Marketers Need to Differentiate Loyalty Goals From Preference Goals

Can you imagine a time when you'd marry the first person you dated—and stay married for over 50 years? What about taking the first job you were offered and committing to it for 40 years?

I hear brands saying they desire this: "fast loyalty." But in today's hypercompetitive market, businesses find themselves in perpetual pursuit of this unattainable fidelity, akin to chasing a mirage in the desert. And to further complicate things, brands' actions are more often aligned with preference than with loyalty.

What's the difference?

Preference, in essence, is a function of value, availability and access—a delicate balance between what consumers give up and what they receive, coupled with the brand's inventory and reach. On the other hand, loyalty emerges from the fusion of preference with trust and authenticity—an alignment of core values that fosters commitment and allegiance.

There is a distinction to make between short-term and long-term preferences as well. Long-term preference refers to sustained favorability toward a brand; it reflects consumers' consistent brand choices, often built on factors such as quality, reliability and positive previous experiences. Short-term brand preference refers to consumers' immediate choices based on situational factors like proximity or occasion.

A tale of two businesses

The conflation of preference and loyalty is one of the fundamental misunderstandings of modern marketing—so let's set the record straight, looking at two businesses both claiming to seek loyalty.

Business One expresses values and supports causes that are in line with its target customer. It listens to feedback and tailors its product offering to meet evolving needs. It launches a rewards program with a unique value exchange, even offering rewards not tied to its corporate benefit. It shows up in small ways at local spaces to demonstrate its shared identity with consumers.

Business Two promotes value-based transactional exchanges. It applies discounting, product promotions, limited-time offers and other shorter-term incentives to drive immediate purchases to generate sales. It shows up in large spaces to talk about itself and propel its agenda forward.

Both approaches increase top-line sales, but the latter is incorrectly associated with loyalty objectives and KPIs. Business Two's tactics build long-term preference if they are lucky but not loyalty. It has limited engagement with consumers beyond the point of purchase and therefore lacks personalization and deeper relevance; it is less aware of who its core consumers are, why they shop there or what might bring them back tomorrow.

Key loyalty KPIs are retention rate, repeat purchase, churn rate and customer lifetime value, compared to the key long-term preference KPIs of top-of-mind awareness, brand perception, purchase intent and brand engagement. Consistent

messaging, quality customer service and product innovation are all strategies that build toward a long-term relationship with the customer.

Short-term, transactional strategies—as measured by conversion rate, cost per click, cost per view and cost per conversion—do nothing to build loyalty as defined by the long-term KPIs above.

The cost and value of preference versus loyalty

Numerous studies, including one by the Harvard Business Review, underscore the resilience and profitability of long-term customer relationships over short-term transactions. Recent insights from the Edelman Trust Barometer shed light on the pivotal role of trust and authenticity in driving brand loyalty—a testament to the enduring power of consistent brand experiences built over years, not months. According to a report by Forbes and another by Bain & Company, increasing customer retention rates by 5% can lead to a profit increase of more than 25%. Yet, despite the empirical evidence, many brands persist in chasing short-term gains with long-term KPIs.

It’s easy to see why: Short-term preference is easier to transact on, and long-term preference campaigns cost more in the long run, requiring you to have deeper consumer understanding, which tends to come with research costs or offer a rewards program, which is associated with higher investments. While there are strategies to reduce the marketing costs of local, one-to-few and one-to-one campaigns, these strategies tend to have a higher CPM than mass, one-to-many campaigns.

And have you seen consumer acquisition costs these days?! On average, CAC for a D2C brand is $25-35. If your average basket size is $50 through transactional strategies, your ROI is 2-2.5; ten years ago, D2C ROIs, even if driven by

transactional strategies, were close to 4.

The financial model for short-term preference is simply too weak in today's marketing landscape given these acquisition costs. You can't afford to run a business on short-term preference only—you must build actual loyalty by activating strategies aligned with Business One's above, measuring churn rate, retention rate and other loyalty KPIs.

Transform to a long-term mindset

One crucial point is that long-term preference does not necessarily result in loyalty. While a consumer may consistently prefer a particular brand over time, it does not guarantee brand allegiance; things like changing market dynamics, evolving consumer preferences or competitive offerings can all influence long-term preference and potentially lead to shifts in brand loyalty.

Instead of viewing these as separate entities, marketers should recognize them as interconnected aspects of consumer behavior and adopt strategies that address both. Start by allocating a portion of the total budget—up to 25% initially—to brand-building activities—content marketing, brand storytelling or customer engagement initiatives—to strengthen brand equity and market presence over time. Shift focus from conversion to customer lifetime value.

The primary pitfall of having a misalignment of short-term goals with long-term KPIs is that you never really put brand equity strategies into action. You continue to focus on the close-in and lose sight of the horizon.

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