

Module 3: Branding

Lesson 3 - Brand Loyalty

Lesson Overview

In this lesson, students will discuss the concept of brand loyalty and learn what factors influence consumer loyalty to a brand.

Students will also learn which companies have the highest levels of brand loyalty and explore the techniques that helped establish those positions of loyalty with their customer bases.

Lesson Objectives

1. Define brand loyalty.
2. Understand characteristics that help to build brand loyalty.
3. Identify three examples of companies with high levels of brand loyalty.
4. Describe an example of how restaurants build brand loyalty.

KEY TERMS

Brand loyalty

Rewards program

This Lesson Bundle Includes:

- Brand Loyalty - Lesson Outline
- Brand Loyalty - Supplemental Presentation Slides
- Industry Application: Related Links
- Brand Loyalty Ranking - Presentation
- Cooking Up Brand Loyalty - Hidden Menus - Visual Case Study
- Student Activity

Lesson 3 - Brand Loyalty

BRAND LOYALTY

What is brand loyalty?

Think about the last time you went shopping at a store. What would you do if the store didn't carry your preferred brand of chewing gum or if your favorite brand of sneakers was sold out? Would you purchase a substitute product instead or would you visit another store that carried your favorite brand?

Brand loyalty describes consumer preferences for a particular brand as compared to competitor products or services. When a company has a high level of brand loyalty, its customer base has a favorable association with a specific product or the brand itself compared to competing products or brands.

How do consumers describe brand loyalty? Respondents to a brand loyalty survey from [Yotpo](#) (an eCommerce marketing platform) described brand loyalty in a variety of ways, including:

- 67.8% define it as a repeat purchase
- 39.5% define it as “love” for the product
- 37.7% define it as a preference of one product over the other despite the price

Consumers can be fiercely loyal to their favorite brands. A fan of Pepsi might choose water instead of ordering a Coke at a restaurant that only carries Coca-Cola products. A consumer who is loyal to Starbucks might be willing to drive an extra ten minutes for their favorite coffee over a competing coffee shop that is in closer proximity. A consumer loyal to the iPhone would almost never consider buying an Android device. Once a brand has established a high level of loyalty, it becomes more unlikely that the customer will purchase the products and services of competing brands.

Establishing a high level of brand loyalty, however, is no easy task. Building loyalty takes time and requires a significant commitment from the organization. Companies spend millions of dollars every year working to establish a loyal customer base.

Why is brand loyalty important?

Customer service and brand loyalty are critical to the success of any company. Why? Because it is much easier to generate sales from an existing customer base than to find new customers. Current, and loyal, customers will spend much more with brands they know and trust rather than investing in alternative products and services. In fact, 65 percent of a company's business comes from its current customers.¹

Additional statistics illustrating the importance of brand loyalty:

- It costs five times more in advertising and marketing expenses to attract a new customer than it does to retain an existing customer.²
- On average, established customers will spend 30 percent more on a brand's products and services than new customers.³

¹ <https://smallbiztrends.com/2016/10/customer-retention-statistics.html>

² <https://www.invespcro.com/blog/customer-acquisition-retention>

³ <https://www.invespcro.com/blog/customer-acquisition-retention>

- 90% of consumers are willing to pay more for a product when they purchase from a brand they trust. ⁴

In addition to the influence brand loyalty has on purchase decisions and overall spending, customers who are loyal to a specific brand are less likely to be influenced by product reviews or negative publicity. The most loyal customers might even defend their favorite brands publicly in the wake of a public relations crisis, helping to shield the brand from negative reviews or damaging the brand's reputation.

When does brand loyalty occur?

While there is no precise metric that suggests exactly when a customer becomes “brand loyal”, establishing a connection and trust takes time. Consider the following:

- It takes two years before customers feel they can trust a brand, according to data published in *Entrepreneur Magazine*. ⁵
- A Yotpo [survey](#) found that the majority of customers (nearly 80 percent) say it takes a minimum of three purchases before they would consider themselves to be brand loyal.
- Reaching a “revenue tipping point”, the point when one brand's customers spend more money than on the products and services of competing brands, can take up to five years. ⁶

What factors influence levels of brand loyalty?

A variety of factors can influence levels of brand loyalty, including:

- Brand image
- Corporate responsibility
- Connection
- Convenience
- Customer service
- Expectations
- Reputation
- Rewards
- Marketing and communication
- Quality product or service



Brand Image

- Customer brand perception can influence the likelihood that they will become loyal to the brand in the future.

Corporate Responsibility

- Many consumers choose to support brands that demonstrate high levels of corporate responsibility.
- According to one study, nearly 30 percent of customers said corporate responsibility is the top factor in building trust with a brand. ⁷

Connection

⁴ <https://www.fundera.com/resources/brand-loyalty-statistics>

⁵ <https://www.entrepreneur.com/article/237579>

⁶ <https://www.entrepreneur.com/article/237579>

⁷ <https://www.prnewswire.com/news-releases/consumers-will-pay-a-premium-for-brands-they-trust-salsify-finds-in-new-consumer-research-301238179.html>

- Brands that manage to build a connection with their customers typically have higher levels of brand loyalty.
- One strategy many brands take is creating social media hashtags to encourage connections with their customers, and build community around their product. An example of this strategy is when GoPro launched a campaign that encouraged customers to share content through social media using the #goprofamily hashtag.
- One popular strategy in the restaurant industry for creating a customer connection is to introduce “secret” or “hidden” menu items.

Convenience

- Amazon has incredibly high levels of brand loyalty.
- Amazon provides its customers with a convenient way to shop. Free shipping through their Prime subscription service ensures that their customers will shop with them before other retailers, thus remaining loyal to their brand.

Customer service

- Excellent customer service is often synonymous with brand loyalty. Customers are loyal to businesses who are committed to providing the very best customer service experience possible.
- 16 percent of respondents to Salsify’s 2021 Consumer Research Survey said good customer service was the most important factor in building brand trust.⁸

Expectations

- Customers expect Amazon will deliver an efficient shopping experience, quickly deliver orders, and provide quality customer service.
- Amazon customers are extremely brand loyal because they know what they can expect from the company.

Reputation

- Lego has become one of the most iconic and beloved brands in the world because of its sterling reputation for providing customers with quality products, a positive brand experience, and quality customer service.
- In 2021, Lego was [ranked](#) as the most highly regarded company in the world when it comes to corporate reputation, according to the Global RepTrak®100 survey.

Rewards

- **Rewards programs** are offered by brands to attract and retain customers by incentivizing repeat purchases.

Marketing and communication

- What good is a rewards program if customers don’t know they can be rewarded for their loyalty?
- Brands must successfully communicate marketing and brand messages through a combination of advertising, social media and digital marketing channels.

Quality of the product or service

- Perhaps the most important factor influencing brand loyalty is the overall quality of the product or service being offered.

⁸ <https://www.prnewswire.com/news-releases/consumers-will-pay-a-premium-for-brands-they-trust-salsify-finds-in-new-consumer-research-301238179.html>

- According to a survey, 40 percent of customers said the most important factor in building consumer trust is high-quality ingredients, materials, and craftsmanship.⁹
- The best brands develop a reputation for providing a quality product or service, and its loyal customers can expect the brand to deliver on the brand's promises.

Which brands have the most loyal customers?

According to Brand Keys, a global brand consulting firm, Amazon's online retail brand leads all other brands in loyalty.

In 2021, the top brand loyalty leaders were (followed by the previous ranking in 2020):

1. Amazon online retail (1)
2. Apple (4)
3. Netflix (2)
4. Domino's (5)
5. Amazon Streaming Video (3)

Click [here](#) to see the entire list.



DISCUSSION TOPICS

Below is a listing of the top-ranked brand loyalty leaders according to Brand Keys' latest [report](#), categorized by product category. Review the list in class and ask students to guess which brand ranks highest in each category. You might also share the Brand Loyalty Ranking Presentation in class.

Online retail - Amazon
 Smartphones - Apple
 Video streaming - Netflix
 Pizza - Domino's
 Search engines - Google
 Athletic footwear - Nike
 Coffee - Dunkin'
 Social Networking - Instagram
 Wireless Providers - AT&T Wireless
 Rideshare - Uber
 Energy Drink - Red Bull
 Ice Cream - Haagen-Dazs
 Toothpaste - Crest
 Cosmetics - MAC
 Fast Casual Restaurants - Chipotle



KEY TAKEAWAY

Building brand loyalty takes time and requires a significant commitment from an organization. Brand loyalty is a valuable asset that helps drive sales and create long-term, sustainable growth.

⁹ <https://www.prnewswire.com/news-releases/consumers-will-pay-a-premium-for-brands-they-trust-salsify-finds-in-new-consumer-research-301238179.html>



CASE STUDY HIDDEN MENUS

Brands who successfully build connections with consumers have higher levels of brand loyalty. One popular trend in the fast-casual (fast food) restaurant industry for establishing a connection with consumers is the introduction of “secret” or “hidden” menus. These off-the-menu items create a sense of inclusiveness with customers feeling connected to a brand and building a unique sense of trust.

For a look at some examples of hidden menu items, [review SCC Insights’ “Cooking up Brand Loyalty” visual case study and discussion.](#)



ACTIVITY IDEA

After reviewing the “Cooking up Brand Loyalty” presentation with your students, encourage them to create a secret menu for their favorite fast-casual restaurant. Be sure they can describe how offering a hidden menu can help to build brand loyalty. Students should also develop a marketing strategy for introducing the new hidden menu items.



INDUSTRY APPLICATION

Connect your classroom with industry examples by reviewing the following news stories relating to concepts covered in this lesson:

Brand Loyalty - [Vehicle Brands Should Double Down on Brand Loyalty in 2022](#)

[How Starbucks Quietly Benefits From Its Most Passionate Customers](#)

[McDonald's Adds Some Secret Menu Items to Its Actual Menu](#)

Rewards Program - [The Funny Reason Dunkin' Is Giving Away Free Coffee](#)

[America's Best Loyalty Programs 2022](#)

[American Airlines Officially Launches Reimagined AAdvantage Loyalty Program, the Gateway to a World-Class Customer Experience](#)

[Chipotle Enhances Loyalty Program as Digital Sales Surpass \\$2 billion](#)

MODULE 3 - LESSON 4 (BRAND LOYALTY) KEY TERMS DEFINED:

Brand loyalty describes consumer preferences for a particular brand as compared to competitor products or services.

Rewards programs are offered by brands to attract and retain customers by incentivizing repeat purchases.