



# Sharing identity to foster customer loyalty



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# 01 Identity and customer loyalty

Zendesk Companion to "How does Identity matter to Loyalty?", a research paper by Dr Tony Hockley of the London School of Economics and Political Sciences.



What's the secret to earning loyal customers? Excellent service is surely part of the equation, but other forces are often at play. Shared identity, when a company embodies values important to its patrons, can be the base of formidable bonds, ones that sometimes seem to defy logic.

Recently Zendesk worked with economist Tony Hockley, of the London School of Economics & Political Science (LSE), to explore the interplay of loyalty and identity. Speaking of the complexity of human behaviour, Hockley says in his paper "How Does Identity Matter to Loyalty?" that people "have a strong desire to belong but also like to show individuality." He adds that for a business, "the development of an identity that customers wish to share may be one of the best ways for both to stand out from the crowd."

We've uncovered some insights into the [complexities of business-customer relationships](#). The common thread: factors that contribute to customer loyalty.

## When business relationships are like friendships

As part of its research into business-consumer connections, Union+Webster used a survey of more than 7,000 people to evaluate the similarities and differences between [consumers' ties to friends and their ties to businesses](#). Half the respondents were asked about their bonds with the businesses they patronise. The other half were asked the same questions, but about their friends.

There were two key discoveries. First, taking all respondents together, the survey found that consumers see their [ties to businesses as substantially similar to their ties to friends](#).

Then respondents were sorted according to their online behaviours. One group comprised half of consumers overall—the Social Activators, known for leaving positive, influential business reviews on key sites like Facebook and Amazon. A closer look here led to the second survey finding: Social Activators feel much closer to businesses than other consumers do.

In Hockley's work, he notes “a particularly strong attachment to companies that exude positivity and present themselves as being on the side of the individual customer.” Armed with insights such as this, businesses can drill down into specific opportunities to improve their standing. For instance, what are the ways in which a company might position itself as more of a confidant to its customers?

**77% of consumers prefer to purchase from companies that demonstrate community responsibility.**

Source: [Union+Webster's In Good Company: the Value of Conscious Consumers](#)



# How branded communities can create value

A knowledge center is a must, particularly with customers' increasing comfort with and hunger for self-service. But it can do more than deflect tickets: It's also an opportunity to [build trust, connection, and a sense of community](#), in a way that allows customers, advocates, and agents to all interact together.

Branded communities provide a great setting for discussions that include a variety of different perspectives. [Frequently asked questions or open-ended ones \(such as ideas for how to set up a workflow or customise a page\) are ideal](#). Your customers are probably doing interesting things with your product, and the community gives them an engaging venue for sharing their experiences with one another, and with your company.

Users often congregate on third-party forums or social networks to discuss details of a product without any input or involvement from the company that makes it. One of the biggest issues for these un-hosted conversations is their tendency to offer slanted advice, biases, or wrong answers with no way for the company to correct them. A conversation that's missing a key detail may go on for longer than it should have, or competitors might use a biased conversation to turn the users' attention towards a rival product.

**Evernote saw a 17% reduction in ticket volume after configuring their help center"**

Source: [Zendesk Evernote customer case study](#)

Hosting your own branded community gives the company the ability to hire Community Managers and build a moderator program to help establish and enforce community guidelines, share official information, and guide conversations in a productive direction. This is especially valuable if and when customers are discussing a less-than-ideal aspect of your product; you can provide helpful and proactive solutions, turning frustrations into a constructive and positive interaction. When customer loyalty is identity-based, says Hockley, "it begins to resemble the commitment devices that have proven effective in behaviour change: Essentially, a public commitment to a particular behaviour (being a non-smoker, for example) helps substantially in making the behaviour stick." Hosting your customers in a community can put that to work for you as a company.

# Key Takeaways

Shared identity, when a company embodies values important to its patrons, is a powerful bond that fosters loyalty. Although consumers don't expect companies to be their best friends, there are significant similarities between how individuals evaluate their ties to their friends and to the businesses they buy from.

Amongst the several mechanisms that enable you to build a shared identity with your customers, you should consider if you have the required capabilities:

- 01** Customer insights, easily accessible for your customer facing teams: these will allow the business to understand its customers and improve its standing.
- 02** Omnichannel communication and support: sharing identity starts with conversations and building relationships. Give yourself the means to support your customers on all the channels that they are using.
- 03** Single-view of customers across channels for your customer teams: customers know that you have multiple departments, however when they talk to your business, regardless of the channel, they expect to be recognised and understood. Ensure that your customer interaction solution integrates all channels – seamlessly.
- 04** Knowledge centres that guide customers and allow them to participate: allow your customers to be part of your community either through their questions or through their answers or both. Allow the humans behind your customer service to be part of these discussions.

# 02 The full research— how does identity matter to loyalty?

How do some businesses enjoy strong customer loyalty despite customer service failures? Whilst some famous brands disappear from our high streets, others appear resilient and able to retain even disgruntled customers. Several of these survivors evoke a strong corporate identity – cultural norms intended to appeal to core customers. Marks & Spencer, for example, launched its “Plan A” for sustainability in 2007, and the following year became the first retailer to charge for disposable plastic bags. Research suggests that there was already strong support for such policies amongst its customers. The charge, therefore, supported a “social norm” shared between the company and its customers.<sup>1</sup> When customer relations face turmoil these bonds will matter. Apple offers one of the most obvious case studies of the value in evoking a strong shared identity, as a seemingly irrational foundation for strong customer loyalty.

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Below is the verbatim research paper as produced by Dr Tony Hockley, Visiting Senior Fellow in the Department of Social Policy at the London School of Economics & Political Science (LSE).



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<sup>1</sup> Disney K, Le Grand J, Atkinson G “From irresponsible knaves to responsible knights for just 5p: Behavioural public policy and the environment”, in Oliver A (ed) “Behavioural Public Policy” (2013), Cambridge University Press, pp69-87

## Choosing your herd

A complexity of human behaviour is that we are, in essence, herd animals, with a strong desire to belong, but also like to show individuality. It seems that, in order to achieve the latter, we often display a group identity that differentiates us from out-groups but aligns with a group to which we would wish to belong. For a business the development of an identity that customers wish to share may be one of the best ways for both to “stand out from the crowd” whilst sticking together through good and bad.

Many aspects of identity are chosen not assigned. Whilst some aspects of identity are fixed, such as age or race, most are optional. Numerous experiments have shown how people will accept short-term costs in order to protect a group identity to which they adhere and to differentiate it from alternatives. This may seem irrational, but it clearly matters. These observations led George Akerlof and Rachel Kranton to make the case for “identity utility” to be included in policymaking; putting a value on identity renders the seemingly irrational rational: “Identity affects individual behaviour directly. The impact is most apparent in things people do that yield no economic benefit”.<sup>2</sup>

Loyalty that is unexplained by sunk costs, which lock us financially into past investments, may often be explained by identity. In the case of sunk costs the individual feels trapped by fear of throwing away past investments in order to start afresh with a better alternative. In the case of identity it is a more willing commitment to protect and retain the path chosen. Once an identity is built there is, of course, a cost in making any change, and often there is also an element of risk.

When customer loyalty is identity-based it begins to resemble the commitment devices that have proven effective in behaviour change: Essentially, a public commitment to a particular behaviour (being a non-smoker for example) helps substantially in making the behaviour stick. This approach has been popularised by the website [Stickk.com](http://Stickk.com) and is also used in behavioural public policy programmes worldwide. By identifying with a product or company the consumer can be making a similarly public commitment, with a similar loss of face, or “identity utility” from switching. This generates a strong tendency to stick with the status quo. It is possible to surmise, therefore, that the stronger the sense of shared identity the stronger the bias towards the status quo: Once a Marmite person, always a Marmite person.



<sup>2</sup> Akerlof G, Kranton R “Identity Economics: How our identities shape our work, wages, and well-being” 2010, Princeton University Press, p121





## The power of rivalry

A shared sense of mission is central to many effective businesses. If employees identify with the business they work for then motivation will be boosted. But how can a desirable identity be built that creates an emotional bond. The answer seems to lie as much in highlighting differences of identity as it does in highlighting desirable similarities within a group. People seem to identify by what they are against, at least as much as by what they favour.

Negative attitudes to out-groups seem to be deeply ingrained. It seems that even when people are assigned to a group through no choice of their own they will soon join in with inter-group rivalry. Sociobiologists David Sloan-Wilson and Edward Wilson have observed that: “Anyone who studies humans must acknowledge our innately groupish nature and the importance of between-group interactions in human evolution”.<sup>3</sup>

Social Identity Theory is based on such findings of hostility between groups to which members are randomly assigned.

This is how Apple moved from being an upstart in a sector dominated by Microsoft to market leader. Establishing Apple and its users as cool and PCs and their users as grey, people progressively switched to join the cool people. Over time this approach led to Apple becoming a prime example of customer loyalty, able to sell premium products to its group of followers. Queues for the latest release of a product, despite the rising costs of the products, bear testimony to a very strong desire to maintain this identity.

This pursuit of Apple’s company-consumer shared identity, built on desirable “individuality”, came of age with its now infamous 1984 Superbowl ad<sup>4</sup>, directed by Ridley Scott based on George Orwell’s “1984”: PCs were about to take control of people’s lives, leaving them grey and anonymous; but Apple would put them back in control of their own destiny. Apple appears to have been able largely to retain this identity, despite: Becoming the “establishment” in economic terms, as the market leader; and upsetting its core market with its 2010 “Antennagate” technical failure and also its decision in 2017 to purposely slow down older iPhones.

<sup>3</sup> Sloan-Wilson D, Wilson E “Rethinking the theoretical foundation of sociobiology” (2006), Quarterly Review of Biology, 82, pp327-348

<sup>4</sup> <http://americanhistory.si.edu/blog/2014/01/remembering-apples-1984-super-bowl-ad.html>

## Identity and regret

A recent study analysed the relationship between a consumer's post-purchase regret and their consumer-brand identification. Participants in the study were questioned on their favourite brands and then presented with a range of possible post-purchase regret scenarios: bad product reviews from the media and friends, for example. The study found that the consumer-brand relationship does indeed serve to moderate the effect of the cognitive dissonance between beliefs about a brand and a bad experience. They describe this as a process of “emotion regulation”.<sup>5</sup>

The Nobel winning psychologist Daniel Kahneman uses this example to make the same point that people are less prone to regret when something goes wrong within a consistent activity:

**“Mr. Brown almost never picks up hitchhikers. Yesterday he gave a man a ride and was robbed.**

**Mr. Smith frequently picks up hitchhikers. Yesterday he gave a man a ride and was robbed”**

Kahneman asked which of these two people they thought would experience greater regret; some 88% said Mr. Brown<sup>6</sup>. Whilst the harm done was exactly the same for both it seems that the consistency of the activity means that one bad turn is discounted for Mr Smith as chance. There is little doubt that for Mr Brown it will confirm beliefs about the dangers of picking up hitchhikers.

There would, of course, come a time when being robbed repeatedly would cause Mr Smith to reflect rationally on his behaviour, rather than remain true to his past identity of a generous man – at least as far as hitchhikers are concerned. But, it seems, that seriously adverse event might be insufficient for a high level of regret and reflection to affect his chosen path. The two major problems that have befallen Apple and mentioned above, whilst individually of considerable significance and of the company's own creation, appear not yet to be sufficient to prompt a major loss of loyalty amongst its fan base.

<sup>5</sup> Davvetas V, Diamantopolous A “Regretting your brand self? The moderating role of consumer-brand identification on consumer responses to purchase regret” *Journal of Business Research* (2017) 80, pp218-227

<sup>6</sup> Kahneman, D “Thinking fast and slow” (2011) Allen Lane, p347



## Friends or fans?

As with Virgin Atlantic there appears to be a particularly strong attachment to companies that exude positivity and present themselves as being on the side of the individual customer. Strangely, it seems to be technology companies that lead all other sectors on achievement of an emotional connection with customers, although Apple stands well ahead of its technology rivals<sup>7</sup>. That a tech giant can achieve this does suggest that it relates more to the way a company presents itself and its products than to the product itself.

An assessment of business survival in terms of identity and loyalty can yield many examples. Where customers derive “identity utility” from their consumption decisions this appears to offer a significant bulwark against the occasional failure, even at a large scale. The examples that do come to mind show the importance of leadership, so that corporate culture is truly an identity that is projected throughout the business and not simply a mission statement that is not widely shared. But can an identity be manufactured? Some businesses take novel steps to try to do so. Metro Bank, for example, set out as a high street newcomer to positively surprise its customers and make them “Fans”<sup>8</sup>, deciding that being dog-friendly might set the bank apart from its establishment rivals<sup>9</sup>: In February 2018 the bank reported its first profit since its launch on a customer base of 1.2 million. Time will tell whether loyalty will grow similarly and whether the surprise is mere gimmick or a real, identity in which customers will willingly share.

<sup>7</sup> Customer Thermometer “10 Brand loyalty statistics for 2017”

<sup>8</sup> Gillan A, Harmer D, Owen A “FANS! Not customers” in: FCA “Transforming Culture in Financial Services” Discussion Paper DP18/2, March 2018, pp32-34

<sup>9</sup> Watkins S “I’m a revolutionary like Trump – the city doesn’t understand me”: Metro Bank CEO Vernon Hill on his FTSE100 hopes” Financial Mail on Sunday, 18 February 2017



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