

RE-IMAGINING LOYALTY

A Relationship Marketer's *Guide*

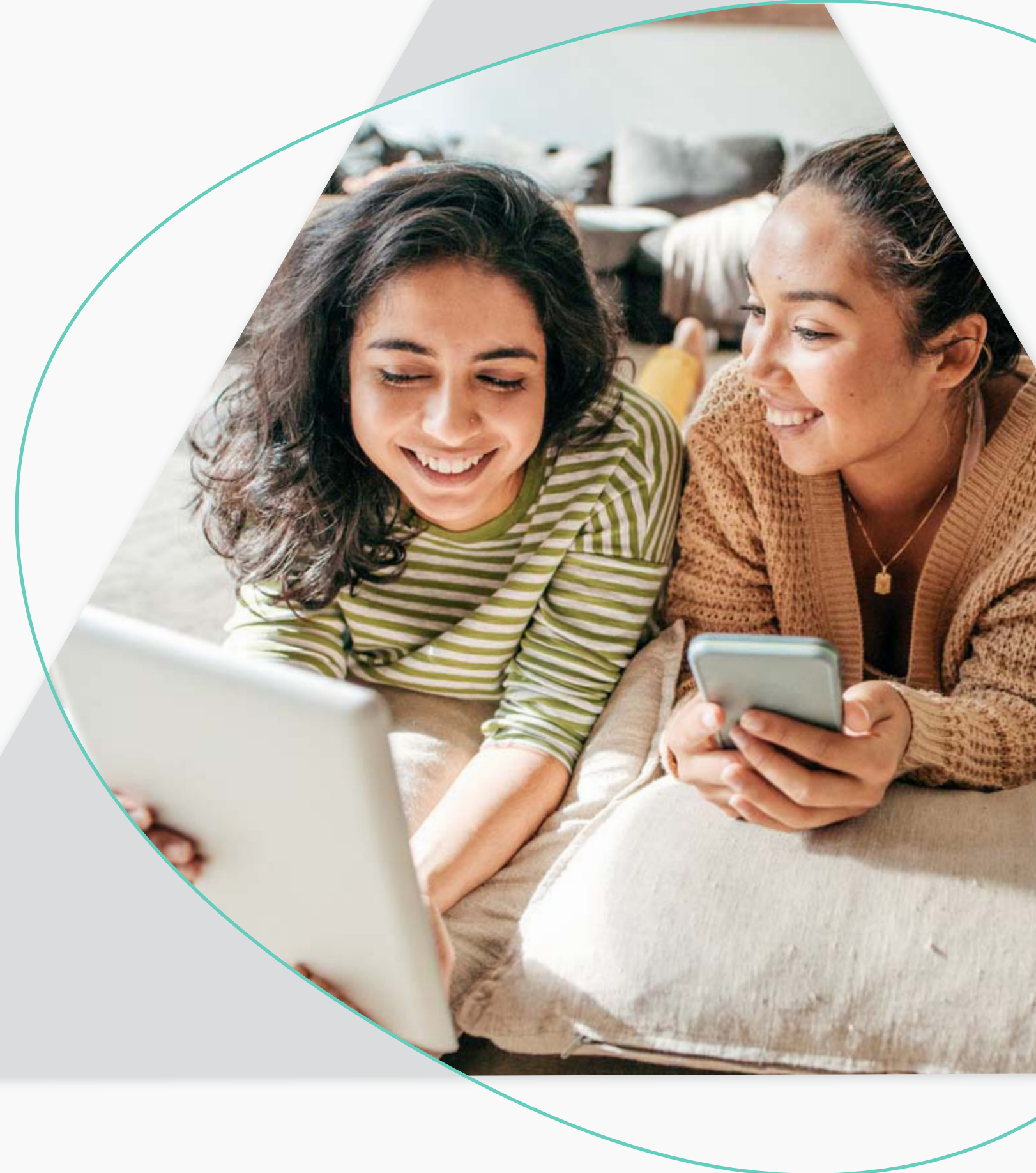




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Introduction

The backdrop of loyalty is changing, fast.

What was working for your loyalty programs three years ago – maybe even one year ago – might not be working anymore. According to Forrester Research, **41%** of companies with revenue of \$1B or more say "increasing or enhancing customer engagement, education, or loyalty" is one of their biggest challenges – this figure rises to **60%** for companies with revenue of less than \$1B.¹

Continuously increasing consumer demands for personalization, economic challenges with inflation, and heightened pressure from boards and shareholders to increase customer retention have all fallen upon the shoulders of marketers to navigate. And with these challenges now come initiatives to consolidate marketing budgets – a tall order for even the most savvy marketers, as messaging and loyalty solutions often have completely distinct providers.

Therein lies a critical question:

When was the last time you evaluated your loyalty strategy and technology?

If you haven't in the last 12 months, you're behind the curve.

This guide provides strategic insight into how optimizing your loyalty efforts can mitigate risk to your business. It covers the mix of messaging requirements, program mechanics, loyalty levers and investment needed to achieve your ultimate goal of driving loyalty and establishing a base of habitual customers.

¹ Forrester Research. *Enterprise Marketers Focus On Personalization And Managing The Customer Lifecycle*. Forrester.com. <https://www.forrester.com/report/enterprise-marketers-focus-on-personalization-and-managing-the-customer-lifestyle/RES179088>



Your Loyalty Program: Objectives & Questions To Keep in Mind

It is essential to define specific and measurable objectives for your loyalty program.

Keeping these objectives current is also a good idea as your business will face varied risks and evolve over time. Begin with a simple question: what are you solving for?

Consider the following high-level areas:

- Do you need help retaining customers?
- Is your customer data actionable?
- Would you like to improve your margins?
- Do you need to generate more customer traffic and frequency?
- Are your current marketing efforts dilutionary?
- Do you need to grow your customer base?
- Would you like to create streams of ancillary revenues?
- Do you need to improve customer satisfaction?
- How prominent is your loyalty program online?
- How effective is your mobile app?

And more granularly:

- To what extent does your mobile app support your loyalty program?
- Who are your competitors and what is their value prop?
- Are your employees advocates and enrolled?
- Are your digital communications driving responses compared to two years ago?
- When was the last time you refreshed communication templates for your loyalty program?
- How many email service providers (ESPs) does your company have and is loyalty messaging disjointed from marketing campaign messaging?

Quantifying Loyalty Success

Key areas to look to when
determining the efficacy of
your loyalty initiatives

When you invest in loyalty technology and program design, all parties involved want to see the quantifiable results.

For executive teams and board members, bottom-line metrics, like revenue and customer lifetime value, are critical. Marketing and loyalty teams, who are on the ground day-to-day, will want to get more granular: think customer engagement metrics, retention rates and shifts in purchase frequency. And for shareholders, the emphasis should rest squarely on sustained revenue – effective loyalty initiatives yield a greater degree of stability for your business. If you cannot quantify these results, maintaining support becomes understandably difficult.

First, let's take a step back and think about *why* you would want to measure the true incrementality of your loyalty program. Certain loyalty program components may initially drive sales and be seen as “quick fixes,” but remember, the goal of a loyalty program is to establish lasting loyalty, not temporarily drive sales through one-off promotions.

Consider the following areas:



Repeat Businesses *vs.* One-Off Purchases

An honest way to assess the state of your brand's loyalty efforts is to dig right into your breakdown of repeat customers versus those who've made single or sporadic purchases.

Work with your internal leadership to define what constitutes a repeat customer (the definition that makes sense for your business will depend upon industry and target audience – in dining, for example, someone who's ordered a meal twice in the past three years is hardly a repeat customer). Keep in mind that a successful loyalty program at its very root will enable you to retain more customers, reducing the stress associated with driving new customer acquisition. If your ratio of customers disproportionately skews to one-off purchasers, you've got a loyalty problem – likely caused by either an overreliance on “surprise and delight” style rewards or by a failure to resonate emotionally with customers.

“Some programs allow members to bank their points to use at their convenience. While other programs send you a coupon on a schedule, you may not be ready for it, and the coupon expires in 30 days. Bankable rewards help to avoid member frustration and allow the marketer to develop a spectrum of rewards (not just discount coupons) that can prescriptively drive more frequency and recency for a broad range of customer segments.”

Roger Williams,
Head of Marigold Loyalty Centre of Excellence

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Repeat Businesses *vs.* One-Off Purchases

But during times of economic uncertainty, wouldn't a discount or coupon-based loyalty approach be advantageous? While yes, the emphasis on overt financial incentives may drive sales in the short term and serve as a "quick fix," the approach can cause customers to merely associate your brand with discounts. And if the relationship is initially predicated upon financial-centric offerings, how likely is it that those customers will become habitual when your discounts inevitably change?

Relying too heavily on discounts can also lead to customer complacency and desensitization – they're so accustomed to your discount promotions, they feel they can put off the purchase because a discount of some sort will perpetually be available.

Make no mistake, the concept of "surprise and delight" still has its place and can be optimized with dynamically generated, time-sensitive promotions. But to facilitate a long-term, habitual customer base, you should think of financial incentives as a supplement, and cultivating genuine connections via personalization as the main course.





Loyalty Program Engagement

Another method to help quantify your loyalty success is via an analysis of customer engagement with your loyalty program.

Does your reporting show that your loyalty program is actually inspiring customers to engage more frequently with your brand? And are they making more (or larger) purchases? Analyze the revenue generated from your customers before they joined your loyalty program, and compare it post-enrollment.

If your loyalty program isn't moving the needle, look at your messaging strategy. Why messaging, if we're discussing loyalty program engagement? Because messaging is the vessel that connects your customers with your loyalty program. Engagement with your brand will only be as good as your own messaging strategy is – meaning, don't assume people will organically discover the value of your loyalty program. Get to know your target audience – ensure the program really resonates with them, and as you acquire new members, continuously leverage insights from their activity to optimize your offerings.

Marigold *tip...*

Don't discount the usefulness of customer feedback via zero-party data when evaluating your loyalty program engagement. Embed methods of zero-party data acquisition, like surveys and polls, in your messaging to gauge customer interest and figure out what specifically they like and want from your loyalty program.



ADVANCED LOYALTY

The End Result

Before looking at the precise technical requirements to implement advanced loyalty, it's helpful to get a picture of what the end result yields.

HABITUAL CUSTOMERS

Imagine not having to woo a shopper every time with surprise and delight offers and deep discounts to inspire them to make a purchase. This is the realized benefit when you cultivate a base of habitual customers. No deep decision-making process required – customers have a want or need and *know* your brand is the one who has the product or service to fulfill it.

ADVANCED UNDERSTANDING OF THE CUSTOMER LIFECYCLE

When advanced messaging and loyalty solutions coalesce, the result is a marketing system intelligent enough to pinpoint precisely where a customer is in their life cycle.

Consider the following observation regarding restaurant loyalty programs:

“One of the things that we see is how restaurant loyalty programs take a deeper look at revenue. They really evaluate where the member is in their life cycle and determine if discounting is warranted because depending on where you are in the life cycle, you may or may not be open to a discount. That varies all the time, and there are different personas. For instance, if you’re a commuter and you’re going to your favorite restaurant, that’s a different experience, but then if you’re going to take your family to the same restaurant on the weekends, then you’re in a completely different loyalty experience.”

Roger Williams, Head of Marigold Loyalty Centre of Excellence

The presence of differing personas and life cycle stages, and the need to address them on a personal level, extends beyond restaurants as well. Retailers, for example, must balance maintaining the interest of advocate-level customers – those highly engaged individuals who are always looking for the next product – with finding ways to resonate with the tepid customers, who may be quick to unsubscribe or opt out of messaging if confronted with too many promotions. Travel and hospitality are presented with a similar need for advanced life cycle knowledge – frequent travelers will likely look more to convenience and practicality, as opposed to annual vacationers, who are more likely to be dazzled by the prospect of grand experiences.

Regardless of the industry, though, when you reach an advanced understanding of the customer life cycle, you gain the foresight to anticipate customer needs and desires, perhaps before the customers themselves even realize them. You’re able to navigate the phases of individual life cycles and uncover the micro-moments – the subtle shifts in customer behavior – that ultimately influence their trajectory.

ANCILLARY REVENUE STREAMS

In some capacity, you've likely observed the positive relationship between brand advocates and revenue possibilities – as the number of brand advocates, *superfans we like to call them*, grows, so too does the potential for new revenue streams. In challenging economic conditions, when acquiring new customers becomes a challenge, having a way to maximize financial opportunities with already loyal customers is incredibly advantageous.

The possibilities of ancillary revenue streams are vast – ranging from co-brand credit card partnerships to up-selling products and services. Perhaps the most prominent revenue potential, though, is the ability to sell loyalty currency to partners. In a way, it is leasing the perceived value of your loyalty currency to partners, which necessitates a currency that truly resonates with program members – a challenge made easier when you've developed a thorough system of gauging member interest to deliver rewards and experiences that are truly compelling.



Advanced Loyalty: Technical and Service Requirements

Messaging

Messaging, messaging, messaging. It's a precursor to every other successful marketing effort. No matter how spectacular your loyalty program itself is, you need an ironclad method of messaging to actually maintain customer engagement with the program.

Your messaging tech should provide a centralized platform that seamlessly integrates across email, SMS and mobile apps, always reflecting a consistent brand voice and always providing consistent user experiences.

If you're using more than one messaging solution, you need to consolidate to a single vendor who can handle both cross-channel messaging and your loyalty program. This continuity may seem like a given, but fractured marketing solutions with inadequate centralization can result in radically different experiences for your customers and unnecessarily complex implementations for your team.

You can probably guess the next facet critical to your messaging tech: personalization capabilities. But let's draw the distinction right now – we're not talking about personalization as first names, basic demographics or other standard form fields. We're talking about the more nuanced areas, often in flux. We're talking about customer preferences and motivations, stages in life cycles, and real-time loyalty statuses – areas that require a much more delicate touch than static email segments. The personalization we're talking about, perhaps better described as *hyper-personalization*, requires advanced messaging tech that enables you to continuously refine segments, create triggered messages, dynamically generate content, collect and leverage zero-party data and ultimately, deliver hyper-personalized, timely communications to each individual customer, across channels. It's a lot to account for. Fortunately, the solutions do exist, à la [Marigold](#).

CAPABILITIES CHECKLIST: MESSAGING

- A/B testing
- Cross-channel capabilities
- Dynamic content
- Messaging and campaign automation
- Robust segmentation
- Send time optimization
- Zero-party data acquisition

Reporting & Customer Insights

Quantifying your loyalty program's success and keeping a finger on the pulse of your audience both become significantly easier when your marketing solution can intelligently synthesize reporting metrics and customer insights. But handling this data, as you may know, isn't always as simple as it seems.

According to Forrester's 2022 data, **37%** of B2C marketing decision-makers say driving decision-making with customer insights is one of their biggest challenges related to marketing execution:

“Loyalty marketers are not immune to this plight. While they sit on valuable first-party member data, marketers don't always use this data to its full potential because they lack a proper strategy and/or the technical resources to turn data into insights that can be incorporated into personalized offers, campaigns, and experiences.”²

With multiple sources of data, developing a strategy you're confident in can be an arduous challenge. The difference maker is marketing tech with robust integration capabilities. Rather than having your data on islands – one for loyalty, one for messaging, for example – leverage a marketing solution capable of bringing it together. When you can cohesively analyze your customer insights, the fun work can begin: crafting compelling experiences you're confident will inspire action from your audience.

CAPABILITIES CHECKLIST:

REPORTING & CUSTOMER INSIGHTS

- Campaign and journey reporting
- Customer data integrations (including CRMs and CDPs)
- Integrated analytics (e.g., Google Analytics)
- Integrated APIs

² Forrester Research. *Loyalty Programs Give You A Zero-Party Data Advantage*.
Forrester.com. <https://www.forrester.com/report/loyalty-programs-give-you-a-zero-party-data-advantage/RES178058>

Account Management

Effective account management helps tie together the various critical elements that create a holistic view of each customer. In the realm of account management, this data is pivotal to creating a single member view – a home base, if you will, providing a 360-degree view of each customer, covering their interactions, engagement, preferences and purchase history.

With the right tech, account management is where you can truly monitor customer life cycles. First, ensure each customer has a unique member ID – these IDs will serve as individualized markers, allowing for precise tracking of each member’s activity and engagement. Your tech should also be able to master the process of progressive profiling, continuously updating accounts with the latest data, enabling you to translate the knowledge of your customers into optimal messaging opportunities.

CAPABILITIES CHECKLIST: ACCOUNT MANAGEMENT

- | | |
|---|--|
| <input type="checkbox"/> Cross-channel enrollment | <input type="checkbox"/> Robust customer service support |
| <input type="checkbox"/> Comprehensive and configurable data models | <input type="checkbox"/> Single member view |
| <input type="checkbox"/> Progressive profiling | <input type="checkbox"/> Unique member identification |

Program Management

According to Forrester Research, **38%** of US online adults who belong to a customer loyalty program say they frequently forget to use loyalty programs they belong to, and another **29%** of US online adults who belong to loyalty program(s) say they belong to too many loyalty programs.³ There isn’t a shortage of loyalty programs, but there is a shortage of *effective* ones. And it’s easy to understand why. There's a lot to balance in an advanced loyalty program, from the technical demands of creating dynamic loyalty tiers and earning systems, to the strategic challenges of curating compelling loyalty sequences that truly resonate with customers. The key is an intelligent system of program management that can dynamically segment customers into loyalty tiers, reward non-transactional (but still valuable) customer interactions (like survey participation), and offer robust reward management functionalities to keep customers actively engaged.

CAPABILITIES CHECKLIST: PROGRAM MANAGEMENT

- | | |
|--|--|
| <input type="checkbox"/> Currency management | <input type="checkbox"/> Loyalty status |
| <input type="checkbox"/> Digital punch cards | <input type="checkbox"/> Personalized offers |
| <input type="checkbox"/> Dynamic loyalty tiers | <input type="checkbox"/> Point promotions |
| <input type="checkbox"/> Earn rules | <input type="checkbox"/> Reward management |

³ Forrester Research. *Loyalty Programs Give You A Zero-Party Data Advantage*. Forrester.com. <https://www.forrester.com/report/loyalty-programs-give-you-a-zero-party-data-advantage/RES178058>

Wrap Up

At Marigold, we recognize the value of seamless marketing integrations. **Marigold Engage+**, our premier enterprise messaging solution, can be paired with **Marigold Loyalty**, our dedicated solution for advanced loyalty programs. Together, the two will enable you to foster deeper customer connections, build new relationships with ease, and scale and personalize your loyalty initiatives, ensuring you resonate with every customer.

Strategy is also deeply rooted in our relationship marketing approach. Our Centers of Excellence (CoE), Strategy and dedicated Customer Success Teams for loyalty are all CLMPs (Certified Loyalty Marketing Professionals) via the globally recognized Loyalty Academy. Our Loyalty Strategists have over 100 years of combined loyalty experience in designing, launching, operating, and scaling hundreds of programs impacting millions of members.

If you're ready to take the next step in optimizing your loyalty efforts, *connect with us today.*



Where *relationships* take root.

Marigold's approach to Relationship Marketing stands alone in a world of one-size-fits-all marketing technology companies. Our solutions are designed for your specific size, industry, and maturity, giving you the technology and expertise you need to grow the relationships that grow your business, from customer acquisition to engagement to loyalty. And, with a team of strategists that provide insights into what's working, what's not, and what's changing in your industry, you're able to maximize ROI every step of the way.

Great marketing isn't just about conversion, but true connection. Learn why 40,000 businesses around the world trust Marigold to be the firm foundation they need to help relationships take root.

Find out more at [MeetMarigold.com](https://www.meetmarigold.com)

