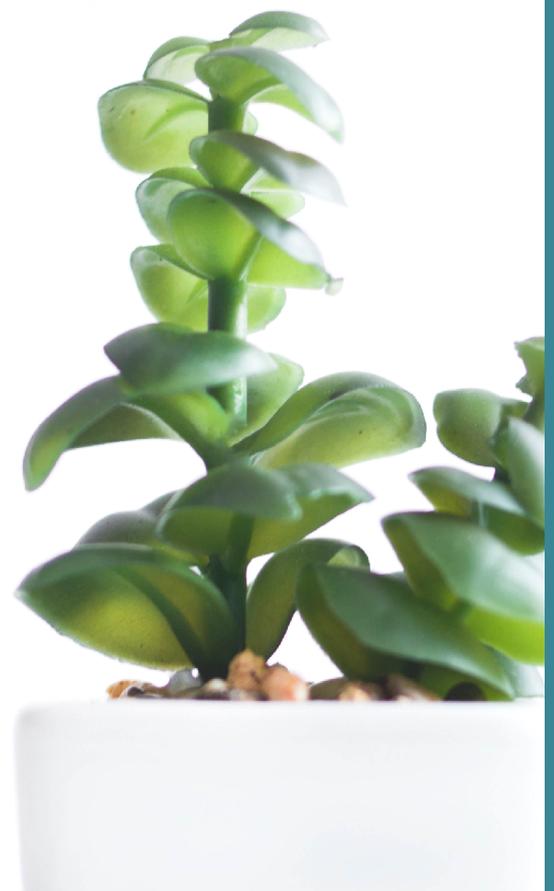


The Top 7 Loyalty Program Myths

+ the facts so your
program can grow

Developed by
K+H Connection



Myth: brand loyalty is dead

Fact: brand loyalty isn't dead but it does look completely different than ever before.

Recent trends show a shift in how consumers engage with brands and what they expect. Consumer loyalty is hard to earn and easy to lose. Brand loyalty requires more than awareness and successful transactions. For companies to foster loyalty they need to create repeated positive experiences with the consumer.

It's important to separate the ideas of brand loyalty and repeat purchases. When a consumer is brand loyal, they will still choose the brand even if it costs more or is less convenient. Repeat purchases come from a store offering that naturally fits the consumer's situation; if the consumer could find it cheaper or in a more convenient manner, they'd switch.

The natural question to ask is: what is the driving difference between the two?

Emotion.

“Consumers with an emotional connection to a brand have a 306% higher lifetime value, stay with a brand for an average of 5.1 years vs. 3.4 years, and will recommend brands at a much higher rate (71% vs. 45%)”

Motista, 2018

Brands need to continuously offer experiences that create positive emotions and develop brand affinity. Due to the onslaught of messages consumers receive day in and day out, it's harder to create advertising messages that stand out enough to accomplish this goal.

It's time brands find a new way to stand out and create an emotional connection. Micro-moments and interactions that connect brands with their customers can help.



If brands are able to truly understand the emotions that drive their customer base, they are able to capture a new level of customer commitment.

The rise of pay-to-join loyalty programs and subscription services shows that consumers are ready and willing to commit their spending upfront to brands that connect with what they want on an emotional level.

- **Amazon Prime helps consumers feel a sense of ease in the midst of day-to-day busyness.**
- **Restoration Hardware's RH Members program provides additional services, helping consumers feel guided while tackling interior design.**
- **SavageXFenty's XTRA VIP program gives consumers the feeling of exclusivity by releasing exclusive designs for members and allowing early access shopping.**

Myth: Redemption of offers is the only way to gauge consumer loyalty

Fact: Consumer loyalty is more than redemption.



Because brand loyalty is more than a repeat purchase, success of a program cannot be defined solely by offer redemptions. Additional indicators of brand loyalty include consumer engagement and brand advocacy.

Consumer engagement

In order for consumers to redeem an offer, they must first know there is an offer to be redeemed. This can mean spreading awareness across multiple platforms such as email, text, and social media. Prompting consumers to be engaged on all platforms can be as simple as offering small incentives such as a points bonus.

Even if a consumer doesn't redeem an offer, when they open or interact with an offer, they engage with the brand and they feel acknowledged and that the brand is holding up their end of the agreement. One of the worst things a loyalty program can do is leave a consumer wondering "what am I getting out of this?"



Brand Advocacy

With the age of the influencer quickly fading away, we are reaching a point where nearly every consumer can be a micro-influencer for your brand and product. Social media and increased connectivity make measurable and rewardable brand advocacy easier than ever. Creating new and unique ways to spur a conversation that allows consumers to advocate for the brand can be an easy and cost-effective method of creating additional moments of engagement and brand awareness.

49% of consumers say their purchasing decisions are influenced by friends' social media posts

Retail Customer Experience, 2018

Myth: Rewards mean discounts

Fact: Loyalty programs are not discount programs.

Loyalty programs are rewards for commitment to the brand. In order to stand out, a loyalty program requires more than just offering \$20 after every \$100 spent. It means understanding the consumer lifecycle and how to enhance the different stages.

Although it may sound daunting, if you know your customer lifecycle, you can pinpoint the key times and reasons to reward your customer that make sense to your brand AND your customers.

For example, a jewelry store sending out a promotion each year around the time of a couple's anniversary can stand out more than a standard offer. But, what if you're a specialty clothing store and sent out an offer around the same date? You know your customer is looking for something new to wear, show them your brand fits into their life.

If you want your customers' attention, it's your job to stand out and earn it.

Alternative types of loyalty rewards include:

- *Early access to products*
- *Exclusive bonus or bounce-back offers*
- *Special events*
- *Special privileges (e.g. expedited shipping)*



"It's not about selling stuff, it's about creating a bigger context about why people are engaging with you as a brand"

Shoptalk, 2019

Myth: Consumers understand limits and rules of reward programs

Fact: Consumers have too much going on to pay attention to rules and restrictions of your loyalty program.

If it takes more than thirty seconds to explain the benefits of a rewards program, it's too complicated for the consumer.

Having complicated rules around a loyalty program invites unnecessary negative customer interactions. We've all experienced a moment of thinking we understand the benefits of a program only to be disappointed when finding out we're wrong.

Thankfully, improved technology and shifting consumer trends means those occurrences don't have to happen. In fact, this may be one reason for the shift from tiered programs based on spend to premium pre-paid programs.

Engaging loyalty programs have to offer basic benefits consumers can quickly understand while having interesting surprises built in based on continuously gathered consumer data.



With the right data and systems, loyalty programs can create a fully customized experience that is fluid and easy to engage with for customers.

Myth: Loyalty programs create unnecessary friction at checkout

Fact: They don't have to.

Engaging with a loyalty program should be easy and exciting, not an additional chore for the consumer. That's why it's important to develop a program that consumers can utilize and access no matter their situation. A loyalty card can be a great option if it conveys any sort of status with the retailer, but having options where the consumer data can be gathered without the card is important as well.

Access to the program should be available from multiple locations: a card, verbally in store, in a mobile wallet, in a store app, and wherever else the consumer may be at the time of purchase. Further, retailers can capitalize on online orders by having consumers create an account that connects with the loyalty program. This is the easiest way to develop program access across multiple platforms.

With new technology capabilities, retailers large and small can successfully set up programs to meet the consumer where they are in order to make engagement with the program as easy as possible.

The ultimate goal of any loyalty program should be that it's so easy consumers don't feel like they're using one and so engaging they never forget about it.

True success of loyalty program is when a customer initiates the account lookup at checkout without the cashier prompting. On a panel discussing Customer Data and Brand Building at ShopTalk 2019, Tami Mohney, SVP of Marketing & eCommerce for Modell's Sporting Goods referenced her view on Modell's loyalty program saying:

***“I want to grow volunteers,
not hostages”***



Myth: Simply offering a loyalty program is enough

Fact: Consumers want customization.

Maybe retailers could get by with a simple set it and forget it type of loyalty program ten or fifteen years ago, but that's not the case anymore. Consumers who sign up for a loyalty program know brands are collecting their data, and most want it used to enhance their experience with the brand.

By signing up for a loyalty program, a consumer is saying they want to create a consistent relationship with the brand. That means opening a dialogue, rather than simply shouting one message all the time.

“Consumers who believe companies are doing very well on offering personalized experiences shop more than three times more frequently”

Epsilon, 2018

The most successful programs treat consumers as individuals, let them create their own brand experience, and reward them for having experiences outside of the store.

- **Sephora's Beauty Insider Program lets consumers decide when they want to spend their points and on what, without fear of any expiration.**
- **The North Face's VIPeak program hosts official events that consumers can participate in and earn points that contribute to membership level and available rewards.**
- **FabFitFun allows all VIP Members to customize parts of their subscription box, and offers additional customization as well as early access options to Select Members.**

Myth: Creating and managing an engaging loyalty program is hard

Fact: With today's tools, it's never been easier.

Once a retailer understands what the program needs to deliver to the consumer and the business, it is easy to identify and select the appropriate software integrations. Many possible partners can not only provide an easy integration for functionality but additional data insights as well.

Whether selecting a platform to launch a loyalty program or identifying a new solution, it's essential that the platform can grow as the program grows.

The most encouraging thing about creating or enhancing a loyalty program is that making a program, that connects with consumers, is easy with the right tools and strategy.

A successful loyalty program is rooted in three key elements:

- 1. An understanding of what the consumer wants*
- 2. An understanding of what the program goals are*
- 3. A strategy for implementation*

With 84% of consumers reporting they're more likely to stick with a brand that offers a loyalty program (Edelman, 2018), 69% of consumers reporting they change buying behavior to maximize loyalty points (Bond Brand Loyalty, 2017), and the fact that customer retention historically costs less than acquisition, having an engaging loyalty program is essential for any retailer in this increasingly competitive climate.

If you're thinking about launching a new program or enhancing a current offering, click to schedule a free Connection Call for a customized strategy session today.



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