

Loyalty, Redefined

5 KEY ACTIONS
FOR REFINING,
AND OPTIMIZING,
CUSTOMER
ACQUISITION
AND RETENTION



TREASURE
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Today's consumers have evolved the shopping experience far beyond products and transactions. Now more than ever, their loyalty to retailers is up for grabs. Marketers seeking to break through the noise in today's retail environment must deliver a unique loyalty program experience that reflects their brand and resonates with their customers. What can retail marketers do to optimize the effectiveness of their loyalty programs?

Inside this eBook, you'll discover five key trends shaping customer loyalty today. You'll also learn five actions retailers can take now to refresh their loyalty offering and enhance customer acquisition and retention. And you'll learn more about how a customer data platform (CDP) can help you achieve loyalty program success.



5 Key Trends Shaping Customer Loyalty Today

The basics of the retail customer journey haven't changed. It still begins with awareness and then moves into personalization, conversion, repeat activity, loyalty and eventually lapsing. However, each stage of the journey is changing and becoming more challenging over time. What's behind the transformation? Here are five key factors.



1 The Proliferation of Content and Media

Consumers interact with brands almost every waking moment. Through social media, digital media, retail apps and in-store experiences, they are bombarded by input in all channels. Hoping someone will walk into your store or find your website is no longer enough. To cut through the noise and get customers' attention, your brand must be present everywhere the consumer is.

2 The Rise of Direct-to-consumer (DTC) Startups

Nimble DTC startups like Tuft & Needle, Brooklinen, Bombas, Glossier and Allbirds have given consumers more choices over the past few years. Now, established CPG companies such as [Nike](#), [Under Armour](#) and [Adidas](#) are creating their own DTC strategies. This means the level of competition for consumers' attention will keep rising.

3 **Shifting Customer Expectations**

Amazon revolutionized the way consumers shop, challenging and changing almost every element of the shopping value proposition, from distribution, personalization and content creation to voice commerce. By offering almost every imaginable product and providing a marketplace for smaller businesses, Amazon is formidable. Luring customers away from their convenience and low prices is a challenge for retailers of all sizes.

4 **The COVID-19 Pandemic**

COVID-19 shutdowns of brick-and-mortar stores rapidly accelerated customers' transition to online shopping, forcing many retailers to up their ecommerce game. But most loyalty programs didn't keep pace with consumers' new omnichannel approach to shopping. Unless your martech stack can unite customer data from disparate channels, you are likely sending customers mixed messaging across their in-store, digital, in-app and social media interactions with your brand.

5 **The Demise of Third-Party Cookies**

Safari and Firefox have blocked third-party cookies since 2013, but loyalty programs will suffer a bigger blow in 2023 when Google Chrome — the world's most widely used browser — will end support for third-party cookies. In this new world, retailers will have to rely more heavily on first-party data. Constructing loyalty programs that persuade shoppers to part with their precious personal information will be more important than ever.



LOYALTY BY THE NUMBERS



Ecommerce sales grew more than **40%** between March 2020 and January 2021.

SOURCE: MCKINSEY



50% of consumers tried new brands during the pandemic.



Nearly **65%** of those who switched plan to stay loyal to those brands.

SOURCE: PWC



75% of U.S. consumers tried a new shopping behavior during the pandemic.

SOURCE: MCKINSEY



By 2025, **20%** of B2C revenue will come from recurring revenue models.

SOURCE: GARTNER



5 Actions Retailers Can Take To Optimize Their Loyalty Program And Enhance Customer Acquisition And Retention



Incorporate Experiential And Community Aspects Into Your Loyalty Program

Retailing is no longer purely transactional. Collecting points to earn a free drink at a quick-service restaurant may help diners decide where to eat that day, but if that's all your loyalty program has to offer, you will be left behind. To truly build customer lifetime value (CLV), you need to think experientially.

Today's shoppers want more from a loyalty program than points or discounts. They want a loyalty program to add value to their lives by promoting causes close to their hearts, giving them access to unique experiences and linking them with like-minded people.

Consider footwear brand KEEN's recently launched [KEEN Corps](#). While this loyalty program rewards members for shopping, it also rewards them for volunteering or donating to grass-roots organizations. Participants can earn limited-edition products, member pricing and access to special events. There's also a community aspect to the program: Members may meet each other at volunteer or in-store events, or they can engage digitally using collective dashboards to track group progress. In the initial membership tier, members also become part of a fan focus group, furthering the sense of community and giving KEEN access to valuable customer insights.

Some 50% of top brands' loyalty programs are rewards- or points-focused; just 18% are experience-focused. (Source: [McKinsey](#)) Clearly, there is plenty of opportunity for retailers to design and deliver experiential loyalty programs. By increasing the frequency of customer touch points, such programs can also help you collect more robust customer data.

Like KEEN's, however, **your loyalty program must complement your brand's DNA.** Decide which experiences, causes, communities and rewards make sense for your brand. Choosing wisely can help you create a loyalty program that's true to your brand, the customers you serve and the values you and your customers share.



2



Unify Customer Data For A 360-Degree View Of The Customer

The sheer volume of customer data retailers can capture has become overwhelming. Most retailers collect data from customer interactions with their POS systems, call centers, ecommerce sites, social media accounts and mobile apps, as well as loyalty programs. These sources provide invaluable information such as browsing habits, transactions, returns, customer satisfaction, brand interaction, loyalty engagement, advocacy, psychographics, digital activity and social engagement.

For most marketers, the problem is not a shortage of data, but how to connect all the data you have,

especially if it is siloed across functions, channels and applications. Increasing reliance on first-party data will only add to the volume of information that's accessible and the complexity of mining that data.

For a single shopper, you may have a mobile phone number from the customer's POS encounter, a landline phone number from her interaction with your call center, an email address from the loyalty program registration or online purchase, and a social media handle from her social engagement with your brand. How can you accurately link all of this information to the same person?

Without the ability to unify data gathered from different sources, with different technologies and varying levels of quality, retailers' loyalty program efforts will be less effective and may even alienate members. Misidentification could result in over-communicating, delivering irrelevant offers or promoting products a customer has already purchased.

To make sense of all your customer data, choose a Customer Data Platform (CDP) that can easily integrate, merge and de-dupe data from different sources with minimal need for data cleaning and preparation. In addition, consider a CDP with a schema-less architecture. Most CDPs have a fixed schema, which can make importing data from multiple sources difficult. With a schema-less architecture, there's no need to reformat files, build new schema or enlist vendor support, all of which helps marketers save time and resources.

A CDP that uses both deterministic and probabilistic matching can quickly resolve customer and prospect identifiers across systems and unify all data in a single, actionable view of the customer. It should also allow you to enhance your identity resolution methods easily, without losing your original data or having to create cumbersome workarounds.



3

Use Customer Segmentation To Design Unique Journeys And Deliver Personalized Experiences

Once you have a unified view of your loyalty program members, use a CDP with built-in machine learning (ML) to help you expand these customer profiles with actionable variables. What is the propensity to shop or to lapse? What is the next best product, next best channel, next best time? What is the customer's future LTV? Your chosen CDP should be able to create segments across any available variable, using any filtering mechanism, and easily export for deployment.

Many CDPs come with these variables prepackaged, but what if you need a custom ML model? For example, you

may want to create propensity models for a specific action unique to your organization, propensity for higher margin categories, or timing for a major life event. To do this with most CDPs, you typically have to enlist a data scientist or work with your vendor to write code for your model.

To take your loyalty program to the next level, choose a CDP that lets you create your own ML models using a simple GUI. No need for expert coding; a CDP with a drag-and-drop interface makes it easy for all members of the marketing team to quickly act on customer insights, try new ideas and get creative with their loyalty programs.

A powerful CDP feature is the ability to incorporate personalized elements when exporting data for deployment. It's not enough to notify a customer with a high propensity to shop about a new product launch. The outreach needs to be delivered in the channel they best respond to, at the time they have the highest probability of responding, with personalized product recommendations. **CDPs with built-in predictive capabilities help you better understand member engagement, automating decisions** not only on how and when to contact your loyalty members, but also what the message should be.

A CDP that delivers AI-powered insights about customer segments can also facilitate customer acquisition by helping you create lookalike models to prospect for new customers. In addition, the ability to finely segment new customers — for example, new customers from yesterday, last week or last month; new customers who've received an offer and shopped vs. those who have received an offer but have yet to purchase again — allows you to develop more effective onboarding journeys for new loyalty program members.



4

Measure Your Loyalty Program's Effectiveness With Customer Universe Reporting, Campaign Hindsighting And Multivariate Testing

In order to increase your customer universe and the average future CLTV, you must be able to report on trends in the overall customer universe over time. Unfortunately, many CDPs lack the robust customer reporting and campaign hindsighting capabilities to see the big picture.

Even if you can connect your CDP to your reporting tool in real time, many reporting tools provide only snapshots, not longitudinal analysis. For example, you may be able to identify how many new customers you got this September, but can you see what products the customers you got last September have purchased since then? This long view is necessary to estimate a CLTV.

A CDP with built-in reporting capabilities gives you the flexibility to quickly gather the insights you need about both customers and campaigns. You should be able to answer questions such as:

- What is the migration path from low spend to high spend?
- What is the attrition/migration of the active universe?
- What is the reactivation rate of lapsed customers?
- How is the average CLTV changing over time?
- How long should a new customer be treated as new?
- How many new customers did a campaign generate?
- What is their expected LTV?
- Did a retention campaign increase the shopping rate and spend of the target audience compared to the control group?

The best CDPs will provide the tools you need to easily analyze and visualize audience insights, campaign performance and customer journeys. **Look for a CDP that allows for additional segmentation, lets you create control groups and can perform multivariate testing.** With these capabilities, you can easily measure variations on offers and creative, and assess the overall impact of your loyalty program.



5



Never Stop Learning About Your Loyal Customers

As third-party cookies disappear, retail marketers will need to rely heavily on first-party data to create effective loyalty programs. To get more of this precious data, you must create engaging tactics that encourage shoppers to share their information.

Experiential loyalty programs that reward customers for behaviors other than shopping but still remain relevant to your brand can provide new insights into your loyalty members' interests, needs and motivations. Whether loyalty

members volunteer for KEEN, share a selfie for an apparel retailer or exercise with a sporting goods retailer, rewarding them for these actions garners valuable information about their lives that can help retailers craft new offers and experiences.

Gamification is another way to gather more first-party data and enhance program effectiveness. This can easily be incorporated into an existing loyalty program, especially one with an experiential element.

For example, online pizza ordering platform Slice recently launched a gamified loyalty program in partnership with video game maker Ubisoft and timed to the launch of Ubisoft's game Far Cry 6. The Slice Gaming initiative lets independent pizzerias reward loyal customers with video game perks, codes and exclusive rewards. Loyalty members can earn in-game currency and the chance to win a PlayStation® 5 video game console.

Partnering with other brands relevant to your customers' lives, as Slice and Ubisoft are doing, can also add value to your loyalty program, and may give you access to additional data that customers have shared with the partner.

Whatever tactics you employ to gather additional data about your loyalty members, make sure your CDP has the flexibility to easily incorporate these data from new sources and **has advanced analytics and ML tools to help you learn from what you collect.** These learnings will in turn inform your ML models, creating greater accuracy and continually refining your program.





Future-Proof Your Loyalty Program

Moving forward, the most successful retailers will be those that migrate their loyalty programs to an experiential environment rather than offering purely transactional rewards. A modern loyalty program starts with a solid customer data foundation built on a CDP that unlocks the full potential of your customer data.

Creativity is vital to loyalty program success and may require getting data from channels you haven't yet considered. Armed with a CDP that lets you easily ingest data from new sources and customize your own ML models with drag-and-drop simplicity, you can glean data insights from your existing channels and any new channels you may want to test. You can also act quickly on new ideas to help your organization compete more nimbly.

Keeping pace with the changing retail marketplace will call for new activities, new channels and new ways of engaging with customers. The right CDP can give your marketing team the flexibility to address tomorrow's challenges and empower your brand with the customer insights needed to deliver personalized experiences that grow customer engagement, LTV and loyalty.

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