CULTIVATING INTRINSIC CUSTOMER LOYALTY
HOW TO MEET THE TRIFECTA OF FUNCTIONAL, EMOTIONAL AND SOCIAL NEEDS
Today’s utilitarian approach to loyalty programs—earning points and rewards—may drive repeat customers who spend more across categories; however, it ignores two essential aspects of human nature: emotional and social attachment. Research has found that emotionally connected customers deliver 52 percent more value over and above that from customers who are highly satisfied, but not emotionally connected.¹

Taking a more holistic view of loyalty requires understanding the multi-faceted motivations and needs that people have, designing products and services that address these motivations and needs, and eliminating the barriers to achieving these deeper requirements. The culmination? Highly personalized and contextualized products or services that are so useful, engaging and seamless that customers are intrinsically loyal to them.

This point of view describes the advantages of a three-stage approach to loyalty and demonstrates a novel way to combine customer-focused research (why), human-centered design principles (what), and elimination of human burdens in technical systems (how). This method can help move people from passively collecting loyalty card points to actively incorporating a brand’s products and services into their everyday lives and work.

In addition, this approach to intrinsic loyalty can double as a framework for discovering unmet customer needs—revealing new perspectives for any company, in any industry, about where and how to innovate.
EXPANDING THE LOYALTY PURVIEW

In a loyalty market projected at $30 billion, loyalty programs have proliferated in recent years in industries as diverse as retail, travel, finance and entertainment. The numbers tell the story.

According to a recent Accenture study, 42 percent of customers are enrolled in any given retail loyalty program and generate 12 to 18 percent more in incremental revenue compared to non-members. However, most of these programs are focused on utilitarian or functional benefits, such as accruing points for product discounts or other rewards. And multiple studies have shown that this point-system pressure wears off in six months or less, leaving companies scrambling to offer more points or larger discounts to boost their loyalty programs, which only cuts more deeply into their margins. (To learn more, read our related Accenture Strategy report, “Seeing Beyond the Loyalty Illusion.”)

To overcome this limitation, companies must rethink their approach to loyalty programs and expand beyond a lowest-cost model to include emotional and social aspects. According to the Accenture Technology Vision 2017 trend on Design for Humans, “Companies are using an understanding of behavior to deliver technologies [such as curated, dynamic loyalty programs] that are more adaptive, responsive and aligned to the goals and actions taken by customers...”

Emotional attachments, which have an inward focus, range from exploration and entertainment through non-instrumental, experiential or personally gratifying benefits. In the wine industry, for example, a customer could create a stronger emotional attachment to a brand of wines by trialing new products, receiving information about new trends or participating in unique winetasting experiences with friends. This approach would help people grow as wine drinkers, while supporting the business in growing its loyal customer base.
Social attachments, with their outward focus, satisfy personal expression, build self-esteem or create a sense of belonging. For example, if a company recognizes a customer on her social media profile for how well she mixes apparel to create her style, and the post is subsequently “liked” by many of the customer’s friends, the acknowledgment could reinforce a social connection to the brand.

Ultimately, combining utilitarian, emotional and social benefits for customers can contribute to “intrinsic loyalty,” which Accenture describes as identifying and getting to know the best customers, and then serving individual customers with the right products or services—when and how they desire—so that a mutually beneficial and growing relationship is created.

**STEP 1: WHY**
Using customer-centered research to identify needs and underlying motivations.

**STEP 2: WHAT**
Using human-centered design to create products, services and programs to address the needs identified in Stage 1.

**STEP 3: HOW**
Applying usability practices and frameworks to reduce burdens and friction points of products, services, programs identified in Stage 2.
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UNDERSTANDING CUSTOMER BEHAVIOR AT A DEEPER LEVEL

Designing and building a program that supports intrinsic loyalty begins by identifying customers’ problems and addressing the underlying needs and motivations. Most existing loyalty programs fulfill functional needs: saving money at the gasoline pump, qualifying for a free drink upon purchasing the tenth beverage, or accruing frequent flyer miles toward a vacation package. But none of these programs get at the actual emotional and social needs behind these transactions—the “why” behind what incentivizes people to do something.

Given the potential, researchers have looked at ways to determine the motivation beyond functional needs, and these findings can be applied to loyalty programs to improve outcomes. One notable example comes from Christensen’s® Jobs-to-be-Done (JTBD) theory.

As a baseline, the researchers hypothesized that customers simply want their problems solved; instead of looking for products or services, they are looking for solutions. These problems can be construed as “jobs to be done” for which customers “hire” products or services to complete each task. Depending on a customer’s context and circumstance, the job to be done can be functional, emotional or social.

Using JTBD as a lens, Christensen’s “jobs” concept is closely aligned with loyalty program benefits. Functional jobs equate to utilitarian benefits, emotional jobs to hedonic benefits and social jobs to symbolic benefits.’ In order to design a loyalty program or customer experience that addresses a job to be done, companies must first uncover the customers’ problems (underlying needs and motivations).

Companies can build intrinsic loyalty by identifying and getting to know their best customers, and then serving individual customers with the right products or services—when and how each customer desires—so that a mutually beneficial and growing relationship is created.
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APPLYING HUMAN-CENTERED DESIGN PRINCIPLES

Businesses will often jump from the first stage of identifying needs (why) to the third stage of building products or services (how), but skip the all-important second stage of using a human-centered approach to guide the design. This equates to making assumptions about how people will use a loyalty program, product or service. Bypassing the second stage can also result in a program that looks good on the surface but is not sustainable because it cannot meet deeper emotional and social needs in the long term.

To empathize more fully with customers, companies will need to dig deeper using human-centered design methods, including ethnographic techniques like interviewing and shadowing to observe how people are interacting with a loyalty program. Interviewing customers about their perceptions of a business and observing how customers interact with a loyalty program will establish a baseline. From this understanding, companies can then monitor how changes to the loyalty program, such as adding new offerings or modifying the structure, impact those perceptions and interactions.

Without going through the ethnographic research, it would be impossible to know what to change, how big of a change to make or where to apply innovation in order to drive deeper loyalty.

Applying human-centered design methods also makes it possible to judge these perceptions or interactions in context—both for when a customer uses a product or service, or does not use it at all (non-use). One way to derive this context is to focus on the outcomes that a customer’s interactions with a loyalty program produced. For example, a grocery loyalty program focused only on utilitarian benefits might offer coupons toward certain items, many of which go unused. However, businesses need to recognize there is no one-size-fits-all way to use a loyalty program. Taking a human-centered approach that includes context about individual customer interactions and desired outcomes—and considering this data in aggregate—could help the grocery store build empathy toward a larger group of customers. This would enable the grocery store to adjust its loyalty program to address specific emotional or social needs of customers as well.

STEP 1: WHY

STEP 2: WHAT

STEP 3: HOW
Take the job-to-be done of cooking a meal for a family. If a customer’s emotional need is to demonstrate effort toward making home-cooked meals versus ordering take out, the loyalty program could provide discounts on a prepared set of ingredients that the customer could cook quickly and easily. Placing this interaction in context, the customer would have completed the JTBD but also experienced the desired emotional outcome of feeling good about personally cooking the food.

Likewise, if a customer’s social need is to spend time with the family cooking a meal and eating it together around the table, the grocery store could use loyalty data to infer which meals are being made most frequently and then offer recipe suggestions for similar meals along with coupons for specific ingredients. The interaction in this context, and the associated outcome, is the experience the desired social result of creating family time.

In both cases, a human-centric loyalty program that focuses on understanding what JTBD fulfills specific emotional or social needs bridges the gap between the Stage 1 (why) and Stage 3 (how) phases.
Using Accenture Genome for customer research

In addition to customer-centered research methods, companies can use advanced data analytics technology at scale on the transactional data they collect to better understand customers’ motivations.

With Accenture Genome, businesses can create digital customer genomes, which we describe as the detailed digital DNA of businesses’ customers. Each DNA is built through a combination of traditional and non-traditional data sources, along with derived customer data that is created through advanced analytical methods. The organic derived data includes distinctive markers that businesses can apply to create targeted approaches to high-value customers and prospects.

Based on this insight, businesses can develop a deeper understanding of individual customer needs, preferences and lifestyles. They can also use the derived data to convert insights into actions, developing and delivered contextualized and personalized information that suits a specific customer need. These actionable insights are where the full value of the customer genome comes into play.

When applied in the context of intrinsic loyalty programs, Accenture Genome could be used to personalize products, services, programs or interfaces; it could also be applied to smooth friction points, such as predicting where a customer might want to go next when using a car-sharing service (see Table). From the businesses’ point of view, Accenture Genome offers new opportunities to satisfy the ever-increasing demands of their customer base, strengthen brand loyalty and ultimately boost sales.

To learn more, read Accenture’s point of view on Customer Genome.
Another line of research—known as the User Burden Scale—has looked at ways to reduce friction points in customer experiences, which can be an important input to creating programs that drive intrinsic loyalty.

Although Suh’s research focused on a tool to assess the burdens of users in computing systems, companies can expand or modify the scale to consider ways to decrease a range of customer burdens, such as difficulty of use, physical, time, social, mental, emotional, privacy or financial.

As shown in Figure 1, combining the JBDT and Burden Scale research theories yields deeper insights. By creating a framework that cross-comparisons the three types of customer problems (underlying needs and motivations) to the types of burdens, companies can identify opportunities to design customer experiences and loyalty programs that pre-empt the burden. For each situation or context, the goal is to minimize the friction of the functional, emotional job or social job. With this understanding, companies can then integrate the learnings into business and technology processes underpinning the loyalty program to enable the correct utilitarian, emotional or social experience. The result is intrinsic loyalty, with customers much more likely to use a product or service and recommend it to others.

Consider this idea in the context of an example related to the ride-sharing industry: a customer has an emotional and social need to take care of an elderly parent and be a “good adult-child.” The parent no longer drives and does not feel comfortable navigating a standard smartphone, but still wants to visit personally with family and friends. The JTBD is to ease the parent’s transportation burdens; however, the specific mode of transportation (product/service) is less important to the adult-child than the emotional and social aspect of being a good adult-child, which can be addressed with an emotional and social product or service.

One solution would be for a company to offer an easy-to-use ride-share subscription with a one-press ride-share button (in the form of a smartphone app or a physical Internet of Things device in the home). The parent presses the button, which summons a car and driver. When finished visiting, the parent presses the button again to return to the home address, which is pre-programmed into the button. The bill automatically goes to the adult-child’s credit card and can even be split with siblings if desired.
This is just one possible product or service around ride sharing that could be created to address emotional or social needs, while building brand loyalty between the ride sharing app and the adult children. Completing the matrix could identify other opportunities, help companies understand what they do not know about their customers’ interactions with their products or services, and, most importantly, reveal prime spots for innovation where products and services do not yet exist.

<table>
<thead>
<tr>
<th>BURDENS</th>
<th>FUNCTIONAL/UTILITARIAN</th>
<th>EMOTIONAL</th>
<th>SOCIAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access</td>
<td>Ride-share system uses GPS to simplify finding and providing location</td>
<td>Design ride-share system to fit the abilities of a wider range of customers, such as enabling elderly generation to summon a ride with one button</td>
<td>Provide elder generation access to reliable transportation services they would otherwise have to arrange individually</td>
</tr>
<tr>
<td>Physical</td>
<td>Riders summon a vehicle with a mobile app</td>
<td>Identify ways to make the ride-share system more physically comfortable to use, such as embedding a one-touch button in a wearable device</td>
<td></td>
</tr>
<tr>
<td>Time</td>
<td>Save time finding a car-share, organizing a ride or parking</td>
<td>Help elderly generation with easy-to-use system without requiring their adult-children to manage parent’s day-to-day schedule</td>
<td>Improve social experiences and maximize quality time at destination while minimizing stress</td>
</tr>
<tr>
<td>Social</td>
<td>Provide payment (and tip if desired) with awkwardness</td>
<td>Help families pool resources to pay for their elder-parent’s transportation (split fare for siblings)</td>
<td>Easy access to transportation puts an elder-parent in the position of social organizer for friends</td>
</tr>
<tr>
<td>Mental</td>
<td>Exchange information about pick up and drop off location easily</td>
<td>Develop system with one-button interface to maximize use with minimal concentration</td>
<td></td>
</tr>
<tr>
<td>Emotional</td>
<td>Everyone has a personal driver</td>
<td>Minimize worry or disruptions to schedules of family members</td>
<td></td>
</tr>
<tr>
<td>Privacy</td>
<td>Mechanism for riders to contact drivers without divulging mobile number</td>
<td>Protect location information elderly parent may prefer not to share, while still enabling emergency contact</td>
<td>Vet and match legitimate ride-sharing drivers directly in the app without bias</td>
</tr>
<tr>
<td>Financial</td>
<td>Save money over traditional taxis</td>
<td>Minimize up-front and maintenance costs for ride-sharing services, especially if on a fixed budget</td>
<td>Encourage elderly generation to interact socially with their peer group without financial burden</td>
</tr>
</tbody>
</table>

TABLE 1: JOBS TO BE DONE X BURDEN MATRIX
For each situation or context, the goal is to minimize the friction of the functional, emotional job or social job.
Discovering unmet needs: New doorways to innovation

Sometimes the hardest part of innovating is knowing where to begin. Companies can take a methodical approach to discovering unmet customer needs by completing a customer burden vs. needs matrix (as shown in Figure 1). The exercise not only drives new insights, but also helps determine what products or services to build or design. Focusing attention on the areas where the emotional or social needs are missing or underserved can produce new opportunities for innovation.
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Notes

2 Accenture Loyalty and Rewards Study: Retail Trends, Challenges and Benchmarks, 2016.
3 Ibid.
4 Leenheer et al. 2007, Meyer-Waarden & Benavent 2009
5 [Mimouni-Chaabane 2010]

About Accenture

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