

Customer Loyalty Solutions

How Taking the Time to Treat Customers as Individuals
Creates Rabid Brand Advocates



Contents

What Is Customer
Loyalty?

04

Why Is Customer Loyalty
So Important?

06

What Do Marketers Get
Wrong About Customer
Loyalty?

10

How Should Customer
Loyalty Be Approached?

14

Acquiring More
Customers for Your
Loyalty Program

18

Introduction

Growth is rightfully at the forefront of every brand's mind. Growth in revenue. Growth in customer retention. Growth in the lifetime value of each customer by engaging them to buy more products more often and to share their experiences with other potential customers. You accomplish this by taking special care with your fanbase, your most loyal customers, and in addition to all the things you're already doing to provide that exemplary customer experience, a loyalty program is essential.

For retail and e-commerce, loyal customers are one of your most valuable assets, and the best loyalty initiatives engage customers in a way that's clearly relevant to them. Yet we still place a high degree of importance (and budget) on bringing in new customers. Acquiring a new customer can cost five times more than retaining one. In the case of loyalty programs, you can win over new customers by the way you treat your VIPs.

However, not all loyalty programs are built the same. Classic loyalty solutions have typically been standalone products, meaning they were (and still are in many cases) disconnected from your marketing platform. Loyalty solutions are too important to keep siloed though, because you may lose the ability to act on marketing activities in real time, and worse, miss your chance to engage with your customers in a way that proves how much you value their repeat business.

This whitepaper takes a look at today's loyalty programs and how they're becoming an increasingly large part of your marketing plan.

What Is Customer Loyalty?

At its most basic level, customer loyalty is the end result of everything your company already does. If you have truly placed value for the customer at the heart of every product or service you offer, if you prioritize customer satisfaction and a positive purchase experience, then you will have customers willing to buy from your brand over and over again. The key here is turning those customers into VIPs, and up to 52.3% of a brand's customers will go on to enroll in a loyalty program.



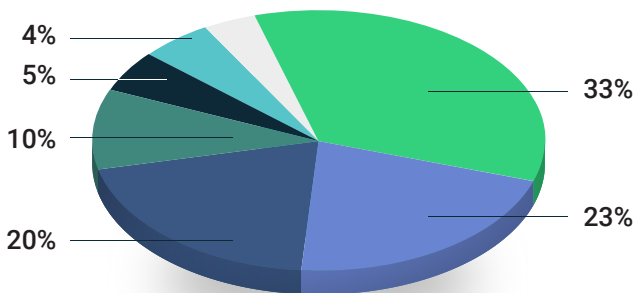
Types of Loyalty Programs

The most common kinds of loyalty programs are based on three models:

- ▶ Points, where customers get a certain number of points for activities and can then cash those points in for a reward.
- ▶ Spend, where customers who spend a certain dollar amount receive a reward.
- ▶ Subscription, a monthly or yearly fee that includes a valuable benefit like free shipping.

Offers Loyal Customers Are Most Interested In

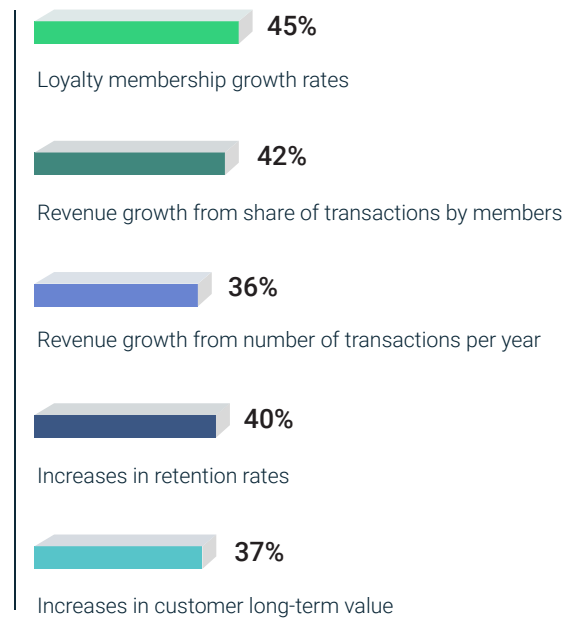
A Kelton study shows that 94% of US consumers say they're interested in exclusive offers from brands that are not open to the general public. The study also shows that most loyalty program members prefer these types of incentives:



- One-time 25% off purchase (33%)
- 10% off every purchase (23%)
- Free shipping (20%)
- Free gift for coming into store (10%)
- Early access to sales (5%)
- Upgraded loyalty status (4%)

Loyalty Metrics

An Accenture Interactive study found that growth-focused retailers measure their loyalty program performance in the following areas:



Why Is Customer Loyalty So Important?

Loyalty to a brand is the end goal of every business. Happy customers spend more and are brand ambassadors in their networks of family, friends, and co-workers, but there are a few other reasons that rewards programs are so important. Customers who are loyal to a brand:

- ▶ Go out of their way to purchase from a specific brand (61%)
- ▶ Purchase more frequently (60%)
- ▶ Purchase more products (50%) (InMoment)

The utmost of the loyal, those customers with strong emotional connections to a brand, have a 306% higher lifetime value than those without such a connection, and 71% of these fans recommend brands to others (Motista).

As mentioned earlier, attracting a new customer can cost five times more than making an existing customer happy. Loyalty programs might play a role in acquiring a new customer, but they definitely impact retention. They're one of the biggest components of an active customer's shopping experience and a great way for a brand to show how much they value repeat business.



The Risk of a Poor CX

Providing a consistent, positive customer experience is crucial for a brand's success, because if you can't provide that, any or all of the following could happen:

- ▶ One bad one and done. An American Express analysis determined that 33% of customers will immediately think about turning their backs on a brand after one, single instance of a bad customer service experience.
- ▶ Negative word of mouth. It might not be surprising to learn that according to a Harvard Business Review study, 48% of consumers who have a terrible experience with a brand will go on to tell 10 or more people about it.
- ▶ Big hit to revenue. As a result of losing customers due to poor shopping experiences, US brands lose roughly \$137 billion a year when customers flock to a competitor.

A Great CX Creates a Loyal Fanbase

Your VIP customers crave a personalized shopping experience, so much so that they are 10 times more likely to be one of your brand's most valuable customers and advocates. According to one customer

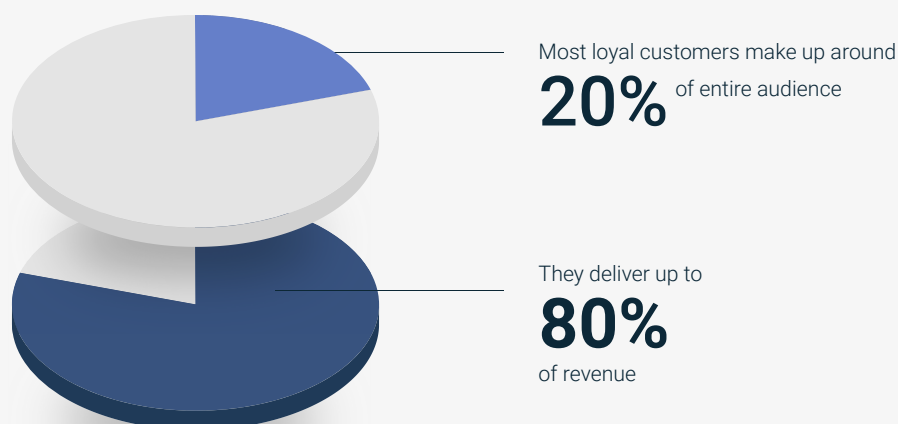
experience agency, providing a great CX is one of the most important determiners in converting a first-time buyer into a long-term loyal customer, where a pleased customer is:

- ▶ 5X more likely to buy from a brand again
- ▶ 4X more likely to forgive a bad experience
- ▶ 4X more likely to refer friends and family to a brand
- ▶ 7X more likely to try a new product or offer from a brand

You have a much higher probability of selling to an existing customer — a 60%-70% chance compared to the 5%-20% success rate of selling to a new customer. Plus active customers spend 67% more than new customers.

Don't Forget the Bottom Line

There are real financial reasons why a brand must focus on the CX. Increasing customer retention by a mere 5% can increase profits anywhere from 25% to 95%. Keep this in mind: Your most loyal customers make up around 20% of your entire audience, but they deliver up to 80% of your revenue.



Ready to Increase Revenue and Customer Lifetime Value?

[Find out how you can quickly create your own loyalty program to improve repeat purchases.](#)

What Do Marketers Get Wrong About Customer Loyalty?

It's no sleight against marketers that finding the best loyalty solution for their team is so incredibly hard. There are a lot of things to consider, but in the case of loyalty programs, the basic rule of thumb is that everything you do should enhance or improve the customer experience.

The problem is that there are so many ways to go about it that it can be a crapshoot trying to choose the "best" one. And sometimes, even excellent marketers are hamstrung by their own company's technological limitations and poor vision from leadership.

You've Got to Offer Something Valuable for Joining

Not all loyalty programs get off the ground. In fact, Capgemini Consulting found that generally 75% of loyalty programs fail within the first two years of launching.

Why? Among other things, a program that's too transaction-based, where customers only earn points when they buy something, doesn't feel like a lot of value to most consumers, not when they can find another brand with a more engaging and exciting value offer – which is exactly what the 25% of successful loyalty programs do.

As customers continue to demand more valuable rewards, brands have to make their programs smoother and do more than track points. This is where real-time marketing can come into play, where brands can instantly engage loyalty members right there at the point of purchase.



Don't Disjoint the CX with Silos

We've heard it a million times. Silos hinder personalization and a true omnichannel experience, and yet there are thousands of brands who still house their loyalty program on a server that can't be accessed by all pertinent parties. In particular, third-party loyalty solutions are pre-siloed, and unless you spend a precious amount of time integrating them into your platform, there's going to be a disconnect between your loyalty initiatives and the rest of your marketing efforts.

Loyalty program assets have to be supported across every channel your brand uses, and the best way to remedy this situation is to centralize your database, including your loyalty program, in a Customer Data Platform (CDP).

Treat Customers as Individuals or Lose Them_80

Tailored interaction makes a huge difference in how successful your loyalty program will be. That depends on your data and your ability to match all of a customer's information from multiple sources and put it all into a unified profile. This gives you a picture of the unique customer and all her specific behavior history, something that customers have come to demand brands to keep track of:

- ▶ Over 50% of US and UK consumers expect brands to know what they've purchased before.
- ▶ In the US, the most popular personalized CXes include emails offering discounts on products previously viewed, alerts when

relevant products are on sale, and VIP customer appreciation rewards.

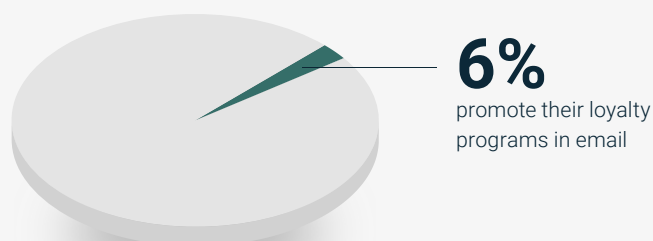
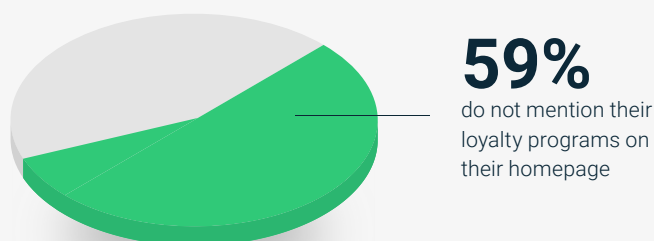
- ▶ Compared to the generations of consumers who've come before, millennials are much more likely to respond to personalization. For example, only 20% of customers age 65 and up expect personalization where 52% of millennials expect brands to at least remember their birthdays.
- ▶ However, only 25% of customers think that the loyalty programs they're enrolled in truly treat them on a personalized level.

Just remember that a one-size-fits-all loyalty campaign will most likely insult your customers who have already defected away from brands who have treated them exactly the same as every other customer.

Don't Make Your Loyalty Program a Secret

Simply having a loyalty program isn't enough, and while you should be integrating that program into your omnichannel strategy, you have to go a step further and get the word out about the benefits of signing up for your loyalty program through every channel and touchpoint where your customers interact with you. It's a little staggering just how many brands are still committing egregious errors in this respect, including:

- ▶ 59% do not mention their loyalty programs on their homepage.
- ▶ Only 6% promote their loyalty programs in email.



How Should Customer Loyalty Be Approached?

There are a lot of tech options out there, and though marketing software will definitely be your toolbox, it's critical to decide what you want your loyalty program to do, both for customers and your brand. And the worst thing you could do, maybe even worse than having no loyalty program, is to treat loyalty as a standalone feature.

Part of Your Overall Omnichannel Marketing Plan

A loyalty program is a legitimate marketing channel in its own right, but it cannot exist in a vacuum. Ideally, your loyalty channel will be fed with rich context and behavior data, just like all the other channels you market through. Mobile, web, social, email, and even direct mail are driven by customer loyalty and, after performance analysis, used to strengthen and improve loyalty initiatives. If the solution you choose can be easily optimized, you will quickly see how a rewards program can boost your marketing efforts across all channels.

For example, a loyalty solution that uses smart blocks and personalization tokens that can autopopulate your campaigns based on customer data (which you'll use over and over to streamline your loyalty campaigns) makes it fairly straightforward to drag and drop your content into all of your communication channels.

Personalized Comms

The best loyalty programs build and then maintain a one-to-one relationship with customers. At the very least, segmenting by lifecycle status provides a good general structure for a rewards program, but you should be able to customize beyond basic categories by using the data you're already collecting. This way all your loyalty messages have the best chance of resonating with each of your VIP customers.

Beyond simple personalization, think about valuable ways you can use messages and campaigns to keep your best customers engaged. For example, consider implementing these personalized features:

- ▶ Remind customers of unused loyalty points and suggest relevant ways to spend them.
- ▶ Award bonus points on each customer's anniversary of joining your loyalty program.
- ▶ Notify customers when they are approaching the next loyalty tier.
- ▶ Offer special rewards for abandoned cart customers who complete their purchase within 72 hours.



Exclusive CX That Your Customers Value Most

This is where the hard work begins as you figure out the nuts and bolts of your loyalty program, always with an eye on what customers will value the most.

Whatever you decide to do, it would be wise to carefully evaluate your margins and how low you're willing to go to both entice loyal customers to purchase and ensure you're still bringing in the necessary revenue. For example, a 10%-off reward is a pretty standard incentive, whether the customer gets 10% off after earning a certain number of points or when they spend a certain amount of money.

Offers Have to Be Truly Valuable

The whole relationship between a brand and a customer is forged in value. Brands value customer business, and customers value the goods and services those brands offer. Your loyalty program is an extension of that relationship where a brand can really show how important each customer is to them. The same principle should guide the perks you give your loyal customers, and they come in these general flavors:

- ▶ **Store credit.** The most common loyalty tactic is to give your best customers a discount off their next purchase in your store. They're more likely to return to your store, and some people are so happy by being able to apply that discount to whatever they want that they might spend a little more than the discounted item was worth at full value.
- ▶ **Free product.** Everybody likes free stuff, and even though brands will most likely give away smaller, low-price products like nail polish or a cup of coffee, receiving a free item from your brand will still make customers feel like they matter to you.
- ▶ **Discounted product.** Unlike giving away something for nothing, this perk allows a brand to sell something, probably an overstocked item, and still make the customer feel special. It also serves as a recommendation for other products you sell but that the customer may not be aware of.
- ▶ **Gift with purchase.** Similar to a discounted product, a gift-with-purchase incentive is a great way to move stock while still treating your brand loyalists well. Usually this tactic is used to decrease a specific stocked item.
- ▶ **Exclusive experience.** Offering your platinum members an exclusive experience shows just how much you appreciate your biggest and most frequent spenders. Exclusive experiences can come in the form of an exclusive product that only these select customers have access to purchase or a yearly sales event that only the most loyal customers get to attend. These experiences can also include

exclusive videos or content that offer additional value to your customers.

Start with a Simple Point System and a Tiered Structure

The easiest way to begin is to use a simple system based on points, where loyal customers are rewarded for the points they accrue as well as how much they spend and how often they buy from you. If you choose a points-based system, you'll want to ensure that the conversions are simple enough for it to be mostly intuitive. If your customers find your loyalty program to be clunky or opaque, you'll probably lose that customer over time.

You'll also want to look into creating a tiered system where you put your best customers into a range of VIP categories. As your brand fans continue to purchase from you, they will rise up through the tiers, where each level rewards them with additional benefits and perks.

Tip: When you first launch your loyalty program, take all your existing repeat customers who are in good standing and automatically put them into a higher tier from the moment they sign up for rewards. Referred to as retroactive distribution, you basically show how much you respect your customers' history with you by ranking them high on the list of your most dedicated customers.

Support Causes Your Customers Believe In

A lot of consumers gravitate toward brands that not only offer products and services they're interested in but that also donate to charities and various causes. In fact, some consumers are intensely committed to beliefs and values over brands, especially as you look at the younger segments of your audience. For instance, 39% of millennials say they will research a company's sustainability efforts before making a purchase. An Access Development study found that 4 out of 5 millennial customers responded that they are more likely to buy from a company that supports a cause they care about.

Encourage First-Time Buyers to Write a Review

Publicize how much you appreciate customer reviews by rewarding loyalty members with double points if they post a review or even update their profiles.

Reactivate Customers with a Survey

An Accenture study found that 80% of customers who leave a brand behind report that there were things they felt the company could have done to keep their business. One way to capitalize on this kind of feedback is to ask your inactive loyalty members to complete a survey on what was great and what could be improved, and even what it would take to get those customers to re-engage with your program.

Quickly Launch Your Loyalty Program

With pre-built tactics, you can quickly convert customers into loyal members. [Get started right away.](#)

Acquiring More Customers for Your Loyalty Program

Sometimes so much focus is put on using a loyalty program to retain satisfied customers that we might forget about how loyalty programs can also drive acquisition. It takes time to attract and win over that first-time buyer, but it's worth the effort in the long run.

For example, any of the following can be reasons a customer will try a new brand:



Fair pricing



Free shipping



Reviews



Word of mouth



Great shopping experience



Loyalty perks



Ads



Influencer endorsement



In fact, enabling customers to join your loyalty membership is crucial, and enables you to provide a personalized solution.

Once you get the customer actually shopping with your brand, it can take at least three purchases for 80% of customers to consider themselves loyal to your brand; 37% of customers say it can take up to five or more purchases before they feel loyal.

Expand on the Kinds of Rewards You Offer

Don't just settle on margin-supporting discounts and call it a day. Not everyone values basic incentives the same. While most consumers in loyalty programs respond to coupons and quality product offers, there will be some who only want gifts with a purchase, or exclusive products and sales they'll have no other way of taking advantage of.

However, coupons are very common and can lose their appeal over time. So instead of depending too much on vouchers, connect rewards to the customer's status within the loyalty program.

You might even consider partnering with other brands that can provide value to your customers beyond what your brand is already doing. Such partnerships and coalition programs show your customers that you prioritize value over sales or enrollment. Plus it's a great way to grow your overall network of both partners and customers.

Engage Non-Members by Sweetening the Deal

Focus on driving customers to join your loyalty program by communicating through appropriate channels like email, CRM, mobile, and SMS, and build interest around the loyalty program with exclusive offers or events.

Personalized Join Requests

A great way to show your non-members what loyalty members get is to send personalized join requests. For example, you could send a non-member a message on her birthday: "If you join, you get 500 extra points for your birthday." Or perhaps you target a non-member who's a happy repeat customer and send him a message right after he made a purchase: "If you join and write a review, you get 10% off your next purchase." By making the request to join personalized and relevant, you will encourage more people to join.

Do Something Special on Holidays

One way to get the attention of non-members is by promoting the benefits that loyal customers enjoy, and the year-end holidays (Thanksgiving through Christmas in the US) are a prime time for doing the following:

- ▶ Create double-point events where members get twice the standard loyalty points.
- ▶ Then on top of that, offer loyalty members a chance to earn more points in the future. This is a great way to promote how well members are treated.
- ▶ Consider building content around winning back loyalty members who haven't engaged or purchased recently.
- ▶ It doesn't hurt to promote the items that sold best during the previous year's holidays.

Summary

As you go about setting up and fine-tuning your loyalty program, keep time to value in mind. You don't want some monstrosity of a program that takes months to set up and then many months more to see whether it's performing the way you want it to. You also want a solution that your marketers can use without having to depend on IT to manage it.

To keep onboarding quick with minimal IT involvement, start with something that's simple and easy to manage and (ideally) built into your marketing platform. Then over time, tweak and optimize, adding only the benefits and features you know your customers will appreciate.

Ultimately, the technologies and channels you use for loyalty are merely the means to your goal. Brand loyalty in its purest form is born of two things: Your brand making a promise to the customers you value, and then your brand keeping that promise.

Just remember that your loyalty program does not have to equal discounts. There are plenty of ways to provide rewards and reduce your average discount rate. For example, you can provide faster shipping, an extended warranty, exclusive content, a simple gift, and so much more.



Easily Create a Loyalty Program

If you'd like to generate between 12–18% more revenue per year, then find out [how you can quickly setup your loyalty program.](#)

About Emarsys

Emarsys is the largest independent marketing platform company in the world and the only marketing platform that knows your industry. With embedded, industry-specific turnkey solutions, our software enables truly personalized, one-to-one interactions between marketers and customers across all channels – building loyalty, enriching the customer journey, and increasing revenue. This enables companies to scale marketing decisions and actions far beyond human capabilities.

With more than 1,500 customers and 4.2 billion contacts, our AI-driven platform has the ability to predict what any of your customers will be doing over 360 days..

Using engagement scores, purchase history data, and behavioral patterns, Emarsys is able to predict a contact's potential lifetime value, as well as their likelihood to purchase or churn, in a given time frame. Emarsys AI natively provides channel propensities at a one-to-one level for emails, mobile, web, or in-store. Products, content, and incentives are automatically tailored to each individual, for each use case and across all channels, while taking their engagement probability, purchase probability, and next cart value into account.

For more, visit **Emarsys.com**.

Resources

<https://www.outboundengine.com/blog/customer-retention-marketing-vs-customer-acquisition-marketing/>

<https://www.emarsys.com/en/resources/blog/3-loyalty-program-examples-customer-data/>

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