

Customer Loyalty Revolution

5 Foundations for Engaging the Modern CPG Consumer

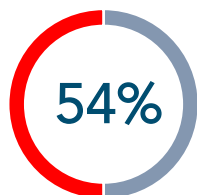
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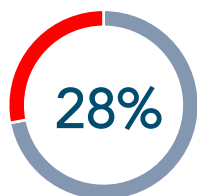
5 Foundations for Engaging the Modern CPG Consumer



Thousands of new CPG products hit the shelves every year, driving incredible competition for consumer wallet share both in stores and online. With so many options for products and so many ways to shop for them, it should be no surprise that today's tech-savvy customer has trouble sticking with one brand. In fact, even though recent research points to a 15% increase in membership in loyalty programs:



of the customers that signed up aren't using them



of consumers have left a program before redeeming a single reward.¹

Is customer loyalty dead? Not quite. But brands need to approach loyalty through the lens of customers who are constantly working through a complex series of touchpoints and driven to vet purchases with word-of-mouth recommendations, product reviews, and diligent price comparison.²



The premise behind focusing on customer loyalty is that it is more expensive to acquire a new customer than to re-engage or increase share of wallet with an existing customer. But a 2015 study by Catalina uncovered that 90% of the CPG brands were losing market share in consistently low-growth categories because of shifts in consumer behavior³ – a clear indication that the traditional approach to customer loyalty is not effective for today's customers.

If your brand wants to grow brand loyalty and increase customer lifetime value, it's time to focus on the following five new loyalty drivers.

¹"The 2017 COLLOQUY Loyalty Census," CMA Canadian Marketing Association

²"Ten years on the consumer decision journey: Where are we today?," McKinsey&Company

³"The Death Of Brand Loyalty: Cultural Shifts Mean It's Gone Forever," Forbes



Modern Customer Loyalty Driver #1: On-Trend Products

In a retail environment that features a distracting number of products, one way CPG brands can drive customer loyalty is to give customers the experience of trying new products and ingredients within your brand portfolio. If you can become a trusted partner in helping customers explore new experiences, they'll be more willing to return to your brand when they're ready to try new products. In fact, **the demand for on-trend products is one reason small startup food businesses are competing so well with established brands.** With a small manufacturing footprint, disruptive food brands can jump on new trends and test them out on behalf of the consumers they know so well.



CASE STUDY: NUTIVA

One example of a CPG brand that has built strong customer loyalty with its attention to trending products is the natural food brand Nutiva. Established in 1999, Nutiva stays on top of consumer demand for organic superfood products made with coconut oil, chia, and hemp.

On a mission to "challenge the status quo" with innovation, Nutiva has recently expanded into clean beauty products that feature organic coconut and essential oils⁴ as well as squeezable coconut manna in different flavors⁵ – niche products that let both established and new customers try out a trend with a trustworthy brand.

⁴"Nutiva® Enters Clean Beauty Space with Launch of Organic Coconut Body Oils," Business Wire

⁵"Nutiva Announces Squeezable Coconut Manna Line," Nosh

⁶"Six Trends CPG Brands Must Embrace To Win With Millennials," Forbes

⁷"The Millennial factor: How a generation of consumers is transforming today's packaging landscape," Packaging Digest

⁸"Five Ways CPG Marketing Can Keep Pace With Millennial," MarketingProfs

Modern Customer Loyalty Driver #2: Emotional Connection

Emotional connection has long been an important element of building a relationship with consumers, but it's attracted a new focus as younger generations grow to account for about \$65 billion of CPG spend over the next ten years.⁶

Why the focus on emotional connection?

Because Millennials and Gen Z consumers want to support brands with similar values. **About half of Millennials surveyed indicated that the products they purchase say something about who they are and their values,⁷ and 90% indicated they would switch brands to one associated with a cause.⁸**



Finding a way to build an emotional connection that supersedes the product itself is the ultimate loyalty for brands and retailers because when you invite shoppers to make an emotional connection with your brand through causes or brand storytelling, you become more than just a product or retailer. Marketers have long understood that a customer who identifies with a brand's story or knows a particular brand supports an important cause will be far less likely to consider the store brand product that's \$2.00 cheaper.⁹

CASE STUDY: UNILEVER

For a successful example of brands building an emotional connection to drive customer loyalty, look no further than Unilever's CPG soap brand Dove. The brand's long-standing Real Beauty¹⁰ series and the more recent #GirlCollective, #HourWithHer and #ConfidentGirl strive to associate its products with the cultural movements of body positivity, inclusive beauty, and women's equality – and increased sales from \$2.5 billion to \$4 billion.¹¹



⁴"Nutiva® Enters Clean Beauty Space with Launch of Organic Coconut Body Oils," [Business Wire](#)

⁵"Nutiva Announces Squeezable Coconut Manna Line," [Nosh](#)

⁶"Six Trends CPG Brands Must Embrace To Win With Millennials," [Forbes](#)

⁷"The Millennial factor: How a generation of consumers is transforming today's packaging landscape," [Packaging Digest](#)

⁸"Five Ways CPG Marketing Can Keep Pace With Millennial," [MarketingProfs](#)

⁹"How Cause-Related Social Marketing Drives Results for CPG Brands," [AdWeek](#)

¹⁰"Dove ads with 'real' women get attention," [NBC News](#)

¹¹"Top Ad Campaigns of the 21st Century," [AdAge](#)

Modern Customer Loyalty Driver #3: *Surprise and Delight*

Customer experience icons like Apple, Amazon, and Zappos have raised the bar for every brand, including CPG products, leading to higher customer expectations than ever before.¹² The result is that for many consumers, simply meeting expectations isn't enough to set your product apart from your competitors.

Brands that want to capture customer loyalty must go above and beyond to deliver surprise and delight with each purchase.¹³

When many consumers are prone to being bored with the shopping experience, brands have an opportunity to turn a mundane chore like grocery shopping into an interesting and engaging experience. Sometimes surprise and delight is a small, unexpected addition to the product experience, like the first time Kellogg's put a prize in a box of cereal.¹⁴ Other times it's an effort that makes a big splash, like Kraft Heinz Company's free pop-up grocery store to support federal workers during the 2018-2019 government shutdown.¹⁵

In both scenarios, brands took an everyday event like preparing dinner or purchasing food and used it as a jumping off point to add an element of surprise and delight into their customer's day.



¹²"Customer Expectations Hit All-Time Highs," Salesforce Research

¹³"Creating Brand Advocacy Through Surprise and Delight Moments," ClickZ Marketing Technology Transformation

¹⁴"The Real Reason There's a Prize in Your Cereal Box," MSN

¹⁵"Kraft opens 'free' grocery store for unpaid federal workers," Fox News Business

Modern Customer Loyalty Driver #4: *Quality and Trust*

Unprecedented access to technology and information means that the modern consumer is better informed and more skeptical than ever before.¹⁶ Products that deliver a reliable level of quality and value become trusted advisors in a consumer's life – and products that don't live up to consumer's standards are quickly replaced. But when you have a relationship with a customer, maintaining that connection requires a brand to maintain a level of trust. If that trust is violated – even in simple ways like changing ingredients to make a more efficient product or reducing amount of total ounces in a package so pricing can remain constant – it can erode that trust and leave customers vulnerable to a promotion for a competitor's product.

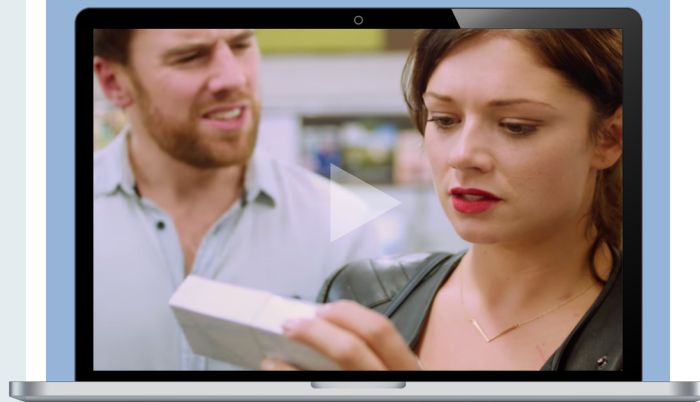


CASE STUDY: LOLA

Direct-to-consumer feminine hygiene brand **LOLA** has built a **\$24 million brand on quality and trust** by bringing consumer attention to the ingredients inside tampons and other feminine hygiene products.¹⁷

Video ads titled "What Ingredients Are In Tampons?" and press coverage like "The Organic Tampon Debate" encourage customers to question established brands and entice them to try a new ones.

"What Ingredients Are In Tampons?"
Video Ad



¹⁶"Maintaining trust in a sceptical world: The power of brand trust," Chief Marketing Officer

¹⁷"LOLA just raised \$24M for a subscription service that ships tampons, pads and now condoms," TechCrunch

Modern Customer Loyalty Driver #5: Convenience and Instant Gratification

Consumers – Americans in particular – are busier than ever before.¹⁸ They crave products that make life easier¹⁹ and loyalty programs that are quick to reward engagement.²⁰ Brands that consistently save consumers time or money make it easy for customers to default to them for repeat purchases. Whether you make it easier to find the product during the shopping experience or help them brainstorm a meal idea that uses your product, anything you can do to save your customer time and effort will be beneficial to your brand.



CASE STUDY: PILLPACK

Another direct-to-consumer brand building customer loyalty is Amazon's prescription delivery company, Pillpack.²¹ Pillpack takes the time- and attention-consuming load of coordinating medications and supplements off the consumer.

For the cost of a copay, consumers get organized, time-stamped packs of pills automatically delivered every month, removing the burden of organizing medications, picking up prescriptions, and filling pill boxes.



¹⁸“Why is everyone so busy?” The Economist

¹⁹"The Changing Landscape of Consumer Packaged Goods," CB Insights

²⁰"Study Reveals Consumers Want Loyalty Program Shift," Multichannel Merchant.

²¹"The pharmacy of the future is ready for your bathroom counter," Wired



Ready to Update Your Loyalty Program? *Ditch the Coupons*

Traditionally, both retailers and manufacturers have offered temporary price reductions to drive consumers in-store to make a purchase. This approach delivers an immediate increase in sales revenue, but can often put a brand at risk for value corrosion in the long-term because customers are purchasing based on deals rather than based on the benefit you're delivering.

A more effective approach will deploy tactics that speak to the consumer's need for on-trend products, emotional connection, surprise and delight, quality and trust, and convenience and instant gratification – a model that responds to how new technology is influencing CPG shopper buying behavior.

Traditional relationship building efforts like coupons simply aren't enough to inspire customer loyalty. Brands that align their value propositions with these values will be in the best position to compete for the elusive repeat purchase and build customer loyalty in a competitive marketplace.

Shopkick creates a fun shopping experience both online and offline, making it easy for shoppers to collect rewards all along the path to purchase. By keeping shoppers coming back for more in a brand-aligned way, Shopkick allows brands and retailers to establish - and maintain - customer loyalty.

Get in touch to learn more today at

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