The orthodoxies that COVID-19 broke

Reimagining customer loyalty strategy in a postpandemic world
How we define orthodoxies

Orthodoxies are deeply held beliefs about “how things are done” that often go unstated and unquestioned. They often become shared perspectives and/or standard practices that help people know what to expect in any given situation and that help institutions function more efficiently. But they can also lead to a dogmatic resistance to change and blind spots that can prevent us from developing new, better ways of working.

When it comes to interactions between consumers and brands, it could be said that COVID-19 changed nearly everything. Traditional strategies and tactics that brands have used to engage with consumers, deliver an exceptional experience, and earn loyalty and repeat purchases have been upended by a pandemic of historic proportions. The disruptions have touched almost every aspect of our daily lives as consumers: Online grocery sales grew 40% year over year, prompting brands like Wegmans to publicly reexamine their brick-and-mortar expansion strategies. Hotel companies and airlines saw their loyal business traveler client base shrink rapidly, challenging brands like Marriott to extend premier status to members and adjust their benefit programs. Digital engagement with customers exploded, while in-store foot traffic slowed to a trickle, with brands like Chipotle witnessing 134% year-over-year growth in digital orders and increased app-based engagement.

The disruption of the past 18 months has created new consumer behaviors (and, in some cases, new consumer profiles), many of which we expect to continue even after we fully emerge from the pandemic. Brands must recognize that many of the “orthodoxies” that existed prior to the pandemic have been changed forever, requiring reexamination of the traditional approaches to building customer loyalty.
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Example orthodoxies flipped by COVID-19

- Fine dining happens in a restaurant, not a takeout box
- Business travelers are the core revenue drivers for the hotel business
- Highest-priority customers must board the airplane first
- Deals with clients need to be completed in person
- Film premieres happen at a movie theater with a red carpet

The pandemic forced many brands to make swift changes to their business models in order to respond to this disruption in orthodoxies and meet the changing demands of their customers. WarnerMedia announced that it would release every single movie in 2021 simultaneously via streaming on HBO Max, hotel chains like Marriott rapidly pivoted to offer workspaces integrated with their loyalty programs, and credit card companies added limited-time benefits for customers who could not take advantage of traditional travel rewards during the pandemic.
Planning for the postpandemic world

While some orthodoxies are already returning to “normal” (e.g., airplane boarding processes), many new patterns developed during the pandemic will likely persist (e.g., simultaneous streaming and in-theater movie releases). We expect those patterns that remain will be linked to trends in consumer behavior that had started emerging prior to the pandemic, such as the increased usage of digital channels, higher expectations for personalized and curated experiences, and brand engagement with (and fostering of) communities based on inclusion and belonging. These are not temporary phenomena, but rather accelerations of trends that were already being observed in the market.

The rise of loyalty programs is another such trend that we expect to persist and accelerate. Prior to COVID-19, loyalty programs were already becoming more common and more complex, with many brands realizing the potential of these programs to help drive consumer behavior. We expect that loyalty programs (and loyalty strategy more broadly) will play an even larger role in enabling brands to thrive postpandemic. Leaders in the postpandemic marketplace will be those that acknowledge the world has changed and recognize the need to evolve their loyalty program and broader loyalty strategy to meet the new needs of the postpandemic world.

Deloitte maintains a core set of loyalty beliefs, grounded in our cross-industry experience, informed by our understanding of the evolving marketplace, and with an eye to the future. These core beliefs can help guide brands to reimagine their loyalty strategy in a postpandemic world. Brands that take advantage of this inflection point to make thoughtful and strategic changes in line with these beliefs will set themselves up to thrive.
Our loyalty beliefs

Grounded in our experiences, informed by our understanding of the marketplace, and with an eye to the future, we believe loyalty should...

1. Drive a specific customer behavior that corresponds to a value specific to the business
2. Deliver a portfolio of compelling benefits and interactions
3. Engage the customer throughout their active journey while extending and building new connections across their customer life cycle
4. Effectively engage employees and other partners
5. Be delivered in a design-led, ongoing, end evolving model
Effectively reimagining a loyalty program requires in-depth, objective analysis and thoughtful strategic planning. This includes identifying which pandemic-driven orthodoxies are here to stay and how they will affect a company’s loyalty program. Brands will also have to reexamine which customers are the most important to them, how those customers interact with their company, and what features resonate with those consumers in order to drive affinity towards their brand. Answering the following key questions can help to form the foundation for effective transformation of a brand’s loyalty program.

### Questions brands should be asking:

1. **Drive a specific customer behavior that corresponds to a value specific to the business**
   - Has our most valuable or target customer segment changed in a postpandemic world, and what new behaviors should we be driving from that segment?

2. **Deliver a portfolio of compelling benefits and interactions**
   - Do our current offerings, benefits, and experiences still resonate with our target customer segments, or have their wants and needs fundamentally changed postpandemic?

3. **Engage the customer throughout their active journey while extending and building new connections across their customer life cycle**
   - What new physical and digital channels can we now leverage to increase connection points, rebuild a sense of community, and meet our customers where they are?

4. **Effectively engage employees and other partners**
   - How can we reimagine employee and/or ecosystem partner engagement and cultivate new partnerships to augment our business objectives?

5. **Be delivered in a design-led, ongoing, and evolving model**
   - How can we leverage an iterative test-and-learn approach to evolve our loyalty program and provide value to our customers without overreacting to trends that may not persist?

Navigating the postpandemic world will be challenging, particularly given the lack of a reliable baseline to predict future consumer behavior. Rapidly changing customer preferences, exponential development of technology capabilities, and changing business economics are converging to create a new postpandemic loyalty landscape. Brands will have to prepare for multiple potential future-state scenarios in order to succeed. While it may be tempting to wait out the storm, hoping that things return to “normal,” or make reactive choices in response to near-term market dynamics, this is a unique opportunity for brands to use this opportunity to reimagine their long-term loyalty strategy. Brands that succeed will use this postpandemic inflection point as an opportunity to drive transformative change with an eye to the future.
Endnotes


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