

Customer Engagement: How to Win Trust and Loyalty

2020



Customer Engagement



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/ Introduction

This year, our Customer Engagement research returned to a topic we last investigated back in 2018: customer loyalty. However, this time we conducted it amid one of the most dramatic shifts our generation has ever lived and worked through. Therefore, we'd be remised not to acknowledge the nuances of the world we find ourselves in during 2020.

As you'll see from this year's findings, Brexit, Coronavirus, and all the other challenges 2020 has thrown at people has not changed the core principles of trust and loyalty as much as some may have thought. In fact, despite the pandemic disrupting so much of our lives, half of consumers (51%) remain actively loyal to brands. Functional excellence also remains fundamental to most consumers (89%) in driving long-term loyalty.

That's not to say there haven't been shifts. Clearly, our lives are all different today than they were a year ago. Coronavirus has accelerated many key trends we've been tracking in recent years, such as digital-first routes to brand engagement. It has also seen further increases in consumers calling for compassion from their favourite brands, both on a personal level (52%) and, more broadly, towards key societal issues (58%).

This year's results also delve into the UK's favourite brands and how consumers feel about their loyalty to them, as well as engagement with loyalty schemes and the keys to more successful customer engagement in the future. So, these findings should provide actionable insight for all brands looking to foster greater customer loyalty as we return to some level of normalcy.

The analysis and trends from this year's research also must be understood in the context of a global pandemic, which may have accelerated – or equally decelerated – some of the effects seen, which may be short- or long-term. We'll have to wait and see to know which outcomes will ultimately stick. But certainly, what will continue to be key for brands is putting their customers first, ensuring they are at the heart of everything a brand does, so that customers can truly enjoy, prize, and be loyal – today and tomorrow.

Tim Bond

Head of Insight, Data & Marketing Association

/ Foreword - Customer Engagement Committee

Whoever is credited these days with suggesting that it is stimulating to live in interesting times clearly had not banked on 2020. As a global pandemic impacts the lives of more or less everyone on the planet, the effect is felt by individuals, businesses, and governments. Trying to get a feel for how loyalty has changed or been impacted as a result is both difficult and necessary.

We have been running our 'How to Win Trust and Loyalty' research for a number of years now. It has provided understanding into how consumers think for brands and agencies alike. In this time of change, it is probably even more important than ever.

So what did we learn this year? Some of the insights perhaps are to be expected – for example, email is still most people's preferred engagement channel. Or that we are relying more on brands like **Amazon** and **Netflix**, who previously had a strong foothold in our lives but during the lockdown have thrived. Or that we spend more time than before on video calls, including with brands.

Let me pick out two things we found that I think are worth exploring further. First of all, there was overwhelming evidence that brands need to be more compassionate. Compassion is something we have heard about a lot in recent times, but this in connection to a brand is still relatively new. Over time, we have seen that the ethics and credentials of brands are becoming an important part of the consideration phase for many consumers, and this is a natural extension of that during these difficult times. This is definitely something for brands to consider.

Secondly, consumers have not fundamentally changed their loyalty profiles, but that could also be a problem. We have created four distinct loyalty types, from those who are consistently loyal to those who are the opposite. One of the groups is the 'Habitual Loyals' – people who make choices based on brands they are loyal to for their everyday purchases. The challenge for brands is how to replicate that habitual position when people are not in store as often. There have been some innovative ways that brands have kept themselves front of mind, which needed to be created to engage this group.

I am sure as you read and see more from this research, you will find many more interesting nuggets to help you build better long-term and profitable relationships. Trust and loyalty are always going to be vital, no matter what the micro situation looks like.

Let's hope that next year is less interesting than this one. Rest assured the DMA's Customer Engagement Committee will ensure that our advice, insights, and guidance will continue to provide a helping hand to data and marketing professionals – and the brands they work for or on behalf of.

Scott Logie

Chair, DMA Customer Engagement Committee &
Customer Engagement Director, REaD Group

/ Foreword – Collinson

Read any article or story about 2020 and one can almost guarantee the word ‘unprecedented’ will reveal itself. The reason is that, at least in modern times, 2020 has been, well, unprecedented.

In the last few months, we have seen stories of remarkable resilience. Of communities coming together to help each other out, checking on neighbours and coordinating activities on social media. We have seen people standing outside their homes clapping for those who were putting themselves in danger at the height of the pandemic.

We have also seen a significant shift in ways of working. The rise and acceptance of home working, everybody is now their own IT department, and who hasn't said: “I think you are on mute?”.

The other side of this coin is the downturn in economic activity. During this period, the retail industry has been under huge pressure. The high street has seen a significant drop in footfall and according to the ONS, clothing and footwear retailers are suffering more than most with a 30% drop in volume between January and August. Unsurprisingly, we have also seen a huge jump in online shopping as consumers have moved online to buy everything from weekly essentials to luxury goods.

The impact of the pandemic has raised a number of questions for those of us with an interest in loyalty. They include: are new behaviours emerging and, if so, are these a sign of a permanent change? Have new trends begun to emerge or are we just seeing the acceleration of existing trends? Of course, the most pertinent question is, how has this change in behaviour impacted the role of loyalty in the market?

This 2020 report from the DMA provides us with some of the answers we are looking for.

Within the report, encouragingly, we see some of the fundamentals of loyalty have remained solid. The basic loyalty segmentation has remained relatively consistent with levels of those who are actively loyal and those actively disloyal broadly unchanged since 2017.

The report provides insights into two trends identified in the last few years that are accelerating amidst COVID. The first is the rise in personalisation. As we are increasingly aware, consumers are giving up more and more data about themselves, particularly with the rise of online shopping under lockdown. The corollary of this data surrender is the rise of the Empowered Consumer, those who are becoming savvy about both the value of their data and their ability to restrict its use. The quid pro quo here is that brands using that data will need to provide more relevant information and offers.

The second trend is the rise in demand for a deeper and more engaging loyalty relationship. Offers and discounts will always be important, but this report highlights that now consumers are looking for more. For loyalty to continue to be relevant and successful this report shows that it needs to move beyond simple points, prizes, and discounts.

Loyalty demands constant monitoring as circumstances change. Loyalty programmes and strategies are always under pressure as consumer attitudes and behaviours change.

Especially in these unprecedented times.

Zoë Senior

General Manager, Agency, Europe,
Collinson

/ Foreword – dotdigital

The reasons we shop in specific ways and stick to particular brands may be down to habit or, indeed, our senses of loyalty. Not to mention a need for a quality-assured product that we trust. But scarcity is a peculiar thing. It makes human beings act in strange ways.

We've seen people camping overnight in the freezing cold for a chance to get the autograph of their favoured pop or sports star. I, myself, have even set alarms for the wee hours of the morning on countless occasions to join online raffles for the chance to get my hands on the latest and rarest pair of trainers. But 2020 brought new levels of scarcity, and we all witnessed what lengths we were willing to stretch to get what we needed. We've all seen grown men and women fight over who gets the last packet of loo roll in the supermarket. Scarcity has also been the reason you may have decided to shop elsewhere; opt for another brand or bite the bullet and order your shopping online. In fact, over half the respondents in this report claimed to have tried brands during the coronavirus situation that they wouldn't have usually otherwise, simply because the loyalty to their favourite brands is borne either from habit or convenience.

The challenge for marketers this year was whether or not, in such a changed and unfamiliar landscape, they could rely on the loyalty of their customers. Do consumers functional demands outweigh their emotional desires? This is an important distinction for us to make; your customers either buy your products because they're driven by convenience and routine, or because they actually prefer, it as well as the values your brand holds over another. Making the distinction between functional and emotional needs will allow you to structure your communications and your loyalty schemes better and in a more attractive way.

The key to combating this has always been giving customers what they want, and, what they want, appears to be collective loyalty schemes that reward their consumption across multiple brands. Especially if those rewards are more in-tune with what they like such as points they can redeem with their favoured brands. But the overall satisfaction from loyalty schemes is waning, most likely because we tend to do more to win new customers than surprise and delight existing ones. Trust also plays a significant role in the relationship we have with our consumers, the reason why brands like Mark & Spencer and John Lewis are rated highly in genuine loyalty over habitual. It's the reason why shoppers flocked to Amazon during lockdown as the general perception is you can trust them - because of reviews and delivery timings.

However, consumers' trust is not quickly earned. It has to be developed over time, and with each interaction we make, carefully choosing the right channels to direct and manage that interaction. This report tells us that email is still king of engagement, with 73% of respondents preferring it above other channels and more crucially 58% trusting it too. However, that doesn't mean we should rely purely on email. A savvy blend of multiple marketing channels, as well as pinpoint timing and relevancy, will enable brands to develop deeper bonds with consumers, helping to instil trust and ultimately, more loyalty.

When we earn that trust from a consumer our jobs become more straightforward. Bartering over price and discounting are no longer critical drivers for a sale. Customers willingly refer business, so we need to nurture that trust by rewarding existing customers regularly. If not, we'll find ourselves in a constant battle to win them back as they will put their loyalty aside to try something new and different.

Gavin Laugenie

Head of Strategy & Insight
dotdigital

/ Exec Summary

- The coronavirus pandemic has created new reasons for consumers to engage digitally, with nearly half (47%) video calling at least weekly, while 1 in 10 have video called a brand, and a further 23% are interested in doing so in the future
- Most consumers (77%) agree that brands should show compassion during the pandemic – 66% want brands to communicate how they are helping customers and 58% want to know how they are supporting staff
- Despite the pandemic disrupting habits, half of consumers (51%) remain 'Active Loyals,' compared to 49% in 2018, while 'Habitual Loyals' have increased to 17% from 13% previously
- Now that maximising behaviours are entrenched, consumers are less likely to claim to spend time comparing prices for important purchases (67% vs 78% in 2018), or to be swayed by offers and deals (49% vs 57%)
- Amazon remains the most commonly named favourite brand among UK consumers, but has not grown in popularity, with 15% naming Amazon their favourite brand compared to 14% in 2018
- Netflix has made significant ground as a favoured media brand in 2020, with 17% choosing Netflix as their favourite brand – this was 10% in 2018
- Among the 35% of consumers who do lack a sense of loyalty to brands, 38% are mainly driven to be disloyal, as they like trying new brands and do not feel rewarded enough, and 33% are driven to switch for discounts
- Functional excellence remains the fundamental driver of consumer loyalty, with 89% naming at least one functional attribute as a reason for their loyalty to their favourite brand
- Compassionate and emotional drivers of loyalty have become more important to consumers in 2020, with 58% naming a brand's societal compassion as important to their loyalty (55% in 2018) – similarly, the driver of a brand's compassion to consumers personally grew to 52% from 47% in 2018
- Engagement with paid-for loyalty or benefits schemes is significantly higher among Millennials (28%) compared to Baby Boomers (9%)
- Satisfaction with loyalty schemes is stable, but respondents who agree they really value their loyalty benefits has declined to 66% from 72% in 2018
- Most consumers (80%) are interested in joining a loyalty scheme that would allow them to collect rewards from a group of brands – and also redeem them across the group
- Email remains the consistently preferred channel for engagement, with 73% of consumers ranking it as their first or second preference for receiving marketing from brands they know
- Beyond email, 40% of customers prefer to use the phone when they need to make a complaint, while 1 in 5 (19%) prefer receiving order updates via text

/ Impact of Coronavirus

Life under coronavirus has altered so many aspects of consumer behaviour, and it would be remiss not to consider how the pandemic has changed the ways in which people engage with brands. In this section, we highlight key behavioural shifts and attitudes emerging from the current climate and, as a result, how brands should engage their customers.

Digital Channels Growth

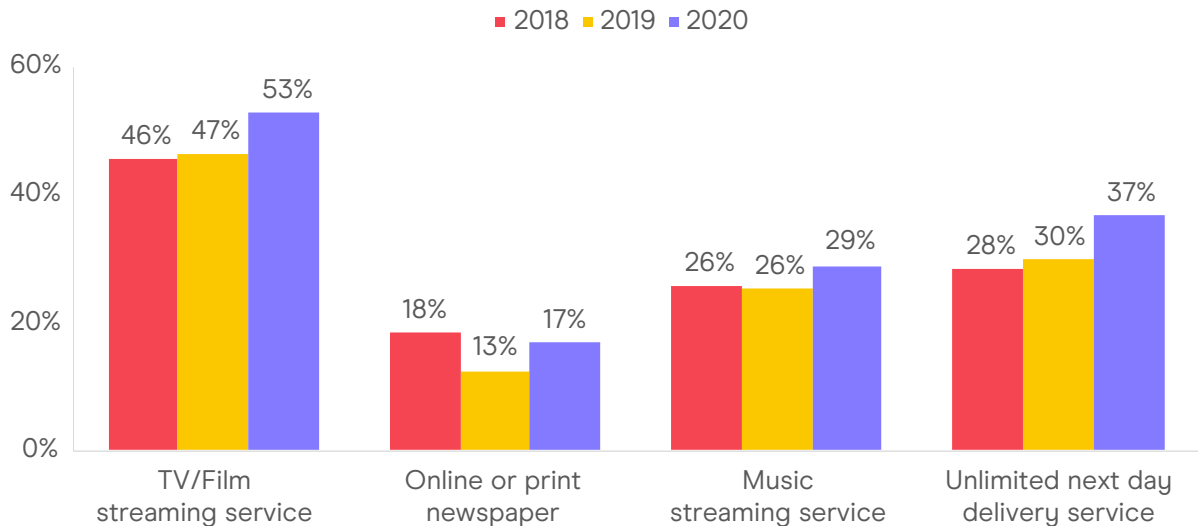
As periods of lockdown and social distancing have become part of daily life due to the pandemic, consumers have had to turn to digital channels to maintain daily essential communications. Almost half of consumers (47%) are making video calls weekly. They are also taking advantage of presence-free communications when engaging with brands. One in 10 (12%) of consumers have video called a brand, and a further 23% would be interested in doing so.

In addition to video calls, half of consumers (52%) have used chat customer service and would do again, or are interested in doing so in the future. While digital engagement with brands is a more viable and needed option for consumers during the coronavirus period, we expect the experiences of living through the pandemic will increase willingness to engage with brands remotely in future.

Subscriptions Boosted

The need for remote solutions has also boosted subscription ownership. Half of those surveyed (53%) have a paid media streaming subscription, up from 46% in 2018. Meanwhile, over a third (37%) subscribe to a paid next-day delivery service, such as **Amazon Prime** (compared with 28% in 2018). A key benefit of subscription-based buying is that it forms long-term engagement with customers while still offering flexibility. Will these pandemic-boosted behaviours continue in a coronavirus-free world? We expect so.

Which of these subscriptions do you personally own?



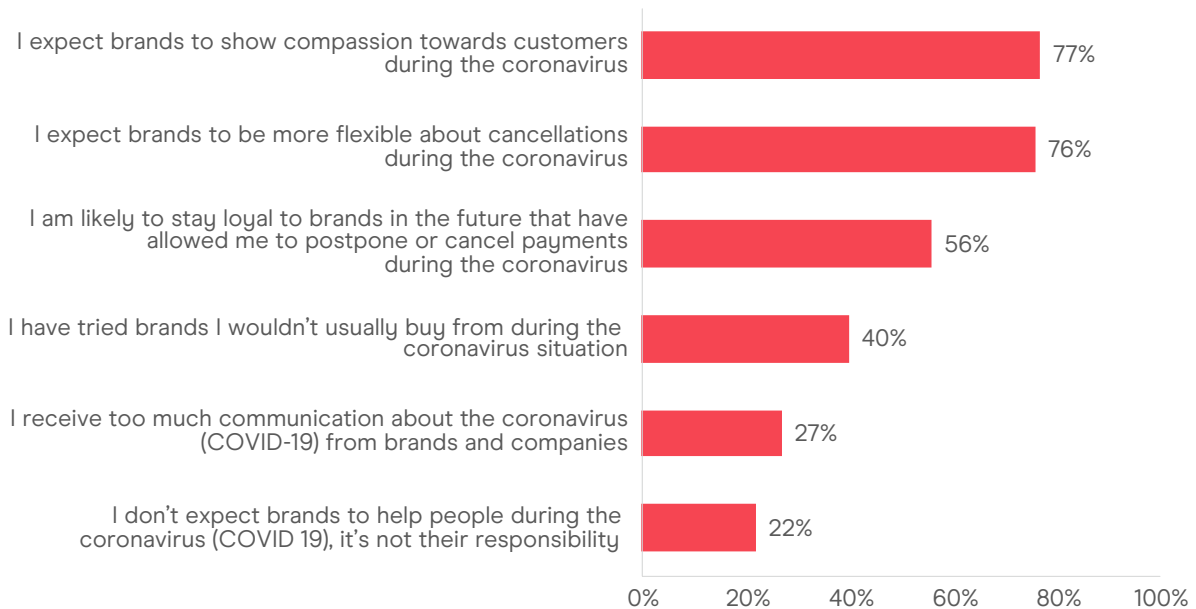
Consumers Want Reassurance

A key question raised in our research was what do consumers expect brands to communicate during the pandemic? To what extent do they expect brands to show compassion in the current times, and how can brands best support customers? Is a softer approach more appealing or a practical one?

The majority (77%) expect brands to show customers compassion during the coronavirus and a minority (22%) feel they receive too much communication about the coronavirus from brands. This suggests that more consumers want brands to engage with them directly about the pandemic and explicitly show compassion.

Other data suggests that compassion is best shown through action than sentiment alone. The majority of consumers (76%) expect brands to be flexible about cancellations during this time – a form of practical compassion that could also hold some long-term benefits for brands, as 56% of customers agree they are more likely to stay loyal to brands that are able to offer flexibility in the current climate.

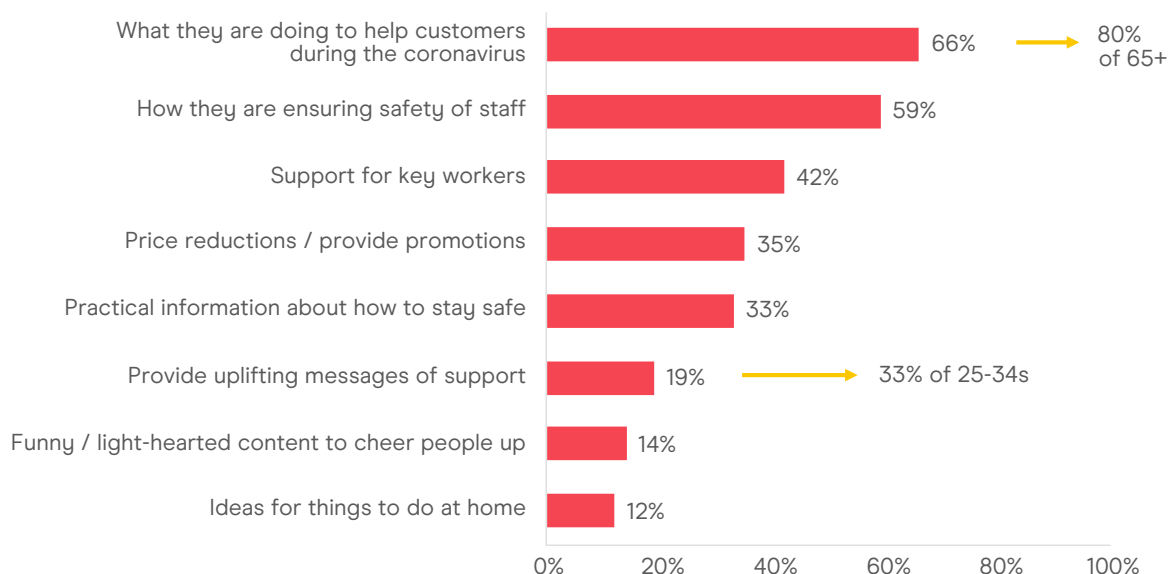
How much do you agree or disagree with the following statements? (% Agree)



When asked specifically what brands should communicate during the coronavirus, consumers are more likely to rank practical support, for both customers and staff, as important, even more than getting discounts and promotions. Two-thirds (66%) want brands to tell them what they are doing to help customers – rising to 80% among the over 65s – and 59% want brands to tell them how they are keeping staff safe.

Softer compassionate engagement, such as providing messages of support, appears less important in comparison – though these do seem to chime more with younger ages. For example, a third (33%) of 25-34 year olds say they appreciate uplifting messages of support.

Which of the following do you think are most important for brands you use to communicate in response to the coronavirus situation? (% ranking in top 3)



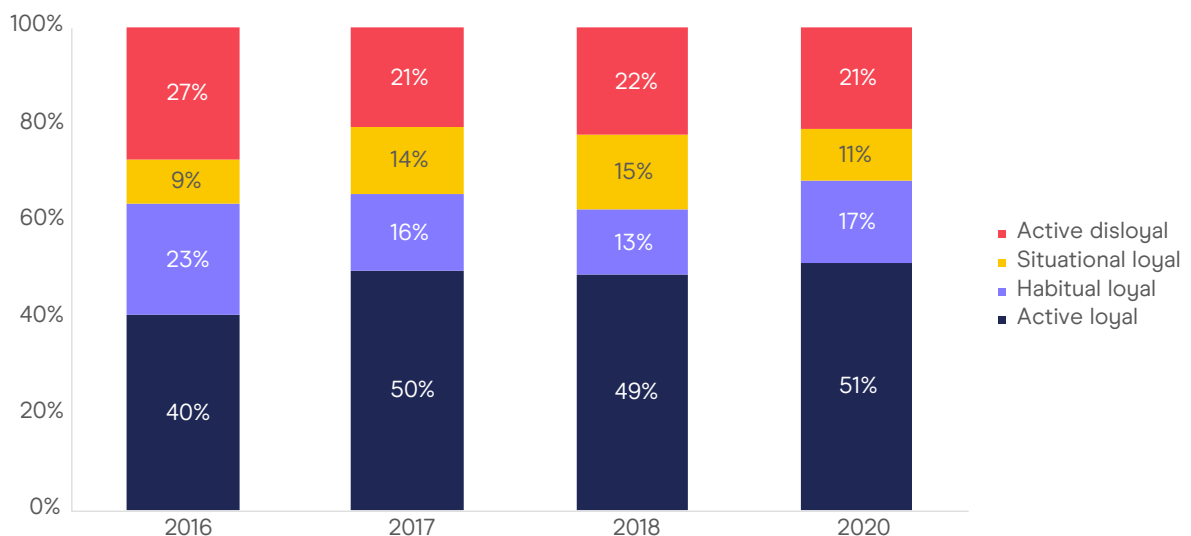
/ Tracking Consumer Loyalty

Loyalty Mindsets Unmoved

The update to the DMA's long-running loyalty segmentation reveals that 51% of consumers are 'Active Loyals' and this remains consistent with 2018. Similarly, the number of 'Active Disloyals' at the other end of the spectrum also remains consistent at around a fifth (21%) of consumers.

In 2020, the small rise in 'Habitual Loyals' could be attributed to consumers focussing more closely on everyday purchasing during the pandemic. But overall, the picture of customer loyalty is remarkably stable, even under the stresses and strains of the coronavirus crisis. This stability reminds us that consumers crave consistency in the brands they engage with, their routines and habits, and that most consumers display at least some active loyalty in their purchasing.

Loyalty Segmentation

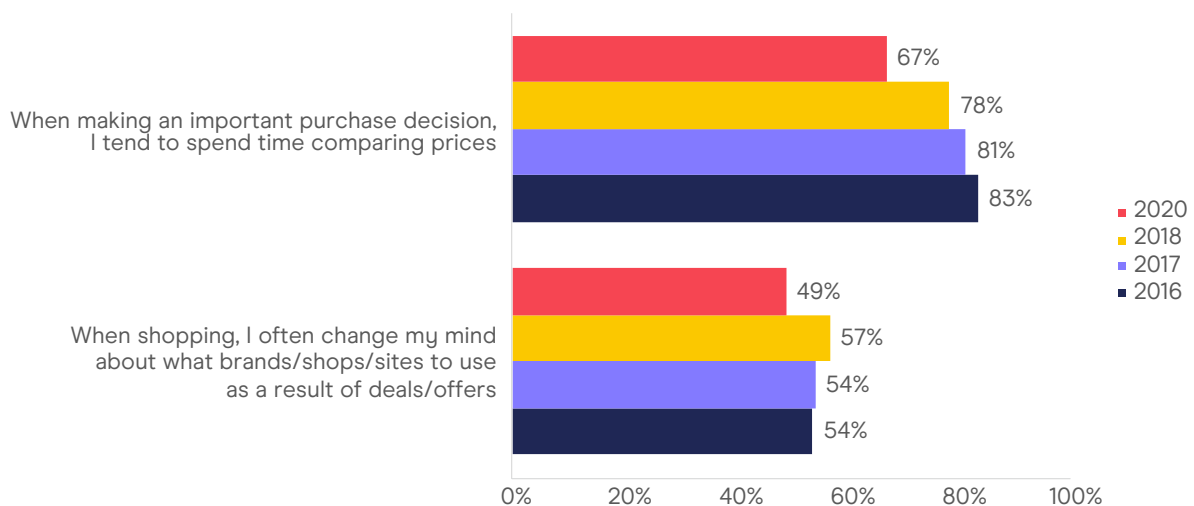


Price Savviness Reduces Interest in Discounts

While, overall, consumers remain unmoved in their loyalty mindsets, other attitudes tracked in the research suggest some interesting shifts in the role of discounts and price comparison behaviours on consumer choice.

A consistent downward trend in consumers agreeing they spend time comparing prices suggests that this has become a less “must-do” for some. Although agreement is still in the majority (67%), it is down significantly from 83% in 2016. Paired with the fact that we have also seen a drop in consumers who agree they are often swayed by deals to change brands (down to 49%), recently the need to actively switch seems to have been dampened.

How much do you agree or disagree with the following statements? (% agree)



This doesn't mean consumers are less keen on getting the best value for money. Rather, consumers have benefitted from industry responsively guaranteeing the most competitive price-points possible, as well as making price comparison transparency ever easier to check at the point of sale. Meaning, consumers have less need to put effort into the search for value and can more easily trust the prices they see.

With a prolonged economic downturn, a very real threat on the horizon is consumer interest in price-cuts logically could increase. But unlike the recession of 2008, consumers today are equipped with maximising behaviours learnt over a decade and a different perspective on what discounts and deals represent. This could mean a different expectation of how much promotional activity consumers will expect in a downturn scenario.

/ Favourite brands

We will now look at which specific brands consumers named as their favourite. Has the pandemic shifted people's focus or are their top brands still comparable to 2018?

Amazon Retains Top Spot

In several waves of the research, we have asked consumers to tell us their favourite brand and, once again, Amazon returns as the most mentioned brand. Named by 15% of consumers compared to 14% in 2018, the brand's popularity is consistent, but it's not gaining more traction from consumers. This, despite **Amazon's** seeming ubiquity as a brand across so many areas of consumption, makes it somewhat surprising. Could **Amazon's** role as a gateway brand be seen by more as a service than a brand to engage within itself?

Thinking about all the brands and companies you use, which brand/company would you say is your favourite or you're most loyal to?

	2018		2020
No Favourite	33%	No Favourite	35%
Amazon	14%	Amazon	15%
Marks & Spencer	4%	John Lewis	4%
John Lewis	4%	Sainsbury's	4%
Sainsbury's	4%	Tesco	3%
Tesco	3%	Marks & Spencer	3%
Apple	2%	Apple	3%
eBay	2%	Nike	2%
Asda	1%	eBay	2%
Multiple Brands	3%	Multiple Brands	4%
Other (remaining)	30%	Other (remaining)	25%

Elsewhere, we find consistency in the most popular named brands with big retailers, **John Lewis**, **Sainsbury's**, and **Tesco** being the next most popular after Amazon. Apple and Nike are the only product-based brands to make the top 10. It's important to note a quarter (25%) mentioned other brands – highlighting the wide range of brands that consumers feel strongly about and that big brand names are not as dominant as we might expect.

Moreover, a third of consumers (35%) continue to report not feeling loyal enough to any brand to name it as a favourite, highlighting the challenge to all brands of successfully gaining customer popularity.

Netflix Makes Gains

When customers were asked about their favourite media or entertainment brands, the clear winner was **Netflix**. 17% named this their favourite brand compared to 10% in 2018. Sky remains as popular as previously, with 9% choosing it, similar to the 10% in 2018.

The pandemic-induced increase in in-home leisure time will have boosted consumer engagement with **Netflix**, however, greater breadth of content, investment, and general growth in consumer awareness since 2018 will also have played a role.

Another finding is that over a third (36%) picked other brands – more than double the previous year. This is a testament to the wide-ranging media options now available to consumers, including streaming, social media, podcasts, and live. There are so many competing sources for attention.

Equally, a significant two fifths (39%) of consumers could not identify a favourite brand in this category, which suggests consumers have multiple favourites and are more likely to be frequently switching across different media and entertainment options. This fragmented media consumption means loyalty is less linear in this category and that brand promiscuity is much more common – despite our knowledge that consumers are, in general mostly, habitual creatures.

Which media or entertainment brand/company is your favourite or are you most loyal to (e.g. music services, TV, film, news, social media)?

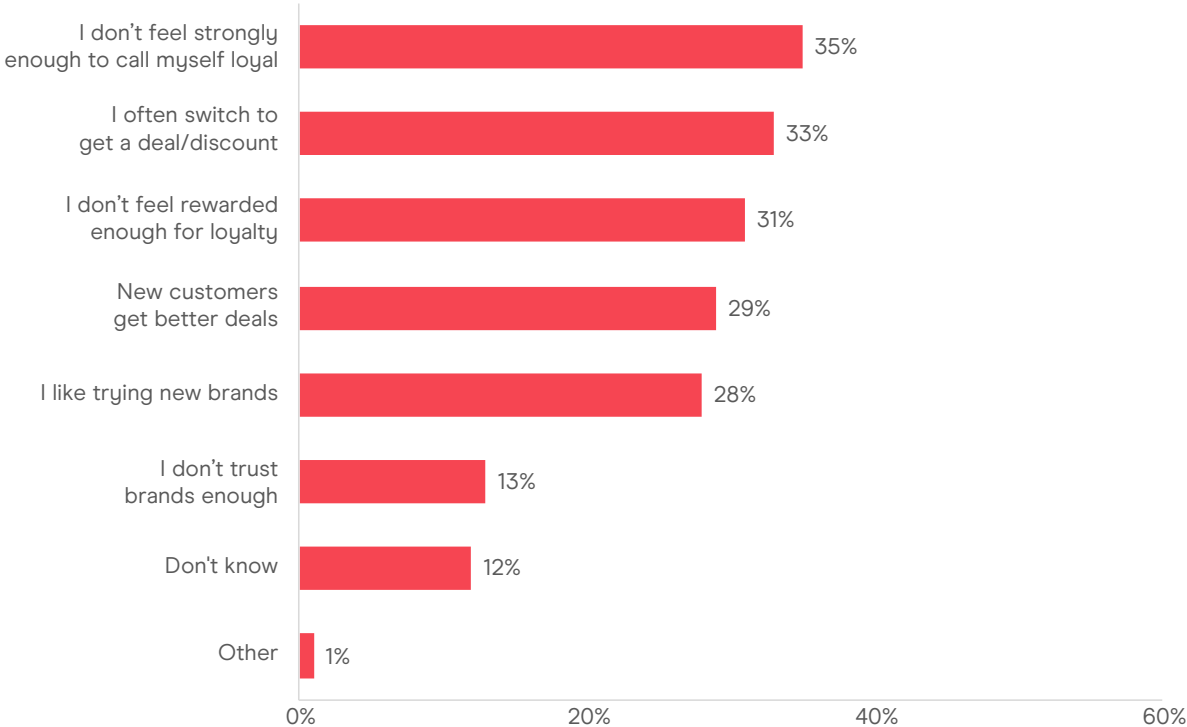
	2018		2020
No Favourite	43%	No Favourite	39%
Sky	10%	Netflix	17%
Netflix	10%	Sky	9%
Amazon	6%	BBC	7%
BBC	5%	YouTube	3%
Virgin	3%	Spotify	2%
Facebook	3%	Amazon Video	2%
Apple	2%	Facebook	1%
Spotify	2%	Instagram	1%
YouTube	2%	Other (remaining)	36%
Other (remaining)	16%		

Can Disengaged Consumers Be Won Over?

Whether asked about general favourite brands or those within specific sectors, significant proportions of consumers do not feel they have one brand they are the most loyal to. And across these figures, over a third (35%) do not have a favourite brand at all. Under the umbrella of more stable loyalty that the research shows, there is another picture to contemplate. To understand the motivations behind their lack of perceived loyalty, we asked these consumers why they didn't feel particularly loyal to brands.

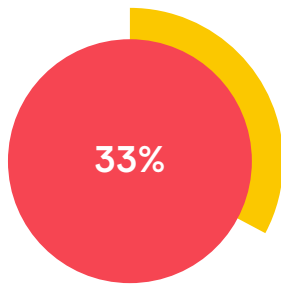
Consumers selected a range of reasons, from simply not feeling strongly about brands to wanting to try new ones.

You said you didn't have favourite brands. Why are you not loyal to any brands in general?

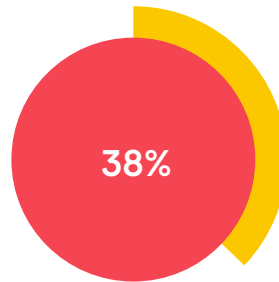


By clustering the most commonly picked combinations of why consumers are not loyal, three clear groups emerge:

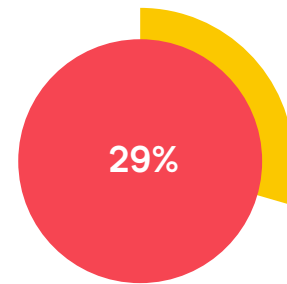
Often switch to get a deal/discount



Like trying new brands & don't feel rewarded enough



Don't feel strongly enough to call themselves loyal



It is interesting that two of the three groups state barriers to loyalty that brands should be able to overcome with the right targeted strategies. Discounts can be countered with counter offers or wider benefits, reward mechanisms for continued loyalty can be revisited to return genuine value (more on this later), and innovation and communication about improvements can be used to appeal to those who like change and novelty. Yes, there may be a group of 29% who might never wish to engage with brands (apart from transactionally), but there is potential for the majority to be re-engaged by the brands they currently use or know.

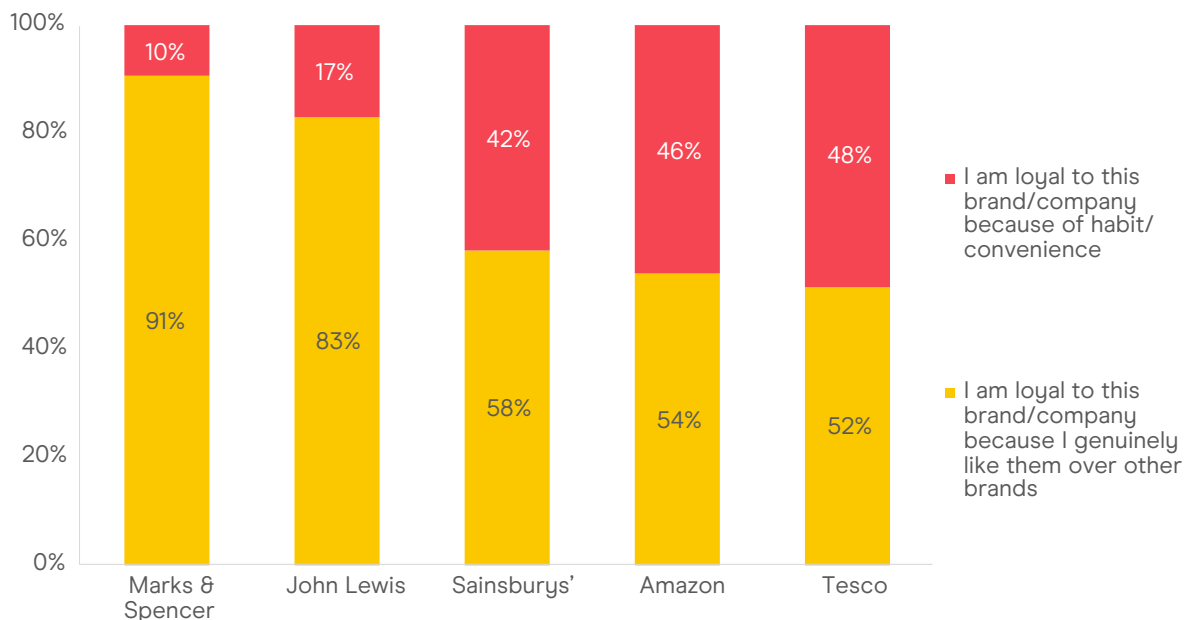
/ What is driving loyalty in 2020?

To understand how consumers perceive their own loyalty to their favourite brands, we asked them to categorise their loyalty as either habitual or genuine. In other words, is their sense of loyalty driven more by habit, or do they feel a more genuine connection with their favourite brands?

A majority are loyal to their favourite brands because they genuinely like them, but there are some quite clear differences between brands. As [previous Customer Engagement research](#) has shown, the overwhelming majority of John Lewis and Marks & Spencer fans are driven by a genuine sense of loyalty. Key to these brands is customer-centricity that goes beyond the delivery of functional convenience.

In contrast, loyalty to Amazon, the most popular brand in the survey, is almost as likely to be driven by convenience as a genuine connection. This split in feeling is also felt among the major loyal customers of both Sainsbury's and Tesco.

**Which of the following statements best describes your loyalty?
(Top 5 favourite brands)**



From the customer's perspective, both habitually and emotionally motivated loyalty drive their engagement with their favourite brands.

We are reminded here that great customer engagement – meaning what customers need from their brands – should be defined by the bottom up, whether that is purely a convenient, consistent service or one that is more personal, involved, and human. Ultimately, a brand that delivers on values aligned to genuine consumer needs – whether those are to be simply a functional partner or something more – will be recognised and rewarded by customers.

Loyalty Drivers Under Coronavirus

To further understand what is driving loyalty, we asked consumers in more detail why they are loyal to their favourite brands. Beyond the sense of loyalty being habitual or genuine, we gave consumers a range of 19 options, which can be categorised into seven key drivers (see table below).

Our question entering the research this year was: in the midst of the ongoing coronavirus pandemic, would consumers have shifted their priorities of what they think makes them loyal? Or, as the previous tracking of these drivers has shown, would functional needs have remained the most common driver of loyalty?

Driver definitions:

Functional	Provide the best quality; Are easy to use; Are reliable; Are available in a convenient location
Financial	Provide value for money; Allow me to pay flexibly, use new payment technologies
Compassion - Society	Treat its workers well; Act in an environmentally friendly way; Have a good reputation
Brand charisma	They are cool, impressive; Are fun and entertaining; They are innovative, up to date, lead the way
Compassion - Personal	Help me to achieve personal goals; Inspire me with new ideas, products to use; Reflect my personality, style, tastes; Make me feel good
Service	Provide me with good customer service
Loyalty	Reward me for being a loyal/regular customer; Give me exclusive promotions personalised to me

Functional-First, But Compassion Grows

In 2020, functional drivers remain ubiquitous and underpin loyalty for practically all consumers. This fundamental pillar continues to be a foundation that successful brands of course have to achieve and is perhaps unsurprisingly unchanged by the pandemic.

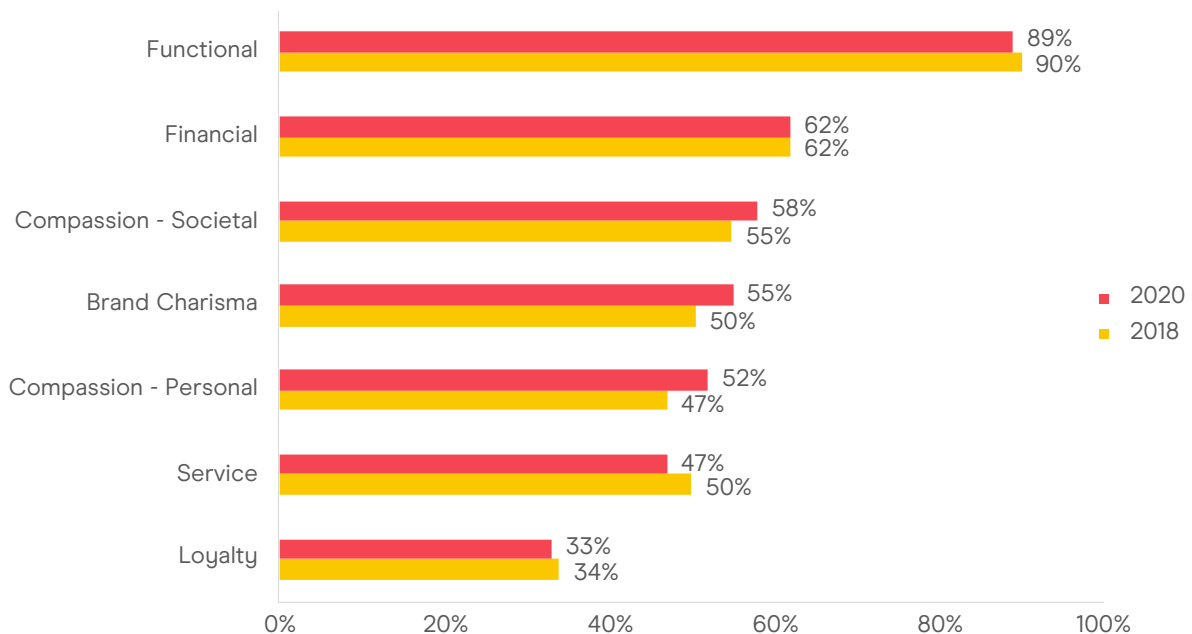
However, it is interesting that the two compassion drivers, along with 'Brand charisma', have grown in importance, with more consumers this year naming these as drivers of their loyalty. In particular, the significance of personal compassion has grown from 47% to 52%, 'Brand charisma' from 50% to 55% and societal compassion to 58, from 55%.

Some of these shifts can be explained by the wider context of the coronavirus. As consumers look to brands to show them support and compassion in difficult times, brands that are offering this on a personal level are being recognised – through helping consumers achieve their goals, making them feel good, etc. – and also on a societal level – through caring for staff and the environment, as well as upholding values.

It is also interesting that 'Brand Charisma' is on the rise as a driver of loyalty. Consumers are increasingly recognising brands that are innovative and embody a "personality". More human brands during coronavirus are perhaps engaging consumers better than those that feel too every day and not empathetic of the current climate.

Brands that can hit multiple levers of loyalty give consumers a wider range of reasons to engage. Arguably, as it becomes harder for brands to differentiate themselves based on functional excellence – as easy payment options, efficient delivery mechanisms, and gateway titan brands such as **Amazon** become more uniformly accessible – it will be these additional pillars that they can use to truly stand out.

What makes you loyal to your favourite brand?

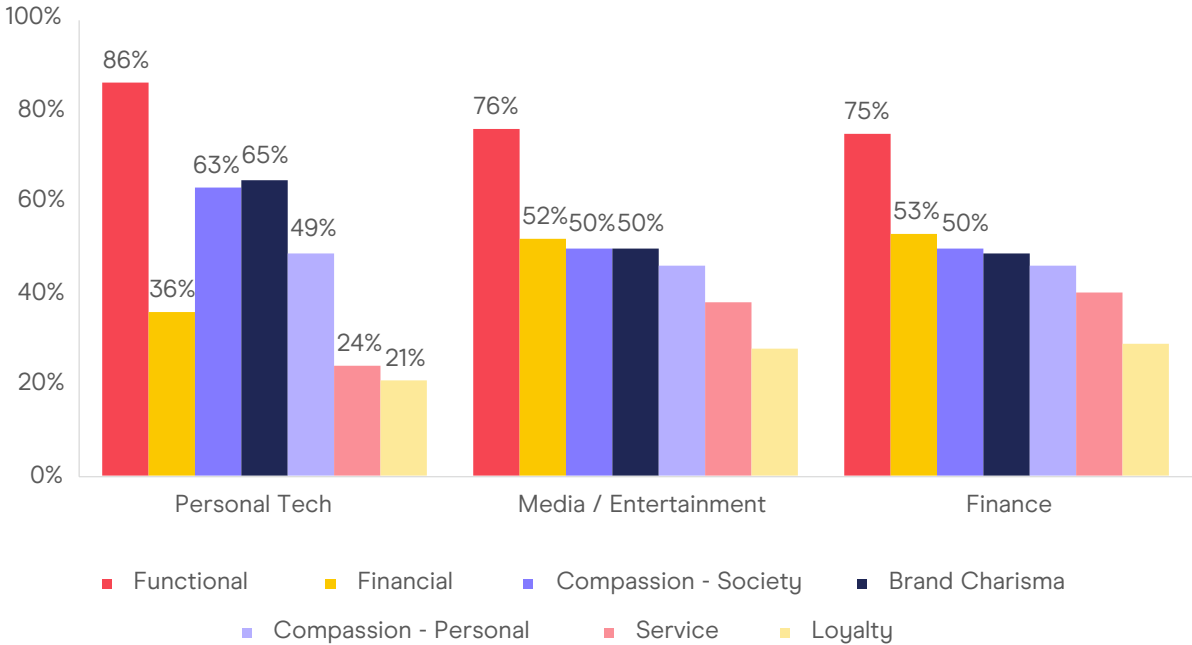
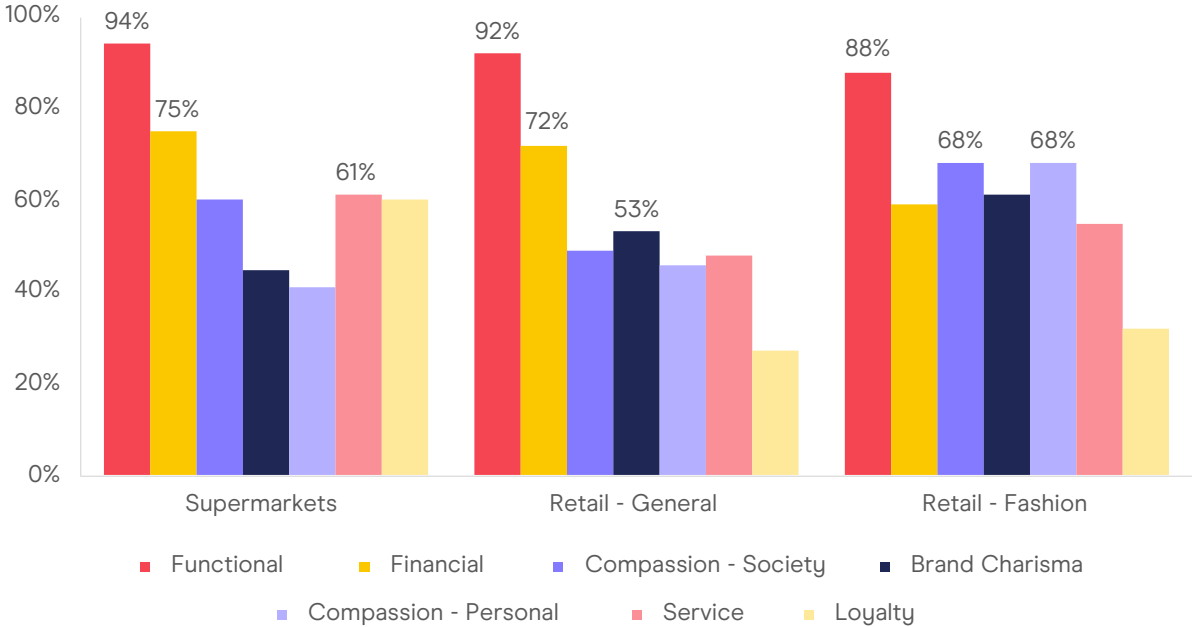


Drivers Differ by Sector

Looking at reasons for consumers' loyalty by sector, there are some differences to be aware of. Functional drivers remain on top regardless of sector, but other secondary drivers vary in relevance. To gain maximum engagement, brands need to be aware of which secondary drivers are most important to deliver on, depending on their product or sector.

For example, compared to favourite brands overall, consumers are much more likely to rank societal and personal compassion as drivers of loyalty to retail fashion brands. Compared to brands in other sectors, customers are paying more attention to how clothing brands are responding to social responsibility, as well as how well they connect with them personally.

What makes you loyal to your favourite brand? (By related sector of favourite brand)



/ Loyalty Strategies

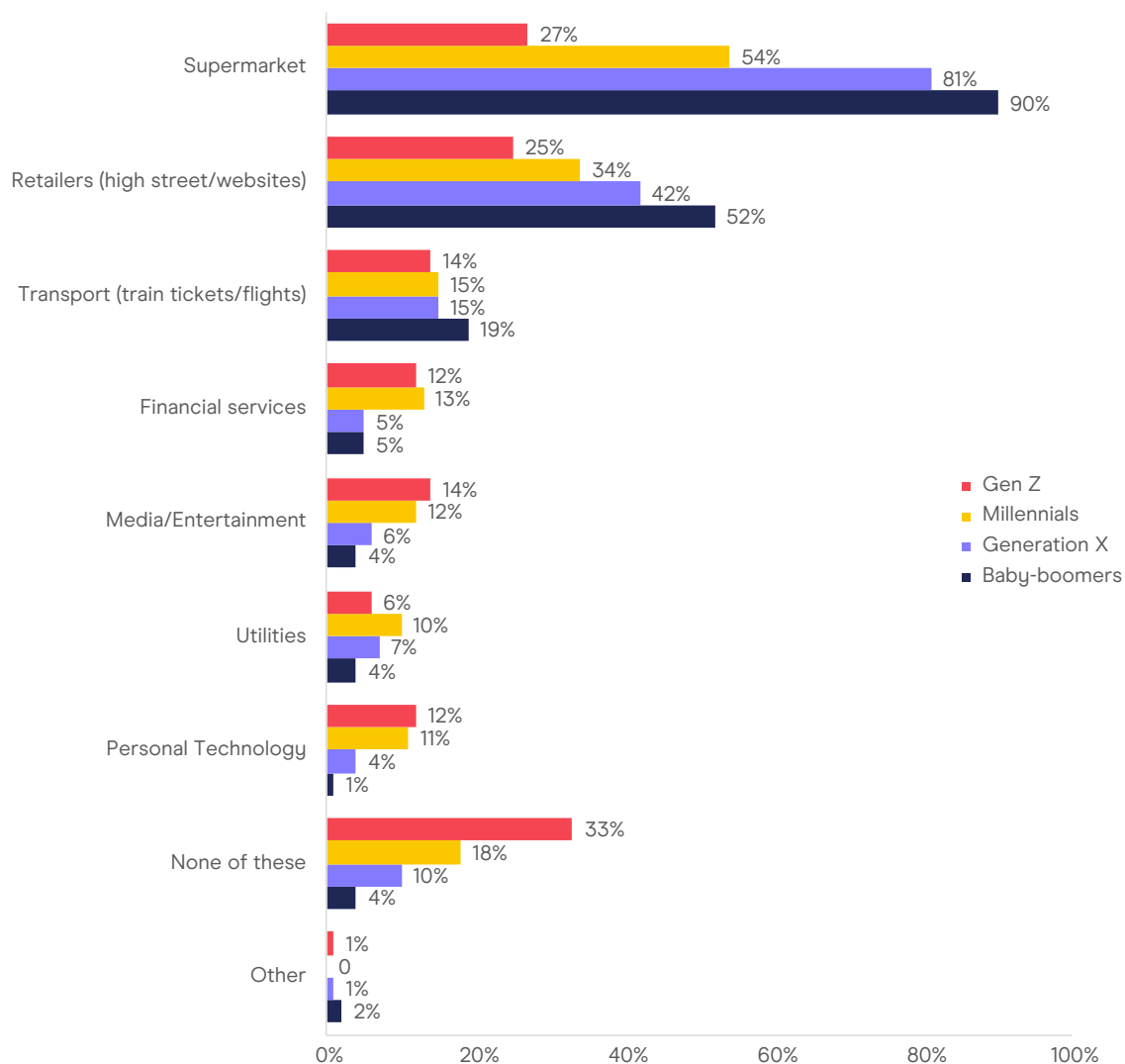
In this section, we examine how specific loyalty mechanisms such as programmes, paid for benefits, and reward schemes are received by consumers, and what brands can do to better engage consumers with long-term engagement strategies.

Loyalty Scheme Usage

Loyalty scheme usage varies across categories and age has an impact on which schemes consumers are more likely to engage with.

In the UK, supermarket, retail, and travel loyalty schemes are the most popular and usage increases with age. Conversely, younger generations of consumers are more likely to use loyalty schemes with finance, media and entertainment, and technology brands.

Are you a member of a loyalty scheme for any of the following types of brands/ companies?



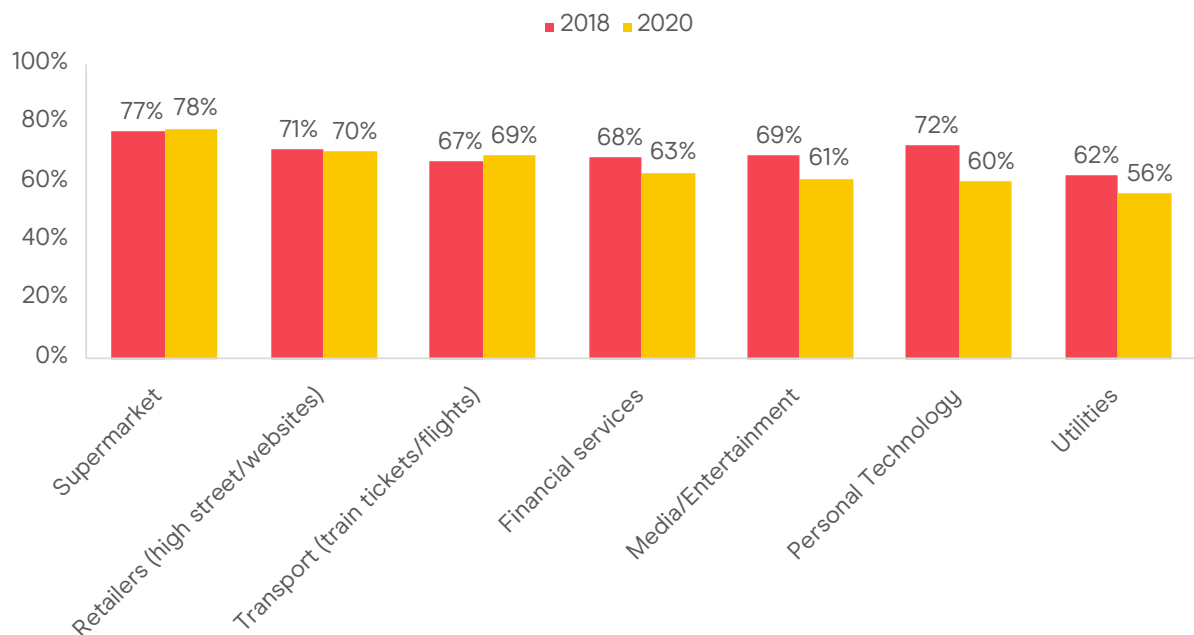
Millennials and Gen Z also lead the way on the usage of paid loyalty. Paid loyalty or paid for subscription-accessed benefits (such as Amazon Prime) are altering the perception of what rewards and benefits mechanisms can look like. Just under 3 in 10 (28%) of Millennials are using a form of paid loyalty scheme, while just 1 in 10 (9%) of Baby Boomers are doing the same.

The generational shift in participation in loyalty schemes suggests that younger consumers are more open to less traditional types of loyalty rewards, in which benefits don't necessarily have to be earned, but can instead be accessed for small premiums and flexibly through short-term subscription terms.

Do Consumers Value Loyalty Programmes?

Overall, consumers who use loyalty programmes value the rewards and benefits they receive with strong majorities ranking how much they value their loyalty scheme as 7 or above on a 1-10 scale. Rates are also consistent with previous years' research.

How much do you value the loyalty scheme benefits you receive from the following types of companies/brands (% ranking 7-10, among those who use loyalty schemes)



However, other data suggests that the strength of consumer engagement with loyalty schemes is not optimal, and that reward mechanisms could be improved. Compared to 2018, consumer agreement of really valuing the benefits received has declined to two thirds (66% compared to 78% in 2018). The desire to buy from the same retailers to build up as many loyalty points also fell from two thirds in 2018 (66%) to around 3 in 5 (60%) in 2020.

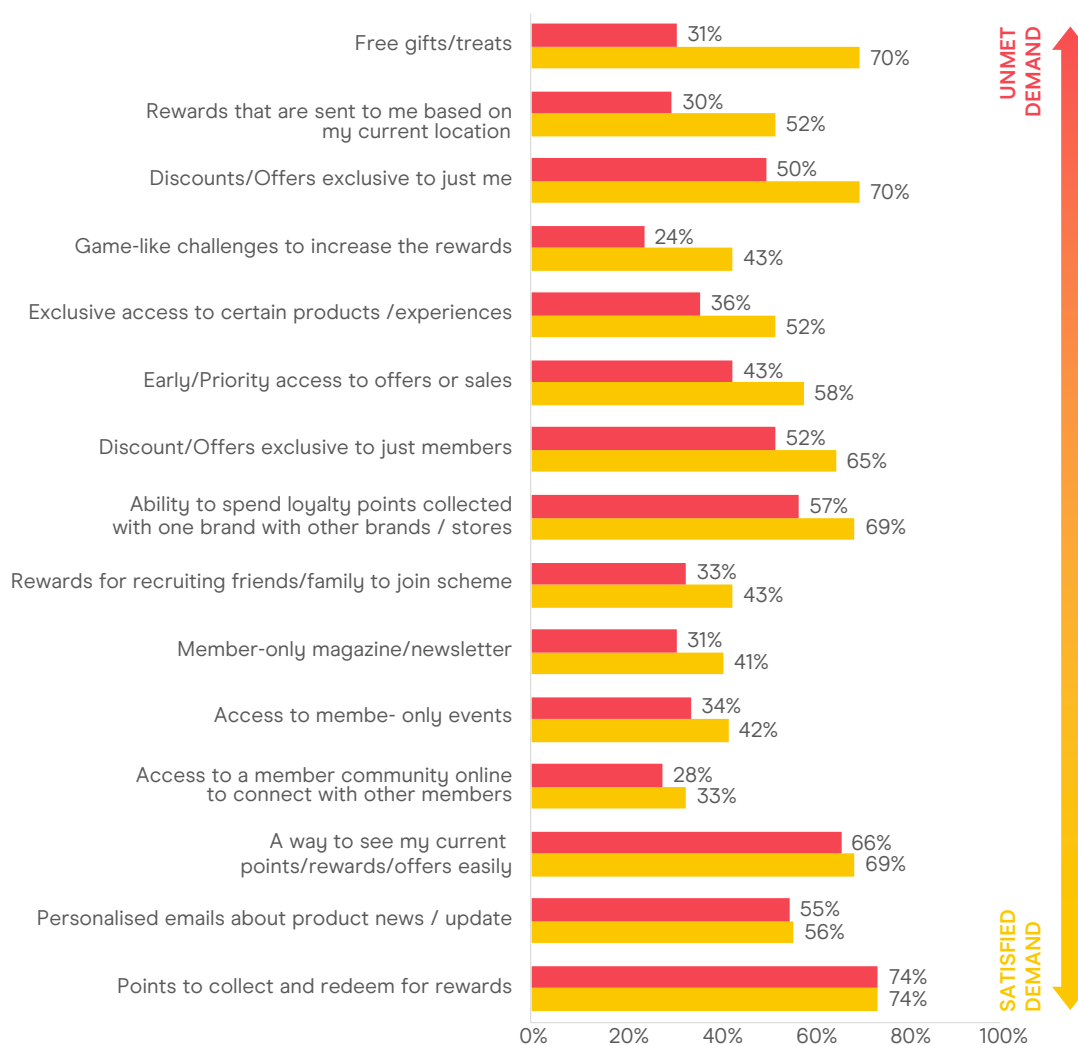
Untapped Interest in Personalised Benefits

If engagement with loyalty programmes is reducing, what can brands do to optimise loyalty strategies? By asking consumers about the different types of benefits they receive and which they would like to, we could identify the reward strategies that are appealing to consumers but are not being delivered. These are areas that brands could capitalise on to increase customer engagement.

The below chart compares the numbers of those who receive a benefit to those who receive and value them or would like to receive them. The bigger the gap between the two groups, the bigger the untapped potential of a benefit – as more consumers want to receive this than actually receive it and already value it.

The most appealing unmet benefits often relate to greater personalisation, such as exclusive discounts, location-based offers, and game-like challenges. The least appealing relate to more traditional elements of loyalty schemes, namely points. This emphasises the need for brands to move towards more personalised mechanisms and tangible benefits to engage consumers more strongly with their schemes.

Thinking about loyalty/rewards schemes, which of the following loyalty benefits do you currently receive, and which would like to receive in future?



Consumer interest in the personalisation of offers is something that spans beyond the parameters of loyalty programmes. In fact, according to a segmentation of consumers, based on their marketing preferences that we created, the majority welcome at least some form of personalisation regarding the offers they receive.

Two-fifths (39%) of consumers fall into a group named 'Personalisation fans,' who particularly like offers to reflect their tastes and interests instead of being random or surprising. A further third (33%), named 'All the offers,' appreciate personalised offers as well as those that are more random. The remaining consumers fall into other segments that do not favour personalisation.

This positive desire for personalisation is encouraging for brands wanting to engage their existing customers. Brands can expand on knowledge of their customers' previous needs to deliver the personalised touch they crave. When built into a loyalty programme, this can also add an extra layer of relevancy and value that consumers are looking for from loyalty schemes.

Interest in Cross-Brand Rewards

As well as wanting greater personalisation of rewards, four in five consumers show interest – and a third strong interest – in rewards they can collect across their consumption and redeem across a collective of brands.

How interested would you be in joining a loyalty scheme that allowed you to collect rewards from a group of brands and also redeem your rewards from across the group of brands?



A rewards system built upon a more connected understanding of which brands people are loyal to and like is clearly very appealing. A collective rewards system overcomes barriers to engagement, such as the ability to collect enough rewards with one brand quickly enough to feel rewarded, or wanting rewards that span one's wider lifestyle.

However, for brands, such a system requires them to form strong mutually beneficial partnerships – all brands involved will want to benefit from increased engagement and spend. And from a data perspective, the ability to share customer data across brands would be required to make this loyalty programme model truly and effectively personalised.

Nevertheless, consumers are keen to see brands offer them rewards beyond discounts and widen access to relevant benefits. When strong partnerships can be made, in which all brands involved are relevant to a shared customer base, there is strong potential to strengthen customer engagement.

/ Preferred Channels

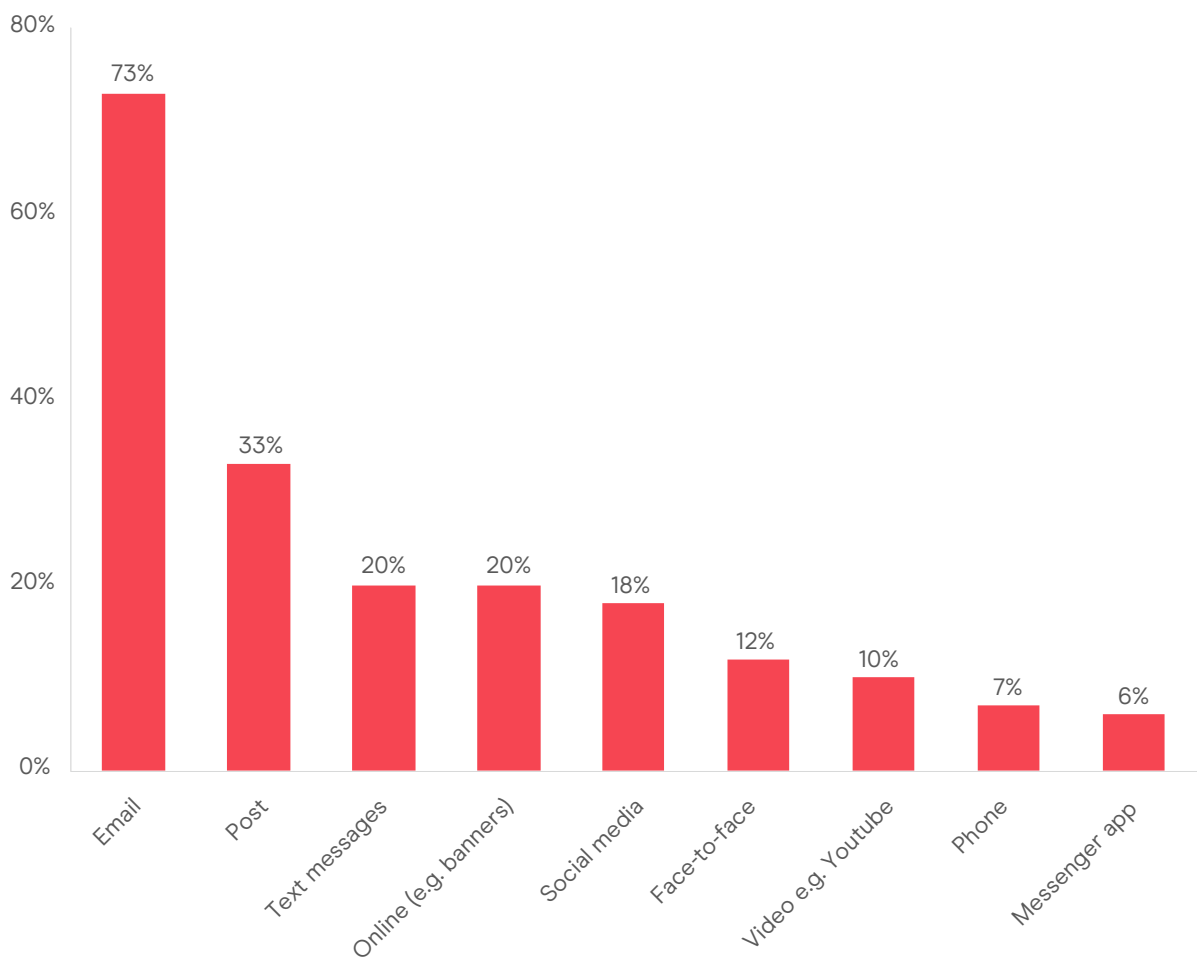
In this section, we will look at how consumers prefer to receive marketing. Which channels do they deem trustworthy, relevant, and which are they most likely to want brands to use to engage with them?

Email Remains Top

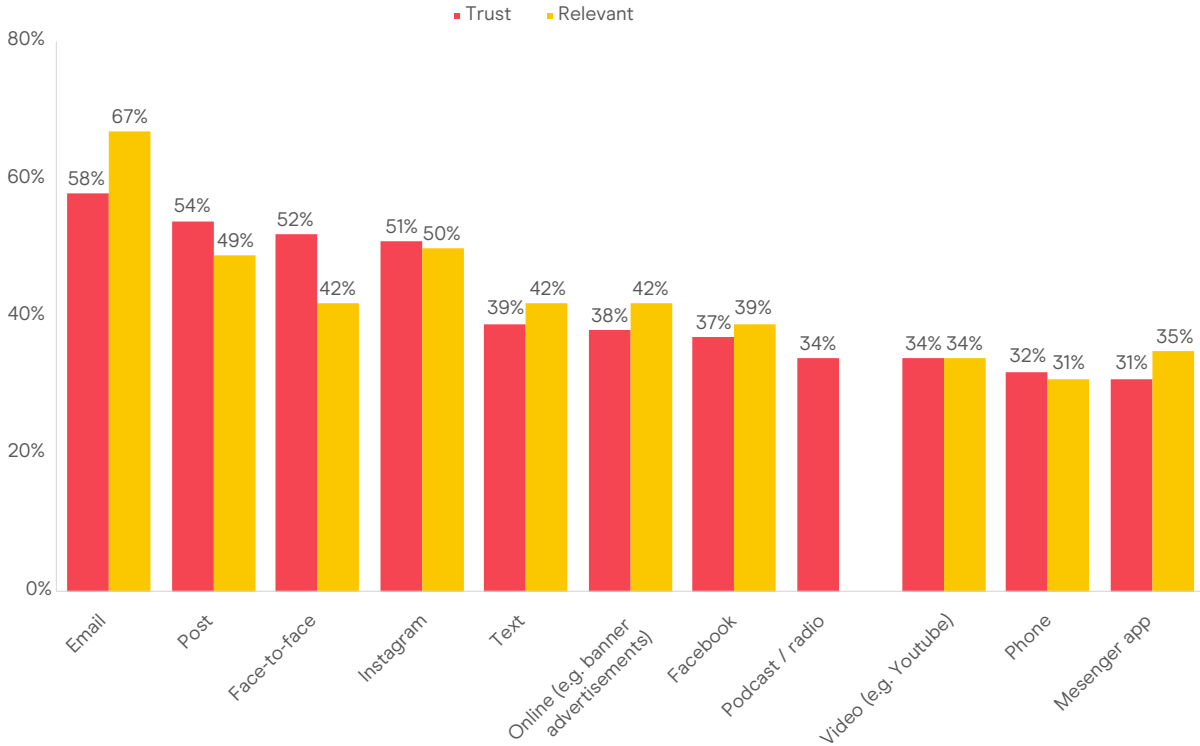
'Email' is by far consumers preferred channel for receiving marketing from brands.

Seven in 10 (73%) consumers rank this as their 1st or 2nd preference out of nine different channels. In comparison, just one in five (18%) rank 'Social Media' as their 1st or 2nd choice. Consumers also perceive email to be the most trusted and relevant channel. Nearly 6 in 10 (58%) consumers trust email marketing and two-thirds (67%) perceive emails as relevant. Trust levels could be optimised further, however, they are already far higher compared to some other channels, such as 'Phone' (32%).

What way do you prefer to receive marketing messages? (% ranking in top 2)

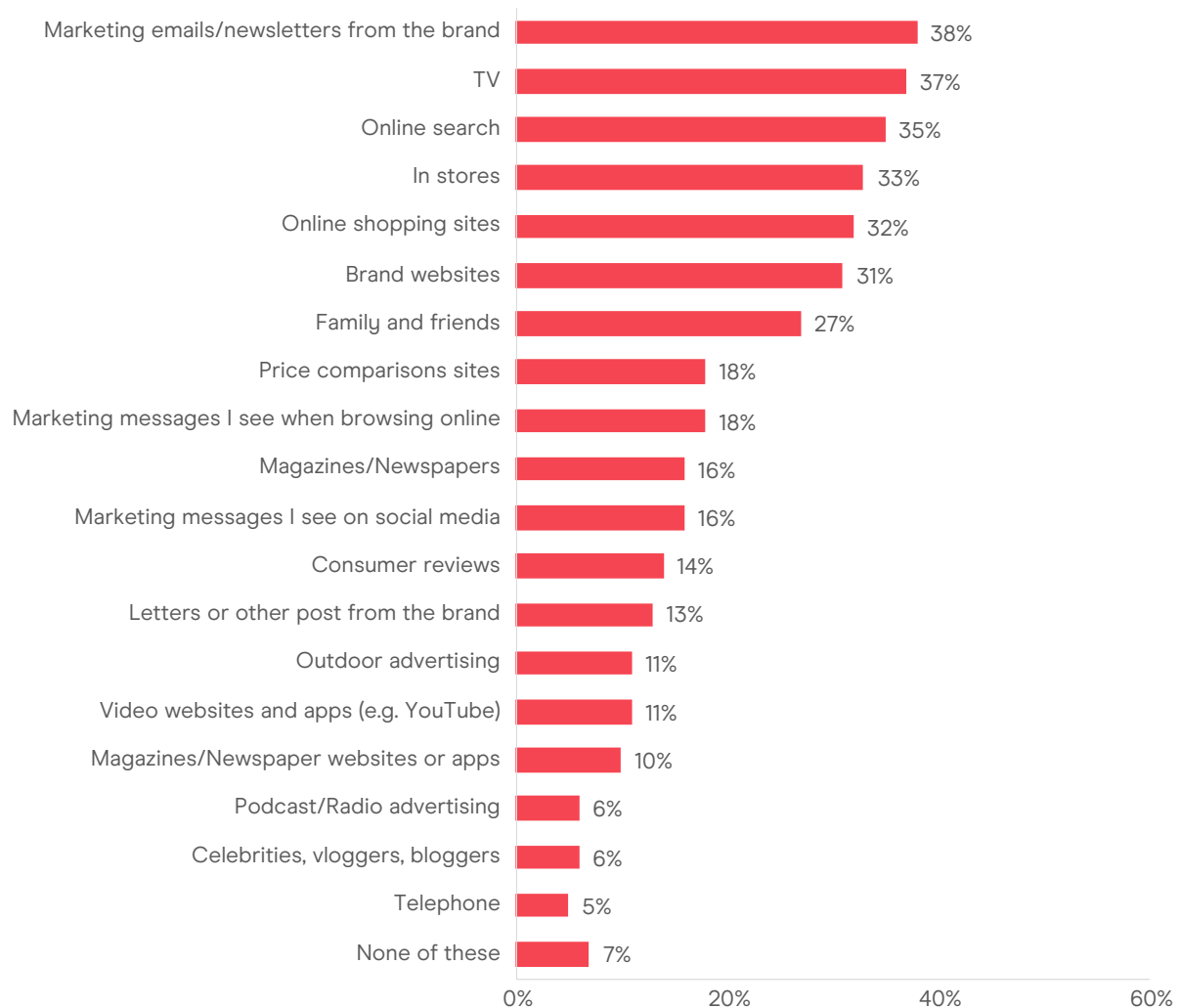


How much do you trust the marketing messages you receive in the following ways? Thinking about the marketing messages you receive or see in the following ways, how relevant do you find them? (% who trust a lot or rank as relevant - 5-7 on 7-point scale)



The other most common way consumers typically engage with brands they have an existing relationship with is direct emails, with TV, online search, in-store, and online site browsing the next most typical.

Thinking about brands and companies you already use or are aware of how you typically find out about their new offers, new products or new services?



This underlines the importance of developing engaging email campaigns for existing customers, before focussing on other complementary channels – as these will be the most likely to keep customers up to date with developments, offers, and new activity. Of course, cross-channel campaigns that use social media, video, TV, and other channels still have their place. But in the context of winning engagement from existing customers, email seems to be the most valuable channel by far.

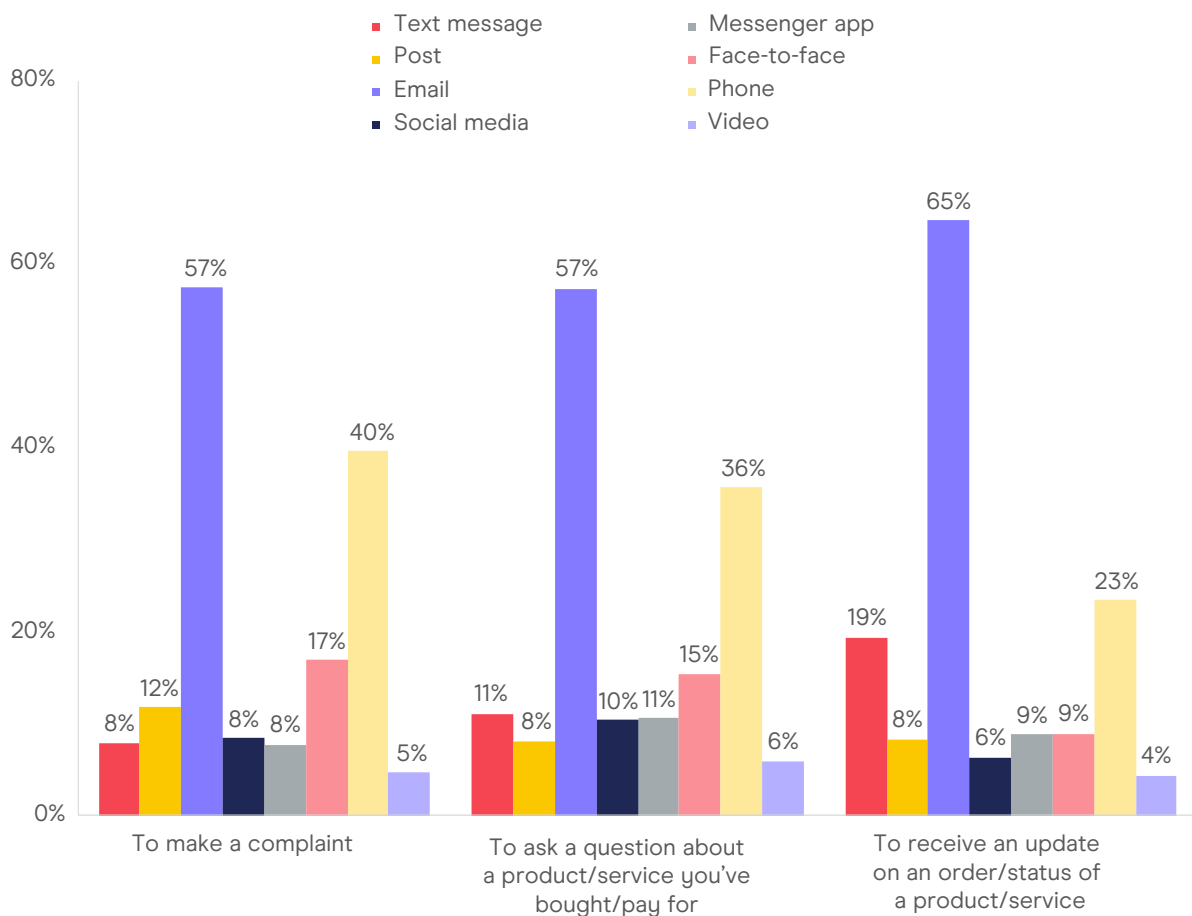
Customers Contacting Brands

When consumers initiate contact with brands, email again is the preferred channel for a majority of consumers. However, there is variation in the ways that consumers wish to engage with brands, depending on specific contexts. When making a complaint, the 'Phone' is a preferred channel for two-fifths (40%) of consumers, compared to 'Email' for two-thirds (67%).

Similarly, the 'Phone' is also an important method for making specific product queries for over a third (36%) of consumers.

Considering order updates, 'Email' is strongly preferred (65%), but one in five (19%) like 'Text message' as a method here, and contacting via text remains more popular than 'Messenger apps' (9%) and 'Social media' (6%).

If you were to contact a brand/company for the following, how would you prefer to contact them? Please select all that apply.



While email may be seen as the easiest way to receive marketing updates from brands, consumers still value being able to communicate with brands across a wider range of channels, especially when they are looking for a more immediate response. Arguably, when consumers are making the first move, communication preferences are even more crucial to match customer preferences, ensuring a seamless engagement experience at times when customers are actively engaging with a brand.

/ About the Data & Marketing Association

The Data & Marketing Association (DMA) comprises the DMA, Institute of Data & Marketing (IDM) and DMA Talent.

We seek to guide and inspire industry leaders; to advance careers; and to nurture the next generation of aspiring marketers.

We champion the way things should be done, through a rich fusion of technology, diverse talent, creativity, insight – underpinned by our customer-focused principles.

We set the standards marketers must meet in order to thrive, representing over 1,000 members drawn from the UK's data and marketing landscape.

By working responsibly, sustainably and creatively, together we will drive the data and marketing industry forward to meet the needs of people today and tomorrow.

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/ About Collinson

Collinson is a global leader in customer benefits and loyalty. We deliver exceptional travel, assistance and insurance products that differentiate value propositions, and loyalty solutions that win deeper, more valuable customer relationships.

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For over 30 years, we've been chosen by the world's leading payment networks, 1400+ banks, 90+ airlines and 20+ hotel groups to craft customer experiences that win competitive edge. This enables them to acquire, engage and retain the most profitable, but most demanding customers.

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Formerly dotmailer, dotdigital is a leader in customer engagement technology.

dotdigital's Engagement Cloud is the platform of choice for businesses seeking to engage customers across all touchpoints. The platform's features empower 4,000+ brands across 150 countries to acquire, convert, and retain customers.

Users can connect customer data, surface powerful insights, and automate intelligent messages across email, SMS, social, and more. dotdigital is a global company with over 350 employees, serving companies of all sizes and in all verticals for over 20 years.

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/ About Foresight Factory

Foresight Factory's mission is to help our clients 'see beyond' with consumer trends and data insights. We help our clients see further by revealing different, better answers for their business. Foresight Factory has tracked global consumer behaviour and needs since 1996. We interpret shifting behaviours and signals to uncover what matters most to consumers today – and tomorrow. Our strategic focus is how to implement trends across four strategic business goals; eliminate uncertainty, strengthen brand relevance, drive growth and optimise spend.

www.foresightfactory.co/



/ Methodology

The 'Customer Engagement: How to Win Trust and Loyalty' report is a study undertaken by the DMA, in partnership with Collinson, dotdigital, Foresight Factory and the DMA's Customer Engagement Committee.

The research was conducted in August 2020 via an online survey of 2,000 respondents (nationally representative of GB adults). The data was collected and collated by Dynata, then analysed by Foresight Factory and the DMA Insight department. The report was written and designed by the DMA Insight department and in-house design team in partnership with Foresight Factory.

The survey consisted of a maximum of 45 questions. These questions were reviewed by the DMA, Foresight Factory, and the Research Hub of the DMA Customer Engagement Committee to ensure relevance to the current state of the email industry. Unless referenced, all data included in this report is taken from this survey.

If you have any questions about the methodology used in the report, you can contact the DMA's research team via email: research@dma.org.uk

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