Beyond Gamification:

Fostering Millennial Loyalty in the Retail Industry

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Abstract

The concept of loyalty marketing has expanded over the last three decades, from punch cards and frequent flyer miles to robust, gamified programs rich with personalized data. Recently, firms have attempted to engage younger generations with technology and social media; however, Millennials remain the least loyal generation to date. Loyalty program usage is declining: brands have failed to reach this critical generation. This thesis discusses the current state of loyalty and describes tactics firms can use to gain footing with Millennials, who are keenly aware of their $600 billion in spending power. By developing brand credibility, creating Millennial-focused brand experiences and leveraging modern elements of customer relationship management, firms can develop consumers for a lifetime.

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Consumer loyalty directly impacts firm profitability. The concept is not new: most believe contemporary loyalty efforts or programs began when eighteenth century merchants gave copper tokens to consumers to be redeemed for future purchases (CrowdTwist, 2016). The advent of modern technology, along with improved marketing approaches and generational differences, have dramatically shifted the loyalty landscape. This literature review will explore current issues in loyalty, ending with final recommendations for retail firms to foster brand loyalty in the least loyalty generation to date: The Millennials (Bilgihan, 2016).

A History of Loyalty Marketing

Loyalty efforts are critical in today's competitive environment. Loyalty programs and initiatives have a positive effect on the lifetime of the consumer and share of individual customer spending, when consumers develop a real relationship with the brand (Meyer-Waarden, 2007). Consumers who participate heavily in these programs have a lowered risk of defection, which increases the customer lifetime value (CLV) towards the firm. The CLV mediates firm actions and shareholder profitability, as consumers with higher CLV lead to higher sales and individual return on investment (Berger, et. al, 2006). Loyalty programs give more detailed information to firms who can better personalize customer relationships, further developing the CLV and securing future sales. Research also reveals that better customer relationship management (CRM), empowered by loyalty efforts, improves the profit efficiency of the firm (Krasnikov, Jayachandran & Kuman, 2009).

In previous decades, marketing theory treated all consumers as homogenous groups with the same needs (Muriuki, 2015). Customer satisfaction and service the hallmark concentrations of the 1980s (Sharp & Sharp, 1997). In the 1990s, marketing theory transitioned from satisfaction to loyalty, as firms and marketing professionals realized the lifetime value of retaining customers (Oliver, 1999). Loyalty programs formally began in the airline industry, as marketers vied for consumers with frequent flyer miles (Sharp & Sharp, 1997). Retention became the new acquisition. Today, one-to-one marketing theory suggests consumers are individuals who will switch to competitors who meet personal needs and preferences if the current firm does not fully satisfy; this is especially true of Millennials (Paharia, 2013). As digital natives with uninhibited access to information, Millennials shop globally, conveniently and narcissistically (Stein, 2013). Few barriers keep them from cross-shopping and switching to competitor services when no tangible relationship with the current firm exists.

The market is no longer characterized by mass production, but mass personalization: consumers expect brands to meet unique needs with the same speed, cost and convenience mass production achieved (CrowdTwist, 2016). This consumer attitude puts firms at risk to lose consumers who find a better price, more convenient service or a better personal connection to a competing brand. The costs of new customer acquisition and customer loss dramatically impact the bottom line, estimated to affect profits anywhere from 25 to 85% (Muriuki, 2015). Customer-centricity is the new paradigm by which firms operate to mitigate these costs and satisfy consumers (Chen, 2017).

Loyalty Programs

Today, loyalty program spending tops $48 billion annually and the number is only increasing (Watson, Beck, Henderson & Palmatier, 2015; CrowdTwist, 2016). Research suggests that positive perceptions of loyalty programs lead to deeper loyalty, compelling brands to increase spending and loyalty initiatives (Yi & Jeon, 2003). Consumers are part of anywhere from 19 to 29 loyalty programs across industries, including competing brands (Abramovich, 2017). These programs exist to increase repeat purchase patterns and other behaviors that ultimately lead consumers to resist competitive offers (Paharia, 2013).

Elements of gamification have dramatically changed loyalty programs in the last decade. Gamification is the use of big data to motivate consumers, according to Paharia (2013). Gamification involves elements of individual recognition, smart competition, the integration of technology, and other features that integrate consumer data into the loyalty program. Gamification is nearly boundaryless. It could include the quantified self – profiles used in technology like Fitbit – or adaptive learning technology used via apps. Gamification will be further discussed below, but several examples given by Paharia (2013) reveal that gamification has driven loyalty engagement, sales, and overall profits in a number of firms.

This is not to say all loyalty programs are successful. In fact, some research shows poorly designed programs can hinder loyalty (Ou, Shih, Chen & Wang, 2011). And many loyalty programs fail to affect consumer attitudes, despite driving purchase behaviors. This is a risk to firms as they cannot rely on the customer lifetime value (CLV) of consumers who may quit purchasing at any time; it is a liability, when loyalty should make consumers assets. Loyalty initiatives and marketing must then be catered to specific demographics, industries and spending habits of consumers within a specific brand.

Defining Loyalty

Before this literature review continues, it is important to define loyalty. Many authors have written on the subject without a singular objective or definition; however, two common concepts guide the loyalty dialogue: that of behavioral loyalty, and that of emotional loyalty between the firm and consumers that supersedes promotions and rewards (Watson, Beck, Henderson & Palmatier, 2015). It can be difficult to distinguish these two types because loyalty is often measured by the same behaviors: increased sales, increased items per transaction, and so forth.

Behavioral loyalty is described by many terms, including spurious, promotional, behavioral and transactional loyalty, among others. This represents the repeat purchase patterns meant to increase sales.

Attitudinal loyalty is “having a high relative attitude toward a loyalty program or brand,” according to Yi & Jeon (2003, p. 235). This represents a deeper connection to a brand that may or may not result in increased purchase patterns.

Kirk (2011) further defines loyalty into four levels as an attempt to combine both behaviors and attitudes. He uses the terms inertia, mercenary, true and cult to define the levels of loyalty programs should produce. Inertia loyalty is spurious, brought about by price, accessibility or convenience (Han et. al, 2018). Consumers driven by inertia loyalty have no emotional connection to the brand or compelling reason to choose a product or service other than surface-level factors. In Kirk’s (2011) mercenary loyalty, consumers are paid for their loyalty via rewards. This is most common among loyalty programs. It is important to note that consumers at this level may engage with multiple competitors, again revealing a low emotional connection to the brand. True loyalty exists when the customer has a compelling reason to resist other offers, beyond promotions. This is the typical goal of loyalty programs. The final level of loyalty is cult loyalty, a virtual commitment by which the consumer and brand are essentially bonded as one. Cult loyalty, according to Kirk (2011), is impossible to manufacture. These levels will be discussed later in this thesis.

Watson, Beck, Henderson & Palmatier (2015) combined the various definitions of loyalty through a literature analysis. For the purposes of this thesis, their definition of loyalty will be used with a caveat. Customer loyalty is "a collection of attitudes aligned with a series of purchase behaviors that systematically favor one entity over competing entities," sustained for a long-term relationship between the customer and brand (p. 16).

The Importance of Loyalty

As previously stated, retention is the new acquisition. Gupta, Lehmann & Stuart (2004) found customer retention to be the biggest factor in valuing customers, which is a measure of a firm's overall market value. Retention efforts are multiplied in firms with high initial retention, thus providing an incentive for increased attention to these initiatives.

On average, loyal customers spend 67% more than new customers (Abramovich, 2017). Retained customers are also more reactive to brand marketing and make more purchases (Jooyoung, Morris & Swait, 2008). Finally, one longitudinal study found that truly loyal customers are the most stable customer group for a firm (Bove & Johnson, 2009). Firms can rely on sustainable sales when loyalty is a priority. Additionally, this customer group provides opportunities for research to further tailor initiatives toward consumer preferences and needs.

Loyalty programs can also mitigate customer relationship issues by improving the relational commitment between a brand and its consumers (Ou, Shih, Chen & Wang, 2011). Committed customers are more willing to overlook mistakes. The trust developed between a firm and consumer is not as easily broken when the consumer has consistently been satisfied with the brand and rewarded for patronage. Loyalty programs also help firms manage customers by providing greater data collection capabilities, making it easier to solve problems quickly, personally and thus more effectively.

Current Loyalty Trends

Industry Success

In 2014, 2.7 billion program enrollees existed in the United States (Watson, Beck, Henderson & Palmatier, 2015). Programs are proliferating. High involvement industries tend to have better perception of these programs, leading to deeper engagement and truer brand loyalty (Yi & Jeon, 2003). This may be because high-involvement decisions tend to be more emotional. According to Bilgihan (2016) Millennials are the most emotional decisionmakers among consumers. They rely on emotional experiences to develop attitudes toward brands.

High-involvement decisions may also involve a higher level of service interaction, which can lead to relational connections that increase loyalty (Bloemer & de Ruyter, 1999). Human relationships lead to higher emotional switching costs which may entice customers to resist competitive offers.

Top performing sectors today include quick-service restaurants, hotel, grocery, gas and convenience stores (Wojcik, 2018). Retail program tend to be the most successful – at least in terms of participants – among Millennials, with 77% belonging to at least one program (Abramovich, 2018). Gas and grocery sectors have had the largest recent growth in program engagement (Wojcik, 2018). Interestingly, these are not inherently high-involvement industries. Firms are learning to integrate data to drive engagement even in low-involvement settings through big data and technology.

Gamification

Loyalty marketing has gotten smarter. Where programs used to consist of punch cards and emails, firms learned that behaviors do not necessarily measure emotional connection (Bowen & McCain, 2015). Paharia (2013) discusses the arrival of gamification in loyalty marketing in his book *Loyalty 3.0.* Firms began combining big data, technology and internal motivators in the early 2010s to combine internal and external motivators for deeper engagement and loyalty. Gamification leads to deeper emotional connections as consumers are driven by internal needs to interact with brands. Social connectedness, personalized rewards and greater autonomy are a few of the concepts driving loyalty programs today, according to Paharia (2013). Relationship orientation is thought to be the future of loyalty programs and customer engagement. Data gained from gamification tactics and other Loyalty 3.0 paradigms helps firms satisfy customers by understanding needs and rewarding the most valuable consumers at an appropriate level (Vinod, 2011).

Current Issues

Several issues exist in loyalty marketing today. These include the tendency for consumers to react emotionally to positive or negative experiences, general characteristics that make Millennials fickle targets for loyalty programs, and the failure of firms to develop attitudinal loyalty through programs.

Fluid Loyalty

Kirk's (2011) tiers of loyalty are listed above; however, more recent research suggests these tiers are not as structured as proposed. Ngobo (2017) depicts a model in which consumers move between the four levels instead of belonging to one type of loyalty. For instance, a consumer may begin at the mercenary loyalty due to a promotion, but increased interaction with the brand leads to true loyalty as trust is developed. Instead of being defined by one level, the consumers develop loyalty to a brand through these states (inertia, mercenary, true and cult) as he or she learns about and experiences the brand. Ngobo (2017) suggests all consumers begin at an initial loyalty level, often described as promotional or spurious loyalty due to a specific experience or discount offered. As the consumer gathers information and collects positive or negative experiences, uncertainty about the brand diminishes and truer loyalty is established.

This is especially important to understand when considering Millennial loyalty. Millennials are less trusting than previous generations (Pew Research Center, 2010). Thus, brands must build trust and experiences that breed certainty to develop loyalty through the levels. Trust is the top antecedent to loyalty among Millennials, at least in the online realm (Bilgihan, 2016). In fact, trust is considered one of three prerequisites of loyalty alongside value and satisfaction, according to one article (Raimondo, Miceli & Costabile, 2008). Many factors can influence levels of trust, including marketing components like product placement and price (Ngobo, 2017). Firms must be extra precautions in creating experiences consumers that develop trust if they hope to build true loyalty in consumers.

Unfortunately, with this model in mind, consumers can also drop levels of loyalty – the risk of fluid loyalty. While Kirk (2011) describes true loyalty as “an emotional stake in the brand to resist competitive offers,” his work does little to suggest an absolute phenomenon by which consumers are consistently loyal to a brand despite negative experiences (para. 4). Ngobo’s (2011) model explains this. In the same way loyalty develops through levels, consumers may also transition to lower states of loyalty, especially at the true loyalty level.

Chipotle serves as one example of this loyalty fluidity among consumers. In January 2015, data showed truly loyal Chipotle consumers at just under ten percent of their fast-casual meals at the chain (Glazer, 2016). After a series of foodborne illness outbreaks at Chipotle, this number dropped to 7.7% within a year. Additionally, Chipotle’s Net Promoter Score, a common indicator of word-of-mouth marketing potential and customer satisfaction, dropped from 36.8% to 14.9% between January 2015 and May 2016. Thus, true loyalty is not as reliable as previous research indicated in terms of repeat purchase behaviors and altitudinal devotion. In the same way technology helps firms understand consumers, the use of social media and rapid spread of information through a variety of sources can greatly impact brand loyalty among Millennials.

Millennials

While the concepts Paharia (2013) describes helped firms for a few years, a new shift in loyalty marketing must take place. Millennials are again changing the loyalty landscape. For the purposes of this paper, Millennials are those born between 1980 and

2000; however, some Generation Z characteristics are addressed simultaneously as little research has been published differentiating the two (Stein, 2013).

Millennials belong to more loyalty programs than previous generations, but are considered the least loyal generation of consumers today (Wojcik, 2018; Bilgihan, 2016). Millennial and Generation Z consumers are less satisfied with current loyalty initiatives than generational counterparts (Wojcik, 2018). One study showed Millennials ranked loyalty programs as sixteenth on a list of priorities for brand satisfaction (Bowen & McCain, 2015). Programs that once worked for Baby Boomers do not fit Millennial needs. One study in the hospitality industry revealed that, while Baby Boomers were satisfied earning benefits with hotel stays, Millennials cared more about individual needs being met than rewards for repeat purchase behavior (Bowen & McCain, 2015). Loyalty programs that treat consumers equally may miss opportunities to capitalize on individual consumer spending, hindering the potential effects of the program as a whole (Liu, 2007).

While American households are part of 19 to 29 programs on average, they actively participate in only five to 12 of those (Abramovich, 2017). The sheer market saturation of loyalty programs makes it difficult for firms to gain true loyalty against competitors. According to one report, 71% of consumers are loyal to programs specifically for the discounts they provide (CrowdTwist, 2016). Only 5% of Millennials join programs because of genuine preference for the brand, indicating low levels of true loyalty (Logsdon, 2016).

Despite tactics like gamification to build loyalty in younger consumers, Millennials are more likely than previous generations to switch brands if better rewards are offered, according to one study (Logsdon, 2016). Thus, although firms have employed efforts to drive engagement through internal motivators, firms as a whole are failing to develop real loyalty among consumers, especially Millennials. Research on the long-term success of gamification is inconclusive. More firms are using gamification, which makes the market more competitive without shifting purchase behaviors and bottom lines (Hamari, Koivisto & Sarsa, 2014). Little research has been conducted to determine gamification's effects beyond behavioral outcomes, and the long-term effects of gamification may not be favorable. Some research suggests these tactics play on the novelty effect, by which consumers increase behaviors due to the newness and excitement of a program or initiative without becoming more loyal to a brand. Thus, a focus on long-term, authentic loyalty must guide new loyalty initiatives. Millennials have an estimated $600 billion in spending power as of March 2018 (Haemmelmann, 2018). Firms cannot lose the opportunity to capture this market.

Failure to Affect Attitudes

More firms are developing loyalty programs and including gamification tactics today, yet loyalty program use is in a steady decline of two to three percent per year (Abramovich, 2017). This suggests earlier issues of the novelty effect and loyalty to promotions alone are strong. Gamification, while increasing behavior, has not led to definite long-term effects on consumer loyalty. The positive behavioral results are found in empirical literature, but other factors impact the success of programs from a psychological perspective (Hamari, 2017). Firms cannot sustainably rely on gamification tactics and must find new ways to garner loyalty beyond these programs.

How to Win Millennials

So far, this thesis has focused on loyalty programs as they stand today. Both positive and negative outcomes have been established, but little has been done to discuss how firms can cultivate true levels of loyalty among consumers. The following discussion will analyze research surrounding brand-consumer relationships, specifically focused on Millennial consumer behavior and the retail industry.

While companies should address all generations in their initiatives, Millennials represent a difficult target market with spending potential to impact firms. Millennials are narcissistic, emotionally-driven and tech-savvy consumers who can easily manipulate weak programs. They are not ashamed of following promotions or cross-shopping, which will be further discussed later. Ultimately, the consumer behavior of Millennials makes it difficult for firms to develop true loyalty in these consumers through traditional loyalty programs.

The Millennial generation is three times larger than Gen X, the largest market since Baby Boomers, and the second biggest population in the history of the world (Ordun, 2015). Because of their age, cultivating loyalty now allows firms to develop customers for the long term, leveraging the customer lifetime value (CLV) of consumers and potentially impacting future generations as Millennials start families.

This thesis uses resources from a variety of industries but will focus on the retail industry, as 77% of Millennials belong to at least one retail loyalty program (Abramovich, 2018). The retail industry also presents the potential to include service employees, which, as explored before, can be a successful foundation for building loyalty.

The focus of this portion also relates to the previously used definition of loyalty, which seeks to develop attitudinal connection that leads to increased purchase behaviors and fosters a sustainable long-term relationship between consumers and the brand.

Millennials as Consumers

Before addressing loyalty patterns, it is important to understand Millennials as consumers. Several characteristics set them apart from previous generations. These include narcissism, the desire for hedonic experiences and uninhibited access to information.

The "Me Me Me" Generation

Millennials are referred to as the "me me me" generation (Stein, 2013, para. 2). This is because Millennials have a higher tendency toward narcissism than previous generations. Millennials are digital natives and grew up with access to social media, encouraging self-presentation and a heightened focus on image (Fox, Bacile, Nakhata & Weible, 2018). Millennials were raised under positive tolerance, by which they were told that their feelings mattered and their behavior was acceptable (Ordun, 2015). This narcissism and focus on image impacts buying behaviors. While Gen Xers seek secure and cost-effective products, Millennials consume products that relate to their self-concept. Millennial consumers literally define and express themselves through the purchases they make and the firms to which they are loyal (van der Westhuizen, 2018). In many ways, this may make Millennials more prone to cult loyalty through the self-brand connection and identification.

Because Millennials tend to be self-focused, they choose brands who reflect the values and image they hope to present to others (Abramovich, 2017). They are the only generation to prioritize sustainability (Bathmanathan, Rajadurai & Sohail, 2018).

This narcissism also leads to a desire for influence. Millennials are aware of their spending power and are more financially savvy than previous generations. This awareness demands respect and fosters a sense of power by which Millennials hope to influence brands at a greater level. According to one article, the ability to influence a product or brand directly related to purchase intentions if the brand was already viewed favorably (Kennedy & Guzman, 2017). This highlights the importance of personalized brand connections and brand credibility among Millennial consumers.

Searching for Hedonic Experiences

Millennials are the most emotional and experience-driven generation (Stein, 2013). They search for emotional experiences through purchase behaviors and are often enticed by this experience over external information they have read or heard about (Bathmanathan, Rajadurai & Sohail, 2018). They expect these hedonic experiences to be provided for them (Bilgihan, 2016). In Millennials' minds, brands are not static organizations, but emotional caregivers. Millennials expect brands to meet deeper needs and regularly seek out brands that provide emotional benefits and associations (Gomez-Suarez, Martinez-Ruis & Martinez-Caraballo, 2017). Brands take care of consumers and foster brand love, the currency of brand-consumer relationships among Millennials.

For Millennials, choosing products is not an information-driven task but a social activity. Shopping is viewed as a form of socialization, and the experience a brand provides should promote that concept (Bathmanathan, Rajadurai & Sohail, 2018). This can be accomplished through a variety of tactics, both in-store and online, which will be explored later in this thesis.

Access to Information and Technology

Millennials are digital natives. Millennials are the first generation allowed to use technology and the Internet without guidance or authority (Ordun, 2015). They have uninhibited agility when seeking information and can easily search for the product that will best fit individual needs. Millennials are eager to create online connections and savvy with social media promotion (Stein, 2013). Millennials share everything and actively seek out what others have shared when making purchase decisions (Bowen & McCain, 2015). They often look to multiple sources of information before making decisions (Obal & Kunz, 2013).

Technological innovations are the “ecosystem” of the Millennials social life, thus it is important that firms utilize all available innovations in marketing to this group (Ordun, 2015). 75% of Millennials have an online presence on at least one social network, making this a worthy platform for consideration in loyalty initiatives. Ordun (2015) also reveals that Millennials may actually trust “virtual friends” found via online communities over physically present friends when making purchase decisions. And because Millennials are so comfortable with the convenience of technology, firms must meet their timely demands before the Millennial consumer moves to another firm.

Practical Implications

The following portion will review tactics for building loyalty in Millennials beyond gamification and traditional loyalty tactics. Again, it is vital for firms to gain Millennial loyalty and capture the potential of lifelong consumers. By earning the trust of these consumers, firms capture the greatest levels of customer lifetime value (CLV) and increase opportunities to cross-sell throughout the lifespan of the consumer (Gupta & Zeithaml, 2006). This is especially true in a retail context. For instance, a department store could capture a Millennial consumer for clothes today, develop true loyalty, and the same consumer will shop at that department store when furnishing a first home, preparing for a baby, and transitioning to a retirement wardrobe. A grocer who captures Millennial loyalty today can more easily track changing spending patterns, further developing product assortment and meeting consumer needs throughout the lifespan. By emphasizing brand credibility, creating brand experiences and utilizing the latest technology, firms can capture the loyalty of Millennials and secure the customer lifetime value (CLV) of consumers for years to come.

Brand Credibility

Brand credibility initiates true brand loyalty among consumers and leads to brand loyalty and relationship commitment (Jooyoung, Morris & Swait, 2008). It is defined as the believability of the brand to be able to deliver what is has promised in the minds of consumers (Erdem & Swait, 2004). Brand credibility affects consumer behavior by mediating the relationship between brand consideration and actual choice, with higher brand credibility leading to more consistent choice on behalf of consumers. This is what loyalty is about.

Research also suggests that developing brand credibility can influence consumers' willingness-to-pay (WTP) a price premium for a brand, which is especially important in highly competitive retail industries (Dwivedi, Nayeem & Murshed, 2018). By developing brand credibility, firms drive loyalty and profitability as they become consumers' first choice among brands in a category.

As has already been established, Millennials are emotionally driven. They expect brands to share human values and desire to connect deeply. According to Abramovich (2017), 79% of consumers expect firms to actively show a sense of compassion and understanding before they will purchase. Additionally, the perception of a brand must already be positive before other factors like co-creation affect loyalty intentions (Kennedy & Guzman, 2017). Three factors may help brands build credibility among Millennials: trust, brand-consumer congruence and cause-related marketing.

Trust

Trust remains an important antecedent to loyalty among Millennial consumers. According to one study, brand credibility precedes the cognitive and affective conviction required to form the attitudinal strength necessary for brand commitment or loyalty (Jooyoung, Morris & Swait, 2008). Research has suggested consumers become more attached to trusted firms, thus leading to brand connection and loyalty (Frasquet, Descals & Ruiz-Molina, 2017).

Retail firms are increasingly moving toward omnichannel engagement strategies, providing a larger platform for developing consumer trust. Frasquet, Descals & Ruis-Molina (2017) found that offline loyalty has a substantial impact on online loyalty, but brand attachment does not necessarily lead to loyalty in the online realm alone. Thus, firms must find ways to generate trustworthy behaviors both in-store and online

In-store. Bove & Johnson (2009) suggest personal loyalty – loyalty to people – leads to true, long term loyalty. Physical retail environments provide the best opportunities for firms to leverage their people – the service employees – to build personal loyalty and develop trust. This personal loyalty can translate to brand loyalty.

With this in mind, firms must then be committed to service excellence as a foundation for long term relationships with consumers, as service excellence positively influences brand love and commitment in the retail industry (Padma &Wagenseil, 2018). Employees themselves must be committed to service excellence and build trusting relationships through repeat interactions. According to Padma & Wagenseil (2018), a commitment to service excellence begins with leadership and employee pride. Top management must be committed to a customer-centric culture and actively involved in ensuring employees understand the level of service required.

Service excellence increases employee loyalty, as employees take pride in their work. The likelihood of developing consumer loyalty through employee interaction is also greatly increased if employees themselves are fully engaged and loyal to the brand themselves (Paharia, 2013; Padma & Wagenseil, 2018). This can occur through proper resourcing, training and appropriately applied intrinsic and extrinsic rewards. Paharia (2013) suggests using the same loyalty gamification techniques with employees, using big data to motivate individual employees toward goals and outcomes. The actual outcomes of this have not been fully explored.

Empowering employees to drive customer loyalty may also help create a more meaningful work environment in the retail sector, a key factor in employee engagement, service and loyalty (Byrne, 2015). When employees feel well-resourced and empowered, they are more engaged and offer better service. Customers learn to trust firms with employees who offer higher service quality. Service quality leads to greater emotional attachment to the brand, deeper commitment and a stronger motivation to resist competitive offers after understanding what the retail firm offers (Padma & Wagenseil, 2018).

Online. Due to the impersonal nature of online shopping, it can be more difficult to for retail firms to cultivate trust online than through their store channels. Nevertheless, there are several ways successful organizations have established credibility on the Web and begun to develop trust.

Ngobo (2017) reports that trust is developed as consumers learn more information about the brand. Thus, providing consumers with information can quicken the trust-building process. Using Vanguard Group as an example, Reichheld & Schefter (2000) suggest placing a higher focus on educating consumers instead of selling them products. This allows consumers to feel that the firm has consumers' best interest at heart, leading to greater perceptions of authenticity, an important factor in trust.

Virtual consumers value reliability when choosing retailers above other factors (Hung, Chen & Chiu, 2019). When an online retail experience is perceived as reliable, loyalty develops. Reichhel & Shefter (2000) use Amazon as an example of this. Amazon holds personal and financial information for millions of customers who trust the brand, despite never having an in-person experience. Consumers trust Amazon with their information and continue to make purchases on the site, despite never having an in-person experience with the brand, because of the reliability of the service and credibility of the brand.

The same concepts of service excellence and quality discussed above apply. Retailers can establish trust on the web by making the checkout experience quick, simple and accurate. Website usability and user satisfaction lead to website loyalty (Flavian, Guinaliu & Gurrea, 2006). As consumers continue to experience reliable service, trust is built and foundation for loyalty is established.

Brand-consumer Congruence

Positive perceptions of the loyalty program lead to real loyalty (Yi & Jeon, 2003). As previously discussed, Millennial consumers view their purchase behaviors as personal expressions. Brand credibility then relates to personal credibility in the minds of these consumers. Brands should find ways to build credibility in a way that encourages self-identification with the brand, as well as shed the brand in a positive light. Experienced oneness between consumers and brands leads to real consumer loyalty through emotional attachment, thereby increasing the length of relationship with the brand and encouraging purchase behaviors (Chung & Park, 2015).

One way firms can develop this oneness with the brand is by humanizing marketing initiatives and developing an aspirational brand personality. Sponsorships and endorsements have been successful tactics with Millennials (Dwivedi, Mcdonald & Johnson, 2014). Millennials tend to seek reference groups, and celebrity endorsements provide with a reference by which to identify the brand and themselves (Bowen & McCain, 2015). These reference groups impact Millennial purchase intentions as Millennials seek to enhance image via purchases. Through endorsements, Millennials note favorable icons and celebrities and associate their positive characteristics with the endorsed brand, thereby building a brand personality the consumer hopes to identify with through purchase of products and interaction with the brand.

Research also shows event sponsorship can have a positive impact on consumer loyalty to a brand when the brand is promoted and customers are involved in the sponsored event (Sirgy, Lee, Johar & Tidwell, 2008). Firms should aim to sponsor events with brand personality characteristics and involve consumers as much as possible to affect self-congruity among consumers. The more involved consumers are in the event – through contests, social media engagement, and beyond – the greater the effect on self-congruity with the brand and the development of true loyalty.

Authenticity is important to Millennials. Thus, brands should strive to communicate celebrity endorsements and sponsorships in a way that promotes authenticity and brand-endorsement fit. Kennedy (2017) found that, when comparing an endorsement on a celebrity's social media page with a branded message on the brand's page, consumer responded more favorably toward the branded post. This positively affected consumer loyalty. Thus, brands should find ways to integrate endorsements into marketing communications instead of relying on external communications alone.

Another consideration with endorsement marketing is the credibility and fit of the celebrity or icon. Fitting celebrity endorsements directly impact self-brand connections when the celebrity displays credibility; however, a lack of credibility or brand-celebrity fit could have a negative impact (Dwivedi, McDonald & Johnson, 2014). Brands should carefully choose endorsers who emulate the brand personality characteristics the brand hopes to display, and controversial celebrities should be avoided.

Cause-Related Marketing

Brands can also establish credibility through cause-related marketing, though, like celebrity endorsement choices, brands should choose carefully before embarking on these marketing initiatives. As consumers, Millennials may punish or reward a brand based on its commitment to a social cause, as 61% feel a personal responsibility for impacting the world positively (McGlone, Spain & McGlone, 2011). Thus, it is important that chosen causes reflect the attitudes and values of targeted consumers.

Research shows that long-term strategic cause-related marketing (CRM) campaigns can positively effect consumer loyalty (van den Brink, Oderkerken-Schroder & Pauwels, 2006). The effects are magnified if the cause-related marketing relates to the brand's product, or, in other words, fits with the brand. CRM can be developed much like celebrity endorsements and sponsorships: consumers are more like to trust campaigns they perceive to be authentic and that fit with the brand personality.

Millennial consumers are not necessarily focused on morality, but personal values and the competence of firms and people (Weber, 2017). Thus, they respect firms who choose to focus on CRM strategies that have lasting, authentic impact, and they enjoy being part of the process as it relates to self-concept. Consumers must trust the firm's campaign for it to affect attitudinal loyalty and purchase behaviors (Hartmann, Klink & Simons, 2015; Eastman, Smalley & Warren, 2019). Transparency and communication clearly affect the impact of campaigns, and one-to-one product-focused CRM tends to be most profitable among Millennials.

In the retail sector, brands must strategically integrate CRM, as product-related

CRM is not as convenient. Retail firms can choose to focus product CRM through private labels or may rely on another relevant cause such as sustainable fashion or hunger for a grocery store. Millennials are not as concerned with the cause itself, and more concerned with the impact of the campaign and their personal involvement in making a difference.

Brand Experience

Millennials are experience-driven consumers. One report revealed brand experience ranked as the second most popular reason for joining a loyalty program (CrowdTwist, 2016). Positive brand experiences mediate self-brand connection and develops brand loyalty (van den Westhuizen, 2018). Brand experience is characterized by the sensory, affective, behavior and intellectual elements, and exists in every channel. Brand experience is the self-verification process by which consumers confirm associations with the brand and self-concept development while interacting with brand stimuli.

Firms focused on developing positive emotional experiences increase loyalty program member spending by 80% (Wojcik, 2018). Thus, it is an important factor in the success of loyalty initiatives. The following section will describe three ways a retail firm can build brand loyalty through experience: the co-creation of value, the physical layout of a store, and the online shopping experience.

Co-creation

Consumer co-creation of value – that is, participation in value creation with the firm – mediates the impact of brand experience on customer satisfaction and leads to higher levels of loyalty, satisfaction and repurchase behavior (Chen & Wang, 2016; Cossio-Silva, Revilla-Camacho, Vega-Vazquez & Palacios-Florencio, 2016; Presbensen, Kim &

Uysal, 2016; Kennedy & Guzman, 2017). Customer participation may be an opportunity to integrate the internal motivators that drive true loyalty, such as autonomy, mastery and purpose (Paharia, 2013). These internal drives do much more to capture the heart of the consumer as needs are met through the brand experience.

Several industries have reflected ways in which consumers can participate in value creation. Chen & Wang (2016) explored the role of an online airline check-in as a co-creation of value and its positive effects on customer loyalty. Online check-in provided consumers with the value of greater enjoyment of the travel process and convenience, while offering the firm the benefits of consumer loyalty and increased speed. Crandell (2016) suggests that involving consumers in the business development process not only solves problems and fosters better business strategies but develops the relationship with consumers.

Millennials enjoy having an impact. Fromm & Garton (2013) recommend a social media “listening strategy,” by which firms invite consumers to voice opinions and provide suggestions. Millennials are used to producing content and, as narcissists, are eager to make themselves and their ideas known. They do not want brands pushing communication via social media but would rather brands interact as partners. Mutual favors help build long-term relationships between brands and consumers, which has positive effects on the performance of businesses and drives loyalty (Lee, Tang, Yip & Sharma, 2018). Participating consumers are more likely to display loyalty behaviors, like word-of mouth marketing.

The concept of co-creation and mutual favors can be applied to the retail industry.

For instance, workshops or in-store product creation events may help consumers feel like participators. Consumers could be invited to create or taste a recipe in a test kitchen in a department store, dress a mannequin in a women's clothing store, or test a new technological innovation at an electronics retailer. A recycling program for electronics could also apply to consumer co-creation theory.

Retail firms should also consider regularly using social media to connect with Millennials and, instead of pushing advertising, should invite consumers to join campaigns and conversations. Social media platforms provide a variety of tools for surveys, interactions and collaboration.

Physical Layout

In the retail industry specifically, the physical layout is important in creating positive brand experiences. Millennials still enjoy shopping at brick-and-mortar stores and physical layout can directly affect whether a consumer will choose a specific retailer (Calienes, Carmel-Gilfilen, & Portillo, 2016). Because Millennials typically search online before purchasing a product in-store, and tend to be price-conscious, price perception is a key consideration in retail store layout. Positive price perception, usually affected by décor and artifacts, directly relates to satisfaction and brand loyalty (Han & Ryu, 2009). Thus, designers should carefully consider what décor will be used. Humorous or "fun" décor can lead to a more positive brand experience and humanize the relationship between the consumer and brand, leading to stronger loyalty.

One study on Millennials included the themes of neatness, personalization, aesthetic attributes and ease as relating to positive brand experiences in store (Calienes, Carmel-Gilfilen & Portillo, 2016). Managers can affect store experience by ensuring products are stocked and neat. Designers should determine which brand characteristics to emphasize when choosing colors and aesthetic attributes, as well as create a physical layout that increases ease and comfort.

Novel designs should be introduced carefully, as negative perceptions could increase consumers' reaction to price and challenge mission-driven consumers used to a specific layout (Murray, Elms & Teller, 2017). However, novelty can also increase purchase behaviors and, if introduced well, strengthen brand loyalty.

Online

In today's omnichannel environment, the retail brand experience extends to online platforms. There are two primary ways firms should work to improve brand experience that can build loyalty among Millennials: through social media engagement, and via web design.

Social media. Social connectedness is a key internal driver of loyalty, according to Paharia (2013). Collaborative communities drive loyalty and purchase intentions by providing consumers with a sense of belonging and individual importance. Millennials seek reference groups and ask for opinions before making purchase decisions, and they like to interact with brands via social media, as has already been established. Social media alone is not enough to build true loyalty, but it can aid in the development of an online sense of community, further developing brand associations and affirming self-concept. (Coelho, Rita & Santos, 2018; Bowen & McCain, 2015). Social media serves as *social proof* of brand associations, allowing Millennials to achieve the sense of affirmation and approval they need (Chen, 2017).

Additionally, the experience of connecting with other consumers may strengthen loyalty as web users seek out opinions and engage in word-of-mouth marketing tactics that shed the brand in a positive light. Social media offers retailers other stimuli by which to provide a positive brand experience on a platform Millennials by which are deeply influenced. It is an essential building block in loyalty development among the younger generation today.

Web layout. E-commerce represents 7% of total retail sales, driven by access to technology and Millennials' purchase styles (Tankovic & Benazic, 2018). It is important that firms consider how to leverage this platform to provide positive brand experiences, which lead to loyalty.

The perceived value of a firm via its web design and layout relates to both attitudinal and behavioral loyalty, according to Tankovic & Benazic (2018). Financial security and aesthetic design impact the user experience and relate directly to purchase intentions. The higher the value perceived, the greater the commitment to the brand and spread of word-of mouth marketing. Additionally, high quality, user-friendly websites generate higher satisfaction and loyalty levels (Cristobal, Flavian & Guinaliu, 2007).

While retailers cannot rely on online platforms alone to generate loyalty, certain features, as described above, make the online shopping experience easier and more positive for consumers, leading to satisfaction and purchase intentions. This satisfaction directly relates to loyalty development (Cristobal, Flavian & Guinaliu, 2007). Millennials are comfortable shopping online, and retailers must consider this as a touchpoint for relationship development and positive brand experience.

Bilgihan (2016) found that positive online user experiences, especially in terms of website flow and hedonic experiences, develop loyalty among Millennial consumers. Online store layout design and atmosphere impacts emotional arousal, purchase intentions and attitudes of consumers (Wu, Lee, Fu & Wang, 2013) Order management, interactive personalization and aesthetic atmosphere – led by graphics and simple, bright colors -- are important considerations for designers (Smith, 2012). Retailers could also explore options to connect consumers with fellow users to generate social connectedness and reference groups.

Customer Relationship Management

Customer relationship management (CRM) is not a new concept, yet its importance in loyalty is not to be undermined. According to Ou, Shih, Chen & Wang (2011), CRM is a critical factor in the success of loyalty initiatives. Technology and big data have empowered companies to connect more personally with customers, which results in the success of loyalty initiatives (Paharia, 2013). Millennials want to be known as individuals, and retailers can leverage CRM tools to reach this demographic and drive loyalty through listening tactics and idiosyncratic rewards.

Listening

Millennials are digital natives. They are independent and self-sufficient, often expressing this through the use of smartphones, social media and technology (Bowen & McCain, 2015). Fromm & Garton (2013) show the impact of listening-focused marketing on Millennial engagement: Millennial consumers would rather firms pull information and push it. In fact, 81% of Millennial consumers are open to being tracked, a growing number across years and generations (Wojcik, 2018). Brands should not fear developing deep insights through big data and technology to meet customer needs and personalize experiences. The concepts of transparency and authenticity are still key, but if a brand is willing to communicate listening tactics in an authentic way, Millennial consumers will respond.

Idiosyncratic Rewards

Paharia (2013) discusses many big data practices at length as drivers for loyalty. Social media tools are readily available, among other tools. Machine learning models can also be used to improve loyalty programs and better personalize rewards, leading to more personalized relationships between the consumer and brand and driving loyalty both attitudinally and behaviorally (Aluri, Price & McIntyre, 2019). If customers are included in the process, they may also sense the value of co-creation and autonomy, hitting internal motivators which lead to loyalty.

Consumers, especially Millennials, cannot be treated homogenously. This is the downfall of many programs today. Millennials have a deep desire for their individual needs to be met and to be seen by brands. Thus, the same rewards cannot be offered to every customer. In fact, Kivetz & Simonson (2003) found that consumer evaluations of loyalty programs were directly impacted by the level of idiosyncratic fit a consumer felt within the rewards offered. A competitive advantage arises from the loyalty program when big data is leveraged to reach consumers via one-to-one marketing.

Different consumers react differently to elements of the loyalty program, which can drive or inhibit behavioral and attitudinal loyalty. The relationship and equity age of the consumer must be considered (Raimondo, Miceli & Costabile, 2009). For instance, newer customers are more likely to react to prizes and rewards, but not develop loyalty to the brand itself. Long-term customers who have established relationship equity with the brand through experience should be rewarded to further develop loyalty. A critical component of any program is to engage in continuous learning with the consumer so needs are continually met and the relationship is continually growing.

Developing Customers for Life

Loyalty is critical because it harnesses the power of the customer lifetime value (CLV). Firms who can establish long-term relationships with customers that drive attitudinal and behavioral loyalty will not only reap the rewards of individual purchases, but the organic and elusive rewards of word-of-mouth marketing and sustainable sales. Customer lifetime value is a good measure of firm performance and often relates to the market value of the firm (Gupta, Lehmann & Stuart, 2004). It can be used to forecast future earnings and the success of strategies. Elements of the CLV include the obvious elements of repeat purchase behaviors and – with proper loyalty programs in place – increasing purchase amount per sale. But the CLV also includes the opportunity to leverage consumer data, target the correct strategies at the correct consumers, and reach entire networks of individuals. When organizations develop true loyalty, they capture a lifetime of sales and can rely sustainably on the most profitable consumers. Loyalty mitigates customer service issues and price concerns. By capturing Millennials, firms capture eager evangelists and the families of the future. For retailers struggling in a rapidly changing marketplace, building loyalty is critical for success.

This thesis is a brief overview of the loyalty of the future. Data on Millennial consumer behavior, and one cannot easily tell what the retail landscape will look like in a decade. However, the implications discussed can impact brands efficiently and effectively to create a competitive advantage in loyalty and capture the least loyal and most profitable generation.

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