



Guide

Customer loyalty increases your profits – how to create loyal customers



What is customer loyalty?

Customer loyalty is defined a bit differently depending on where you encounter the concept.

Some believe that customer loyalty is when a customer exclusively buys goods from certain brands or stores. For example, if you always buy your food in Irma, even if it is neither the cheapest nor the most convenient.

Others do not believe that customer loyalty always manifests itself in purchases but also in customer behavior. This will typically apply to brands/stores with long-term consumer goods, where the customer rarely must update his product. For example, if a customer has been out buying a SMEG refrigerator and the next few years will tell his surroundings about his positive experiences with SMEG's products. Customer loyalty can thus also be defined if the customer positively promotes your products to its surroundings.

For most people, customer loyalty is an expression for a customer that frequently uses the same chain, brand, or business. Thus, there is neither a requirement that the customer acts exclusively nor promotes the brand or the business subsequently.

Who is your loyal customer?

Loyal customers are not easily affected by factors such as price and availability. They trust your business and will most likely trade with you again in the future.

Think back to the last time you needed a new phone. If you're an iPhone user, chances are you're considering trading with Apple again. Even though Apple's products are more expensive than their competitors' and that there may be a wait for the latest iPhone. That's because you're loyal to Apple, and your loyalty comes from having good experiences with the brand in the past. Maybe you think Apple's products are easy to use, customer service is top-notch, and/or that iPhones generally contain unique features.

If you're loyal to Apple, you're far from alone. Apple is a great example of a brand that succeeds in creating loyal customers. In fact, as many as 87 percent of Apple's customers are brand loyal.



6 reasons why customer loyalty is important

Why is customer loyalty important?

No matter what size or function your business has, customer loyalty is important. We have listed six of the main reasons below:

1

It strengthens your financial security

First and foremost, loyal customers contribute to your financial security. The more customers you have who continuously buy from you, the more secure your income will be. With loyal customers, you are less financially dependent on having to acquire new customers every month.

2

You can make a more efficient financial planning

Customer loyalty contributes to more efficient financial planning. With loyal customers, you have a better overview of how many customers buy from you regularly. This means that you know more precisely how many products you need to order at home each month. Thus, you avoid either having to stand with a large surplus stock or report sold out.

3

It is cheaper to keep an existing customer than to attract a new one

Depending on which company you trust the most, as well as which industry you operate in, it is from 5 to 25 times more expensive to acquire a new customer than to keep an existing one – and with good reason. It takes time and money to get new customers interested in your business and your products, and it takes even more time and costs even more money to convince them to buy from you. With existing customers, you do not have to fight so many barriers to the transaction – you have to make sure they are happy and satisfied.

5

You get free and valuable marketing

Loyal and happy customers will promote your business through word-of-mouth at no cost. Existing customers are more likely to tell their surroundings about a business and its products, as today's consumers largely listen to their surroundings, making it hugely valuable marketing for your business.

4

Loyal customers mean higher conversion rates

In addition to the fact that it is cheaper to retain existing customers than to acquire new ones, loyal customers also have a higher conversion rate. More specifically, the conversion rate for existing customers is between 60 and 70 percent, whereas, for new customers, it is between 5 and 20 percent.

This is because you have already gained their trust while better identifying their needs and predicting their movements. That way, you can inspire them with offers on new products that they will most likely find interesting. Of course, they must have a good shopping experience and are happy with their purchase.

6

You increase the profit

With better financial security, more efficient financial planning, minimizing time and money on new customers, higher conversion rates, and free marketing, you will increase your profits. Several write that the business profit increases between 25 to 95 percent when the customer retention rate increases by five percent.



How do you create customer loyalty?

Now we have clarified what customer loyalty is and why it is important. In the next part of the white paper, we will dive into creating loyal customers in your business.

Loyalty programs

Loyalty programs are a very tangible and solid method that retailers use to get their customers back.

The programs reward customers for shopping in the specific store/webshop by awarding points or giving discounts. For example, the customer gets a free coffee cup at the next visit or an upgrade of the service the customer usually buys.

The retail industry spends many millions every year on their loyalty programs, but why? There are two good reasons for this.



2 reasons why loyalty programs are valuable

1

A good customer experience

All people enjoy being rewarded – whether in the form of points, discounts, or products. All people also enjoy feeling noticed and appreciated.

When you give your customers an experience beyond the transaction itself, you create a relationship with them. When you tell your customers that you have noticed their interaction with your business and want to reward them, they feel valued. A loyalty program will thus contribute to your customers getting a good customer experience when they shop with you.

2

Access to valuable data

With a loyalty program, you get access to valuable data about your customers' behaviors, habits, and preferences. It can help you to adapt, and target offers to the individual customer's wishes and needs. You can always be one step ahead by sending your customer's personalized offers that can inspire them to make their next purchase. For example, you may have a customer who has previously bought a shampoo from you. Here it is relevant to keep an eye on the shampoo's burn rate – when do you expect the customer to have used it up?

When the time is right, you can send the customer a quote on a new shampoo. If you know what the customer needs and give them a personalized experience where they feel seen and heard, they are much more likely to show you loyalty.



The overall shopping experiences

While it is certainly valuable to implement a loyalty program, it is not without cost. Simpler means can easily be used to create customer loyalty. The most important thing is that you make sure that the overall shopping experience is good.

What creates happy and satisfied customers is generally a good shopping experience. It does not have to be exceptional in every way, but it must by no means be bad in just one single area. This is supported by

a study conducted by PwC, which shows that consumer loyalty is strengthened by the shopping experience that creates strong psychological connections – and thus not just points and prizes. **(Read the summary of PwC's analysis)**

PwC's analysis shows that it is the overall shopping experience that makes customers want to come back. But what affects the shopping experience? We have gathered seven areas that we think you should be aware of here:

7 steps to increased customer loyalty

1

Updated prices on all channels

Customers must be able to trust that the price they see is the correct one and that it is competitive, but also the same, regardless of which channel they choose to buy on.

2

Make shopping easy

It should be comfortable and effortless to shop. If the customer has found the item in the store, it must also be easy to find and buy on the webshop and vice versa. At the same time, it must be easy to return, regardless of how the customer has chosen to buy. If the item is sold out in the store, the store staff must be able to find and order the item if it is available via other stores or on the web. And if the item is purchased online, then the delivery time and price play an important factor. It is about giving customers a free and effortless choice and making it easy to shop.

3

Reduce queue in the store

Queuing can be a huge problem in the stores, and if they are particularly long, it can make people leave the store and not want to come again.

Raj Parmar, marketing director at Box Technologies, states in a study on queues in stores: "These results demonstrate more clearly than ever how long queues are leading to lost sales and badly affecting profit margins, turning shopping into a seventh hell rather than seventh heaven".

Besides in the store, waiting time at the webshop can also be annoying. If there are too many steps, or it generally takes too long to reach the order confirmation, people will leave the shop without buying what they came for.

4

Provide good customer service

We all know this when we leave a store where we have been treated nicely and have received a good and efficient service. It's a nice feeling that makes us want to come back. Similarly, poor service makes us wish never to return. This may be due to slow operation, inattentive and unhelpful staff, but perhaps also to intrusive contact. To achieve good customer service, the team must be welcoming and friendly, but they must also quickly access the right information. It is therefore very much about giving the staff the best setting, for the best shopping experience.

5

Be available

Is there the information we need in the store and is there enough staff in the store for us to get the help we need? It is all crucial to our experience of shopping in the store. If we doubt something and cannot find the solution or get help from staff, there is a great risk that we will leave the store.

6

Focus on your products

The product on the shelf is a central piece in the overall shopping experience. If the goods are often sold out, and the quality is fluctuating, it affects the store's perception and purchase. Therefore, it requires that you as a retailer get a quick overview of products in the store and in stock and know the demand.

7

Keep track of the store

The store experience is important, whether it is in the physical store or online. If it seems cluttered, difficult to navigate, and generally confusing, it can cause customers to leave the store. Clean, tidy, and easily accessible shops make it nice and easy to shop, and therefore it increases the desire to come back.

The good shopping experience is thus conditioned by many factors and not just by point systems and discounts. Loyalty programs are still great ways to get customers to come back, but only as pieces in a larger puzzle – all pieces must be placed correctly to create loyalty.



We deliver innovative software solutions that increase customer loyalty and boost sales figures.

Let's make it count.