESSORIES, SHOES, STUDIO, and LIKE NEW. The main content area features the heading 'Introducing lululemon Membership.' followed by a sub-headline 'Choose your membership.' Below this, there are two tabs: 'lululemon Essential' (selected) and 'lululemon Studio'. Under the 'lululemon Essential' tab, there is a 'FREE TO JOIN' button and a list of benefits: Early Access to Product Drops, Exchange or Credit on Sale Items, Select lululemon Studio Content, Virtual Community Events, Receipt-Free and Fast-Track Returns, and Free Hemming. A red button at the bottom right says 'JOIN NOW FOR FREE'.

Introducing lululemon Membership.

Whatever you're after, we've got the support you need. Get easier returns and early access to product drops, community experiences, and lululemon Studio classes to help you move and grow.*

Choose your membership.

lululemon Essential lululemon Studio

FREE TO JOIN

Discover the easy side of being well with benefits to help you reach your goals. We've got you.

- Early Access to Product Drops
- Exchange or Credit on Sale Items
- Select lululemon Studio Content
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JOIN NOW FOR FREE

Loyalty programs - examples

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Introducing lululemon Membership.

Whatever you're after, we've got the support you need. Get easier returns and early access to product drops, community experiences, and lululemon Studio classes to help you move and grow.*






Choose your membership.

lululemon Essential

lululemon Studio

LULULEMON STUDIO MIRROR REQUIRED

When you have a lululemon Studio Mirror and subscription, you enjoy all the benefits of a lululemon Essential Membership, plus even more:

-  10,000+ World-Class Workouts**
-  10% off Your Gear
-  20% Off at Partner Studios**
-  Unlimited Experiential Store Classes
-  Early Access to Events

The lululemon Studio Mirror requires a \$49 monthly Membership fee

- Currently done through Peloton (Peloton App One)



Loyalty (rewards) programs: effectiveness



- Loyalty programs (LPs) increase operating costs by adding expenses for administering the program without acquiring a competitive edge if all companies are forced to offer loyalty programs just like other short-term promotional programs (PoP) (Partch, 1994)
- It may be unlikely that a loyalty program will alter customer behavior fundamentally, especially in established competitive markets (Dowling & Uncles, 1997)
 - Based on data from the British grocery market in which market shares of competing firms have remained stable despite use of loyalty programs
- Sometimes used as short-term promotional giveaways (O'Brien & Jones, 1995)

Loyalty (rewards) programs: effectiveness



- LPs can increase brand loyalty by creating switching costs and increase operational profit by avoiding price competition (Caminal & Matutes, 1990)
- LPs can solve oversupply problems due to seasonality of demand (e.g. airline industry)
- Development of database technology helps companies to identify their loyal customers and implement their business philosophy of **rewarding the right customers**
- Members in a loyalty program tend to overlook or discount a negative evaluation of the company vs the competition (Bolton et al., 2000)

Loyalty (rewards) programs: effectiveness

Meta-analysis conducted in 2021, covering studies between 1990-2020 concludes that:

- LPs enhance customer loyalty (Belli et al., 2021)
 - However, while LPs particularly enhance behavioral loyalty, shifting consumers' attitudinal loyalty is more challenging
- Further, LP effectiveness differs systematically depending on LP design characteristics (LP structure, reward content and delivery) and industry characteristics
- These effects are enabled by both cognitive and affective drivers, acting sequentially, as underlying mechanisms

Loyalty (rewards) programs: success factors

- Must target a valuable customer segment and discourage those customers who are less valuable (O'Brien & Jones, 1995)
- Customers' value perception of the loyalty program is a necessary condition for developing brand loyalty through the loyalty program:
 - The loyalty program should be perceived as valuable by customers
- Elements that determine the value of a loyalty program
 1. Cash value (of redemption rewards)
 2. Redemption choice: choice range of rewards & type
 3. Aspirational value of the rewards
 - Luxuries as rewards are better valued than necessities as rewards (Kivetz & Simonson, 2002). A loyalty program can have stronger effects for consumers who tend to feel guilty about luxury consumption
 4. Relevance: perceived likelihood of achieving rewards
 5. Convenience: ease of use of the scheme

Loyalty (rewards) programs: types of rewards

- Direct vs Indirect
 - **Direct** rewards support the value proposition of the brand. E.g. free sample of the product with every purchase
 - **Indirect** ones have no obvious linkage with the brand. E.g. a utilities company offering access to discounted movie tickets
- Tangible vs intangible
 - **Tangible**: concrete, visible, and easily measurable, e.g. free fries at a fast-food restaurant
 - **Intangible**: less observable and measurable, such as a status tier or recognition of a member's achievement
- Immediate vs Deferred
 - **Immediate**: e.g. instant discount or a bonus gift with a purchase for spending over a specific amount
 - **Deferred**: may require the accumulation of value over time to redeem for a reward. For example, building up a points balance to unlock a consumer product or free flight with an airline
- Monetary vs Non-monetary
 - **Monetary**: cash or a cash-equivalent reward
 - **Non-monetary**: a reward that is not cash-related. E.g. free sample

Loyalty (rewards) programs: success factors

- **Category involvement** moderates the effects of loyalty programs on customer loyalty (Yi & Jeon, 2003):
 - In **high-involvement** situations
 - Direct rewards are preferable to indirect rewards
 - Value perception of the loyalty program influences brand loyalty both directly and indirectly through program loyalty
 - In **low-involvement** situations
 - Immediate rewards are more effective in building a program's value than delayed rewards
 - There is no direct effect of value perception on brand loyalty

Customer Engagement

- Customer Engagement is defined as a **consumer's resource investment in his/her brand interactions** (Hollebeek et al., 2019)
 - May include interaction with the brand or brand related assets (e.g., brand communities, frontline staff, service robots, or social media pages)
 - 'Co-creating customer experience and value' (Brodie & Holebeek, 2012)
- Engagement is multi-dimensional: Cognitive, Emotional, Behavioral
 - **Not static or a 'destination': it is an on-going process, loop**
- Consumer engagement fosters **enhanced buyer outcomes**: heightened empowerment, higher self-brand connection, and value co-creation (e.g., Giakoumaki & Krepapa, 2020)
 - Boosts company performance (Beckers et al., 2018; Brodie et al., 2011)
 - Engaged customers become partners who collaborate with the brand in the value adding process to better satisfy their needs (Sashi, 2012)

Customer Engagement

Paging all Tortured Poets:
Join us at The Grove in L.A. starting tomorrow to
celebrate Taylor Swift's newest era, arriving 4/19. 💜
pic.twitter.com/46MJb3O3bk
— Spotify (@Spotify) April 15, 2024

“As the anticipation grew to a roar this week, Spotify was here to help turn up the volume. We brought the album to life with a library-themed art installation at The Grove in Los Angeles.

For three days, the iconic shopping mall featured an open-air poetry library highly curated to represent the direction of the new record.

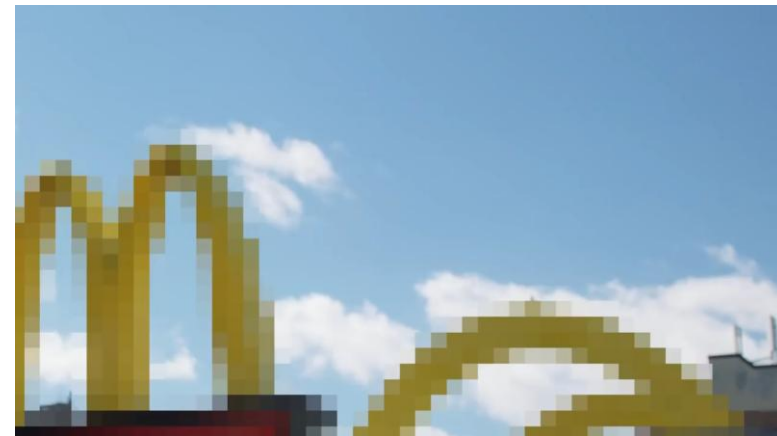
Each day of the activation, we revealed lyrics from the album, creating an ever-evolving adventure for everyone on the ground. Fans took to social media to share their excitement and dissect other potential clues they could find.”



Customer Engagement

“The Whopper Detour” campaign

- Burger King offered a one-cent Whopper to people who downloaded their app and placed their order at McDonald's.
- Utilizing geo-fencing technology and real-time data to detect location to unlock the offer
- The customer could then order the Whopper through the app and make a detour to pick it up at the closest Burger King.



For next time

	No class 26/3 – exam period	Submit on Moodle: Individual Assignment, by March 28, 7pm	
7. Apr 2	<ul style="list-style-type: none"> Brand Architecture & extensions 		<ul style="list-style-type: none"> Keller: 11 & 12 Kapferer: 12 – 14 Aaker & Joachimsthaler: The Brand Relationship Spectrum (on Moodle)
8. Apr 9	Brand growth strategies <ul style="list-style-type: none"> Group project check-in 	Case study: Tiffany & Co In-class quiz	Keller: 5 – 7 & 13
9. Apr 23	Brand Purpose & brand activism	Mark Ritson (2017) article (on Moodle)	
10. Apr 30	Final Team presentations: Full Brand Audit	Upload presentation slides by April 29, 7pm (all groups)	
11. May 7	Final Team presentations: Full Brand Audit	*Peer evaluations: Due May 8, 7pm (link to be provided)*	
12. May 14	Course wrap up & exam info		
May 23	Final exam, 14:30. Room TBD		

