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Loyalty 2.0: optimize and enhance your program



By Melissa Tatoris, Chief Innovation Catalyst at Acoustic

Overview

Loyalty — it's a coveted prize for every brand.

The thought that your customers will continually choose you over the competition because they love your products the most is the ideal goal for every retailer. For years, it's been table stakes to offer a loyalty program. Anyone and everyone might have a loyalty program. Airlines, grocers, department stores, even small mom-and-pop shops have loyalty programs.

The digital age has increased customer expectations, and in turn has placed more pressure on loyalty programs. Consumers expect more personalized communications, more channels to do their shopping, speedier delivery, and the list continues to grow. There are still roadblocks when it comes to reward redemption, though.

You must create a rewards program that is direct, worthwhile, and accessible.

Retailers, it's become increasingly clear: by enhancing your loyalty program, you'll foster a better relationship with your best customer base.

Design the best loyalty program

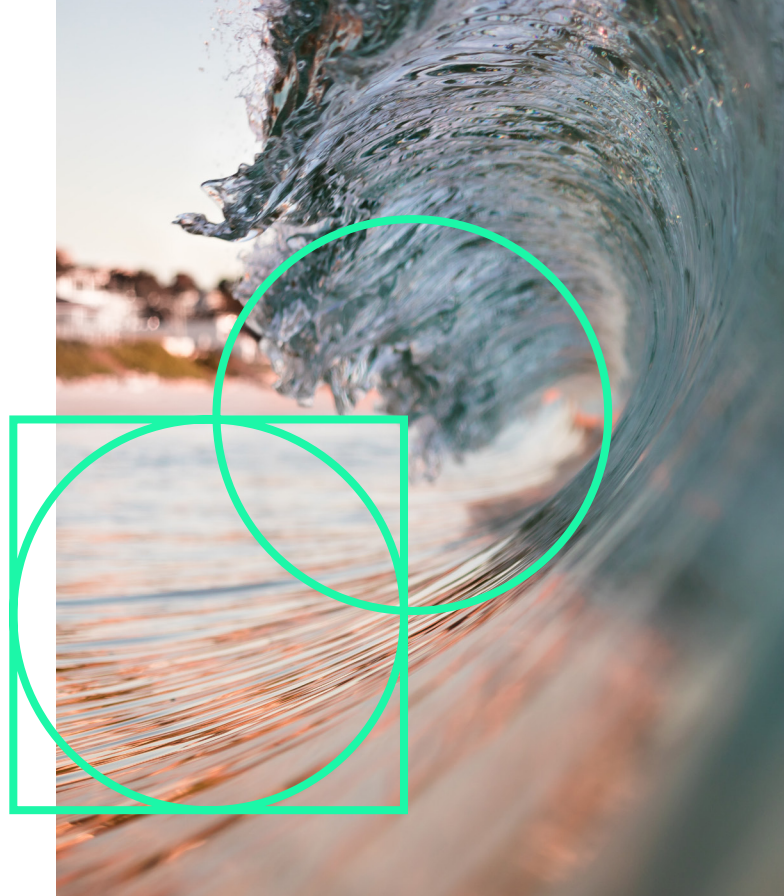
The foundation of your loyalty program is the way it's set up. You can't get your customers to join or utilize your loyalty program if it's complicated, difficult-to-use, or inaccessible. The first step in building your loyalty program is determining the rewards structure.

Point structures

Most retailers will develop a points structure based on the amount spent in each transaction. For example: 100 points per \$1 spent. It's important to not overcomplicate this though. Some brands choose to offer many points per dollar spent to create the illusion that customers are given a generous amount of points for every dollar spent; however, if they find that 1,000,000 points equates to \$10 off, not only is that illusion shattered, it makes brands seem greedy and adds an additional step to reward clarity when customers need to do the math. Keep your reward and point structure simple. A point per dollar is a good rule of thumb and helps your structure remain clear and simple.

Point accelerators

Add point accelerators into the mix as well. These can be promoted through your email and mobile channels as messages such as "10x points this weekend only" or "Holiday special: Double the points." These accelerators will make loyalty memberships more attractive to create a more generous program and also increase revenue.



Redemption clarity

Clarity in your redemption process is paramount to the success of your program. We've seen brands whose loyalty program sent rewards to over a million customers annually but they only experienced 5% redemption. We were able to pinpoint the root of their problem — confusion on what the rewards were.

The utilization of your rewards program is the center of your program health. If you're sending out a lot of rewards and seeing low utilization, there's a disconnect somewhere between your customers and the program. Measuring breakage, the percentage of rewards that go unredeemed, is a good way to assess if there is a problem that exists. Most brands experience a 10 – 25% breakage rate, so if your brand is on the higher end of that or greater, there may be an issue within the redemption process, such as too little time to redeem before rewards expire, lack of easy access, or a convoluted point structure.

Access to points

Making your points accessible is important if you want customers to actually use them. There are two venues to make your reward points accessible — timing and channel.

For timing, you must give your customers enough time to utilize their points before they expire but also create enough urgency to increase your sales. How often is your loyal customer buying? If it's something regularly purchased such as skincare, beauty products, or clothing, a shorter time span on reward expiration is fine. If it's something purchased less frequently, a longer timeframe makes sense.

You also have to make you points accessible via the channels you offer them on. Many brands used to have a membership card that we would swipe before the transaction, but those days are long gone. Include a loyalty program section on your mobile app to track and redeem points. Send emails notifying customers when they have hit a new milestone in their point collection (and use consistent subject lines).



Newfound importance of recognition

While the vast majority of your customers are looking to save money and receive rewards for their transactions, in a digital world there are numerous ways to go beyond those avenues to create loyalty. Incentivize the micro-actions you want your customers to take.

Things like commenting on blog posts, reviewing products, and taking surveys should be mutually beneficial to the brand and consumer.

Meet your customers where they are

Much like offering your point balance via multiple channels, you can incentivize your customers to interact with you through many channels. Forwarding emails, opening or clicking on emails, writing product reviews, replying to surveys, attending virtual events, downloading your app, replying yes or no to product questions in store through a mobile device — there are many behaviorally-based actions that you can reward.

One example could be to incentivize a customer to post to Facebook as a way for them to compare your products through crowdsourcing from friends. “Hi friends, have you guys bought [insert product] or [comparable product]? How do you like them?” with an embedded widget to provide their thoughts. The customer can both crowdsource recommendations on the products they’re interested in and get a reward for it. Meanwhile, you are making conversion more likely.

Another example would be to incentivize social posts. “We hope you enjoyed your recent purchase! Earn 5 bonus points for posting ‘I love my new [product]. Thank you @yourbrand for making my night!’” You get more social awareness and the customer gets an incentive to tweet. The best brands will even reply to the customer’s tweet for further recognition of their loyalty.

“VIP” access

Another meaningful way to provide more recognition to your best customers is to provide them with enhanced, “VIP” access. This can be in the form of tiered rewards programs, sneak peaks at new products, early access to products or sales before more passive customers, and more.

Tiered rewards programs offer better benefits to high-spending customers. This has been common among airlines for years — status is one of the most coveted things in the travel industry by the most prolific jetsetters. But other industries have waded into these waters. For example, early access to products that are likely to sell out is another great way to recognize your best customers.

Promote your program

Your program can be one of the best programs out there, but it won't be worth anything if no one signs up. Creating a well-thought-out plan via numerous channels to promote both sign-up and utilization is a crucial part of your program's lifeblood.

Email and marketing automation

Create campaigns via email marketing and automation based on data of likely customers to convert into loyalty members. Customers who have purchased multiple times, frequently interact with your other email campaigns, or have recently made a first purchase could form groups likely to be interested in a loyalty program.

Social

Your brand social media profiles should be promoting your loyalty program. Offer social-exclusive promotions for signing up via social media. Create a loyalty program profile dedicated to member customer service and updates on the program. There are many ways to utilize social media to promote your program and further engage current members.

Mobile

Customers on your mobile list are already more engaged than the average customer, so if they are not yet a part of your loyalty program, it's a good idea to reach out to them via mobile marketing to get them to sign up.

Member marketing

Don't forget to market to your existing loyalty members either. Reach out to them via email, mobile, app push (if you have an app with access to a loyalty program), social, and more, to remind them to utilize their points, and offer point accelerators to get them to convert more frequently, and access exclusive amenities via their membership.

Measuring success

It's important to measure the right goals and metrics in your program. Making this data and the derived insights accessible to every team is critical to the program's health and success. If the marketing team has access to the conversion rate from the program's campaigns and doesn't provide that to the wider organization, many decision-makers won't have insight into what makes the program successful. Make the data accessible to every relevant team.

Define what you want your program to accomplish. Mission statements should always guide every aspect to your program and the metrics used to measure its success.

Features

In terms of measuring your KPIs, utilize your mission statement to define what is most important to what you are looking to gain from the program. Some valuable metrics are:

Membership growth: a better program will incentivize more sign-ups.

Incremental spend: how much more are your loyal customers spending than the average? Use this information to determine member-exclusive sales without hurting your bottom line.

Cross-channel engagement: which channels are they most likely to engage on? Are your methods of cross-channel engagement?

Customer retention rate: if they aren't utilizing their points, there could be problems in the program.

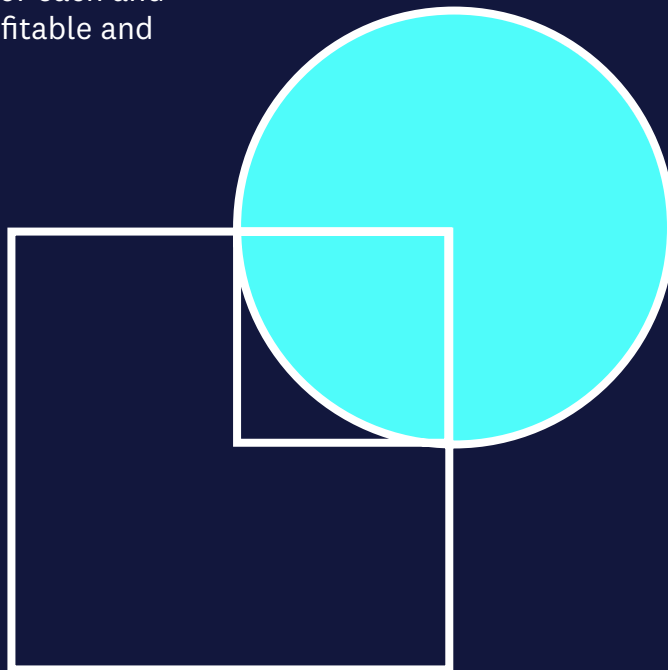
Customer retention rate: is creating incentives to loyalty increasing customer value overtime?

Reward redemption rate: if your rewards are not being utilized, they may be expiring too quickly, there may be confusion on what you're rewarding, or your offer may not be generous enough to incentivize conversion.

There are plenty of other KPIs to consider, including: average order value, profit by segment, repeat customer rate, cross-department buying, behavioral engagement score, loyalty margin rate, and program profitability. Determine if these are relevant to the mission of your program and then measure accordingly.

Conclusion

Loyalty is a hard thing to build with customers, and there's increased competition in the digital age. Building the right program, promoting it efficiently across many channels, and measuring the right KPIs are instrumental in creating a profitable program. Data, the king of marketing, is the key to the success of your program. Synthesize customer data into attributable personalities and likely actions, and create the best, most personalized experience for each and every customer. This will foster a profitable and beloved loyalty program.



About Acoustic.

Acoustic is an independent marketing cloud with the open platform needed for success in a dynamic world. We're reimagining marketing technology by lessening the burdens of repetitive tasks and equipping marketers with powerful technology that is simple and easy to use. We give marketers more time to do what really matters—to think bigger and put themselves back into the work. We help marketers aim higher, bringing humanity back into marketing. Acoustic serves an international client base of more than 3,500 brands, including Fortune 500 companies, providing digital marketing, marketing analytics, content management, personalization, mobile marketing, and marketing automation solutions.

About the author.

Melissa Tatoris is the Chief Innovation Catalyst at Acoustic. She has 20 years of retail, marketing, and loyalty experience with some of the most successful retail brands in existence. She has developed three well-known loyalty programs from conception to execution. For transformation leadership, reach out to melissa.tatoris@acoustic.com

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