Customer loyalty and Convenience

DMS

February 2022

KEARNEY

EVERGREEN

Covid-19 ima večje posledice kot vsi ostali disruptivni dogodki skupaj v zadnjih 10 letih

Source: Kearney analysis

KEARNEY

Stand by me

The elusive quest for consumer loyalty

KEARNEY

Pandemic disruption compelled brands to reconsider the meaning of loyalty.

As routines (and supply chains) were disrupted, consumers switched brands, **leading to a common refrain around declining loyalty.**

In fact, many consumers purchase products out of habit rather than loyalty.

KEARNEY

Repeat purchase does not equal loyalty.

Habit

(n) a settled or **regular** tendency or practice

Habit drives repeat purchase through **unconscious autopilot**, reducing consumer decision-making.

Frictionless experience

Loyalty

(n) a strong **feeling** of support or allegiance

Loyalty drives repeat purchase through **conscious intention**, tapping into consumer emotion.

Emotional attachment

KEARNEY

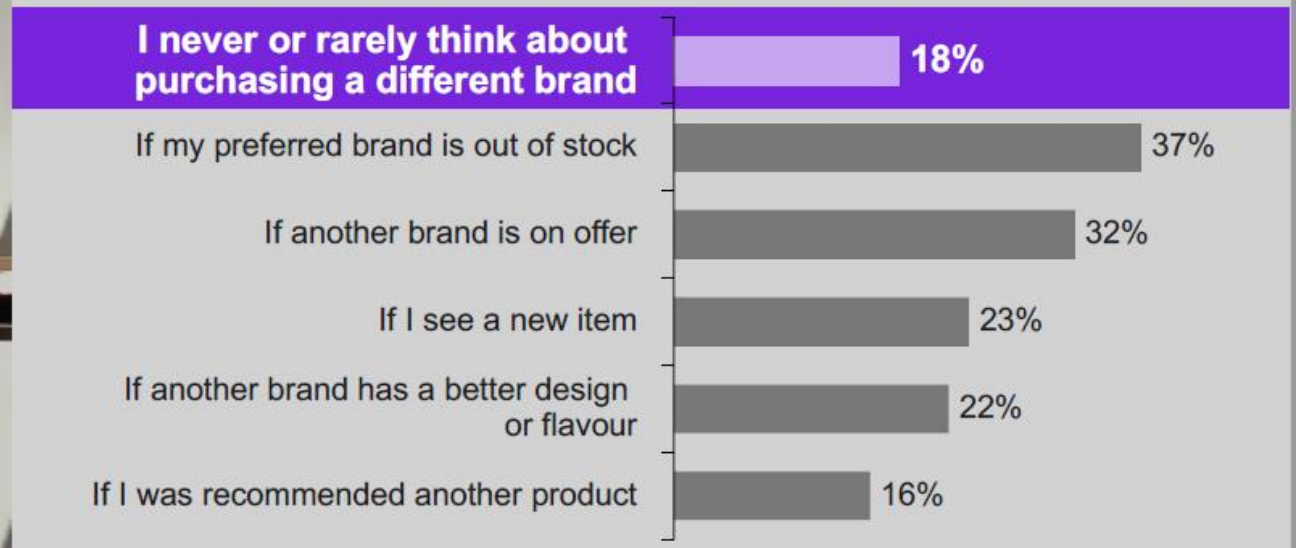
Consumers are generally less loyal than we claim.

KEARNEY

Only 18%

of consumers profess loyalty.

How often do you purchase a competitive brand of the brand you are loyal to?



Source: Kearney Consumer Institute – Consumer Loyalty Study, November 2021

Loyalty is built over time through consistency.

"They don't disappoint."

"Grandma swore by it."

"I like their clothes. I like how they fit, how they look, and how well they hold up."

"I heard it was a really good brand and reliable for purposes needed and it was true."

"I love the tools, I love the website and community, and it doesn't break the bank."

"Because all their products are well made and made from recycled material. Also, they have a lifetime warranty."

"My mum used the brand when I was a child."

Consumers define loyalty as a mix of emotion and consistent quality that meets expectations.

Source: Kearney Consumer Institute – Consumer Loyalty Study, November 2021

Stop chasing "loyalty"—focus on delivering on consumer expectations.

Short-term adjustments

KEARNEY

Source: Kearney Consumer Institute – Consumer Loyalty Study, November 2021

Consumers are forgiving if mistakes are the exception, not the rule.

60%

of consumers would be okay if a gift arrived after this year's gifting holiday, given the supply chain.

This holiday season necessitates communication and customer service.

US retailer Target added functionality such as "Forgot Something," for after a pick-up order was placed.

Shipt pairs consumers with the same shopper to enhance relationships and knowledge of consumers' preferences.

Shipt

Embrace habit—sometimes it's okay not to be loved.

The average consumer makes 35,000 decisions a day—removing some of that is meaningful. Control the controllables.

Assess where you are now. How much habit vs. loyalty do you have, and how much can you truly expect?

KISS (keep it simple, silly). Avoid cost-cutting measures that reduce quality, particularly of core products. Prioritise stock of the core over innovation.

Enable habit with a good interface. Make it easy to add to basket, repeat purchase, check out, and so on.

PRIMARK

Primark is a go-to retailer for many consumers, providing everything from affordable clothes to beauty salons.

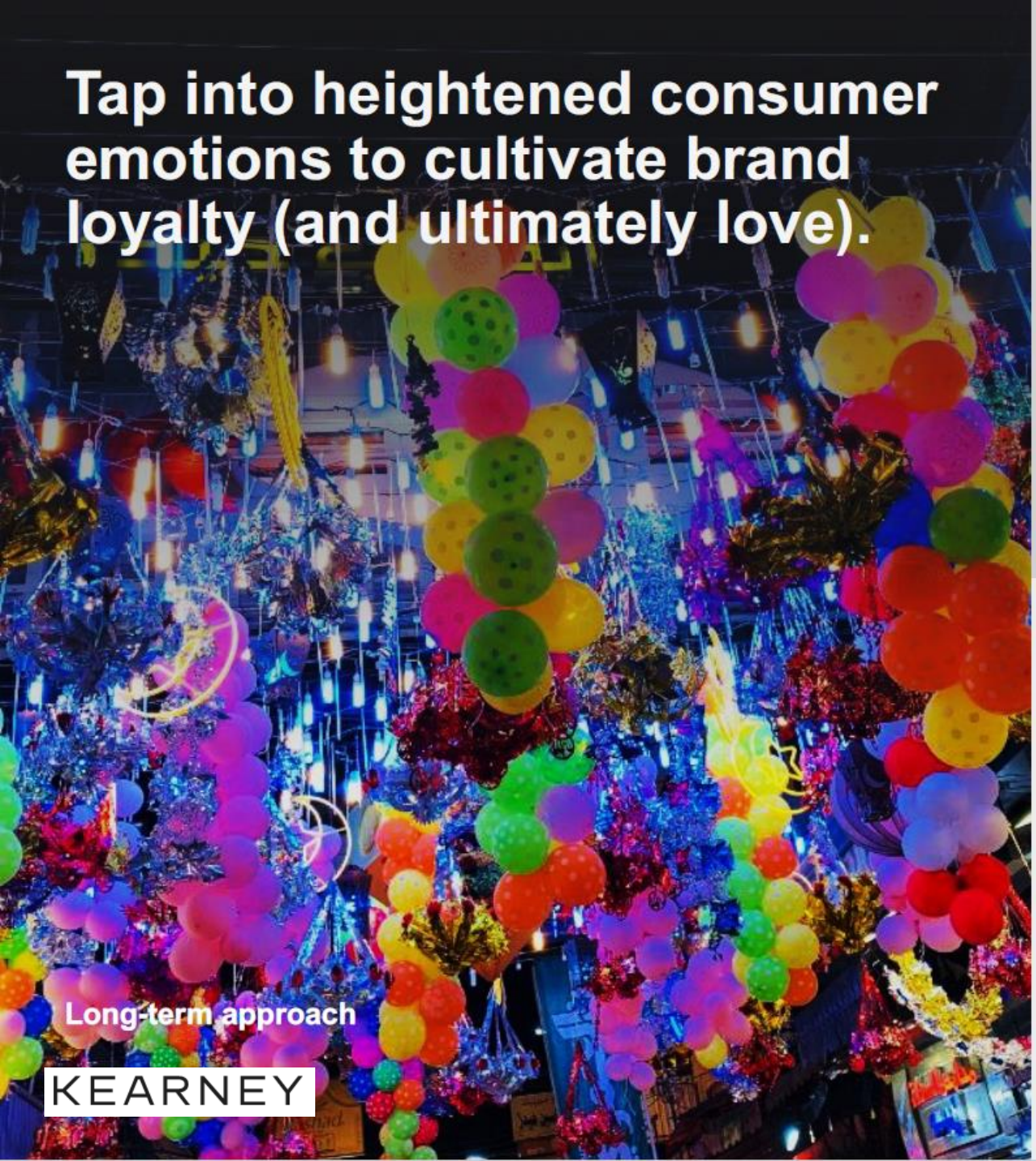
Their ubiquitous shopping bags further encourage habit, serving as a reminder to consumers.

HEINZ
ESTD 1869

From ketchup to baked beans, **Heinz** epitomises the best kind of habit.

With recognisable packaging and products, consumers don't think twice about grabbing Heinz off the shelf.

Tap into heightened consumer emotions to cultivate brand loyalty (and ultimately love).



Long-term approach

KEARNEY

Once habit is established, transition unconscious to conscious loyalty through consistency and engagement.

Enhance customer acquisition and retention analyses to understand why consumers started and continue to buy the brand, and what, if anything, would make them walk away.

Identify opportunities to disrupt unconscious loyalty to other brands, such as including basket substitutions for online orders, subscription services, and creative distribution.

Deliver on quality and a consistent experience.

SAMSUNG

Across geographies, consumers praise **Samsung** for its quality products across categories.

Product innovation, functional updates, and enhancements keep consumers coming back for new generations.

Allen Edmonds built brand loyalty by providing American-made shoes to US service members during World War II.

The company encourages repairing over replacing and provides these services accordingly.

Allen Edmonds
AN AMERICAN ORIGINAL

Easy like Sunday morning

Deconstructing consumer convenience

KEARNEY

Convenience is supposedly a top priority for consumers and only increasing in importance.

KEARNEY

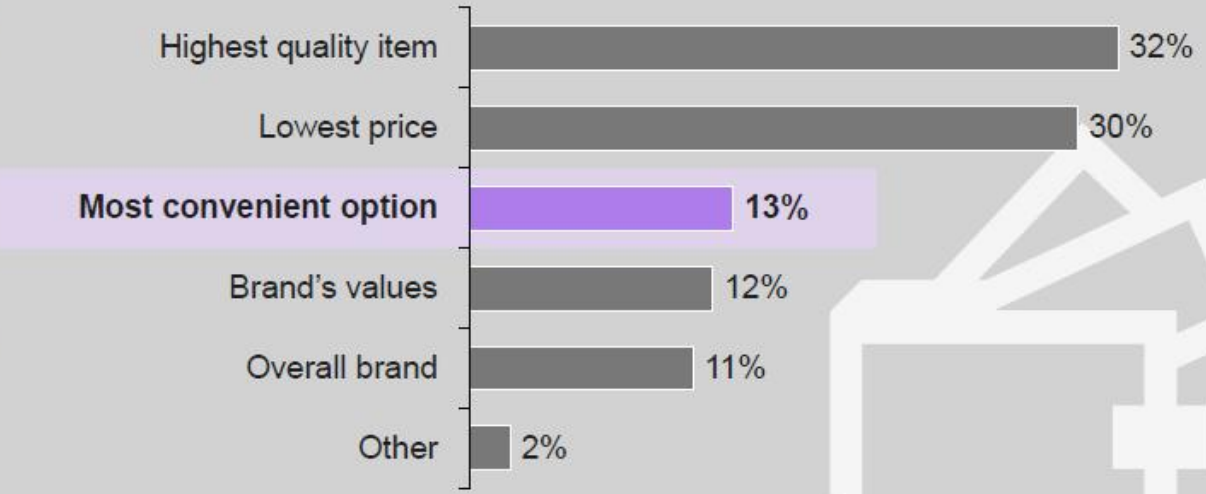
Source: NRF Convenience and the Consumer, January 2020

Some data points say as much…

97% of consumers have backed out of a purchase because it was inconvenient for them.

… but some don't.

What matters **most** to you when shopping?



The definition of convenience is non-existent, sloppy, or self-serving.

Convenience is addressed broadly as a need without being defined, a nebulous concept around ease or based on inferences of the reader.

Convenience is defined based on what is convenient for the company (not the consumer).

Most often, convenience is distilled into some version of "time is money" = convenience is speed, all the time.

Examples

A person may presume that grocery delivery is more convenient, despite many consumers thinking it's easier to run into a store and grab what they need.

A brand may heavily encourage a consumer to download an app or join their loyalty program so they can collect data (not provide consumer convenience).

A consumer may drive 15 minutes out of their way to Trader Joe's because they have their favorite elote corn chips.

KEARNEY

There is tremendous elasticity in consumer perception of the same increments of time.

Not all 20 minutes are created equal

Waiting 20 minutes to order fast food
Usually unacceptable

vs.

Waiting 20 minutes to be seated at a hot new restaurant
Usually acceptable, pending good experience

Spending 20 minutes in line
Frustrating

vs.

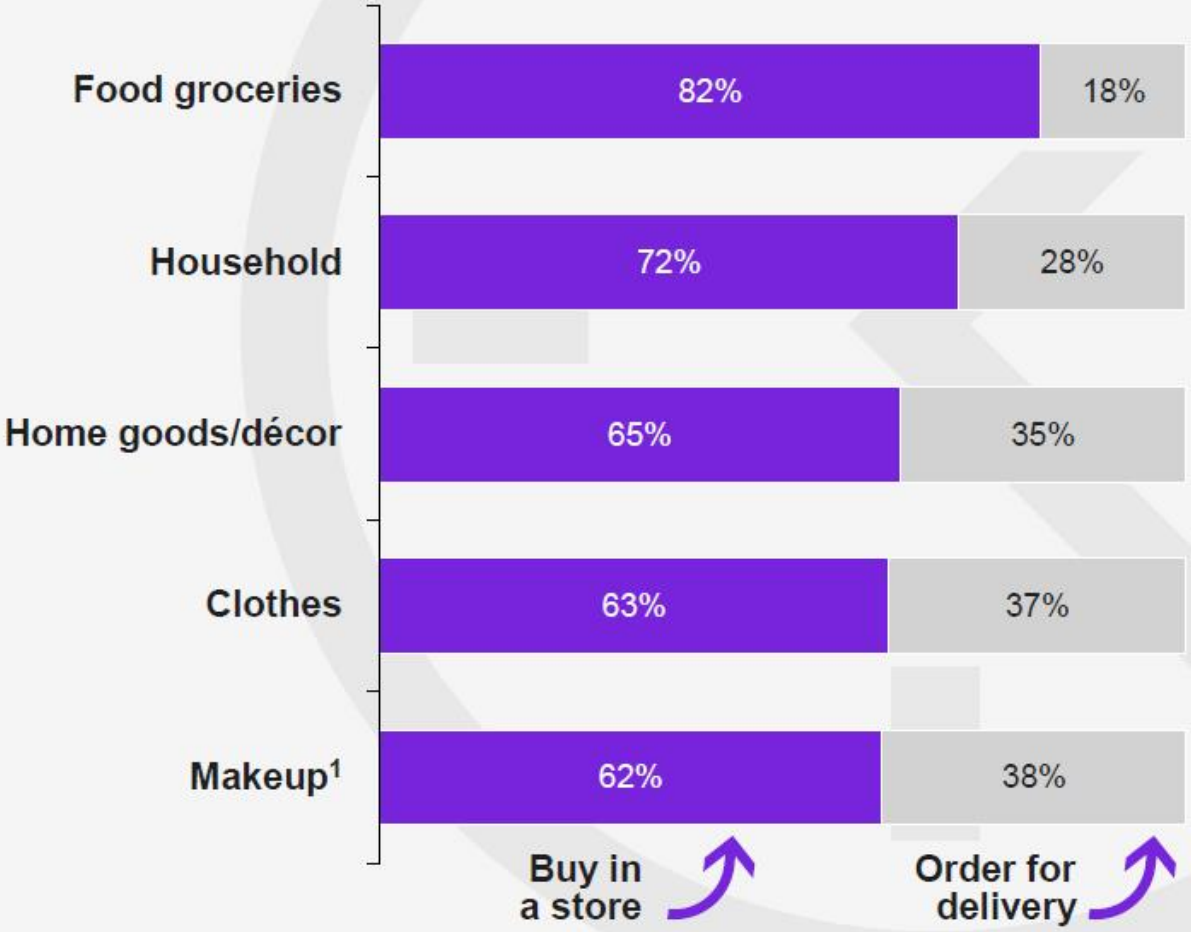
Spending 20 minutes browsing the store
Enjoyable

KEARNEY

[1] N/A option for non-makeup users; N = 694.
Source: Kearney Consumer Institute – Consumer Convenience Study, US n=1000 (August 2021).

Considering convenience in isolation rather than part of full brand experience is a common pitfall.

Despite assumptions that delivery is "more convenient," consumers still prefer the store experience across categories.



Consumer time elasticity reorganizes convenience into access, interface, and expectations.

Access

Does it have what I want and how do I get it?

- Location
- Breadth of selection
- Frequency of product release
- Available employees
- Delivery/curbside

+

Interface

How simple is it to get what I want?

- Product findability
- Store/site layout
- User-friendliness
- Checkout process
- Channels/apps
- Fast service

×

Expectations

How rare or important is it?

- Differentiation
- Customization
- Branding
- Loyalty program
- Hands-on experience

=

Consumer time elasticity
and ultimately convenience

Access and **interface** must combine to meet a certain threshold, while **expectations** are the amplifier.

KEARNEY

Establish how far consumers will stretch to accommodate a transaction.

Short-term adjustments

KEARNEY

Source: Kearney

Determine the time elasticity of your consumers through analysis, conversation, and observation.

- ✓ What are good and bad ways for consumers to spend time?
- ✓ When do they go out of their way for the brand, and how often?
- ✓ See the bigger picture—what else is impacting the overall consumer experience?

Wahaha Teas & Beverages

Wahaha consumers have a lower threshold for inconvenience.

Wahaha provides many drink options and formats to accommodate different access points—from local markets to supermarket grocery.

娃哈哈
Wahaha

StockX

StockX consumers of sneakers, trading cards, and watches have a higher threshold for inconvenience given their desire for exclusive, limited run, and hard-to-find products.

StockX offsets access inconvenience with a strong interface and differentiated offering.

Shift focus from removing generic time pain points to improving access and interface.

Focusing on speed alone can lead to underfunding other aspects of the transaction that consumers value.

Prioritize investments—what can be automated to streamline the negatives or improve the interface?

How is that complemented elsewhere? Can customer service improve with employees completing more value-added work?

How does this impact innovation timing and access points?

Convenience stores have interface and access down to a science.

Poland's **Zabka** offers standout meal deals and services beyond food, such as bill pay and cash back; Zabka is testing PickupHero, an in-store robotic machine that allows customers to collect or send a parcel.

Germany's unbranded **Spätis** offers a simpler interface for their consumers—a place to sit and drink cheap beer.

The US' **Wawa** is on the leading edge of adopting technology (such as touchscreen customization) and an elevated menu with fresh ingredients; Wawa is testing drive-thrus and stores without cigarettes or gas.

żabka SPÄTIS Wawa

Medium-term initiatives

KEARNEY

Source: Kearney

Invest in technology to enable a differentiated, consumer-first experience.

Long-term approach

KEARNEY

Platforms and technology can impact all metrics of time elasticity; done right, they drive engagement, optimization, and differentiation.

Tap into technology behaviors and platforms that core consumers are already doing/using.

Evaluate tools to improve ability to talk to consumers directly and encourage engagement (sharing, participating).

Use data for cross-category opportunities to extend the brand.

China's **Meituan**, a shopping platform that covers categories from food delivery to hotel bookings, uses sophisticated data methodologies to inform user suggestions and identify gaps in the market (and they're actually profitable).

美团 Meituan

Shein reinvented fast fashion by crowdsourcing design, revamping the production model, and embracing TikTok to get more options and exposure to consumers faster.

SHEIN

UK's **Whirli** subscription platform for borrowing and swapping toys highlights that a strong interface and access points can help brands successfully tap into consumer values—in this case, circularity.

WHIRLI

Steps forward

Loyalty:

a. Short-term: Stop chasing “loyalty”, focus on delivering on customer expectations

b. Mid-term: Embrace habit. Sometimes it’s okay not to be loved

c. Long-term: Tap into heightened consumer emotions to cultivate brand loyalty

Convenience:

a. Short-term: Establish how far consumers will stretch to accommodate transaction

b. Mid-term: Shift focus from removing generic time points to improving access and interface

c. Long-term: Invest in technology to enable differentiated, consumer-first experience

KEARNEY

Hvala za pozornost

Mitja Pirc

mitja.pirc@kearney.com

This document is exclusively intended for selected client employees. Distribution, quotations and duplications – even in the form of extracts – for third parties is only permitted upon prior written consent of Kearney.

Kearney used the text and charts compiled in this report in a presentation; they do not represent a complete documentation of the presentation.

KEARNEY