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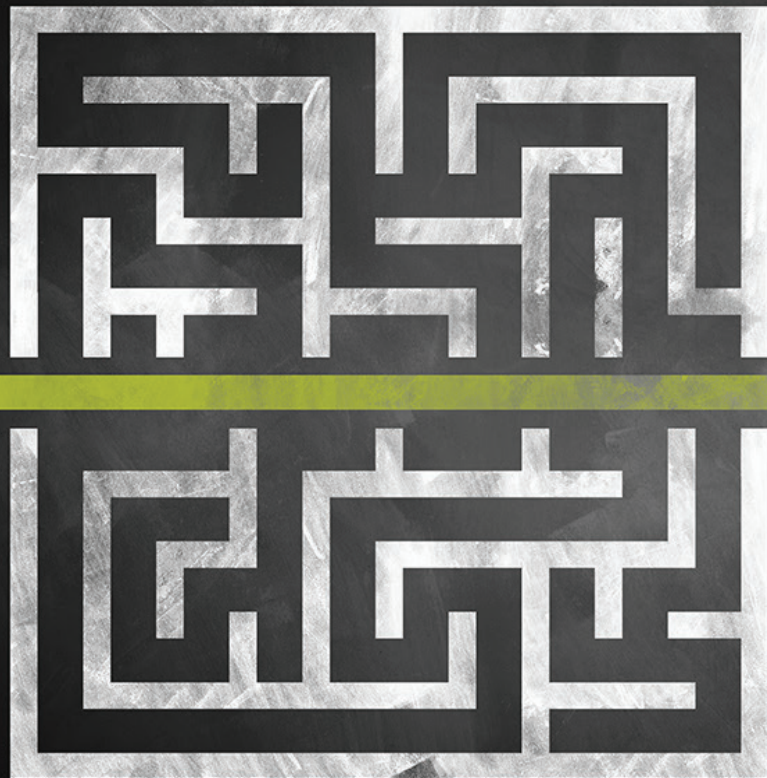
SURVIVE & THRIVE

Your Pathway to Redefined Consumer Loyalty

With more than a year of widespread closures and travel restrictions behind us, numerous businesses continue to be impacted globally. Some businesses have thrived over the past year while others have struggled to find a way forward, with more brands now increasingly realizing the need to compete at scale as new consumer demands continue to soar. The rise of digital channels and the decline of traditional spend not only produced an unprecedented competition to capture the online audience but also led many retailers to find new ways of doing business. While consumer acquisition led priority for most retailers in pre-pandemic period and continue to be a driver for businesses that have struggled to survive during the past year, efforts to retain newly acquired consumers are now higher on the priority list for retailers that have thrived amidst the pandemic.

Acquiring new consumers and being able to effectively retain them long term are both essential to the financial health of any business. Now that retailers are preparing for a post-pandemic future, they are challenged with how best to balance their consumer-driven efforts towards both acquisition and retention moving forward.

The New Loyalty Strategy

The shift in modern consumer behavior and expectation is certainly creating greater pressure on retailers to make stronger, more meaningful consumer connections. According to **APT** report, 54% of brick-and-mortar retailers have introduced loyalty programs and 24% plan to do so in the future to help combat the growing online competition.[1]

54%
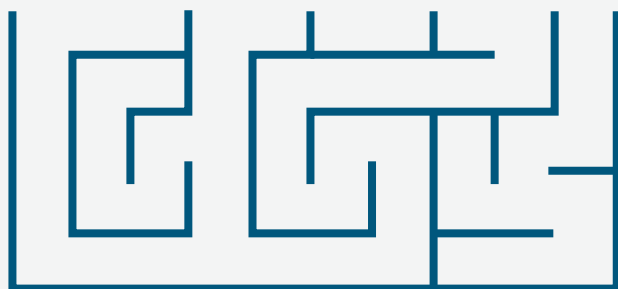of brick-and-mortar retailers have introduced loyalty programs[1]
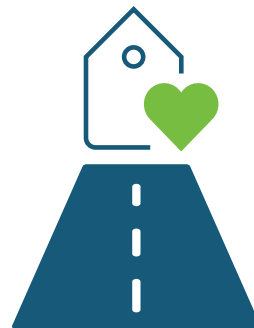
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YOUR PATHWAY TO REDEFINED CONSUMER LOYALTY

Data-driven loyalty programs foster consumer loyalty and engagement; however, there are necessary tools that retailers need to consider in their loyalty strategy to successfully plan for and truly thrive in the years ahead. All retailers, whether surviving or thriving, need to maximize both acquisition and retention opportunities using a refined and personalized loyalty strategy that best fits their needs.

In this special report, we will outline key initiatives retailers should take to balance both acquisition and retention efforts leveraging the right loyalty program capabilities. Doing so will enable them to better engage their consumers, drive sustainable consumer loyalty, and fuel profitable growth post-crisis. Retailers do recognize that having the right loyalty strategy is more important now than ever, but how do they create value for both consumers and the business? The following key initiatives peel back the layers of a successful loyalty strategy and provide different ways to create consumer-centric experiences that heavily influence brand stickiness, return visits, and improve overall customer lifetime value.

[1] APT, "Applied Predictive Technologies (APT) Report with Research from The Economist Intelligence Unit: 44% of Retailers Have Cut Prices in Response to Online-Only Competition," Carly Buchanan, 3 October 2017.

Retailers with an Acquisition-Focused Strategy

Retailers seeking to regain momentum by gaining new consumers should prioritize an effective approach using loyalty offers in their acquisition strategy. Acquiring a new consumer can be 5x more expensive than retaining an existing one. The **high cost of acquisition**[1] alongside issues surrounding 3rd party data usage and increased privacy concerns have created a perfect opportunity for loyalty to take the lead in outbound personalization efforts.

Here are 3 key initiatives every retailer with a focus on acquisition should consider when building or enhancing their loyalty strategy:

1/ Leverage your loyalty platform to create a consistent omnichannel experience

Most consumers utilize multiple channels to complete a single transaction and are more likely to do business with brands that cater best to their shopping preferences. In fact, according to a recent article published by **internetretailing.net**,

"consumers now interact with brands across a mix of some 20 channels on average, and they expect their experience to be consistent across all".[2]

While omnichannel experiences redefine the consumer journey by providing both retailers and consumers more intuitive ways to engage, they often remain siloed, pushing inconsistent offers and messages through each. These inconsistencies often cause confusion amongst potential consumers regarding the value they're being offered, which ultimately reduces trust in the brand. Leveraging a loyalty program platform that can push consistent acquisition offers, engagement messages, and important information through numerous existing systems that retailers already use becomes a game changer for consumer communications and engagement.
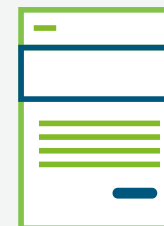
Sample use case:

Create a centralized offer gallery within a log-in profile. Consumer access to this usually lives online. Then, using existing channels such as receipt tapes, push notifications, email and social media posts, educate the consumer that relevant offers — mass or more personalized — are available for them there, rather than trying to include the offers in those specific channels. This enables you to work with your existing channel setup and reduces risk of inconsistent information being pushed to the consumer at the same time.

Offer Gallery   **Emails**   **Push Notifications**

[1] Forbes, "Don't Spend 5 Times More Attracting New Customers, Nurture the Existing Ones," Jia Wertz, 12 September 2018.
[2] Internet Retailing, "As Shoppers Interact with Brands on 20 Different Channels, Marketers Struggle to Keep Up, Study Finds," Paul Skeldon, 05 May 2021.

2/ Energize acquisition through strategic partnerships

Pairing with companies that carry large consumer bases will enable brands with an existing loyalty or membership offering to accelerate their acquisition opportunities. Establishing this type of partnership brings an incredible opportunity for retailers to grow their businesses in several ways:

Find a financial services partner that carries a large core banking and/or credit card consumer base. Offer that base extra benefits for also joining your program.

E.g. RBC and Rexall Pharmacies

Create mutual benefits with a complementary retailer to maximize value that consumers get from both program offerings. These joint loyalty offerings can bring new experiences and enhanced convenience for shoppers to enjoy — such as exclusive access to product launches, special collections, and in-store events.

E.g. Nike and Dick's Sporting Goods

Increase brand awareness and recognition through direct marketing channels your partner owns.

Increase brand trust through affiliation with a partner that has a great reputation.

3/ Create a program that is relevant to your brand mission

Implementing a personalized loyalty program requires retailers to have the right platform, program structure, and consumer offerings/rewards schedule customized for their consumer base from day one. According to **Digiday**, 88% of consumers are more likely to share their personal data if they see value in return.[1] However, that value consumers expect needs to be bigger than points or cash. How does your loyalty program relate to your core business? Does the value it offers to the consumer ladder up to the value your brand offers to the market? Loyalty itself is driven by emotion and consumers are likely to show increased loyalty to brands that resonate well with their personal values. When your loyalty program is aligned with your brand mission, it not only reinforces your brand values, but it also garners consumer interest and drives purchase decision.

Here are some great examples of brands doing it right:

1/ **Sephora** adds exclusivity, experience, access, and expertise to their point-based program.

2/ **Starbucks** is everywhere and wants to reward you wherever you shop their products, not just at their stores.

3/ **Nike Rewards** is all about being your best, not just about being a top tier member.

88%

of consumers are more likely to share their personal data if they see value in return[1]

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[1]Digiday, "How Loyalty Programs Are Helping To Solve Privacy Concerns In A Cookieless World," YouGov.

Retailers with a Retention-Focused Strategy

Given that it **costs 5x more to attract new consumers than retain existing ones**[1], 79% of marketers are now focusing on existing consumers to fuel growth.[2] Retailers that were deemed essential and those that were better prepared with the digital tools needed to remain open for business may have been successful at navigating through the shifts caused by the recent pandemic; however, with some consumers shifting back to old behaviors, how can retailers effectively retain the consumers they have recently acquired?

1/ Adopt a phased approach to hyper-personalization

The emphasis on consumer privacy and data regulations heightens the need for businesses to shift to a first-party data strategy using a loyalty program. Currently, **60% of retailers are using their program as a tool**[3] to track consumer activity and target consumers at scale while maintaining individual privacy. While loyalty programs can help retailers understand user behavior and build engaging relationships with their consumers, merely employing a loyalty program without properly implemented personalized consumer messages and offers may only cause more harm to their loyalty strategy long term and worse, lead to a poor ROI. According to **Accenture**, 48% of consumers have left a brand's website to purchase from a competitor due to a poorly personalized experience.[4] Additionally, retail marketers are often challenged with manual resources to manage their day-to-day, costing them more time and money to communicate relevant offers to their consumers in the right channels. Getting more personal doesn't have to be 1:1 out of the gate but does have to be more relevant and ultimately more profitable for retailers.

Retailers can take their offer personalization efforts to the next level by implementing the following in their loyalty consumer lifecycle:

Give new members a 1st transaction bonus to get them going, and then promote offers at a mass level until you're ready to do more.

1/ Crawl

Create several segments based on desired member personas and offer those groups targeted offers via email and/or push notification.

2/ Walk

Automate the entire offer experience. Provide personalized 1:1 offers to members based on a mix of transaction history, personal preferences and future desired behaviors you want to see from them.

3/ Run

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[1] Forbes, "Don't Spend 5 Times More Attracting New Customers, Nurture the Existing Ones," Jia Wertz, 12 September 2018.
[2] Gartner, "Maximizing Loyalty Program Effectiveness," Claire Tassin, 9 December 2020.
[3] Retail TouchPoints, "2019 Omnichannel Benchmark Survey: Redefining Omnichannel Success for 2020 Retail".
[4] Marketing Dive, "State of Marketing Personalization Is Getting Worse, Accenture Finds," Erica Sweeney, 04 May 2018.

2/ Reward beyond the transaction

A program-based discount or reward may create a single transaction but not necessarily a long-lasting relationship with the consumer. Retailers that continually offer discounts or promotions to retain consumers can ultimately risk finding themselves in a race to the bottom. When it comes to loyalty rewards, pure discount-based programs are no longer sufficient. Retailers need to provide consumer value that extends beyond the transaction through loyalty programs that balance monetary rewards with experiential or additional service offerings. More people are searching for that emotional value — **88% of loyalty members are willing to spend more if they feel emotionally connected to the brand**.[1]

Percentage of consumers that always buy the brand they are loyal to when making purchase decisions:[2]

82%
of consumers with high emotional engagement with the brand

VS.

38%
of consumers with low emotional engagement with the brand

Beyond the traditional awards (i.e., points, discounts, vouchers, and cashback offers) that consumers receive when purchases are made, a big opportunity lies in awarding consumers for their non-transactional behaviors like adding information to their profile — from an email address to answers to some personal preferences — that help enhance their shopping experience. These additions go a long way to help increase emotional stickiness, as the consumer feels seen and heard. But, to keep the emotional stickiness long term, the data captured needs to be used for good and put to work. Data itself has no power unless it's effectively used to develop better consumer insights and leverage that information not only to assess their behavior and preferences, but also to personalize the next offer or reward that is being communicated to them. The small details are what make the consumer experience more emotionally valuable. The more targeted the communication with respect to their preferences, the better.

[1] Digiday, "How Loyalty Programs Are Helping To Solve Privacy Concerns In A Cookieless World," YouGov.
[2] Capgemini, "Loyalty Deciphered—How Emotions Drive Genuine Engagement," 05 December 2017.

3/ Empower employees as an advanced tier in your loyalty program

75% of consumers base their purchasing decisions on their experience, with most finding that consumer experience is more important now compared to last year.[1] Loyal moments occur when consumers have brand interactions that create a lasting impact, whether these interactions happen in-store, online, and/or in-app. The more loyal moments brands create with their consumers, the greater they can impact their experiences and lifetime value.

So how can retailers ensure that they can maximize every opportunity to enhance the consumer experience with their brands?

Retail employees, especially those that are frontline, know the products, services, and consumers best; however, how much do they know about your loyalty program? Empowering employees with engagement programs that give them access to exclusive offers and perks just for them quickly creates true loyalty program ambassadors. Knowing what incentives, tips or special perks are available to consumers in the moment increases opportunity for a positive – and lucrative – experience with every consumer. Leveraging your employee base to test and learn also reinforces your loyalty program over time.

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Retailers that want to accelerate their opportunity to thrive, rather than simply survive, must establish a combination of the right loyalty strategy, loyalty platform, and loyalty communications plan to drive deeper, more engaging relationships with their consumers – whether they need to focus on acquisition, retention, or both.

[1] Zendesk, "11 of the Best Customer Loyalty Programs (+ How They Work)," Halona Black, 29 April 2020.

About Exchange Solutions

Exchange Solutions is a cloud-based marketing technology company that delivers personalized loyalty solutions to retailers enabling them to build deeper and more profitable engagement with their consumers. With more than 20 years of experience in the industry, Exchange Solutions transforms loyalty programs and promotions from being costly applications to productive and profitable capabilities for clients across various verticals in the US and Canada. Current clients include Esso™ and Mobil™, Rexall Pharmacy Group, Harry Rosen, Sobeys Inc., Lowe's, Safeway and Today's Shopping Choice.

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