How to Build Customer Loyalty Through CX

A MaestroQA Guide

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What is Customer Loyalty?

Customer loyalty is best described as an unshakable brand allegiance, leading to repeated purchases and dedication to the brand over an extended period of time. The truly loyal customer does not shop around for the lowest price or to "see what else is out there."

Loyal customers trust their instincts to remain connected to the brand—even when friends, family, or advertisers try to convince them otherwise. This affinity goes far beyond dollars and cents. It's about a relationship—and potentially being part of a community of other enthusiastic, loyal customers.

Of course, as with all things in business, it still comes down to dollars and cents. Loyal customers are more likely to have larger, more frequent purchases, which ultimately saves businesses the cost of acquiring new customers. It's a win-win.

Top-performing brands are **doubling down on creating amazing customer experiences** as their primary differentiation strategy in a crowded market—all to build a loyal customer base.

There are two main forces driving this emphasis on loyalty:

1. We live in an increasingly digitized world, which makes the human touch so much more important.

2. CX teams realize that legacy tools and metrics aren't cutting it. CSAT surveys, for example, provide minimal insights from customer interactions.

So, How Loyal Are Your Customers?

Not sure? Don't worry. Loyalty can be difficult to measure. That's why many companies instinctively turn to CSAT. After all, CSAT is a one-off snapshot of a customer's interaction with your company.

Your 93% CSAT score may indicate that agents are doing a nice job handling support interactions, but it doesn't tell you much about the customer's overall feelings about your brand.

Loyalty is based on a lifetime of consistent, high-quality interactions with your brand— not a one-time score.

Why Loyalty is Important

(& How It's Connected to CX)

Customer loyalty is more than just a "feel good" concept. Building a community of loyal customers has a direct impact on the short-term and long-term success of your business—both in terms of revenue generation and risk mitigation.

Here are four specific reasons why focusing on customer loyalty—as a key part of the customer experience—is a smart idea.

Acquiring New Customers is Expensive

You've probably heard that it's easier to keep an existing customer happy than to find a new one. It's true. In fact, Amy Gallo at Harvard Business Review[1] estimates that acquiring a new customer is between **5 and 25 times more expensive** than retaining an existing one.

New customers don't appear out of thin air. By definition, they must be "acquired," which typically involves advertising campaigns, online promotions, and sales initiatives—none of which are free. A "successful" campaign might only convert at a 5% rate, which means you have to spend a lot of money to make money. And then there's the overhead: the cost of sales, marketing, and operations staff to create, manage, and optimize demand gen campaigns—a cost that's easy to overlook. Even after acquiring a new customer, there's no guarantee that he or she will develop into a lifelong relationship.

Does this mean it's time to halt customer acquisition activities and focus exclusively on retention? No, of course not.

Most businesses have a natural rate of churn where customers either leave the brand (or the market). Customer loyalty helps keep those churn rates low while ensuring customers return time after time— while recommending your products to their families and friends.

1. https://hbr.org/2014/10/the-value-of-keeping-the-right-customers

Subscription Models Depend on Loyal Customers

According to the Subscronomics Report 2021[2] from adtech company Telecoming, the global subscription industry's revenue will reach $481 billion by 2025 with an average year-on-year growth of 23%. Innovative companies across countless product and service categories—from pet supplies to men's underwear, and everything in between—are looking to cash in on this business model.

Both consumers and businesses recognize the value of subscription-based products and services. When done the right way, a subscription model simplifies life for consumers, eliminates payment friction, and leads to an ever-growing number of satisfied—and loyal—customers.

Customer loyalty keeps attrition rates low and is the main growth driver for subscription-based companies.

2. https://www.telecoming.com/blog/subscronomics-the-subscription-economy-will-surpass-228-billion-during-2021/

Commoditization is a Real Threat to Many Industries

eCommerce has improved life for millions of consumers and created unimaginable opportunities for businesses of all types. On the flip side, it's led to a commoditization mentality that can quickly erode customer loyalty. **Why stay loyal to a brand when you can browse a dozen other vendors who offer near-identical products, services, and pricing?**

That's why brands in commoditized industries are focusing on other intangible aspects of business—like providing a stellar customer experience—to ensure differentiation, avoid churn, and remain viable. In fact, a study[3] of 10,000 consumers by the XM Institute found that 94% of consumers who rate a company's CX as "very good" are likely to make another purchase in the future. Simply put, CX directly impacts customer loyalty.

3. https://www.qualtrics.com/blog/roi-of-cx/

Customer Loyalty is a Safety Net for Brands

Everyone makes mistakes—including brands. Loyal customers recognize this reality and are more willing to overlook errors, oversights, and blunders. This is especially true when the brand consistently provides an excellent customer experience. The same study from the XM Institute found that 75% of customers who believe that a company delivers "very good" CX are "very likely" to forgive a mistake. Comparatively, customers who have had "very poor" experiences are only 14% likely to forgive.

In other words, providing a good CX makes customers **5x more forgiving** when mistakes occur.

Metrics for Measuring Customer Loyalty

Traditional CX metrics (like AHT, FCR, and CSAT) are essential for understanding your support team's overall performance but say very little about customer loyalty. Across industries, CX teams have also found it difficult to identify the one metric that tracks loyalty. In our opinion, these five metrics should be used together as an indicator of customer loyalty.

1. Repurchase Rate

Repurchase rate measures a customer's likelihood of buying additional products from your company. Simply divide the total number of customers who made more than one purchase by your total customers during the same period to determine your repurchase rate.

Why It Matters:

A customer who makes several purchases is, by definition, more loyal than the customer who buys once and never returns. Steadily increasing your repurchase rate means that customers are becoming more loyal, which is a great starting point. It's important to note that repurchase rate does not account for how often they're making another purchase—only that they're more likely to. For example, let's say that you increased your repurchase rate from 10% to 20%. Customers are twice as likely to rebuy, but by what degree? Are they buying ten times—or only twice? It's hard to say without further analysis and additional metrics. Teams should track their average basket size (or order size) to answer the "by what degree" question.

2. Customer Lifetime Value (CLTV)

CLTV indicates the expected total amount of purchases that a customer will make with your company over their lifetime. Use this formula to calculate CLTV.

$$CLTV = \left(\frac{Average\ Order\ Value\ *\ Purchase\ Frequency}{Churn\ Rate} \right) *\ Profit\ margin$$

Why It Matters:

Climbing CLTV rates show that you're building a strong, engaged customer base that is increasing their spend with your brand. By contrast, falling CLTV rates indicate that customers are spending less money, less frequently with your brand—the opposite of loyalty.

3. Net Promoter Score (NPS)®

NPS measures how likely customers are to promote your brand. To calculate NPS, subtract the percentage of people who will not promote your product ("detractors") from the percentage who would promote your product ("promoters"). Your NPS can range from -100% to 100%. Average NPS varies by industry, but Hubspot[4] and Satmetrix both place the average eCommerce NPS at 43%.

Why It Matters:

NPS changes the conversation entirely, and for the better. Rather than asking customers about their current satisfaction with a particular interaction or product, NPS seeks to understand the customer's willingness to become a brand advocate. Advocates are further down the customer journey than the average loyal customer. They're willing to go out of their way to advocate for a brand—as compared to simply repurchasing over time—which makes NPS an excellent metric for measuring customer loyalty.

4. Customer Effort Score (CES)

CES indicates how easy (or difficult) it is for customers to interact with your company. Like CSAT, customers are prompted to share their feedback via an online survey. The difference between CES and CSAT, however, is the question that you ask your customers. Instead of asking customers to rate their interactions with numerical scales, five-star scales, or thumbs up/thumbs down, CES utilizes a "very easy" to "very difficult" rating scale.

Why It Matters:

Customers want easy—not difficult. They want one interaction with support, not a bunch. Give customers what they want, and you're sure to see a boost in CES—and, in the long run, customer loyalty.

5. Quality Assurance (QA) Score

QA score is an internally-generated metric—usually by a company's analysts or managers—that assesses the overall quality of agent interactions in alignment with the company's own expectations. QA scores are used to objectively evaluate agent performance, track adherence to policy and brand voice guides, and add context to customer-given CSAT ratings. QA scores also provide CX leaders with a complete understanding of their support programs, which leads to better training, policies, technology, and, ultimately, customer outcomes.

Why It Matters:

Your QA score measures what's most important to your brand. CX leaders use this metric to ensure alignment with your ideal customer experience and close any gaps that may exist, thereby reducing friction and boosting loyalty.

How CX Leaders Can Help Improve Customer Loyalty

Delivering an excellent customer experience is a surefire way to build loyalty. As one of the few human touch points that customers still have with brands these days, identifying new ways to elevate CX should always be a top priority.
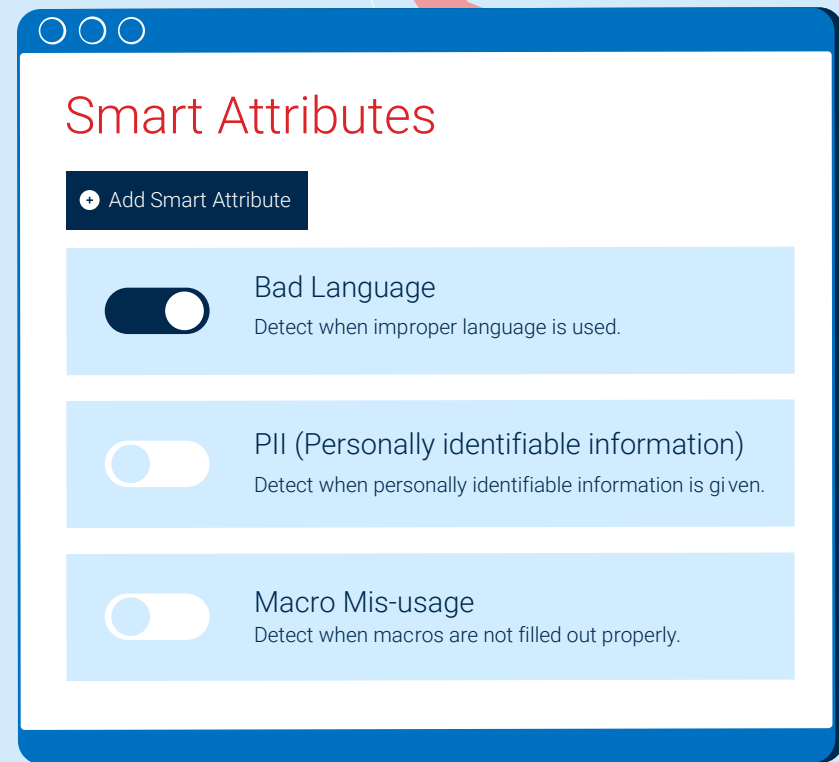
Here are five ways tried-and-tested ways to improve customer loyalty through your CX team. →

✓ Prioritize & Resolve Serious Customer Issues

When customers are asked to wait for a long time to obtain resolution to their problems, they don't feel very appreciated—and that makes them more likely to take their business elsewhere. Avoid long wait times by triaging calls and prioritizing serious issues. Be sure to build in excess capacity so that you can swiftly handle these types of situations before they become even bigger problems.

QA can also play an important role in identifying and resolving serious customer issues. For example, MaestroQA Smart Attributes automatically screens your tickets for specific words (like bad language) or the mention of a competitor's brand. CX teams can then use this information to reach out to the customer and make it right, while improving their processes at the same time.

Smart Attributes

⊕ Add Smart Attribute

Bad Language
Detect when improper language is used.

PII (Personally identifiable information)
Detect when personally identifiable information is given.

Macro Mis-usage
Detect when macros are not filled out properly.

✔ Build Long-Term Consistency with Best-in-Class CX Tools

Successful CX teams rely on a combination of tools that empower agents with actionable information. That's why the CX team at Brooklinen, a luxury retailer of high-quality home essentials, instituted what it calls a **CX University**. Despite an unexpected shift to remote work caused by COVID-19, Brooklinen was able to streamline agent onboarding and improve customer satisfaction by focusing on three key pillars:

☐ Learning Management System (the "Lectures"):

Brooklinen uses Lessonly—an online learning management system—to create bite-sized, video-based training modules and provide helpful information in an interactive format that suits each agent's learning style.

☐ Knowledge Base (the "Textbooks"):

Brooklinen's "textbook" is hosted on Guru, a company wiki that makes it easy to find and share helpful information, such as policies, procedures, knowledge base articles, and other random snippets of information.

☐ QA Program (the "Tests"):

Grading support tickets with MaestroQA creates a continuous feedback loop that helps agents know what to work on. Agents can easily ask for clarification or appeal their grades, which encourages healthier communication at every level of the CX team. Aggregated QA data is useful for surfacing content gaps in Brooklinen's lectures and textbooks.

✔ Invest in Your Loyalists

Sales and marketing are essential, but there's an even better way to attract new loyalists—word of mouth referrals. A study of 2,700 consumers by HubSpot Research and SurveyMonkey[5] found that friends and family are the top way that people discover new products and companies (53%). Respondents also believe that friends and family are the "most trustworthy" sources of information.

How can you encourage loyalists to become brand advocates to their friends and family? Zendesk[6] has a few great suggestions, such as communicating your values, continuously asking for feedback, and activating your loyalists. Here are a few ways to "activate" your loyal customers:

☐ **Develop a refer-a-friend program**
that incentivizes loyal customers to recommend your product to others. It doesn't take much—some swag or a small discount could do the trick.

☐ **Flag known brand advocates in your CRM**
and filter your contact list for high engagement customers, such as those who have participated in events or product launches.

☐ **Use customer order and interaction data**
to cultivate a list of "likely loyalists." For example, customers who were referred by your most loyal customers. Or, newer customers who have placed a minimum number of orders during a specific time period.

5. https://blog.hubspot.com/marketing/buyer-behavior-statistics
6. https://www.zendesk.com/blog/build-customer-loyalty/

✓ Keep Customer Effort Low

Remember CES (Customer Effort Score) from the previous chapter? Doing business with your brand should be easy, not hard—even when that involves allowing customers to leave (for now, anyway). Here's how ClassPass boosted long-term loyalty despite making it easier for customers to cancel or pause their accounts.

Real-World Example:

ClassPass, an online fitness company that connects people with workout classes, experienced a large uptick in cancellations due to COVID-19. ClassPass pivoted and enabled a fully automated cancellation process and proactively offered customers the ability to place their accounts on hold—instead of waiting for them to cancel. This led to an 83% customer retention rate throughout COVID-19 compared to the expected 61%. As gyms began to reopen, customers simply re-enabled their accounts without the frustration of starting from scratch. Continue reading about how ClassPass eliminated 6,250 days of agent chat time while keeping customer effort low.
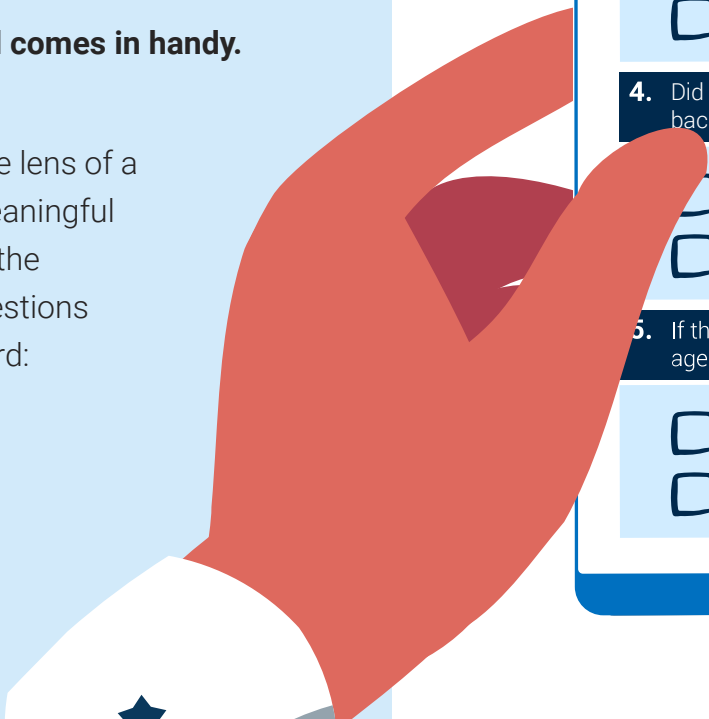
⌒ **classpass**

✓ Use a Win-Back Scorecard

Your agents regularly interact with customers who wish to cancel. Appeasement charts and special offers are a common approach, but they should come second to understanding the customer's true reason for leaving. Closely examining these types of interactions helps your CX team verify that agents feel empowered to act while simultaneously surfacing new insights that lead to a better customer experience.

That's where a win-back scorecard comes in handy.

Evaluating cancellations through the lens of a win-back scorecard can surface meaningful insights to help agents understand the customer's pain. Here are a few questions to include in your win-back scorecard:

Scores

1. Did the agent identify the customer's reason for leaving?

- ☑ Yes
- ☐ No

2. Did the agent show empathy for the reason?

- ☐ Yes
- ☐ No

3. Did the agent attempt to win back the customer by following our appeasement framework?

- ☐ Yes
- ☐ No

4. Did the agent use the right appeasement to win back the customer?

- ☐ Yes
- ☐ No

5. If the customer still decided to leave, did the agent provide a good exit experience?

- ☐ Yes
- ☐ No

Conclusion

Customer loyalty isn't easy to achieve, but it's worth the effort. It's built on a customer-centric culture that permeates every level of your CX organization. And, it's solidified by consistently delivering high-quality customer interactions.

Here's a quick recap of what to do next:

☐ **Start an internal conversation about customer loyalty**

Discuss why loyalty is important to your company and gain buy-in from key stakeholders. Develop a shared vision of success.

☐ **Implement metrics that measure and track customer loyalty**

Go beyond AHT, FCR, and CSAT. Collect and analyze the right types of data. Start tracking repurchase rate, CLTV, NPS, CES, and QA score.

☐ **Double down on the quality of your CX**

Identify and resolve misalignment between the customer's expectations and actual experience. Prioritize serious issues for resolution. Implement the right CX tools. Invest in your loyalists. Minimize CES. Use win-back scorecards. Ensure your agents are set up for success.

We're here to help.

MaestroQA makes omnichannel quality assurance software for modern support teams. Etsy, Mailchimp, Peloton, Zendesk, and more use MaestroQA to improve agent performance, optimize CX processes, unlock business-level insights, and enable amazing customer experiences—all while improving the metrics that matter like retention, revenue, and CSAT.

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