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LOYALTY POINTS

60/100 ★

The State of Brand Loyalty

Demystifying what makes your customers loyal
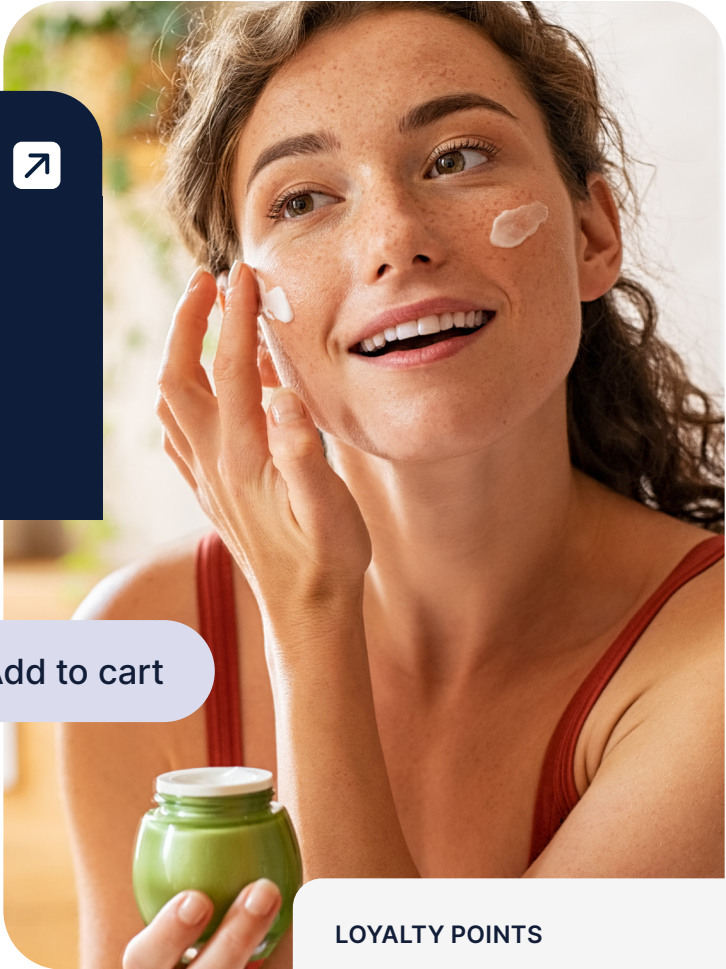
Intro

Business leaders recognize the value of customer loyalty. Loyal customers are incredible brand ambassadors: They help bolster reputations. They lower customer acquisition costs while strengthening trust, credibility, and employee engagement. They boost profitability.

Still, for as much as we understand about loyalty, a lot remains a mystery — including how to actually define customer loyalty and obtain it. In the end, this misunderstanding could be quite costly. Especially when brands miss the warning signs of a competitive switch.

To shed light on what fuels both brand loyalty and abandonment, and what you can do about it, Medallia Market Research surveyed more than 2,000 global consumers to get their unique perspectives.

What we've learned is that while consumers have more choice than ever, brands cannot be complacent and expect to retain existing customers with little effort. Our research reveals many takeaways in terms of what loyalty really means, what causes customers to become loyal, and how to mitigate the risks of eroding loyalty.

Author
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Head of Research Insights

01

Executive Summary

Feelings of brand loyalty fall somewhere on a continuum.

The majority of customers feel some degree of loyalty toward the brand of their most recent interaction, but only a fraction of that group would consider themselves "very loyal."

71%

Price, product quality, product selection, and experience rank among the top drivers of loyalty — but when inferring why self-proclaimed loyal consumers choose a brand, **experience and product quality stand out more.**

Other noteworthy factors include consumers feeling loyal to brands that treat their employees well.

quality

price

experience

selection

Poor experiences drive churn and can cause customers to abandon a brand for good.

One in eight consumers report abandoning the brand of their most recent bad experience. Common issues that drive churn include being overcharged, interacting with a rude employee, and experiencing a poor quality product.

KAYLA GREENE
Silver member

LOYALTY POINTS

60/100 ★

30 more stars until your

TOTAL STAR BALANCE

60

Beauty Rewards

MEMBERSHIP STATUS

KAYLA GREENE

Silver Status

Beauty Rewards ★

Redeem Points

Purchase History
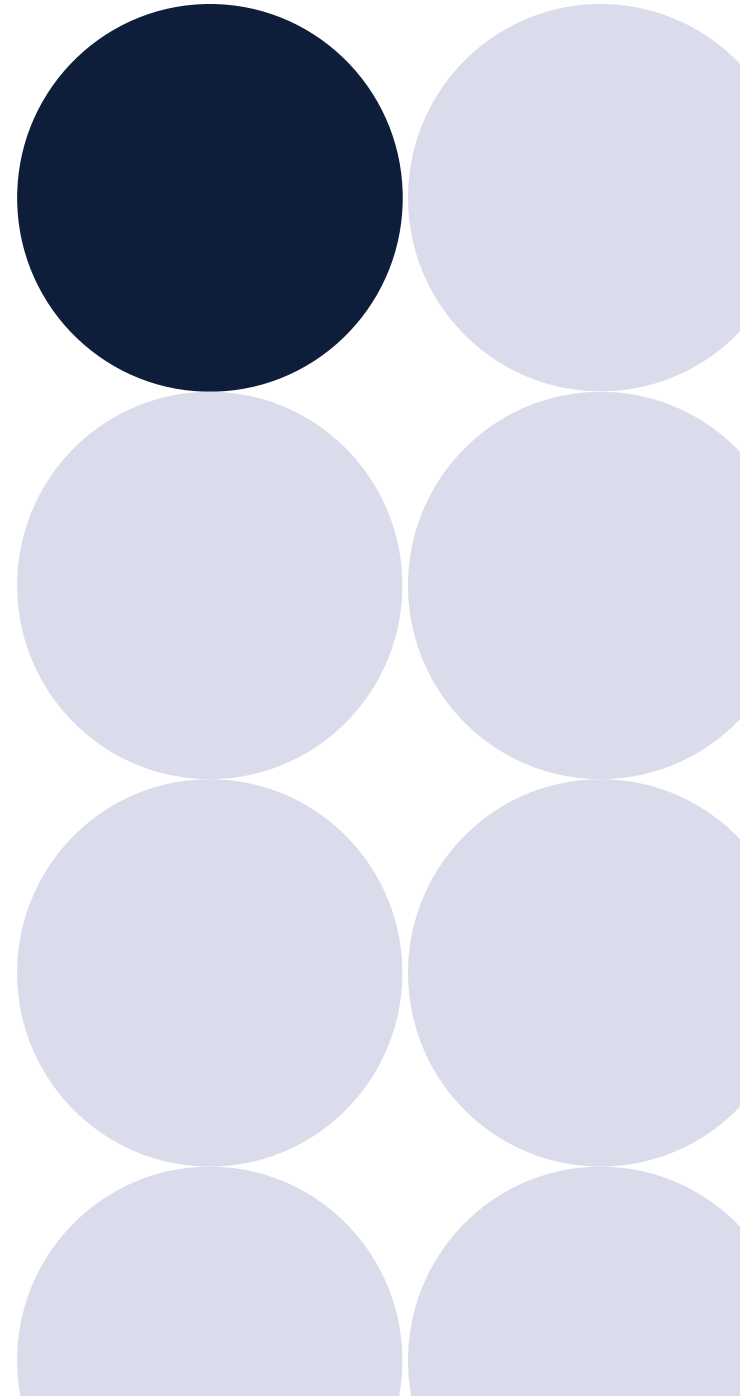
Consumers say loyalty rewards programs play a big role in brand choice,

but they have (sometimes unmet) expectations of being treated better than non-members.

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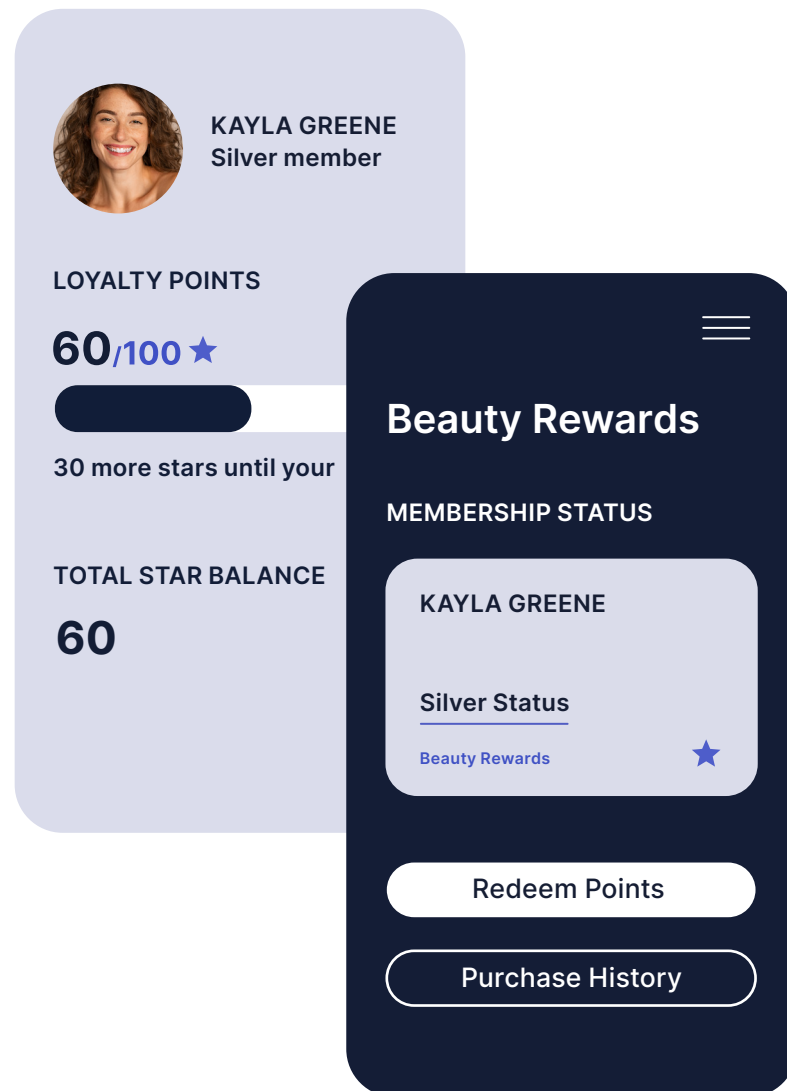
02

Defining Loyalty

Is it real?

Key Findings

Top Myths About Loyalty

The Reality

✕ There are two types of customers:
loyal customers and unloyal customers.

✓ Loyalty isn't binary. It falls on a continuum.

✕ Loyal customers are consumers that brands successfully retain.

✓ Customers can be successfully retained without being loyal — particularly if they lack other choices.

✕ It takes time to nurture customer loyalty.

✓ Customers can develop some level of loyalty with a brand after just one transaction.

✕ Customers who repeatedly purchase from a brand are loyal.

✓ Some customers may transact multiple times with a brand, but aren't necessarily "loyal" as they may actually prefer and transact more often with the company's biggest competitor, too.

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Customers aren't strictly loyal or not loyal. They feel it in varying levels of intensity.

71% of a company's customers have some feeling of loyalty, but only a fraction feel very loyal

Not loyal at all, **29%**	Slightly loyal **10%**	Moderately loyal, **36%**	Very loyal, **25%**

0%   100%
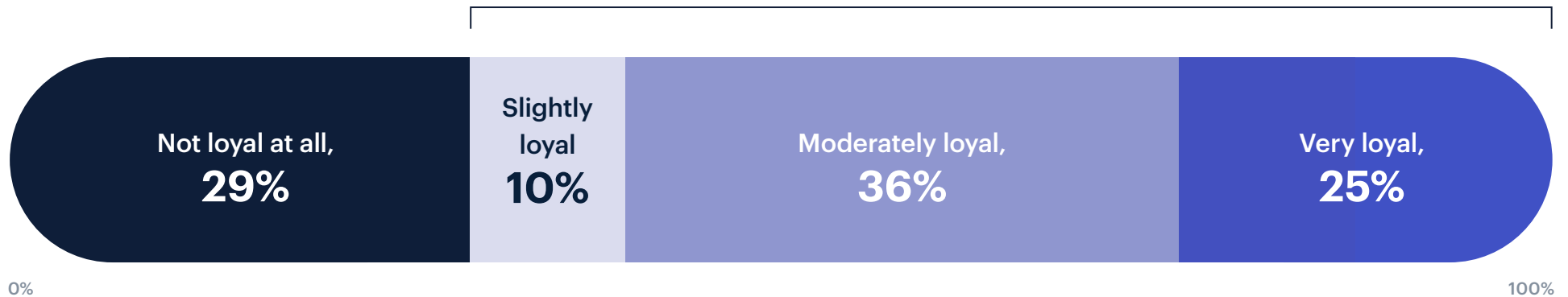
What this means

Brands may be able to grow customer loyalty, particularly among segments that consider themselves only slightly or moderately loyal. These customers, however, are at greater risk of turnover than business leaders may realize. The way companies define who their loyal customers are, and how they reward or offer status, likely needs to evolve.

From Medallia Market Research July 2024 Consumer Loyalty Survey (n = 2,002); "How would you best describe your feelings about the company or organization from this situation?"

Customers can develop some level of loyalty with a brand after **just one transaction.**

While only 16% of first-time customers call themselves very loyal after their first transaction, more than half feel some level of loyalty — meaning it doesn't take a lot of interactions for customers to feel connected to a brand.

51%

of **first-time customers** already develop some feeling of loyalty toward the brand.

78%

of **frequent customers** have some feeling of loyalty.

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From Medallia Market Research July 2024 Consumer Loyalty Survey (n = 2,002); "How would you best describe the level of loyalty you feel about the company or organization from this situation?"
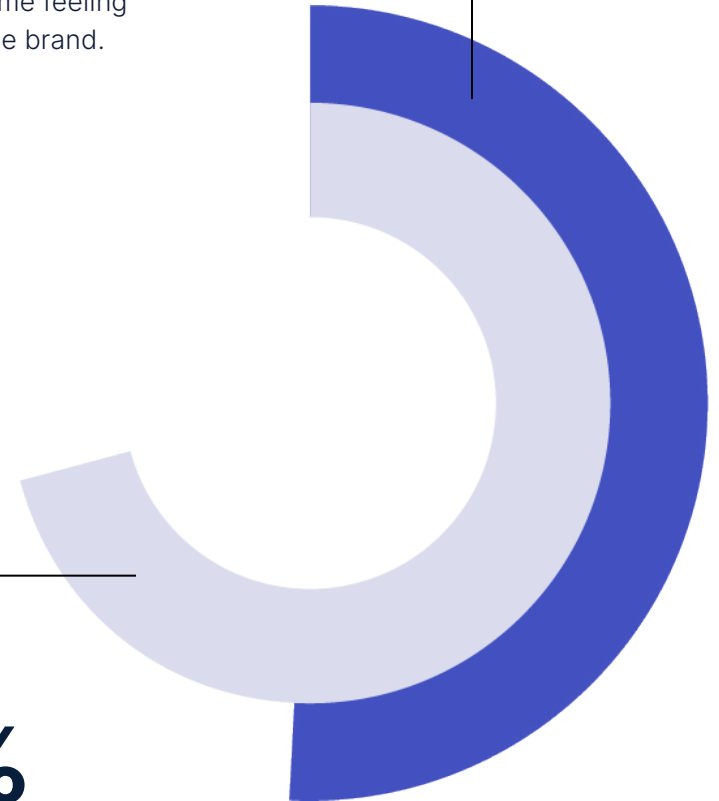
Just one great experience can convert a customer into a brand ambassador.

How many great experiences would you need to have in order to do the following?

	1	2-4	5+
Repeat product purchase again	78%	13%	9%
Seek out this brand first the next time	74%	14%	12%
Recommend brand to others	73%	14%	13%
Complete a feedback survey	65%	16%	19%
Buy more items or spend more next time	63%	20%	16%
Be willing to wear branded merchandise if provided	54%	18%	28%
Write a positive public review online	51%	23%	26%
Not even consider a competitor next time	50%	23%	27%

What this means

It's worth it for brands to invest in monitoring, evaluating, and optimizing customer experiences to drive key loyalty actions, such as engaging with the brand more frequently and promoting it to their friends.

"Repeat purchasing" doesn't mean "loyal."

Some customers may transact multiple times with a brand, but they may not be "loyal." They may actually prefer and transact more often with the company's biggest competitor.

	Airline	Hotel	Restaurant	Retail
Frequency Average # of industry transactions in a year per customer	4x	3x	89x	227x
Loyalty Average % of customer's total category transactions going to their most preferred brand	89%	88%	39%	36%

A good way to measure loyalty is by the percentage of total market transactions that go to that customer's most-used brand. That's why Medallia Market Research uses credit and debit transaction panel data to track purchases from consumers not just from one brand, but from the entire market.

Example: A customer makes five purchases for the year, with four of those transactions taking place at their preferred brand. They are actually more loyal than another customer who makes six purchases from that specific brand, but also makes 50 purchases that year with the brand's competitors.

From Sense360 by Medallia Credit / Debit Transaction Panel of 5M+ US Consumers; 2023 annual figures; US national

Younger generations are more likely to consider themselves "forever customers" of certain brands.

% of each generation that considers themselves a "forever customer" of 1+ brands

Generation	%
Gen Z	61%
Millennial	57%
Gen X	53%
Boomer	43%

What this means

Brands should look at the top drivers of loyalty by different demographic groups and find ways to maintain strong bonds with younger generations who are more likely to remain loyal over time.

03

Achieving Loyalty

How do we get it?

Key Findings

What makes customers loyal?

✓ **Brand Attributes**
Quality and service

✓ **Customer Experiences**
Seamless, consistent, convenient

✓ **Employee Treatment**
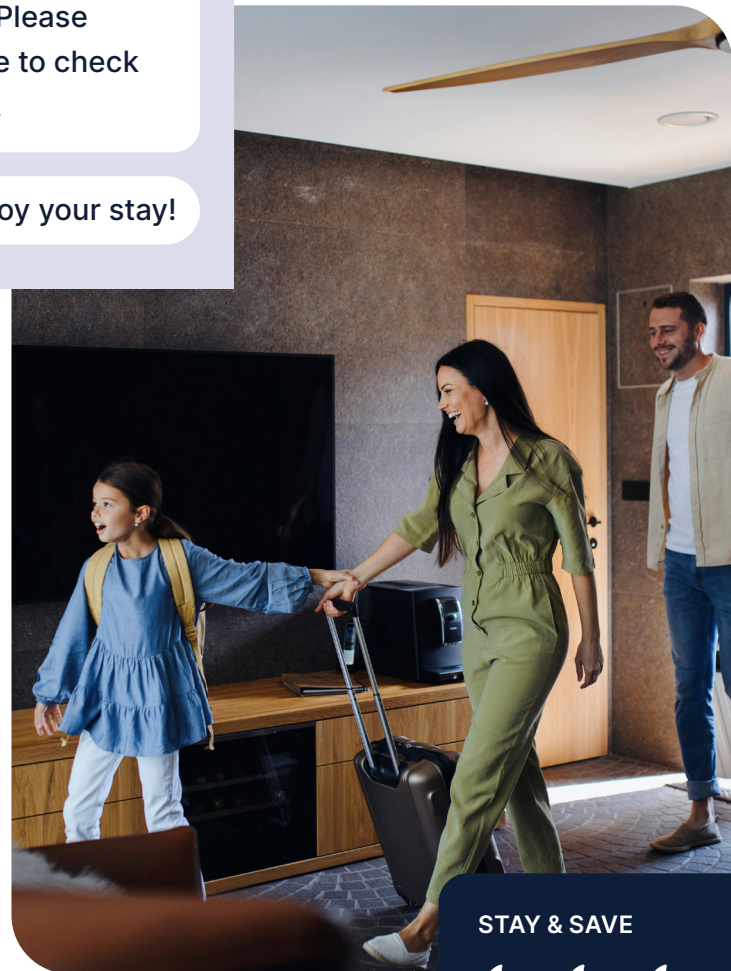When employees are treated well, and when companies care about their employees

✓ **Rewards Programs**
The majority of retail, hotel, and airline customers say rewards programs influence brand choice

Welcome Smith family! Please feel free to check in early.

Enjoy your stay!

STAY & SAVE

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BRAND ATTRIBUTES

The top drivers of customer loyalty include quality **and** service.

While customers cite price, product quality, and product selection as the top three factors that influence whether they're a brand's "forever customer," when we asked about the retailer attributes these self-proclaimed loyal customers care about the most, their answers revealed a different picture of what really influences repeat transactions.

Customers who feel loyal are actually **1.9X** more likely to care about the quality of a company's products and **1.8X** more likely to care about having the best service experience. In comparison, brands having a convenient location and the best deals and promotions are not especially important to customers who feel loyal, compared to the ones who don't.

What this means

To cultivate loyalty, brands should prioritize product quality and delivering exceptional experiences.

Ranking factors to becoming a brand's "forever customer"

	Total ranking in top 3
Price	46%
Product quality	39%
Product selection	30%
Experience & service	29%
Location	15%
Identity & core values	7%
Other	1%

CUSTOMER EXPERIENCES

Experiences contribute to stronger feelings of loyalty than price.

80%

I feel more loyal to brands when... they deliver a **better experience** than their competitors do

70%

I feel more loyal to brands when... they have **lower prices** than their competitors do

Consistency, convenience, and personalized experiences are all strong drivers of customer loyalty. Customers also value the opportunity to share feedback on an experience to help ensure future satisfaction.

From Medallia Market Research July 2024 Consumer Loyalty Survey (n = 2,002); "For each of the following statements, select which best applies to you."

Elements of a brand's customer experience that play a big role in loyalty

63%

They deliver a consistently seamless experience

61%

They are very convenient

61%

They go above and beyond to help their customers

61%

They have friendly employees

52%

It's easy to engage with them across online, in-person, phone, and other methods

48%

Their communications, offers, and service feel personalized to me

44%

They seek my feedback and want to ensure my satisfaction

41%

It feels like they know me

From Medallia Market Research July 2024 Consumer Loyalty Survey (n = 2,002); "Select what you consider to be true about the company or brand to which you feel 'loyal.'"

EMPLOYEE TREATMENT

Most consumers feel more loyal to brands whose employees are treated well.

Customers notice when a brand's employee experience is poor. Researchers have long found strong connections between the employee experience and the customer experience, and this study underscores the importance of investing in employees as it relates to bolstering customer loyalty.

What this means

For businesses looking to improve their employee experience, the first critical step is to gather feedback about employees' everyday experiences and ask for their ideas about what can be done to eliminate points of friction and enhance the overall customer experience.

2.7X

Customers are 2.7X more likely to feel loyal when brands seem to care about their employees.[2]

69%

of customers agree "I feel more loyal to brands when I can tell their employees are treated well."[1]

[1] From Medallia Market Research July 2024 Consumer Loyalty Survey (n = 2,002); "For each of the following statements, select which best applies to you."

[2] From Medallia Market Research July 2024 Consumer Loyalty Survey (n = 2,002); "What do you also feel is true about the company or organization, if anything?"
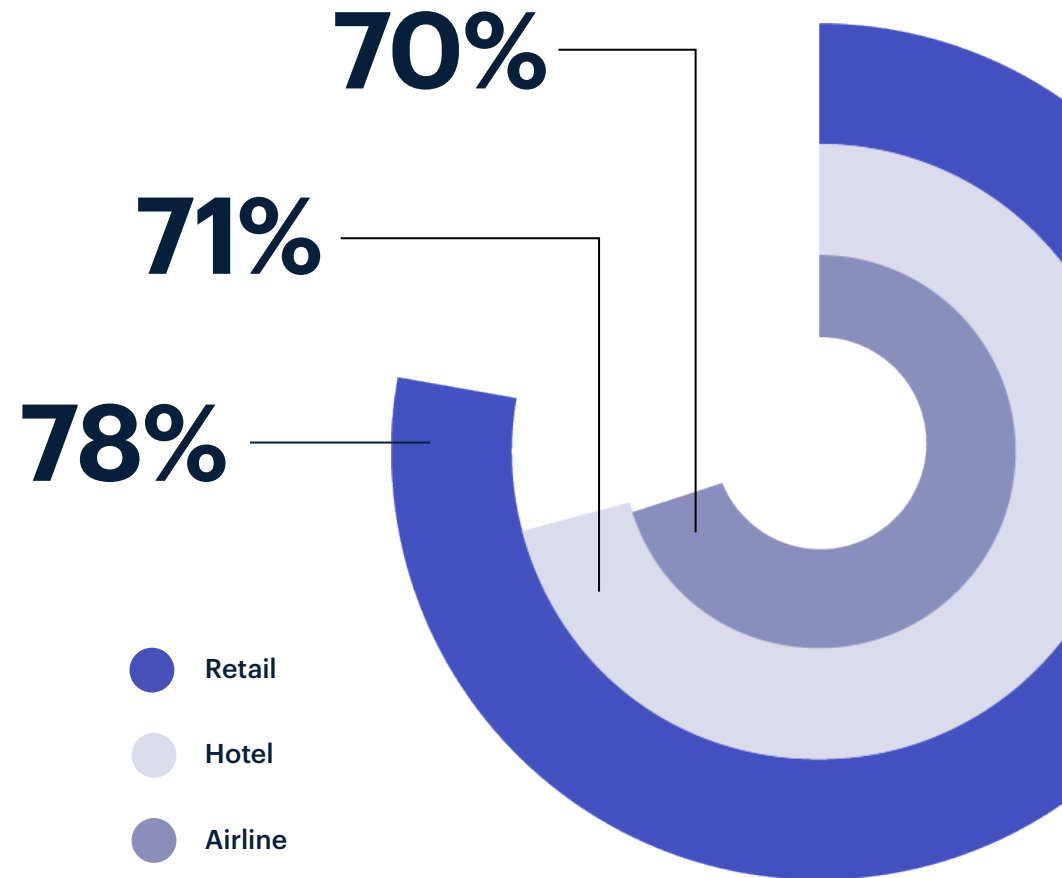
REWARDS PROGRAMS

The majority of retail, hotel, and airline customers say rewards programs influence brand choice.

Retail customers who feel loyal are **1.6X** more likely to say that a brand's loyalty, rewards, or subscription program is a driver of choice compared with customers who feel less loyal.

A similar share of all consumers across industries (70%) say that rewards programs offer customers value, but it's worth noting that rewards program members have higher customer expectations — 63% say they expect to receive better service if they're a loyalty program participant.

Effect of loyalty rewards programs on choosing one brand over another

*% saying moderate or high influence

70%

71%

78%

● Retail

● Hotel

● Airline

From Medallia Market Research July 2024 Consumer Loyalty Survey (n = 2,002); "For program(s) of which you are a member, on a scale of 1-5, how much do you believe they influence your decision to purchase there instead of others?" Among those belonging to 1+ program

04

Keeping Loyalty

Is it forever?

Key Findings

What prevents consumers from being forever customers?

Poor experiences

Negative customer service interactions

The frequency and intensity of bad experiences

JAMIE COLEMAN

The wait was way too long and staff was rude.

★☆☆☆☆

Poor experiences can turn loyal customers away permanently.

59%
agree

"There is at least one brand / company I have sworn I will never purchase from again due to a bad experience"

37%
agree

"It could take only one bad experience for me to end my relationship with a brand / company forever"

31%
agree

"At least once in the past 3 months, I have switched which brand I use or which store I go to, after previously using a competitor for years"

From Medallia Market Research July 2024 Consumer Loyalty Survey (n = 2,002); "For each of the following statements, select which best applies to you."

1 in 8 customers will abandon a brand forever after one poor experience

What this means for brands

If a brand delivered 80 bad experiences across any of their touchpoints today, they may lose 10 of those customers forever because of it.
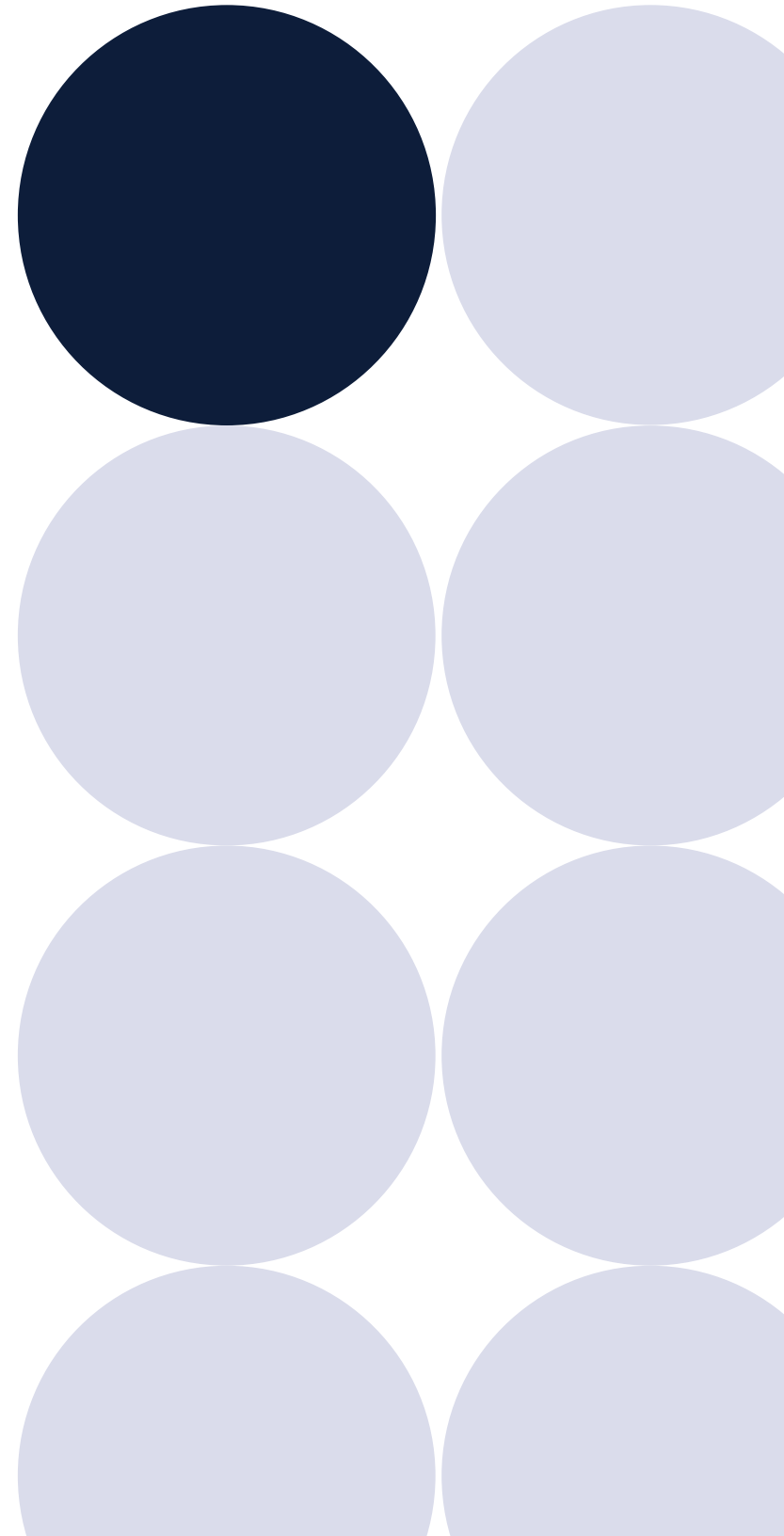
The level of poor service greatly increases the chance of losing a customer forever.
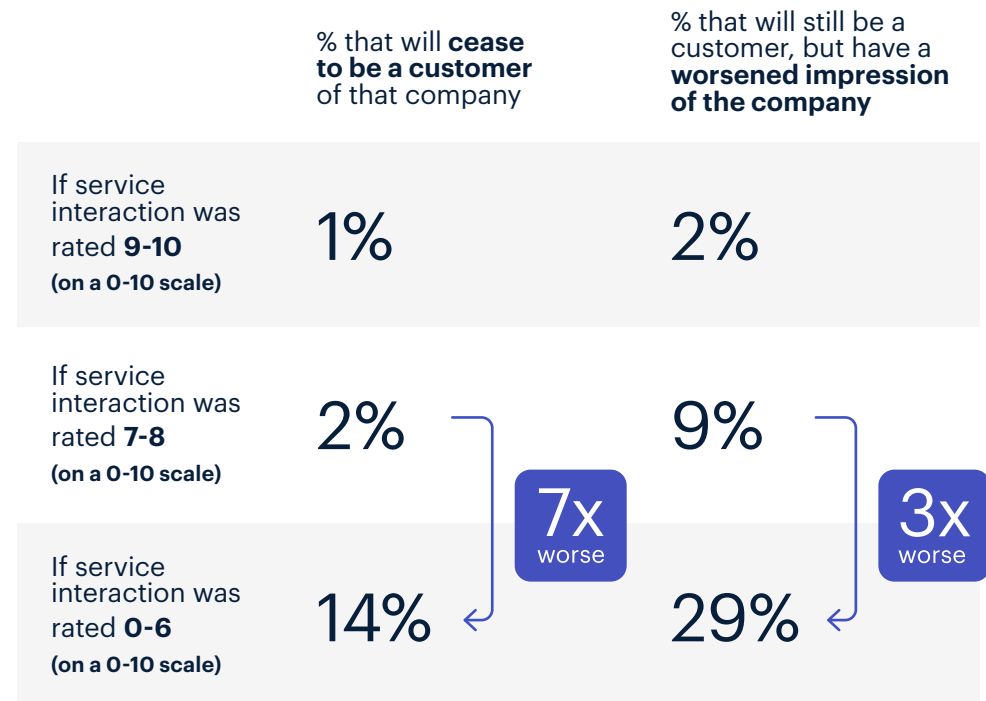
On a scale of 0–10, customers who rate a service interaction between 0 to 6 are 14X more likely to cease to be a customer of that company compared to customers who rated their service interaction a 9 or 10. And they are 7X more likely to cease to be a customer compared to those who rated their interaction a 7 or 8.

Customer service interaction's effect on future customer relationship

	% that will **cease to be a customer** of that company	% that will still be a customer, but have a **worsened impression of the company**
If service interaction was rated **9-10** (on a 0-10 scale)	1%	2%
If service interaction was rated **7-8** (on a 0-10 scale)	2%	9%
If service interaction was rated **0-6** (on a 0-10 scale)	14%	29%

7x worse

3x worse

The frequency and intensity of bad experiences are drivers of brand abandonment.

Common and damaging poor customer experiences — such as when a company charges an unreasonably high price or delivers a poor quality product — are the most likely to result in consumers choosing to stop being a customer of a brand. In comparison, more common issues, such as out-of-stock items, are less likely to impact customer turnover.

Most recent bad experience with a company: drivers and results
Frequency of issue being cited (Y-axis), % of customers with that issue who will cease to be a customer because of it (X-axis)

How often issue occurs

Common, but not damaging

Common and damaging

Out of stock/unavailable items

Delay receiving product

Unreasonably high price charged

Rude employee interaction

Poor product quality

Defective or missing product

Technical/digital issues (e.g. account login, page errors, etc.)

Loudness or overcrowding from other customers

Failure to recognize my info

Untrained/incompetent employee interaction

Difficulty navigating store, website, or app

Incorrect or deceitful information provided/advertised

Not common and not damaging

Not common, but damaging

0%   5%   10%   15%   20%   25%   30%

% of those with issue that will stop being a customer as a result

From Medallia Market Research July 2024 Consumer Loyalty Survey (n = 2,002); "Think of your most recent bad experience with a brand — what was the issue or issues?" "As a result of that experience, what best describes your relationship with the brand going forward?"

Most customers won't give brands more than 3 or 4 chances to turn things around.

How many bad experiences to quit a brand forever?

Experiences	Percentage
1	12%
2	23%
3-4	37%
5-7	15%
8-10	7%
More than 10	6%

35%
would after *only 2* or fewer bad experiences

72%
would be done forever after 4 or fewer bad experiences

From Medallia Market Research July 2024 Consumer Loyalty Survey (n = 2,002); "Imagine a scenario involving a brand / company from which you regularly make purchases. How many poor experiences with them would you need to have in order to never be a customer of theirs again?"

Brands may be misclassifying many customers as "loyal" because they're sticking around.

Nearly half of consumers have told us that companies have assumed they're loyal, when they don't actually feel loyal.

45% agree

Brands often assume they have my loyalty when they really don't

What this means

Brands need to invest in continuous customer experience improvement because loyalty isn't static and won't necessarily last, particularly when competition is tight.
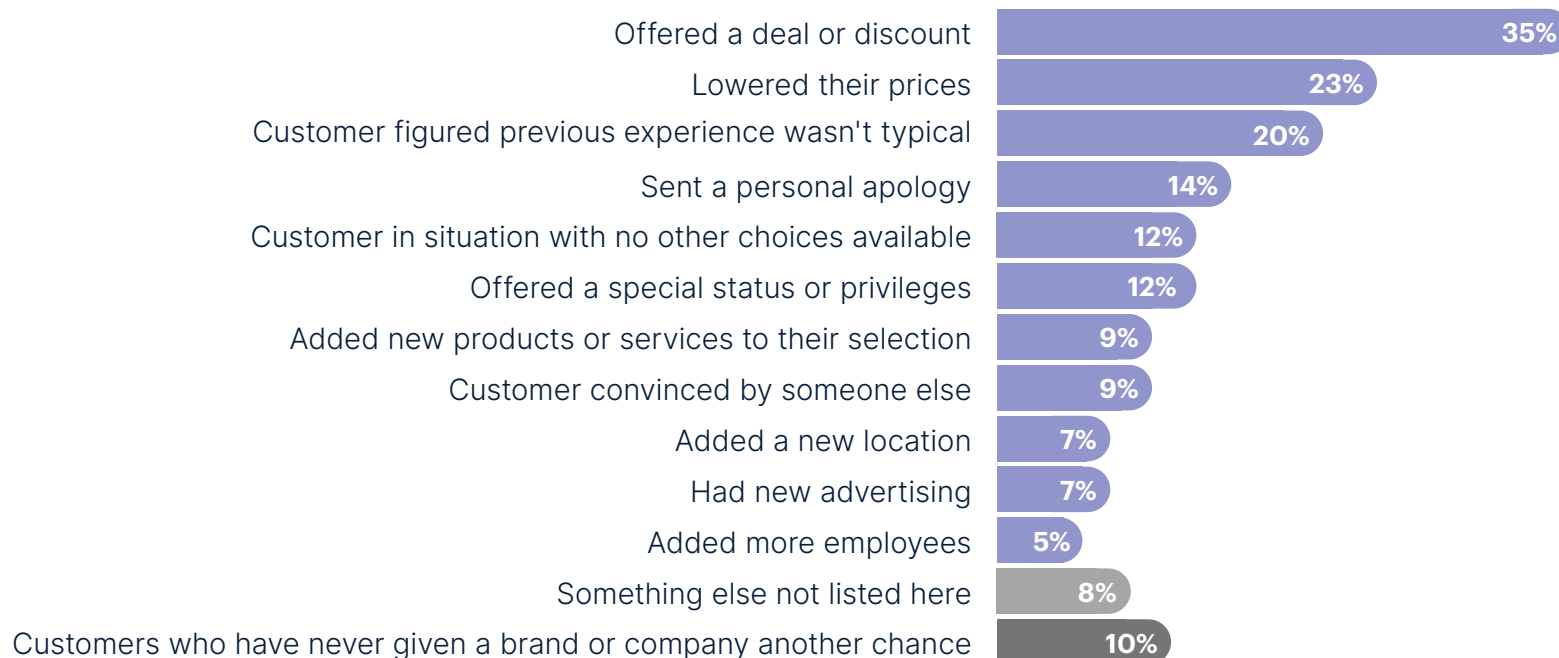
From Medallia Market Research July 2024 Consumer Loyalty Survey (n = 2,002); "For each of the following statements, select which best applies to you."

05

Regaining Loyalty

Can we get it back?

Value incentives are the most effective way to get customers back if a poor experience has turned them away.

How companies get customers to give them a second chance

Category	%
Offered a deal or discount	35%
Lowered their prices	23%
Customer figured previous experience wasn't typical	20%
Sent a personal apology	14%
Customer in situation with no other choices available	12%
Offered a special status or privileges	12%
Added new products or services to their selection	9%
Customer convinced by someone else	9%
Added a new location	7%
Had new advertising	7%
Added more employees	5%
Something else not listed here	8%
Customers who have never given a brand or company another chance	10%

From Medallia Market Research July 2024 Consumer Loyalty Survey (n = 2,002); "Think of the last time you gave a brand or company another chance, even though a poor experience earlier caused you to doubt them. What did they do to get you to go back to them again? Select all that apply."

Conclusion

It's time to rewrite the loyalty playbook. Contrary to conventional wisdom, loyalty isn't binary. It isn't static. It isn't the same as retention. It isn't necessarily hard won, and it can be easily lost.

To unlock the benefits of enhanced customer loyalty, including greater customer advocacy, an enhanced brand reputation, and increased referrals and profitability, the new rules of successful loyalty-building require brands to invest in customer experience management to more accurately pinpoint the top drivers of loyalty for their unique customers and uncover and leverage strategies that effectively strengthen relationships and connections.

Learn how you can strengthen experience outcomes with confidence and keep customers for life with these CX essentials for building loyalty:

Download Now

Methodology

Medallia Market Research gathered responses from 2,002 adult participants from July 10-14, 2024 using Medallia's **Agile Research** survey platform and independent panels of consumers.

Distribution by country:

United States: 1,472

Canada: 128

United Kingdom: 151

Australia: 129

New Zealand: 122

Weighting was applied based on census distribution of age and gender.

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