The 4D Loyalty Framework: A New Map for the Journey to Lasting Customer Relationships

By Barry Kirk and Mary Beth McEuen
“To deal with reality you must first recognize it as such.”

— Laurence Gonzales, Deep Survival
Lost in the Loyalty Wilderness

When you find yourself lost in the wilderness, what makes the difference between surviving and perishing?

**It starts with having the right map. Mental map, that is.**

In his best-selling book, *Deep Survival: Who Lives, Who Dies and Why* (2004), journalist Laurence Gonzales argues that humans navigate through life guided by “mental maps” that help us make meaning of the world. These “maps” are drawn by experience, education and intuition and can be very efficient for helping us achieve understanding and make decisions. That is, until they become outdated.

The world around us is constantly changing—social, environmental, political and personal shifts are inevitable over time—and eventually even the best mental maps will no longer represent reality. When that happens, we risk getting “lost” if we fail to recognize cues from the landscape that our mental models are now outdated or faulty. This failure can ultimately be a fatal one if we refuse to abandon those faulty maps in time and reorient ourselves to the reality before us.

*Most of today’s loyalty programs are lost in the wilderness, clinging to outdated mental maps.*

Over the last decade, the landscape of brand loyalty has dramatically shifted around us, transformed by the forces of technology, social media, data accessibility and the unprecedented influence of the Millennial generation. But rather than embrace this new landscape, loyalty marketers have largely held on to outdated mental maps that focus on transaction over relationship and barrier-to-exit over meaningful social connection. As a result, many loyalty programs are struggling to retain and engage even half of new members.

Laurence Gonzales’ first rule for becoming un-lost is “be here now.” This translates into keeping your mental map in sync with reality and paying attention to the new destination that map is offering you.

*For loyalty marketers, our new map is something we call the 4D Loyalty Framework, an approach to customer engagement that establishes our new “now” and guides us to a new brand-customer destination.*
Standing on the Edge of the Engagement Cliff

Over the last decade, customers have shown an ever-increasing willingness to embrace loyalty programs. Two key data points from the 2015 Colloquy Loyalty Census illustrate this:

- **3.3 billion**: The number of U.S. loyalty program memberships (up from 2.6 billion in 2012)
- **29**: The average number of loyalty program memberships per U.S. household (up from 18.4 in 2012)
- **58%**: The percentage of inactive program memberships (up from 56% in 2012)

But a third data point brings a critical dose of reality to this rosy picture:

Our current reality is that while customers find the idea of loyalty programs appealing, too often the programs fail to retain their attention and engagement. This is the reason that many program owners are quick to publicly quote their overall number of memberships, but are equally reluctant to acknowledge their active participation rates. Participation in loyalty programs has been sliding year over year since 2010, even as program enrollment has been rising. Even worse, most members who disengage from programs do so within the first six months after enrollment. This attrition is more often than not “silent” with customers never announcing their decision to walk away from a program.
As a result, many program owners find themselves struggling to keep their programs relevant to today’s customers, illustrated by three commonly experienced challenges:

1. **Programs Lack Differentiation**—Most programs look very similar to their competitors’ and even to programs in other verticals. They tend to offer very similar earning opportunities, value props and reward offerings. Customers want better reasons to spend their limited attention currency on loyalty programs.

2. **Programs Are Too Complex**—In a number of industry surveys, majorities of customers have indicated that complex rules on earning and redeeming cause them to disengage from programs or, worse yet, never actually engage in the first place (even if they enroll). Customers want more simplicity in program rules and rewards.

3. **Programs Aren’t Personal**—Far too many programs still have a one-size-fits-all approach to their communications and reward strategies and lack a meaningful segmentation strategy. Customers want to feel that the brand knows them and values them as more than just a name in a database.

So, our current reality is that while customers continue to show strong willingness to give programs a look, too often they quickly lose interest before ever becoming engaged. Digital marketing strategist, Chris Lomas refers to this phenomenon as “the engagement cliff”—a short period of high initial interest and participation, followed by rapid disinterest and disconnection. It’s a cycle that appears often in human experience (think about how quickly we abandon diets and New Year’s resolutions), so we shouldn’t be surprised when we see it happening within loyalty programs. But its predictability doesn’t mean we should simply accept it as part of the loyalty experience. Rather, it stands as a challenge to be addressed.

**Loyalty marketers are standing on the edge of the engagement cliff. To move back from the edge, we need a new mental map, one based on meaningful connection with our most loyal customers.**
How Did We Get Here?

How did loyalty marketing end up with a map that is out of sync with current reality? The traditional loyalty program model — spend, earn, redeem, repeat — arose from a marketing mindset that has prevailed for the past 30–40 years. In the book *Marketing 3.0*, Philip Kotler describes this mindset as the progression of marketing moving from a focus on *products* to a focus on *customers* (Kotler, Kartajaya, & Setiawan, 2010). For the past 30–40 years, loyalty marketers have made tremendous strides in focusing on customers, adopting sophisticated data analytics and technologies to enable us to interact one-to-one with customers.

More recently though, the market has shifted. It’s moved from an environment where advertisers dictated our beliefs about companies and brand loyalty was adopted from our parents, to one where the social grid now shapes many brand perceptions. Four trends during this shift have had a particular impact on the effectiveness of traditionally designed programs:

1. **Loyalty Program Commoditization**

   Financial services and hospitality are now heavily saturated with look-alike programs, and new programs are becoming increasingly common within specialty retail, drugstore, gas and restaurant brands.

2. **Customer Access to Big Data**

   With customers able to explore massive amounts of comparative price and product information to help inform their decisions, brand loyalty can be affected by the next Google search.

3. **The Rise of the Millennial Generation**

   Millennials number some 80 million people in the U.S. alone, and are on track to pass Boomer spending within the next few years. More importantly, they have significantly different brand expectations than their parents. Beyond product quality and competitive pricing, these younger customers expect brand experiences to be more engaging, provide frequent reinforcement and include a social element.

4. **Changing Cultural Values**

   According to Young & Rubicam’s BrandAsset® Valuator, “kindness and empathy” have increased in importance to customers by 391% as a brand value.
Despite these shifts, loyalty programs have remained relatively unchanged. The transaction-focused earn-and-burn model used by most programs today looks essentially identical to that used by programs launched decades ago. Programs still primarily focus on a “paying for loyalty” mentality that stretches back to the 1930s, even as customers indicate there are other, equally important drivers of their brand engagement.

In this new landscape, the simple earn-and-burn Boomer program model still has utility, but it is no longer enough. Customers crave a deeper rationale for their brand loyalties. But what is that rationale? In what Kotler describes as the age of creative society, a useful insight emerges. People are increasingly valuing the non-material aspects of life. They are searching for meaning and happiness. In this environment, he argues, “Supplying meaning is the future value proposition in marketing” (Kotler et al. 2010).

**Today’s customers want more connection and humanity from the businesses they choose to buy from and to whom they offer their loyalty. What’s behind that? Let’s start with a fuller understanding of human motivation.**
“Our traditional loyalty models were designed by Baby Boomers, for Baby Boomers.”

— Bill Hanifin Loyalty Expert
A Bigger Map Is Imperative

It is well understood how human beings are driven to satisfy their own self-interests, but what is less understood is that humans (and good corporations) are also driven to bond with others and to be part of something that makes the world a better place.

There is strong scientific evidence to support this statement. In particular, we look to the work of Paul Lawrence and Nitin Nohria, with Harvard Business School, who developed a compelling theory on the biological drivers of human behavior drawn from scientific experiments in the fields of neuroscience, psychology, sociology and anthropology. This theory argues that nearly every individual on the planet is imbued with four biological drives (Lawrence & Nohria, 2002; Lawrence, 2010).

Drive to Acquire: To compete for, control and retain stuff, status and experiences that enable essential resources for one’s survival. When pushed to excess, this drive manifests as greed and domination.

Drive to Defend: To protect our turf, our stuff, our status, our relationships and our creations. Once we have something, we don’t want to lose it. When pushed to an extreme, this drive manifests as an attack.

These first two drives are oriented toward transactional self-interest. But we are more. Humans are also biologically driven to pursue meaningful relationships and to learn, comprehend and contribute:

Drive to Bond: To form long-term, mutually caring relationships, to cooperate and engage with others, to build organizations and communities. At its fullest expression, to put moral meaning in all relationships.

Drive to Create: First to learn, to comprehend one’s self and environment, and then to inquire beyond, and most fully, to imagine and invent a better world.

In the course of daily human experience, these four drives must be reasonably satisfied and are independent of one another in the sense that choosing to fulfill one does not necessarily contribute to the fulfillment of the others.

All four drives are also underpinned by powerful emotions, so their sway over human choice is quite significant. While cognition and reason occur in the brain, the body is the theater for emotions, and it is the intensity of these emotions that holds even greater power over human interpretations, choices and actions (Damasio, 1999).

Authentically and artfully including elements that appeal to our multiple drives can deepen relationships and influence choice. Connecting with customers on an emotional level strengthens the bond.
Relationships Are a Two-Way Street

With this new perspective, it’s now important to understand that people engage with brands (and other human beings) in two ways: one focusing on the drive to acquire, and the other addressing multiple motivators:

**Transaction-driven**
You make a list of what you need and head to the closest grocery store. You select the least expensive brands and move quickly to use the self-check lane. In minutes you are out of the store, having had minimal human contact and having invested little discernment into your purchase choices. Transaction complete.

**Relationship-driven**
You have a personal passion for wholesome food. You’ve done your homework on why the quality of food is important to you and to your family’s health. You head to Whole Foods because they state their “deepest purpose as an organization is helping support the health, well-being and healing of both people—customers, Team Members, and business organizations in general—and the planet.” You interact frequently with the friendly staff, discuss your food options with them, and are keenly aware that you identify with what Whole Foods stands for. You leave with more than a bag of groceries, but with a sense of connection, shared identity and a shared purpose of good health and well-being.
Marketers need to be clear on whether they are trying to create transactions or trying to create an enduring relationship where transactions occur within the context of a purpose that improves the lives of people.
Driving on Autopilot

Our actions are also somewhat complicated by the fact that some choices are conscious and purposeful and many are autopilot responses or habits. This phenomena was characterized by psychologist and Nobel laureate, Daniel Kahneman as “thinking fast” or “thinking slow.” The “thinking fast” system manages habitual thought and action. It is largely unconscious patterns of triggers and automatic responses. The “thinking slow” system, on the other hand, is conscious and deliberate (Kahneman, 2011).

Using our old mental model for loyalty programs and purchase choice, tactics focused mainly on a customer’s “thinking fast” system and appealed predominantly to their drive to acquire.

In that model, a brand habit looks like this:

![Diagram: A trigger followed by an automatic response rewarded by financial incentive]

Or like this in the real world:

![Diagram: Scheduling a business trip (trigger) followed by booking a hotel reservation through a loyalty program (response) rewarded by points (incentive)]

There is no expectation here that the program member waste valuable brain resources thinking about this. In fact, it's often preferred that the customer not think too much. It is simply habitual. And this is where most loyalty marketers stop. Their program is functioning as an effective “habit engine.” They have an automatic habit pattern ingrained. What more is there?

The poet Mary Oliver put it this way:

“In the shapeliness of a life, habit plays its sovereign role...Most people take action by habit in small things more often than in important things, for it's the simple matters that get done readily, while the more somber and interesting, taking more effort and being more complex, often must wait for another day”

The opportunity, and the challenge, is to go beyond transactional habits to connect with customers’ emotions and values. Provide the customer with an engaging experience focused on improving their lives in a specified manner like Whole Foods’ purpose of helping support the health, well-being, and healing of people and the planet. In this model, choice looks like:

Personal values drive choosing values-aligned brands for a relationship.
In the context of this relationship, transactions occur like this:

A trigger followed by a values-based choice rewarded by both financial incentives and personal fulfillment gained.

Activating the “thinking slow” system can be built into the experience of your loyalty program in such a way that values-based choices no longer wait for another day. Your customers are able to both participate in shared purpose and values with your brand/organization and engage in transactions that are in alignment with what is most important to them.

Engaging personal values by designing for the thinking slow systems of your program members offers tremendous potential for customer engagement and loyalty well beyond unthinking transactional habit.
Sitting Back or Taking Charge

With this view of customers acting out of habit or making values-based choices, we can see interactions in two dimensions:

Passive
You book your flight on the only airline that flies non-stop to your destination. Your assistant signed you up for the airline’s miles program long ago since you travel there frequently. You receive points, and notice the emails with your balance, thinking that you should take advantage of those for personal travel when you get a chance.
Active
You are excited to be booking a flight on your favorite airline because it’s not only going to qualify you for an extra ticket to take a friend on a weekend getaway, but it counts toward a fund-raising promotion the airline is running for a charity you care about. You found this out from the airline’s member newsletter which you make sure to read since you identify strongly with the brand and its purpose to connect people with people. Once you’ve booked, you click on the social sharing icon and let your friends know you scored a great deal and are supporting your charity at the same time.

With the dimensions of transaction vs. relationship, and active vs. passive interaction, we see a new framework for building very different types of customer loyalty begin to emerge.
Four Loyalty Destinations Revealed

If our goal truly is to get un-lost, to move off the engagement cliff and out of the loyalty wilderness, the four engagement dimensions of **Transactional vs. Relational** and **Passive vs. Active** will now act as our new signposts, pointing the way to more meaningful and distinctive customer-brand destinations. By mapping the continuums between these four signposts onto our existing landscape, we now see that loyalty is not monolithic as we have long treated it. Rather, loyalty reveals itself in four distinct types - Inertia Loyalty, Mercenary Loyalty, True Loyalty and Cult Loyalty - based on where your customer interactions fall along the intersections of these four dimensions. We call this new map **The 4D Loyalty Framework**:

![4D Loyalty Framework Diagram]

**True Loyalty**
*Optimize the Experience*
"My connection to the brand goes beyond the offer."

**Cult Loyalty**
*Optimize the Tribe*
"The brand reflects my personal identity."

**Inertia Loyalty**
*Optimize the Barrier to Exit*
"I'm only here because it's too much trouble to go elsewhere."

**Mercenary Loyalty**
*Optimize the Incentive*
"I'm loyal because you pay me to be loyal."

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What this framework immediately tells us is that we have a choice in how we build connection with customers, and also in the type of loyalty we engender. To understand these options better, let's first look at the two forms of loyalty with the strongest connection to our old mental map - Inertia and Mercenary Loyalty:

1. **Inertia Loyalty** focuses on optimizing the barrier to exit and is the answer to the question, “How do I best trap my customer into an ongoing interaction with my brand?” This type of loyalty primarily engages the drive to defend in that people defend or protect their time and simply do not bother to switch brands because it is too much work. Brand stickiness is often engendered through subscriptions and contracts, particularly those that auto-renew on a periodic basis.

   - **Transactional**—Most focus is placed on the transaction of business renewal. Loyalty marketing efforts are usually minimal, viewed more as a cost than an investment in retention.

   - **Passive**—Many members either feel stuck or simply don’t care enough to explore alternatives. Engagement is low, usually by design, in hopes that customers won’t place much attention on consideration of alternatives when it comes time to renew their business.

   - **Drives Activated**—Defend. Consumers defend against the expenditure of time or effort to switch.

   - **Weakness**—In Inertia Loyalty, barrier to exit only works as a retention strategy as long as the barrier itself remains viable—once it falls, there is little left to retain the customer relationship and it becomes vulnerable to competition. An example of this weakness is the recent T-Mobile campaign which offers to buy out the contract of any cell phone customer willing to switch to their service from a competitor. By offering to remove the barrier, T-Mobile is also removing the inertia which their competitors depend on for customer retention.

   - **Where Do We See This?** Common examples include mobile phone and cable companies, insurance companies and airline carriers—essentially, anywhere that retention is primarily driven by contracts, cancellation penalties or a lack of viable alternatives. For example, an airline might assume you are loyal, but you actually don’t like their service and only fly them because no one else offers a direct flight to your most common destination. If a competitive carrier offered a direct flight tomorrow, you’d likely switch.
2. **Mercenary Loyalty** shifts to the active dimension and primarily relies on activating the drive to acquire, with customers being rewarded monetarily for purchase behaviors. Retention is primarily driven via a “hidden” rebate offered to the member in terms of points redeemable for rewards.

- **Transactional**—The Mercenary Loyalty program is usually highly structured and rules-based, focusing almost entirely on driving and rewarding transactions that drive high value for the company.

- **Active**—The most committed members of Mercenary Loyalty programs become highly engaged with maximizing the potential to redeem for rewards and status. They often will carefully scrutinize the earn-and-burn rules of the program and compare them to those of other programs to take best advantage of the program value proposition. Members often experience a sense of accomplishment from making the most of the financial rewards offered by the program.

- **Drives Activated**—Acquire and defend. Customer focus on acquiring points and status, and strive to defend against the loss of either (loss could come in the form of point expiration and/or a loss of status if a minimum threshold of transactions are not maintained over time.)

- **Weakness**—Mercenary Loyalty programs can be powerful in motivating behavior, but they are highly vulnerable to a competitor offering a slightly richer financial benefit in order to steal market share. These programs are also easy to copy, since their rules structures are generally made public.

- **Where Do We See This?** As the most prolific type of loyalty program today, it is seen in the points and miles programs popular with airlines, hotels, banks and retailers. The pinnacle example is American Express’ Membership Rewards loyalty program, which is widely regarded as one of the most successful and copied Mercenary Loyalty programs.
Arguably, the recent decline in loyalty program engagement has largely been a consequence of an over-reliance on Inertia and Mercenary Loyalty. While both certainly have utility, they are limited by:

1. Focusing only on transaction, not relationship
2. Activating only two of the four core human drives (drive to acquire and drive to defend)
3. Relying on fast-thinking habits versus slow-thinking choices and attention

Based on the work of Paul Lawrence and Nitin Nohria at Harvard Business School
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With our new map for meaningful customer engagement in hand, we need to turn our focus to a deeper understanding of our other two types of loyalty that embrace a fuller understanding of human motivation:

3. **True Loyalty** shifts focus significantly to the whole person and to all four biological drives. Here a loyalty strategy may not even show up as a “program” but if it is programmatic, it will look very different from Mercenary. There are still rewards, but there is more because the brand will focus on making the entire experience engaging, not just the redemption. “Earn” behaviors share equal focus with “burn” behaviors through an engagement strategy that includes a refined member life cycle, segmentation, a data-driven communications cadence, meaningful personalization and surprise-and-delight.

- **Relational**—Members perceive themselves in a one-to-one relationship and conversation with the brand. Members participate in an experience that is valuable to them and feel that brand is making an effort to make it relevant and personalized to their specific needs.

- **Passive**—Members now value the entire program experience more, but their focus is mostly on “What is the brand doing for me?” and “How is the brand showing it values me?” without necessarily seeing themselves as an active/reciprocal participant in that relationship.

- **Drives Activated**—Bond, acquire, defend with the drive to bond focused specifically on the direct relationship between the customer and the brand or loyalty program.

- **Weakness**—True Loyalty primarily falls short in not taking advantage of the power of connecting program members to each other to reinforce brand choice. Members generally focus only on their own personal experience, with little to no awareness of the other humans in the program.

- **Where Do We See This?** Examples of True Loyalty show up across multiple industries in programs run by top brands, including:
The My Panera program eschews the highly-structured and visible design of most Mercenary Loyalty programs in favor of a design that seems to embrace randomness and keeps its rules a secret. Members simply make purchases and are periodically given a surprise reward of the program’s choosing. The persistent surprise-and-delight aspect of the program provides a unique loyalty experience that goes beyond the mundane predictability of many programs.
Uber

Uber attracts and retains users by removing all the negatives of the traditional taxi experience for their passengers. Via Uber’s app, users can request a driver, track his or her location and ETA via GPS, identify them by name and photo, and complete payment at the end of the ride. In transit, drivers are known for their politeness and willingness to engage in conversation. At the completion of the ride, both passengers and drivers can rate one another to provide mutual feedback on the entire experience.
Southwest Airlines

Southwest has long had a stated mission to “democratize the skies” with an emphasis on making flying affordable and enjoyable. They are known for their upbeat team members who bring a more personal feel to the travel experience, including breaking out in song at times during flight, and their “bags fly free” policy that sets them apart from most other airlines. At a more tactical level, Southwest engenders customer engagement through their easy-to-understand Rapid Rewards loyalty program which effectively employs simple game mechanics to allow members to easily track their progress toward rewards and tier status. Finally, their Companion Pass uniquely enables loyal program members to earn the ability to designate another person to fly free with them for a year, effectively activating the drive to bond in their program experience.
4. Cult Loyalty, by far the strongest expression of customer relationship, goes even further than True Loyalty. Sitting at the intersection of the Relational and Active dimensions, here all four biological drives are activated and connection is deeper in that members personally identify with the purpose and values of the brand and of the program. The members literally view the brand/program as an extension of who they are as people.

- **Relational**—Members see themselves connected to the brand personally through a shared identity, including shared values. In essence they are saying, “I have my own personal brand, and I connect with your company because your brand aligns with mine.” But unlike the purely one-to-one relationship seen in True Loyalty, members also feel a strong social connection to other customers who have made the same brand choice. That tribal connection brings social proof, with members reinforcing one another’s choice to engage with the brand.

- **Active**—Members are not just interested in what benefits the brand can offer them. They now place a high value on opportunities to express their shared identity to the world because of the statement it makes about them. They also look for ways to connect with and meet other like-minded brand advocates, whether on the social grid, via events or through subtle social cues or rituals.

- **Drives Activated**—Bond, create, acquire, defend, with the drive to defend primarily focused around defending one’s brand choice and one’s connection to the brand tribe.

- **Where Do We See This?** Examples of Cult Loyalty show up in a variety of engagement approaches employed by some of the world’s strongest brands, including:

- **Provide a hook for attention** at the start of the program and through periodic campaigns
- **Provide something predictable** for participants to expect in the experience
- **Provide transactional value** to activate the Drive to Acquire
- **Provide a sense of progress** with points acting as a program “score” and enabling members to set earning goals

**Points power your program’s habit engine.** As such, the strongest loyalty programs moving forward will continue to be built on a core foundation of Mercenary Loyalty, with new elements of social engagement and shared identity building on that solid foundation.

Do points still have a role?

While the new focus of effective programs should be to activate your tribe and optimize the entire program experience, there will remain a need to ground the program in a structure that drives habit and guides members towards specific, mutually-beneficial behaviors.

In this regard, points (and, ultimately, rewards) remain the most proven foundational loyalty program mechanic to achieve this, and can be used to:

- **Provide a hook for attention** for participants to expect in the experience
- **Provide transactional value** to activate the Drive to Acquire
- **Provide a sense of progress** with points acting as a program “score” and enabling members to set earning goals

**Points power your program’s habit engine.** As such, the strongest loyalty programs moving forward will continue to be built on a core foundation of Mercenary Loyalty, with new elements of social engagement and shared identity building on that solid foundation.
Harley-Davidson

Harley is well known for its loyalists who identify very personally with the company’s values of personal freedom and the experience of the open road. Harley activates their tribe by bringing these loyalists together through Harley Owner Group® memberships and social gatherings at Harley retail locations. Harley riders have also developed the Harley wave—a brand ritual that loyalists engage in to signal their shared identity to one another on the road—a ritual that comes with its own etiquette and lore, further tying members together in a shared experience.
Apple

Apple is probably the most cited brand known for cultivating impenetrable relationships with brand loyalists, something they accomplish without any visible loyalty program, connecting their tribe instead through shared devotion to value of great design and functionality. A very subtle tactic Apple employs to engage loyalists is via the Apple sticker that comes with every product purchase. Apple doesn’t tell customers what to do with this sticker, but true fans commonly place this sticker on their automobile. Why? Arguably, they do so not to signal their Apple love to the world in general, but to signal to other Apple people, “I get it, and I am one of you.” In this way, Apple smartly extends Cult Loyalty by enabling members to choose to engage in a meaningful brand ritual and communicate their shared identity to other Apple fans.

Loyalty marketers actually have a range of choices for the kind of loyalty they want to cultivate with their best customers. The challenge for many of us will be to move more boldly toward the types of loyalty that drive meaningful relationships, not just repeated transactions.
Marketer’s Intention Matters!

A marketer’s intention is of utmost importance. Marketers have the opportunity to get very clear on the type of human connection they want to create with their customers. A purely transaction-driven mindset has a core intent of driving more purchases, while a relationship-driven mindset has the added intent of improving people’s lives. The relationship-driven mindset is not the relationship or one-to-one marketing of two decades ago that gave birth to direct marketing, customer surveys and the second generation of loyalty programs.

This is not to say these tactics were bad. Rather, it is to acknowledge that they were often rooted in an intention to simply drive more transactions. The next generation of marketing is different because the intention is different. The intention arises from a value of caring about customers as human beings where relating to them in a way that makes their life better is what drives you.

Whereas the birth of loyalty programs occurred during the era of transactions, the next generation of loyalty programs will be paved by caring marketers whose mission is to engage and connect with customers around a shared purpose that improves their lives.
Loyalty Lost, Found and Realized

So, what’s the right answer for you, for your brand and for your customers? Do you abandon your points program in favor of an experience optimized purely by surprise and delight? Do you give up proven barriers to exit in favor of a new program intended to activate your tribe of loyalists? Is this a question of setting your compass for either True or Cult Loyalty, leaving Mercenary Loyalty behind in your dust?

In our new loyalty landscape, the winners will actually be those companies that integrate the best elements of Cult, True and Mercenary Loyalty together into a multi-loyalty strategy. They will combine diverse elements of those three types of loyalty into an experience that activates all four biological drives and connects members through shared identity with the brand and with one another. This is the optimal approach for maximizing the benefits of the 4D Loyalty Framework.

A program that embraces a multi-loyalty strategy might include:

1. **Points, levels and rewards** as a basic foundation for initial program engagement and tracking of progress.
2. **Personalization, gamification, lifecycle communications, and surprise and delight** to encourage member connection that goes beyond a financial quid pro quo.
3. **Social game mechanics** (e.g., news feeds, group missions), **public rituals, events and forums** that connect the tribe and provide social proof for their brand choice.
This 4D Loyalty Framework offers us a brand new perspective on the loyalty marketing landscape. A limited view of loyalty and even more limited understanding of what drives customer connection marked the past two decades of loyalty marketing. Before us now lies a new understanding of the multiple paths open to us in the journey to lasting customer relationships. Before us is the realization that by truly caring about customers’ needs, making creative use of program currencies and rewards, personalizing interactions and striving for a more complete and engaging human experience, we can redraw the map for loyalty marketing and begin to offer programs that brand loyalists won’t be able to resist.
Where Are You on the New Loyalty Map?

What type of loyalty experience are you currently offering your members? Using the 4D Loyalty Framework Diagnostic below as a guide, you can quickly assess your current program strategy to see where various components of your program fall across the four dimensions and identify opportunities for improvement:

**The 4D Loyalty Framework**

<table>
<thead>
<tr>
<th>Your Customers’ POV</th>
<th>Transactional</th>
<th>Relational</th>
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<tbody>
<tr>
<td>Inertia Loyalty</td>
<td>Passive</td>
<td>Active</td>
</tr>
<tr>
<td>&quot;I am loyal because it is too much trouble to go somewhere else, there are no other good options, or because you make it difficult for me to switch.&quot;</td>
<td></td>
<td></td>
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<tr>
<td>Mercenary Loyalty</td>
<td>&quot;I am loyal because you pay me to be loyal.&quot;</td>
<td></td>
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<tr>
<td>&quot;I am loyal because my connection to the brand goes beyond a transactional exchange.&quot;</td>
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<tr>
<td>True Loyalty</td>
<td>&quot;I identify with a shared purpose and/or identity.&quot;</td>
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<tr>
<td>Cult Loyalty</td>
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<table>
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<tr>
<th>Your Customer Value Prop</th>
<th>Focus on Barriers:</th>
<th>Focus on Reward:</th>
<th>Focus on Experience:</th>
<th>Focus on Tribe:</th>
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<tbody>
<tr>
<td></td>
<td>We create barriers to exit, or we create stickiness where our customers’ effort to change brands isn’t worth it.</td>
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<td></td>
<td>We provide a &quot;rebate&quot; in the form of points.</td>
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<td>We offer a branded currency that can be managed for my company’s benefit.</td>
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<td></td>
<td>Our program is highly structured where choice is limited.</td>
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<td>Focus on Reward: We focus on the quality of the entire program experience, creating emotional engagement, mostly for a direct brand-to-member relationship.</td>
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<td></td>
<td>We use surprise-and-delight to engage and show appreciation.</td>
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<td>Focus on Tribe: We engage a tribe of brand loyalists, focusing on emotional engagement around our tribe’s expression of shared identity and values.</td>
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<td>We offer broad space for choice and personal expression. Program elements are less predictable, more novel.</td>
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<td>Social rituals among members are celebrated as nurturing tribal connection.</td>
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<td>Relational Assumptions in Win-Win Mindset Diagnostic Questions</td>
<td>Customer Value: Brand Diagnostic: Do you create stickiness in the beginning of relationship?</td>
<td>Customer Value: Brand Diagnostic: Do you intend to reward desirable behaviors?</td>
<td>Customer Value: Brand Diagnostic: Do you intend to create a relational experience?</td>
<td>Customer Value: Brand Diagnostic: Are you committed to building a tribe/community?</td>
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<td>Your Comm Strategy</td>
<td>Minimizing communications.</td>
<td>Communications focused on earning and redeeming.</td>
<td>Segmented and personalized communications focused on member appreciation as well as earning and burning.</td>
<td>Segmenting and personalized communications focused on socially connecting members.</td>
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<td>Relational Program Approach</td>
<td>We don’t really have a program or it is minimal since we rely on a contract, subscription or barriers to exit.</td>
<td>Our program is in place to drive transactions (focused on earn and burn).</td>
<td>Our program is in place to create relationship and advocacy.</td>
<td>Our program is in place to create and connect the tribe.</td>
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<td>We place emphasis on cost per point and liability.</td>
<td>Segmentation is based on product usage or member value.</td>
<td>Segmentation is based on demographics, values, preferences.</td>
<td>We embrace crowd-sourced influence where tribe influences the brand.</td>
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<td>Our marketing team has adopted financial auditing thinking as opposed to engagement thinking.</td>
<td>Our program is highly predictable.</td>
<td>Communications is a personalized experience.</td>
<td>Our program encourages brand rituals.</td>
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<td>Marketing team is focused on appreciation, authenticity and connection.</td>
<td>Our marketing team is focused on the tribe/meaning and ritual and we geek out about what the tribe stands for.</td>
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<td>Encourage positive employee and customer interactions.</td>
<td>Our program encourages external expression to connect the tribe (e.g., Apple sticker).</td>
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</tbody>
</table>
“We can’t solve problems by using the same kind of thinking we used when we created them.”

—Albert Einstein
Mary Beth McEuen  
Vice President, Maritz  
Executive Director, The Maritz Institute  

Mary Beth is the Executive Director of The Maritz Institute which is focused on unleashing human potential through people-centered business solutions informed by leading-edge human science research. During more than 20 years at Maritz, Mary Beth has held senior leadership roles in marketing, strategy, organizational development and the launch of Brand Alignment, a new business venture. Mary Beth holds a Master’s degree in Organizational Leadership and is active in professional futures organizations. Her passion is leadership that creates life-giving impact.

Barry Kirk  
Vice President, Loyalty Strategy  
Maritz Motivation Solutions  

Barry Kirk brings more than a decade of experience in consulting, customer retention and digital marketing to his role as VP of Loyalty Solutions for Maritz Motivation Solutions. In this role, he serves as the leader of the Maritz US loyalty practice. A sought after speaker and workshop leader, he has led the introduction of new disciplines like persuasive design and gamification to the loyalty space, and champions the belief that “consumers are human beings first.” Follow Barry online at: www.twitter.com/barrykirk.
References


