Building Brand Loyalty

NBCUniversal
BRANDS ARE FIGHTING HARDER THAN EVER FOR BRAND LOYALTY

Definition: The dedication and commitment of a consumer to continue buying or using a brand, driven by how the consumer measures the emotional connection with and functional benefits of the brand.
1. Why is brand loyalty important?

2. What drives consumer loyalty?

3. How do we address the challenges that arise as we act on these drivers?
1

Why is brand loyalty important?
BRAND LOYALTY IS PIVOTAL TO SUCCESS ACROSS ALL INDUSTRIES

DRIVING CHOICE

“We’re actually building relationships… loyalty leads customers to actively choose Delta at the expense of the competitive options that are available to them”

Tim Mapes, Chief Marketing Officer

GROWING SALES

“We know from experience that when customers join our rewards program their total spend with Starbucks increases meaningfully”

Kevin Johnson, Chief Executive Officer

INCREASING RETENTION

Loyalty is the rising tide and drives the business with 98% retention rate for top tier customers

Macy’s Investor Day Presentation Feb 2020

Source: 2020 Earnings Calls, Investor Day Presentations
LOYAL CUSTOMERS DRIVE SHORT AND LONG-TERM BUSINESS RESULTS

What benefits do recurring/subscription customers provide for U.S. retailers?

- Greater profitability: 65%
- Greater revenues: 59%
- Increased customer retention: 49%
- Increased customer lifetime value: 48%
- Increased average order value: 46%
- Greater revenue predictability: 43%
- Ability to upsell customers: 30%
- Reduced customer acquisition costs: 26%

Source: eMarketer, Ordergroove and NAPCO Research “Retail 2020: Recurring Revenue Programs Deliver Results” Jan 2020, Survey Nov 2019
MARKETING CONVERSATIONS ARE INCREASINGLY FOCUSED ON CONSUMER LOYALTY

2 How do you drive loyalty?
BRANDS UNDERSTAND THAT CATERING TO THE EMOTIONAL AND FUNCTIONAL NEEDS OF THE CONSUMER IS KEY TO DRIVING LOYALTY

The “What” Business Value

- Functional benefits
- Business Outcome

The “Why” Business Value

- Professional benefits
- Social Benefits
- Emotional Benefits
- Self-image benefits

Source: “From promotion to Emotion”, CEB Marketing Leadership Council in Partnership with Google; www.executiveboard.com
CERTAIN MACRO EVENTS AND CONDITIONS PUSH CONSUMERS TO INCREASE THEIR FOCUS ON FUNCTIONAL BENEFITS

<table>
<thead>
<tr>
<th>Event</th>
<th>Example</th>
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<td>Rise of the internet</td>
<td>The adoption of the internet gives rise to</td>
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<td>accessible information and a more informed</td>
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<td>consumer</td>
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<td>Financial Crisis</td>
<td>Economic hardship pushes consumers to weigh</td>
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<td>product cost against brand preference</td>
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<td>Covid-19</td>
<td>Extreme uncertainty causes consumer</td>
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<td>paralysis with shoppers honing in on</td>
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THESE EVENTS BUILD ON EACH OTHER AND PRIME CONSUMERS TO SEARCH FOR SALES EVEN WHEN MACROECONOMIC CONDITIONS ARE HEALTHY

Consumer Interest in “sales” over time

Financial Crisis

COVID-19

51% of companies use discounts to retain customers who are planning on cancelling a subscription

THIS HAS BEEN AN ONGOING PROBLEM FOR BRANDS, ESPECIALLY RETAILERS

Big Retail Relies on Big Discounts, and That May Be a Mistake

Discount dangers: 53% of retailers admit “always on” sales are damaging profits

'The question is ... what's NOT on sale?'

Black Friday in July?

Retailers are dangling deals online amid coronavirus, but shoppers may not show up
WHEN BRANDS LEAN TOO HEAVILY INTO THIS PRICE-DRIVEN CONSUMER BEHAVIOR, THEY DAMAGE CUSTOMER RELATIONSHIPS AND THEIR BOTTOM LINE

This cycle damages not just the emotional brand loyalty, but also the functional as consumers prioritize price over everything.

TO BUILD TRUE BRAND LOYALTY, BRANDS MUST BALANCE SERVING THEIR CUSTOMERS BOTH FUNCTIONAL AND EMOTIONAL BENEFITS

When asked what they most desire from purchasing a brand or product, consumers are split between deciding if they most want functional benefits or emotional benefits.

- Functional or Rational Benefits: 42%
- Emotional or Social Benefits: 58%

TO ACHIEVE THIS, BRANDS MUST EVOLVE HOW THEY LOOK AT THE RELATIONSHIP BETWEEN THEIR FUNCTIONAL AND EMOTIONAL OFFERINGS

From siloed…

...to synergistic
THIS NEEDS TO BE AN ONGOING RELATIONSHIP AND CONVERSATION WITH THE CONSUMER

**Consumer Experience Example**

“It makes me happy to get value from my purchase”

**Brand Execution Example**

Leveraging data to relevantly connect with your shoppers

“Happiness makes me feel that I have gotten value from my purchase”

Incentivize purchase through relevant stories, offers, messages
EXAMPLE: STARBUCKS TURNED A SINGLE TRANSACTION INTO AN ONGOING REPEATED BEHAVIOR

Consumer → Purchases Starbucks for brand value → Joins loyalty program to win rewards and more value → Receives free birthday drinks → Rewarded for repeat purchases → Incentivized to buy at off hours / new products → Feels rewarded for loyal relationship → Feels that he/she is receiving superior value & experience

Starbucks stock price

- April 2008: Starbucks launches rewards program
- Sep 2009: Starbucks launches mobile app
- Feb 2018: Starbucks launches Visa credit card
- Oct 2019: Starbucks represents 39% of mobile payment users in the U.S.
IT IS ESPECIALLY IMPORTANT TO CREATE THESE SYNERGIES IN TIMES OF CONSUMER AND ECONOMIC UNCERTAINTY

<table>
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<th>During the Financial Crisis</th>
<th>Today</th>
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<td><strong>Only 48%</strong> of highly loyal consumers in 2007 <strong>remained highly loyal</strong> in 2008</td>
<td><strong>45%</strong> of consumers have changed brand preferences during the pandemic</td>
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<td><strong>1/3</strong> of highly loyal consumers actually <strong>left the brand</strong> altogether, even though they continued to buy the category</td>
<td>If major brands <strong>had retained these</strong> highly loyal customers from 2007, <strong>their 2008 revenues would have increased between</strong> 5 - 25%</td>
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THE CHALLENGE IN ACHIEVING THIS SYNERGY TODAY IS THAT MOST PUBLISHERS CAN ONLY DELIVER ON THE FUNCTIONAL OR EMOTIONAL PART OF THE LOYALTY EQUATION.

THIS FORCES MARKETERS TO FOLLOW THEIR CONSUMERS ACROSS MULTIPLE PARTNERS AND MULTIPLE CHANNELS.

It’s like trying to put puzzle pieces together from different sets.
3

How can we solve for these challenges?
USING A SINGLE PARTNER MAKES IT POSSIBLE TO USE PIECES FROM THE SAME PUZZLE AND CREATE FUNCTIONAL-EMOTIONAL SYNERGY
HOW A SINGLE PARTNER CAN BRING THIS TO LIFE

Functional to Emotional
- Using audience and consumer research to formulate insights to create relevant stories
- Leveraging 1P and 3P data to distribute relevantly

Emotional Executions
- Marketing / Storytelling
- Premium Content that taps into passion points
- Contextual Relevance
- Talent

Functional Executions
- Addressable
- Programmatic
- Re-targeting
- Shoppable and click-through capabilities

Emotional to Functional
- Relevant stories that drive to conversion / through the funnel
- Ad experiences that smoothly drive from emotional awareness to purchase/research
WHAT THIS LOOKS LIKE AT NBCU

**Functional to Emotional**
- Audience and consumer insights
- Learning & optimization capabilities

**Emotional Executions**
- Expert Storytelling and Production Capabilities
- Premium Content: Entertainment, Sports, News, Movies
- Talent

**Functional Executions**
- AdSmart Targeting Products
- Apple News
- Brightline and Digital

**Emotional to Functional**
- Content Commerce & Shoppable Capabilities
- Commercial Innovation
- IP
BRANDS OFTEN COME TO US STRONG IN ONE OR TWO OF THESE AREAS

Functional to Emotional

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Functional Executions

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Emotional Executions

Insight-based creative marketing that resonates with the broad mindset of consumers

Emotional to Functional

Connecting with consumer passion points and offering more rewards around the things that they love.
WITH ONGOING DISCUSSION AND PARTNERSHIP, WE CAN CREATE A FULL FUNCTIONAL + EMOTIONAL STRATEGY

**Functional to Emotional**
Use of AdSmart to deliver relevant content so that audiences are receiving personalized offerings and creative

**Functional Executions**
Ease of access to products through click-through and shoppable capabilities

**Emotional Executions**
Insight-based creative marketing that resonates with the broad mindset of consumers

**Emotional to Functional**
Connecting with consumer passion points and offering more rewards around the things that they love.
AT NBCU, WE AIM TO SUPPORT YOU IN FITTING ALL THE PIECES TOGETHER TO BUILD ULTIMATE BRAND LOYALTY
WORKING TOGETHER
WITH NBCU TO DRIVE BRAND LOYALTY

1. IDENTIFY KEY DRIVERS
   of functional and emotional loyalty for your category & customers

2. BUILD ON YOUR EXISTING MEDIA STRATEGY
   to strengthen the emotional-functional synergy

3. EXECUTE AND MEASURE IMPACT
   to implement learnings
APPENDIX
EXAMPLE: SEPHORA CONSTANTLY ASSESSES ITS FUNCTIONAL AND EMOTIONAL LEVERS

Sephora’s Success

“It’s not about what [customer’s] loyalty demonstrates to us, but what we can deliver to our clients that creates the most meaningful and connected experience with our brands.… The right balance of transactional and emotional is required”

Allegra Stanley, VP of Loyalty

Loyalty Stats

25 million members

Accounting for 80% of total transaction as of 2018

Winning Awards

Sephora’s winning customer experience formula - NRF
May 27, 2019: “Stores are a powerful way to bring experiences to life for people,” says Sephora EVP of Omni Retail Mary Beth Laughton. But since the…

Sephora named Retailer of the Year - LVMH
Apr 26, 2018: The award reflects Sephora’s exceptional growth over the last decade, which has been… Discover the 2018 World Retail Awards Winners.

www.digitalcommerce360.com  2018/05/01  sephora  •

Sephora takes home the Mobile Commerce Award
Jun 7, 2016: Sephora walked away as the big winner for small-screen commerce at the second annual Internet Retailer Excellence Awards held last night at…
**EXAMPLE:**

**NBCU’S BRAVO**

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**Premium Content with Scale**

- #2: Most engaged cable network on women
- 245MM: FEP growth, up 38% YOY
- Top 5: Digital programs on ad-supported cable

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**Passionate Fans: The “Church of Bravo”**

- 60 sec: BravoCon tickets sold out under one minute
- 30k: BravoCon attendees across 3 days
- “If they do this again, we are going, I don’t care if we have to sell a kidney”

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**Fandom so powerful, it translates to partners**

- On average, integrations get +39% brand recall when they execute on Bravo compared to other Cable shows
- A grocer that integrated on Bravo achieved +30% higher brand memorability than the retail norm and +86% brand memorability than the Beer & Wine Norm