

WHICH BRANDS ARE REWRITING THE RULES OF LOYALTY PROGRAMS?

Just as retail has grown more complex and heterogeneous, so have the loyalty programs retailers use to acquire, reward and — most importantly — retain customers.

Today's loyalty leaders are...

- Getting creative with partnerships adjacent to the retail space.
- Taking advantage of the gamification possibilities of the metaverse, using non-physical rewards like NFTs that unlock the chance to have real-world experiences.
- Shaping programs for the specific needs of key customer segments, as well as using them to appeal to broader shopper demographics.
- Tapping growing consumer concerns about the environment and social justice to shape rewards and incentives.



Here are five brands rewriting the rules of loyalty programs.

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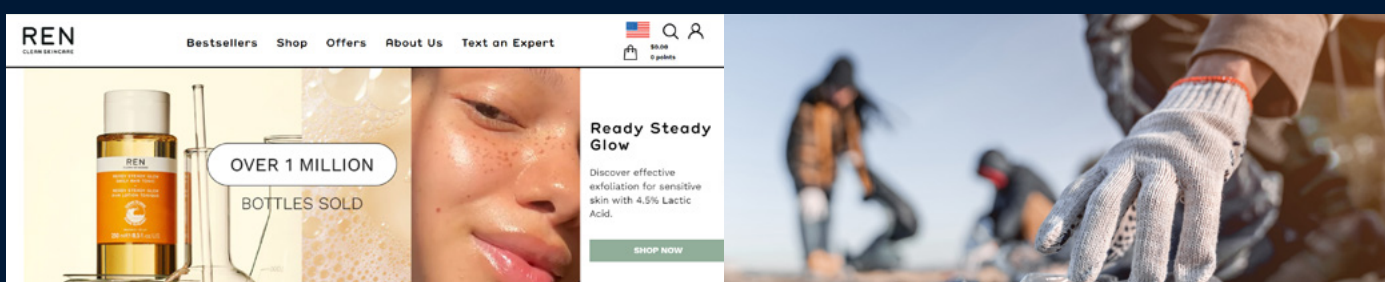
Starbucks already has one of the world's most popular app-based loyalty programs, so finding a way to expand it required the retailer to look in new directions — up in the air and into the metaverse.

The retailer recently announced a **partnership** with Delta Airlines' SkyMiles loyalty program that allows customers to earn rewards for spending across both businesses. Members earn one mile per \$1 spent at Starbucks, with double Stars on eligible purchases on days when they have a Delta flight scheduled. For its part, Delta SkyMiles will make **4,000 Stars** an annual Choice Benefit for its Diamond and Platinum-level members in 2024.

That's physical and aeronautical — but what about digital? The retailer is planning to launch **Starbucks Odyssey**, offering both associates and Starbucks Rewards members the opportunity to earn and purchase digital collectible assets that unlock access to new benefits and immersive coffee experiences. Starbucks plans to integrate NFTs with its loyalty program at scale via this digital community, where members can play interactive games and purchase limited-edition NFTs through a built-in marketplace within the Starbucks Odyssey web app experience.

The program will also offer real-world odysseys: as members collect "stamps" from their digital journeys, they will be able to buy and sell them to other members, increasing their point totals to access experiences like a virtual espresso martini-making class; unique merchandise and artist collaborations; and invitations to events at Starbucks Reserve Roasteries or trips to the Starbucks Hacienda Alsacia coffee farm in Costa Rica.

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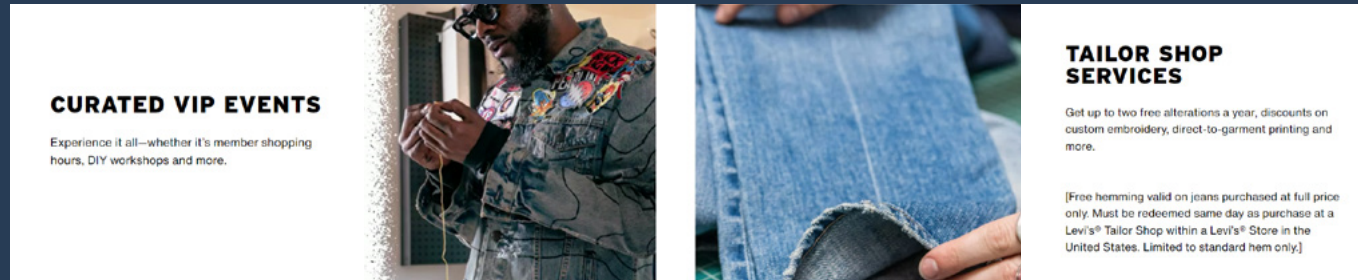
Increasingly, consumers are asking not just "What's in it for *me*?" but also "What can I do to help the planet?" The **REN Clean Skincare** loyalty program, built in partnership with **LoyaltyLion**, answers both questions by tying into the brand's sustainability efforts.

Collaborations with multiple partners allow REN Skincare members to "spend" their perk points on specific actions like planting trees or picking up ocean plastic. That's on top of benefits like free standard shipping for higher-tier program members, VIP access to sales and in-person events with brand ambassadors and influencers.

"Zero waste is not enough," said AJ Patel, Global Head of Ecommerce at REN Clean Skincare in an **interview** with *Retail TouchPoints*. "We have to think of ways that we can actually bring more to the world and the environment versus taking it away. The eventual goal for us as a brand and as a business is to be net positive."

In the meantime, the program is providing REN Skincare with significant bottom-line benefits: members' average order value (AOV) is **104%** larger than non-members and they spend **271%** more than regular customers.

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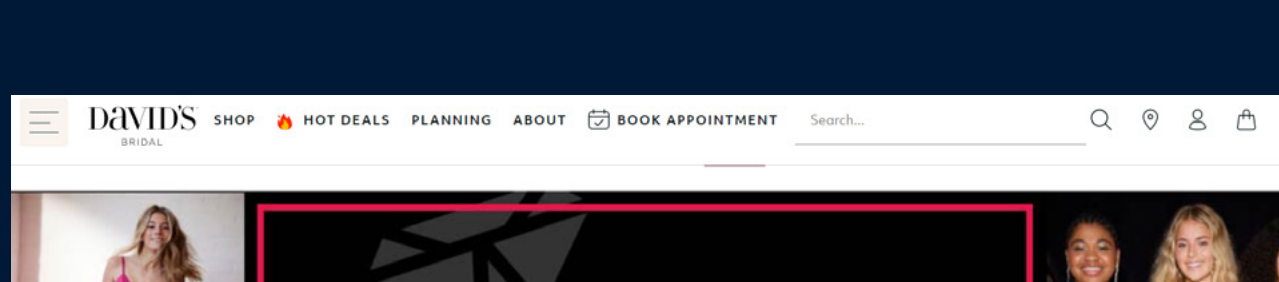


One of the biggest challenges for loyalty marketers is keeping members consistently engaged with the brand, particularly when products have relatively long lifespans, as denim apparel does. The **Levi's Red Tab** program meets this challenge by offering a wide range of participatory perks, including:

- Early access to products, including Black Friday preview sales;
- Birthday rewards and exclusive promotions;
- 24/7 free shipping and returns; and
- Curated VIP events.

Red Tab members also get access to tailoring services, including two free alterations a year plus discounts on custom embroidery, direct-to-garment printing and more. This ties Levi's program directly to two of retail's hottest trends: enhancing the post-purchase experience and supporting sustainability by extending products' life.

04



David's Bridal knows the value of securing a customer's loyalty when they're young, so it was a logical step for the retailer to launch its **Diamond Prom** program in December 2022. The retailer also leverages the power of crowdsourcing: members of the program earn points not only from their own purchases but also from those made by friends and family, and they can work together with other students to earn a free photo booth for their events. There's also the chance for members to earn a **\$1,000** college scholarship, and David's Bridal plans to open pop-up shops timed for the 2023 prom season.

Diamond Prom provides a strong example of aligning a program with the retailer's key strategies — in this case David's Bridal's recent moves to expand its customer base with younger formalwear buyers that include:

- Introducing its first exclusive **junior collection**, **Jules & Cleo**, in February 2022;
- Launching a **shoppable video campaign** on TikTok in **July 2022**; and
- Partnering with online retailer **Little Tuxedos**, which specializes in kids' formalwear, to create a **one-stop shop** for event attendees of all ages.

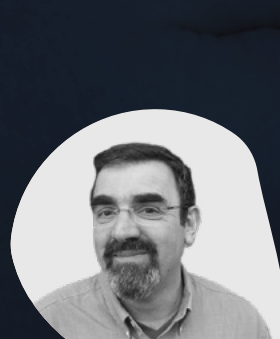
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Loyalty program success is all about creating rewards that are relevant to members' needs — a mandate that's particularly important when those members already are among a retailer's most valuable shoppers. **The Home Depot** recently added three new tiers to its Pro Xtra loyalty program, which targets home building professionals and their **\$450 billion** market value.

"Pros make up about **10%** of The Home Depot's customer base and approximately **half** of our sales," said Hector Padilla, EVP of Outside Sales and Service at the retailer in a statement. "To serve the Pro, it's about removing friction through a variety of products and capabilities, whether they visit a Home Depot store for a last-minute need on the way to a job or plan a larger purchase in advance to be delivered to the site."

New perks for the retailer's Pro Xtra loyalty program include an Elite Support Line offering prioritized exclusive assistance for business needs and account management services with personalized purchase support from Home Depot experts. And like David's Bridal, Home Depot is looking to lock in loyalty early: the retailer launched its **Path to Pro** jobseeker marketplace in October 2022, designed to connect skilled tradespeople seeking to work with home building professionals.



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