

Module 3: Branding

Lesson 3 - Brand Loyalty

OVERVIEW

In this lesson, students will discuss the concept of brand loyalty and explore the techniques businesses use to establish positions of loyalty with their customer base.

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 - 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

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 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 enjoys high levels of brand loyalty, its customer base has a favorable association with a specific product or the brand itself when 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 another competing brand that is in much 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 both 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 than investing in alternative products and services. In fact, 65% of a company's business comes from its current customers.

More interesting 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. ¹
- On average, established customers will spend 30% more on a brand's products and services than new customers.
- 90% of consumers are willing to pay more for a product when they purchase from a brand they trust. ²

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.

¹ <https://www.invespcro.com/blog/customer-acquisition-retention>

² <https://www.fundera.com/resources/brand-loyalty-statistics>



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*.³
- A Yotpo [survey](#) found that the majority of customers (nearly 80%) 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.⁴

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

- How consumers perceive the brand can influence the likelihood of consumers becoming 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.⁵

Connection

- Brands that manage to build a connection with their customers typically enjoy higher levels of loyalty.
- For example, GoPro once launched a campaign that encouraged customers to share content through social media using the #goprofamily hashtag, helping to build a connection with its customer base.
- One popular strategy in the restaurant industry for creating a customer connection is to introduce “secret” or “hidden” menu items.

Convenience

- Amazon enjoys incredibly high levels of brand loyalty.
- Because the company provides its customers with a convenient way to shop, customers remain loyal to the brand.

³ <https://www.entrepreneur.com/article/237579>

⁴ <https://www.entrepreneur.com/article/237579>

⁵ <https://www.prnewswire.com/news-releases/consumers-will-pay-a-premium-for-brands-they-trust-salsify-finds-in-new-consumer-research-301238179.html>



Customer service

- High levels of customer service are often synonymous with high levels of brand loyalty; customers will reward businesses who are committed to providing the very best customer service experience possible with their loyalty
- 16 percent of respondents to Salsify's 2021 Consumer Research Survey said good customer service was the most important factor in building brand trust. ⁶

Expectations

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

Reputation

- Lego has become one of the most iconic and beloved brands in the world in large part 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.
- According to a survey, 40 percent of customers said the most important factor in building trust is high-quality ingredients, materials, and craftsmanship. ⁷
- 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.

⁶ <https://www.prnewswire.com/news-releases/consumers-will-pay-a-premium-for-brands-they-trust-salsify-finds-in-new-consumer-research-301238179.html>

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DISCUSSION TOPIC

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, but is a valuable asset that helps to drive sales and helps the company to enjoy long-term, sustainable growth.



CASE STUDY HIDDEN MENUS

Brands who successfully build connections with consumers often enjoy 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

After reviewing the “Cooking up Brand Loyalty” presentation in class, create your own secret menu for your favorite fast-food or fast-casual restaurant. Be to describe how offering a hidden menu can help to build brand loyalty. You must also develop a marketing strategy for introducing the new hidden menu items. Be prepared to share your hidden menu and marketing strategy in class.



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](#)

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

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

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

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

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

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

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.

