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# High Loyalty: The Complete Guide for Customer Loyalty



# Contents

What Is Loyalty and How Do You Recognize It	06
What You Need and What You Don't to Build Loyalty	11
Measuring Loyalty - What Are the Important Metrics and How Do We Find Them?	16
Is Personalization Relevant in Loyalty Marketing?	22
Rewarding Loyalty to Drive Growth	27
The Relation Between Loyalty and Technology	31
Establishing the Right Culture for Loyalty	36
The Rise of Loyalty Through Referral, Partnership, and Subscription	41

## Foreword

What is Customer Loyalty?

Go, ask Google.

Awesome. Now you know what "customer retention" is.

Yes. It's a rare example of a blatant mistake by the almighty search engine.

Cause no, customer loyalty and customer retention are not the same thing.

So, we'll ask again: what is Customer Loyalty? And futhermore, how do you achieve, measure, and sustain it?

Glad you asked.

Because this ebook will unfold the answer.

For that pupose, PostFunnel got Nicola Fox, an expert in CRM and Customer Loyalty, to break it all down piece by piece, in this deep-diving Loyalty Series.

Nicola has worked in retail for over 15 years, and her focus has been on delivering the data, technology and cultural change she believes is central to implementing customer strategy and nurturing loyalty.

Best,  
Nitsan Peled  
Editor-in-Chief at PostFunnel

## What Is Loyalty and How Do You Recognize It?

Incentives, relevancy, timeliness, and innovation all play into your loyalty strategy. Here's how to plan around those with no exception

Loyalty. It's what every business wants, right?

At least, we think so. That's why we are introducing a new Loyalty Series, here on PostFunnel.

15 years ago, most retailers would have given a percentage of their profits for the value associated with the big loyalty programs of the time. Starved of data, however, they relied on expensive focus groups and instinct to drive their customer strategy.

We now operate in a world filled with data but are we any closer to engendering loyalty from our customers and why do we want it?

The demand for a loyalty program is often centered around the desire for repeat purchase and reduced churn coupled with an improved level of behavioral insight.

### Retention VS Loyalty

Retention and churn are indicators of loyalty, not measures of it and are certainly not the same thing. They are useful when looking at whether your CRM is running but they will tell you little about the degree of customer

loyalty you are driving and will provide you with virtually nothing in terms of actionable insight.

Retention is simply a commercial measure. To some extent retention can be bought with gimmicks and offers. But loyalty less so. Retention is linear and one dimensional, simply indicating whether the visitors to your site are placing orders with you and continue to do so over time. But depending on the industry, the length of time between these orders could be several months so there is little insight into organic loyalty in this measure and more to be learned around margin erosion through unnecessary incentives.

### So, What is Loyalty?

Loyalty is multi-faceted in its measurement and is more concerned with whether the visitors to your site are showing you greater consideration as a result of the experience they have with you.

It's not something that customers switch on when they want to buy and then switch back off again once they receive their order. It remains with them in every interaction with your brand, in every thought about their needs, in every conversation with their family and friends. Who are actually your potential customers.

In order to successfully foster loyalty from your base, you have to really “get them” and moreover, demonstrate to them that you do.

For some businesses even the most regular and valuable customers will be very likely to shop with competitors. Spending with your competitor’s brand usually means more spend generally in the market rather than loyalty to them. So loyalty has to do with more than just orders and spend, and is certainly more than just a card and some points.

### Loyalty as a Mindset

So, if loyalty is no longer about cards and points, what is it about and does it exist?

Loyalty is a mindset. The mindset of your customers and the mindset of your business coming together.

Does it exist? Yes! In every visit. The visitors on your site give you subtle indicators throughout their visit about what they need, why they are there, how you can best serve them and, over time, what would cause them to become a loyal customer. These indicators manifest as data.

Data alone is useless and quite frankly, overwhelming. However, when used as the central focus for your planning and execution it starts to really change things for your performance and for the customer experience, in turn driving loyalty.

### How to Approach Loyalty

Approach nurturing loyalty broadly and with an open mind. Resist the temptation to rely on long-held business myths and instead incrementally test and learn what works. Be prepared for things not to work but take an

approach that allows you to adapt when they don’t.

Put things in place that allow your customers to see that you are testing and learning and changing for the better, not everything has to be perfect before you share it with them.

Building loyalty isn’t about second-guessing customers and trying to coerce them into staying loyal to you. It’s about opening up to your customers as a brand, showing who you are, what you stand for, and attracting your people.

Having a good understanding of how your customers respond to you is a good starting point but there should be a mixture of tracking those naturally and asking directly. This might be in relation to the actions you take on product, promotion, campaign or customer service. But, you should also strive to track those responses by customer group. A high response rate to a campaign is positive as long as it engaged and motivated the group of customers it was aimed at.

### Building Loyalty in Your Brand

Loyalty will show itself in spend and orders but also in returns and refunds. You will see it in referrals and recommendations, but you’ll also see it in cross category purchase and delivery choices.

Pay attention to engagement and its relationship to conversion and also channel preferences. And, respect any changes in those. What’s key is that, as a business, you understand the behaviors of customers who show you loyalty and why they behave in that way.

When you achieve that you will then know how to attract similar customers, what to protect and invest in most in your business, and the role all your departments play in building loyalty.

## Concluding the 1st Chapter

Ultimately, as a brand, you earn the right to be part of your customers lives because you make their lives better in some way. You drive loyalty to your brand by understanding how you make their life better and replicating that in every area of your business.

Sure, whether they like your stuff, they are happy with the price and can access what you sell – are all important – but you have to be comfortable with your customers also finding that in other brands, maybe your competitors.

What other companies will find hard to mimic is how you develop solutions centered on what's important to your customers and the feeling that gives your customers when you get it right.

And, your customers are always right. So, try to be right too.

## What You Need and What You Don't to Build Loyalty

Incorporating end-user technology into your loyalty program enhances engagement, participation, and can often improve the delivery of your messages

Is it just me, or when speaking about loyalty are you never sure which verb to use? Is loyalty built, do we drive it, calculate it, create it? I've come to the conclusion that we nurture it. Far from being something that is as simple as hard work or greater acceleration, the right data or the leading technology.

It's about approach. Neither science nor art. Loyalty is a mindset and consequently must be grown, developed over time, expanded and nurtured.

So, what's needed? Well, the bad news is there is no loyalty blueprint, so it needs to be designed around what you know about your customers. What they value about what you do and where you stand as a brand. Sometimes the answer will be common for all customers and in some cases, you might need different approaches for different customer groups. The good news is, however, when you define and adopt that loyalty mindset it is something your entire business can get behind.

### Strategy

That's when the magic happens, your customer strategy is clear for everyone to visualize. Decisions about technology, type of program, and nature of rewards suddenly becomes less about personal preference and more about what best serves your customer. The overall message to

your teams, their departments, and for their objectives... solve for your customer.

Before you consider and, more importantly, before you purchase anything, firstly ask yourself what you are setting out to achieve. Once you know that, it will reveal to you the requirements you have and in turn allow you to see what is needed. It's far too easy to immediately jump to finding a technology solution that can run a program for you. But so often the immediate needs you have are little to do with technology alone.

## Tech & Culture

Categorize the needs into technology and culture, they are both of equal importance. Technology has to be a consideration because having the right tools will make the running of your program more automated and efficient, will deliver tangible results that can be scaled, and allow for real time decision making. In return this allows your teams to output actions and 'do' something with the data and insight you gather.

To overlook culture is a mistake. If the decision makers in your business are not prioritizing loyalty, if they are not viewing the importance of it in the same way and adopting approaches to improve it, then any investments you make in technology will struggle to deliver a return. In addition, you will constantly have to present your case for resource, margin, budget and prioritization of loyal customers to support your loyalty efforts.

Following that, start looking in detail at the functionality of available technologies, focusing in on three things; the requirements for and usability of your data within that technology, whether you can scale your loyalty strategy with the platform, and whether you will be able to measure the benefit it brings. These 3 things are the pillars that must be in place for you to get value from any loyalty technology, the rest I would be bold enough to say, is simply marketing and IT.

## Data Usability

Usability of data is key – how easy is it to access the data for marketing, predictive modelling, and analysis purposes. Ask yourself, can you connect the data you have to this technology and the loyalty data to your other channels and platforms? Can data flow back into where you run reports, can it connect with financial analysis or onsite tracking to enable profitability reporting and is that data structured in line with your customer data?

Will you be able to scale your loyalty strategy? You need to know that financially, operationally, legally and from a stability perspective you can roll out positive test results at scale while also being able to continue testing.

## Measuring & Reporting

How you measure loyalty is a whole topic in itself but knowing the metrics you will use, what data that requires and whether it can be tracked so that the benefit it brings can be analyzed, is a stage many teams don't go through. Against the appeal of the capabilities within the technology it's easy to forget about how a person or a reporting tool will access and handle the data you collect and make sense of it in relation to customer loyalty.

Reporting the results of individual campaigns is not enough. By firstly defining what you are setting out to achieve and then reviewing the pillars that expose areas of strength and weakness for you to address, you shore up the foundations of your loyalty strategy. The next stage is to think about what you are going to say or do and where you are going to say it, which is where technology and culture need to be aligned.

## Customer Programs

Ten years ago, the options here were fairly limited to providing every

customer with a unique plastic card, some discount or points and communicating to them through mail or email. Loyalty programs could run alongside the rest of the marketing activity as a complementary part of the business and a perk for customers. The options are much broader and deeper now and more than being something that ticks along in the background, for it to be a success, it must be front and center to your business.

When looking at how you action your program, once again, you will need to look at what's important to your customers. Keep in mind that you want quality data, high uptake and engagement and a sustainable strategy but an easy to use, easy to understand and high perceived value program for the customer.

Explore ideas such as whether your loyalty strategy will be explicit or implicit. Consider how you are able to run an omni-channel program, how customers will identify themselves and how your systems will recognize them.

## Tracking

Have you thought about how customers will be able to track their loyalty progress and how you will be able to track their behaviors?

Consider how your technology and your brand might be able to reward more than just orders and purchases so that the loyalty driving activity is engaging, gratifying, and recognizes multiple indicators of loyalty. Being able to recognize customers outside of their buying cycle can be very powerful, particularly if you have a low retention rate or a wide repeat order window.

Also, think about how rewards can be made memorable or something that is sought after. Think about how the rewards you offer connect who you are as a brand and what your customers love about you. How will you practically communicate and deliver those rewards to achieve impressions, engagement, and participation.

Think beyond the basic triggers of order date, value and items purchased. Think about granular tracking to uncover things like visit frequency and quality, intent, channel preference, delivery options and device. This is all important as you improve the relevancy of your strategy so that it is something that makes your customers' lives easier and nurtures their brand affinity.

## Final Words

Incorporating end-user technology into your loyalty program enhances engagement and participation. It can often improve the delivery of your message and ensure that all data points are covered. Pushing the capabilities of the technology but with things that will make a difference to your customer, your store teams, and the success of the program is important, rather than gimmicks.

And finally, consider how well the technology you are looking at fits culturally into your business. Will it facilitate you and the other teams to put customer data at the center of your planning and decision making and can it work to provide customer data for their real-time decision making?

## Measuring Loyalty – What Are the Important Metrics and How Do We Find Them?

Understanding who is loyal and how they behave allows businesses to observe, monitor, and improve

The main challenge in measuring loyalty is that it's a state of mind, not exclusively an action. Asking customers is unreliable but yet the benefit of understanding who is loyal and how they behave allows businesses to observe, monitor, and improve.

The most common approach to measuring loyalty is order frequency. You might even go as far as to measure regularity and how recently or how much your customers spend. None of this is wholly wrong but in truth that is retention being measured here.

If your job title is 'loyalty' and yet all you are measured on is retention, you're only really being measured on a fraction of what your role is about. Retention as an indicator of loyalty, not a measure. It's linear, commercial, it simply tells you whether the visitors to your site are shopping with you and continue to do so over time. Loyalty, however, is multi-faceted, concerned more with whether the visitors to your site are giving you greater consideration as a result of their experience with you.

For simplicity, and due to the fact that CRM and loyalty teams have often evolved around the email team, some businesses will set loyalty KPIs around email performance and repeat order rate. Simplicity is attractive when faced with a lack of reporting technology, siloed data, and not enough available analyst resources.

### How to Measure Loyalty

Are customers being loyal only when they are placing orders? I've known brands where even the most valuable shoppers also shopped with their main competitor and high spend with them usually meant more spend within the market generally, rather than a distinct loyalty to that brand. So, loyalty can't be all about orders, can it.

Building and nurturing loyalty will require you to knit together multiple data sets, behaviors, and channels. In the same way, measuring loyalty will also require you to model all the things that indicate affinity to what you do as a brand. Loyalty is a sum of parts; it is not about finding the single golden metric.

Aim to put measurements against all the actions and behaviors your customers demonstrate to you when interacting with your brand and when visiting your site. To begin, consider this very broadly, not just those in the closing stages of the sale. Don't overlook behaviors outside of the purchasing cycle as well as during and particularly immediately before and after an order.

Most importantly, acknowledge that the 2 or 3 KPIs you use to measure the performance of loyalty managers on a weekly basis are not sufficient to measure the degree of loyalty your customers are showing to your brand.

## Loyalty as an Investment

You contribute, your customers contribute and as a result you see growth. Each area of your business that you invest in, innovate, and improve will make a contribution. Those results form part of a dashboard that indicates your loyalty health factor.

Each metric may be made up of 2 or 3 results and those metrics then form the component parts of how loyalty can be reported in your business. The objective then, as a loyalty manager, is to keep the loyalty health factor strong by fine tuning the component parts. Over time you will need to speculate in some areas and pull back in others depending on which performance metric you want to influence.

Dips in some areas will adversely affect that factor and increases in others will compensate. For example, recruitment of new customers may compensate for loss of existing customers but in times when you know there will be lots of orders but an operational delay, you may need to take action to keep satisfaction steady.

By approaching loyalty this way, you will be clearer on what your customers want, how they are responding, and how that is impacting your performance. Then you'll be able to plan, as a business, what you want to do about it.

This approach builds a picture of what loyal customers 'look' like in terms of their behaviors day by day, week by week. When you know this you can, not only take action to keep those customers loyal but you can also identify other customers who look similar and start to predict the right behaviors from them too.

Need AI, I hear you say? Maybe, but think also about whether you can see more obvious things. Do loyal customers adopt the use of your app, use premium delivery, shop multiple categories or engage highly in a particular channel? If you know this type of information, you can start to promote the use of this to other customers.

## Always think simple first

Begin with what you can measure right now rather than not measuring anything at all. Value is usually most easily measured and plays a considerable part in the loyalty factor. Get an accurate read on order value, frequency, margin and lapse rate at customer level. Then, without delay, build in regularity as this will allow you to monitor likelihood to churn and also use your recency frequency value data more tactically.

In addition to spend, look at the breadth and depth of purchase across categories, particularly around the adoption of new products and periphery categories. A tendency to buy beyond your core offering would indicate trust. Where you can, monitor average order value across these categories to understand category preference.

Having these measures in place will start to move you towards calculating a lifetime value which will reveal the value of the customers you have rather than the value of the orders they place. I favor lifetime value models within loyalty measurement because loyalty doesn't happen overnight. When we try to measure it with metrics that are short term and linear, we miss the bigger picture.

Lifetime value encourages businesses to consider the entire sale process rather than just the placing of an order. As a result, these measures can then start to positively inform and influence both the acquisition and retention budgets within your business.

## Then, Behavior Tracking is Key

Attention should then turn to intent measures such as engagement, referral, and trust. Are your customers engaging, reading, opening, following, liking and telling others about what you do? Are they buying into your business initiatives, the campaigns you create and how you do business? What does their visit and session quality look like? We're talking 'fandom' here, those people who love what you do.

You can't measure what you can't track but start to explore the behaviors you want to understand to contribute to loyalty and agree upon an event that indicates these. For example, you may consider that following you on social media is a positive behavior, but what does the customer 'do' that you can track to indicate this? Customers may also show positive behavior in their use of features like wishlists or even in their adoption of premium delivery services.

I would also always recommend involving different areas of your business and getting them to define what loyalty would mean or look like in their business unit. These can then be incorporated into your metrics and tracking and makes the loyalty factor something that can be bought into across the business.

Remember, if everyone in your business is not prioritizing loyalty, you will struggle to nurture it. Examples here might be the use of your app, breadth of purchase across categories, percentage of 'new in' orders, use of subscription services, interaction with blog content, referral rate, NPS or their return rate.

### Approaching Measurement – Final Tips

Finally, don't read this wrong. Being multi-faceted doesn't make measuring loyalty complicated. But we are guaranteed to overlook opportunities if we do not consider a wider set of metrics beyond retention. For a start, we may consider that a low order customer is less valuable to us and invest in the type of customer who brings us more order value.

But if the lower order value customer is purchasing more frequently then they may actually be a better investment than the high order value customer who only ordered once. Using engagement metrics to determine email send lists means your messages are being seen but if they are not acted upon there's no return on investment. Approaching measurement in this way can quite fundamentally change the decisions marketing teams are making on customers, rather than

channel and level. Moving the needle on results is hard enough. When you realize that maybe you are laboring away by considering customers to be valuable who are actually costing your business money - it's a rude awakening.

This certainly made me realize why it felt so arduous trying to get improvements in channel revenue from disengaged customers. There is flexibility needed when working with a set of metrics as they can be used to differing extent to drive growth as required. Your lead generation becomes more efficient, your post sale satisfaction and repeat order rate improves and then all of a sudden, your boardroom is speaking of customers rather than orders.

## Is Personalization Relevant in Loyalty Marketing?

Everything you need to know about personalisation and how to communicate with your customer base on a 1-1 level

People buy from people, as the old adage goes. Where brands connect with their audiences in a personable manner, trust starts to develop—and where there's trust, there's loyalty. Small businesses can thrive from personal connection, so how do you keep that sense of personal connection central to your brand when scaling your business or operating at scale?

The key is to talk and sell to people. Your customers are individuals with personalities, not simply passers-by to your site. Your audience members have quirks, likes and dislikes, and unique interests and emotions. Neglecting approaches that make customers feel special as you grow will result in marketing noise that is neither interesting nor helpful, and ultimately—creates drops in engagement.

Personalization and the ability to communicate with your customer base on a 1-1 level is highly desired by marketing teams. Building trust by demonstrating to those customers that you know and understand them individually is a potent method of driving value from existing customers and offsetting acquisition costs. This personal connection in a human relationship is called empathy, and that's what is meant by customer-centric marketing. But how can we be sure that the personalization we're chasing is aligned with what customers want and will ultimately nurture loyalty? Furthermore, is it a level of personalization that your organization is set up to deliver?

### The Importance of Data

Retail, leisure, and travel loyalty programs have made the use of data commonly understood. The public is aware that data is being used and understand the value exchange of sharing this with companies. The main question is whether they value the use of personalization highly enough to see it as a fair exchange.

It's not enough to simply include a name or make a relevant comment about something that affects 99% of your database. Relentlessly following visitors around showing them ads about products they browsed, but didn't buy, is more likely to make your customer uneasy and distracted than to drive them back to purchase. Telling your customer that it's been 12 months since they last ordered with you is only valuable if they need a reminder for health or financial reasons. But before you do that, in the name of personalization, ask yourself whether you are doing it to help your customer, or because it is the only option with your current personalization capabilities.

Using a general behavioral average to drive a customer-centric approach is more likely to get it wrong for individual customers than right. The goal, for any brand, should be to become so much a part of making your customers' lives easier that they rely on you to guide them, share ideas with them, remind them, and direct them in their selections. What

do you know about the pain points of your customer, and how are you solving them? Put your data and insight into action to improve the experience your customer has with you—then tell them about it.

### Spotlight on Delivery

Delivery, for example, is a highly emotive stage of the journey that is so often treated as purely operational. Little empathy is ever shown when communicating delivery, yet most customer service teams will tell you this is a huge part of their contact.

Businesses run different delivery options and incentivize them from time to time. These incentives are marketed to everyone, because every potential customer needs to know about them, right? Wrong.

Think about whether that message is of value to the recipient. Have they ever used that particular delivery method before? Is the offer in line with their previous spend? Did they order recently and use that delivery service at full price? From the business's angle, think about whether this offer will positively impact their regularity, returns, or shopping cart items that are about to expire. Have they ended a session recently at checkout stage, or is their historical spend and regularity otherwise in line with the offer criteria?

### A Shift in Personalization Perspective

There is actually plenty of opportunity to personalize the delivery stage of the journey and build loyalty. Parting with cash, entering card details, and taking in important information results in stressed customers. They may need their goods quickly and so will pay whatever it takes, or they can wait for their goods to arrive but resent a delivery fee—there's little in between. Think what it would feel like to regularly shop with a brand and never get an offer on the delivery method you use, but see that they always upgrade others' deliveries. Imagine using a brand for the first time, paying for next day delivery to get the item, and then being offered free overnight delivery the day after placing your order.

The reason delivery is relevant to personalization is that most businesses can do this without having to create an industry around the personalization itself. Consider personalization more in terms of how to make your customers' lives better, rather than exclusively thinking about how to get different visuals into 500,000 emails.

Personalization technology is based on the understanding that without any degree of personalization, the customer experience is poorer, less useful, less valuable, and with no differentiation to boot. Ask yourself whether the personalization is telling your customer something they don't already know, sharing something with them they might like, and building trust in your brand—the 'know, like, trust' checklist.

Your offer doesn't have to check all these boxes all the time, but at least one should always be true. Among the best examples I've seen was a guaranteed Saturday morning delivery—a premium option. This offer did not go out to everyone, but was personalized and targeted to regular overnight delivery users whose profiles reflect a low return rate and regular purchase pattern, making the delivery perk commercially viable and a point of difference.

The point here is that you don't need to overinvest in technology to personalize. Think about it more as showing empathy. It's a simple equation: "Because (as a brand) we know it's hard when (insert pain point), we have (insert solution) and want you to be (insert incentive or reward)."

Of course, there are other examples where you might need more technology, but make it valuable. Include parcel tracking links on promotional emails for ease, 'remind me later' options on sale launch communications, prompts to renew subscriptions ahead of expiry, and advice and articles for session abandoners on high-ticket items. These steps will turn your brand into the one they can rely on.

## Relationship as a Constant Goal

There is no textbook in personalization theory that'll work for everyone. Many of the benefits are for the customer but this should not be a bad thing, we are nurturing relationships. However, it's fair to expect a commercial payback... and the good news is, your ROI is just around the corner.

By delivering improved experiences for your customer, loyalty improves, and in turn, so does data and performance. The use of data and creative resources to deliver personalized communications are often barriers, but as you start out, personalization doesn't have to be public-facing. Unique send times improve the likelihood of being seen, opened, and clicked. Channel preferences based on visit history deliver 'behind the scenes' personalization and predictive modelling to drive margin growth, manage stock, and tactically pull forward and push back visits and orders.

These methods are not something the customer will be overtly aware of based on their recall of behaviors, but they do create a perception of your brand always being there at the right time, showing customers the right content and reminding them of what they need. That's the start of a very loyal friendship.

## Rewarding Loyalty to Drive Growth

Find that thing your customer trusts you to do and loves about what you do – this is where the answer to reward and nurturing loyalty lies

The matter of rewarding loyalty is something that really challenges marketing teams. The default is usually to rely on discounts and promotions in pursuit of a repeat order. The curiosity of this approach is that we then devalue what we want customers to value the most.

In some ways, rewarding loyalty is limited to technical capability and tracking. Most businesses can run a discount in an automated way, so that's what they do. Other types of reward are more complex to execute and so teams shy away from these. Retention can, to some extent, be bought with these discounts and incentives, but loyalty less so.

### Discounts as an Incentive

How often is there complaint that incentives for new customers are prioritized over those who stay with the brand long term? These incentives do play a role in customer satisfaction, discounts may indicate that continued purchasing gets them preferential rates. However, in looking at ways of rewarding customers to nurture loyalty, it has to be much more rooted in what you know about the relationship between your brand and your customer.

To add to this, the main reason I wouldn't advocate using only promotions and discounts is because they encourage a number of behaviors that are actually not typical or desired of loyal customers.

These may include delaying purchase or reductions in profitability. As a result, your gesture will not be recognized as a reward by the recipient as it bears no relation to how they actually behave.

### How to Nurture Loyalty

To nurture loyalty, you need to demonstrate that you get your customer. That you really understand what is important to them and then deliver on that. Loyal customers behave positively towards your brand and what you do and so the rewards given in recognition of those positive actions should be reflective of how customers are behaving.

Think about it like this, if your customer is a high spender, they like what you do and how you do it. High spend should be acknowledged with an invitation to spend more and get preferential services as a result. It's a simple value exchange that customers understand – do more, get more.

Alternatively, if customers are shopping deep into a narrow group of categories, they know what they like. Rather than try to change this and appear to not understand their preferences at all, you could recognize it with priority access to launches and offers in these categories.

Conversely, if customers shop across multiple categories they are explorers, and so this could be rewarded by asking them to review or road test products or even new concepts directly for the brand.

Think not solely about what they are doing or buying but why they are doing this. How does their behavior relate to their personality and character and then create a reward that connects with that.

### Contributing to Growth/Tracking Behavior

Of course, it's not simply about how the customer would like to be rewarded but also about positively affecting behaviors that contribute to commercial growth. The days of waiting for your customer to stop visiting, engaging, and shopping with you and then winning them back are over.

As brands we have to work every day to keep ourselves relevant to our customers and make ourselves a crucial and valued part of their life. By tracking behaviors beyond the transaction, brands can pick up on dips in performance across a number of metrics and step in to alter that course.

In addition, it's possible to get a greater understanding of how loyals behave and identify other potential loyal customers that you can nurture. If they are visiting you frequently, reward that regularity so that it's maintained and if they are engaging highly they should be invited to be a 'fan' so that their excitement about the brand rubs off on others.

### Rewarding From the Very Beginning

Aim to get it right from the start. In the immediate days after placing an order your brand has the opportunity to impress that customer, so do it. They just spent money with you so don't spend that time sending them a cheaper deal for next time.

This is the opportunity for your brand to reward them for sharing with others or to let them know how you can make life easier next time. You can also share some information with them that shows you're interested in what they bought and how they get on with it.

Whatever you use to reward your customers needs to come from a desire to increase their consideration of you as a brand and make them love you more. Not show them that they could have got what they bought cheaper.

### Using Loyalty Currency

The other key question raised around rewards is a loyalty currency. Popular with the rise of loyalty programs twenty years ago, they remain, for the customer, a well understood method of communicating progress towards a reward.

But any brand can offer points and discounts and coupons and sales so don't get hung up on what that currency looks like. If you think you

need one, agree on one and then move on to defining how you deliver rewards. If you can work without a currency, I would argue that you should, particularly given the technology that is available. This gives you the advantage of being able to protect margin and retain some flexibility around your program as you test and learn without the customer being aware.

Most urgently find that thing that your customer trusts you to do and loves about what you do as that is where the answer to reward and nurturing loyalty lies. It might be delivery, it might be packaging, it might be that you offer a gift message inside, it will be different for every business. It is not, however, your discounts.

Think about rewards as value adding rather than price reducing. When considering any kind of loyalty currency, you must think about how attainable the reward is, how desirable it is, and what it's going to feel like when they get it.

### In Sum

Loyalty is about intent and emotion – as well as action – and so how you create that is through experiences. Develop rewards that are achieved through the customer emotionally investing in achieving it and feeling celebrated when they do.

The reward is what's in it for the customer, so it has to be worth the investment of their time and money but also something that cuts to the core of why they pick your brand. In some markets what you sell and what you charge will be identical to your competitors so it's crucial that the reward is intrinsically linked to your brand. This will be partly about what you offer and partly about how you offer it.

Don't instantly assume that rewards need to be a grand gesture and don't make the mistake of thinking everyone needs or deserves them. Use your data and insight and commercial acumen to decide where that reward is best placed to grow and strengthen the emotional connection your customers have with you.

Done well, it leads to advocacy, reliance and quite simply, love.

## The Relation Between Loyalty and Technology

Technology alone is rarely the answer to your business needs. Here's why

Technology alone is rarely the answer to business questions.

I feel compelled, even as a marketer, to begin with this statement. Why? Well unless the technology that you select is adopted by your business and has the functionality you need and can use, it could be the best technology in the world and it would still not meet your needs.

That said, the area of loyalty and customer marketing is notoriously underinvested in from a technology perspective. Despite the well understood refrain that retaining customers is more profitable than acquiring them, teams still are expected to roll their sleeves up, change their processes, and find the resource to put their data into action. Somehow there needs to be a way of making what is an uncertain investment more certain so that the opportunity that lies within customer loyalty can be realized.

### Technology – a Game Changer

Less than ten years ago, I set about designing a loyalty engine with an internal team of developers. As a marketing manager, I had a clear idea of what I wanted to be able to execute and the needs were easy to define. At that point, loyalty was all about rewarding transactions.

Within two years, I outpaced that technology and moved on to an enterprise solution that could better cater for data warehousing and

automated list creation. It came with a lot of promises but it was still transaction based, convoluted and far from realtime. The expectations for growth and the desire to improve the customer experience was, at that point, way ahead of the readily available technology.

The real game changer arrived with the introduction of event-based tracking and customer data platforms. Of course, this type of technology wasn't created solely for the purposes of loyalty but suddenly the technology had caught up with the desire to get a persistent view of customer data in realtime. It could make it accessible to other systems and also to the marketing teams, not just analysts. It was a moment I will never forget. I suddenly felt as a loyalty manager that I could do my job.

The point here is that as your ideas evolve, so will your needs and the only requirement of your technology is that it keeps up with your needs. Your decisions really need to be around whether you piece various pieces of software together or solve to create that within the one system.

## Old Tech

The difference that advances in customer data technology have made is monumental. Before this, loyalty engines and associated databases were simply collecting large volumes of indecipherable data. They, together with data analysts, were doing the heavy lifting on point calculations and segmentations. So, it was possible to do targeting but it was a lengthy process and let's face it, nobody was friends at the end of it. These approaches weren't actually revolutionizing businesses at all.

Improving campaign performance and taking the load off the day to day demands on a marketing team was reliant on something that could take data and make it actionable by someone who had no coding knowledge.

The need here was something that could handle data accurately and with integrity, could make that data accessible to marketing teams and could make it actionable so that marketing teams could take greater

ownership and mobilize that data. After all, great results in an A/B test are simply an interesting test unless they can be scaled.

No amount of "will to win" from the marketing team could scale that without the right technology.

## Tech Advancements

If the driving factors behind loyalty, the behaviors and the rewards are about more than points and plastic cards, then the technology also has to offer more than that. Now, with the ability to track events, create dynamic, relevant and event based segmentations, connect that data to all available marketing channels consistently and measure at customer level - these customer data platforms have unlocked the potential for identifying loyal behaviors without a card or a point in sight. This has to be a good thing in changing the loyalty landscape and allowing marketing teams to nurture those loyal behaviors.

Advances in loyalty technology mean that customer experiences can be better managed and driven predominantly by an improved ability to create a single customer view. The focus can now shift from waiting for customers to respond to using insight, platform features, machine learning and your loyalty rewards to influence behaviors in line with virtually any of your business KPIs.

This matters because being able to predict and anticipate at customer level is powerful when using customer data to drive performance. It means that loyalty is no longer about the reward, gift or a discount but is actually about managing the experiences and the relationship your customers have with your brand. It gets loyalty back on the trading table as an influencing factor for growth, rather than a drain on profitability.

## Your Business Needs

When considering business needs, design a core statement of intent and keep coming back to that when defining your needs. This is a statement that the entire business can understand,

relate to and get behind and captures what you want to achieve with the support of your technology. Then move onto needs. Remember, however, that you are likely to have customer, business and data needs so approach them separately, they are not the same.

Your needs may be as simple as being able to reward events outside of the buying cycle or it may be about managing levels or tiers within the program. You may want to create exclusive subscription groups with fees or run reward mechanics beyond a price discount. It may even simply be about managing who gets the rewards and who doesn't but this is all now feasible with the technology that is available.

Most importantly, many of these platforms have been built with marketers in mind so it won't require you to wait in line for an available analyst or dial down your ambition because it can't be achieved in time. It makes commercial sense for a business to have flexibility in how they run a loyalty program.

### Loyalty Program

Loyalty programs are costly to run and so your technology has to be flexible with you. This is worth paying particular attention to. Platforms now offer configurable options for how loyalty currencies are calculated and adjusted following returns and exchanges. And how rewards are processed and tracked, how data is stored and extracted, and how campaigns are managed.

You need to be looking for technologies that don't ask you to compromise on how you do business and actually support you in creating a competitive advantage. These are huge steps forward as they are the things that remove the manual intervention which is often the limiting factor. And of course, can also be useful if you manage multiple brands.

Within one platform, it is now possible to have different models of loyalty program to manage the financial risks attached in launching.

Models such as "earn and burn" are easily understood by customers but bring financial liability. Conversely, running programs based on preferential services for customers carries less financial risk. It takes the pressure off as you don't need to know what will work before you invest in the technology.

You can test and learn within the same platform and then roll out the solution that is right for you, even by segment. Particularly in some industries, brands have had their fingers burned by running programs that had a high take up but were not sustainable. And so the more your technology can support your evolution and learning in a financially viable way, the better.

Practical solutions within your technology can be worth looking at more closely such as mobile wallets, electronic cards and apps. These all have a bearing on uptake and long-term use depending on your customer profile. In addition to this, the ability to control campaigns by variable touchpoint and call to action can also strengthen your engagement.

## Establishing the Right Culture for Loyalty

Does your boardroom speak of loyalty? Well, it should. Here's why

Have you ever asked your business leaders specifically what they mean by loyalty? What their vision of it is? Or whether improving loyalty will affect the business?

Getting into the detail of what loyalty means to them is such a critical part for you in being able to deliver a loyalty strategy but is something that is often overlooked.

If a loyalty strategy is your aim but different business functions are describing loyalty differently, you won't meet the brief. If you are all measuring loyalty differently, you'll never agree on success. If you lack clarity on what behaviors you are looking for, how can you hope to create the right conditions to positively affect these?

In this post, we aim to answer these thought-provoking questions.

### Getting Your Business Aligned

First and foremost, it is important to get aligned. Your board level directors need to be talking about the same kind of loyalty that you are aiming for as a loyalty manager. Then turn your attention to your colleagues across the business and agree on the activities that are loyalty driving and which are sales driving – as you're going to need both, but they shouldn't be confused.

Work together to deliver growth by designing experiences that have your customer and their satisfaction in mind rather than chasing the golden bullet promotion to get a sale from anyone who might give you one.

It's more than likely that your board will want increased sales at a lower cost (don't we all?) And, the rest of your business will consider that loyalty is how you achieve that. So, what they actually have in their mind when they think loyalty is an increased retention rate from your lower cost marketing channels and existing customers.

It's unlikely that they have even thought about factors such as brand consideration, engagement, reward, and relevance. And of course, the part they play in achieving those sales and that retention rate. The cultural shift you need to enable your loyalty strategy is for everyone in the business to understand that they have a role in it and what that is.

### Addressing the Misconceptions of Loyalty

It is imperative to address misconceptions and educate your business about the difference between retention and loyalty. Give examples where there is risk of eroding loyalty by chasing sales, discounting, and over-using incentives to the wrong customers. Explain how well intended actions can be frustrating for customers due to poor targeting

and understanding of customer behavior.

For instance, all your efforts can be wasted by a promotion that discounts the things that your best customers bought yesterday. A checkout change that results in people not being able to log in and place their order can make choosing your brand too much effort. The delivery change that hits hard on your most regular shoppers can drive down value growth. And a product listing change that removes a brand that some customers are highly loyal to, can drive them to your competitor.

Remember, it doesn't stop at the order. An after sales complaint that is poorly handled has the potential to damage any hope of future purchase and referral. Ask yourself how many times your best customers will allow you to get these things wrong before they choose someone else or give up as it's simply not worth their time.

The reason all this is cultural change is because you need other teams to be as convinced of the value of loyalty as you are. As a loyalty manager, you can influence but can't control the entire customer journey. Start recruiting allies from all areas of the business who see the opportunity that you do and nurture those relationships in the strategies for their departments.

### Measuring Loyalty

Don't forget the metrics. It is well worth your time ensuring that all departments have the same view on what success looks like. How you measure loyalty and your metrics must be consistently reported across the organization. Spend time with these teams to work through this so that you have the eyes of the business on these metrics which will determine your future success.

Secondly, you need to be technology ready. Whatever you are setting out to do needs to be supported with the right technology. You'll need data to be democratized and consistent. Your teams will need to be

able to access that data so that they can use it. And finally, your chosen technology needs to allow you to scale what you are doing in a way that makes life easier for the teams.

Without this in place, you are likely to break the morale of your teams with the demands of manual targeting and personalization and you will constantly struggle to win over the hearts and minds of your teams about the benefit of doing it.

### Making Customer Loyalty a Core Value

Once the what and why of your strategy is agreed upon, it's then about turning attention to the changes needed to make this happen. If you're serious about being customer-centric, it brings change of huge proportion to organizational structure and team approach. This type of change management will be no easy undertaking for a marketing manager who is expected to do the day job as well. For this reason, the organizations who are most successful at this, have sponsorship at a senior level.

Making customer and loyalty a core value for the brand is a necessary step. Make it so deeply rooted in how your business operates and functions that it is second nature to everyone and everything in it. Once you commit to that, everything you do, develop, make, sell, and invest in needs to be designed with the customer and their needs in mind. Most marketing teams will be structured by channel, so you might want to have recruited and trained specialists as targeted on driving performance in those channels.

In truth, however, this results in a tug of war over the same customers and conversion opportunities. This approach cannot serve your customer at all. What customer do you know who ever expressed their loyalty and affinity to the channel of paid advertising? Customers love brands and they respond when that brand speaks to them. By designing experiences around customer rather than channel it's possible to get a more continuous and consistent conversation established which would be better received by the customer.

## Making the Change

Aim for organization evolution rather than revolution as it is jobs that are being affected here. You don't have to change everything overnight, but you should start to identify changes. The strength of your marketing is in the sum of the parts. Use the insight and technology you have to deliver the right message in the best channels for each customer group.

You want your marketing to be noticed but efficient so place it where your customer is taking notice rather than in every channel you can. This requires all your marketing teams to plan what will be said, where, when and to whom. Sounds simple, but that collaborative approach is rarely taken.

Once you are planning in this way, move your teams away from a day to day, week to week, campaign and begin to focus on customer performance and lifetime value. It matters less about the percentage of those who are seeing your advertising and more about whether it's being seen by the people you had intended, which is something the teams will need to get used to.

As a business what you are then focused on is delivering growth across multiple metrics. This will be a combined effect that drives growth through positive experiences. It nurtures loyalty from your existing customers because you have designed your campaign with them in mind.

## The Rise of Loyalty Through Referral, Partnership, and Subscription

Check out the final part of this loyalty series for important tips on mastering the art of loyal customers

One of the joys of working in customer loyalty is the breadth of scope you have to influence it. Almost everything you do could contribute to an improvement in how your customer behave towards your brand and how loyal your customers feel. To make it drive business growth, you need to master the optimum combination for your brand based on what you do and what you know about your customer.

Some of the areas in growth are referral and partnership marketing along with subscription models. The resurgence is, in part, due to the improved tracking, testing and measurement capabilities. They are highly relevant for startups and ecommerce, who may have little brand equity and awareness. But also because they can complement, rather than cannibalize your other marketing channels.

Referral and partnership marketing along with subscription models are all practical methods that can enable your brand to expedite the trust and relevance required for loyalty. I am a big advocate of including these in your loyalty strategy because together, or independently, they can take away some of the most common pain points for customers, providing you with the perfect hook for loyalty.

## Referral Marketing

Your greatest asset is your customers. Whether you are a new or established business, small or large, there is real value in your customers helping you to spread the word about what you do. Word of mouth is an age-old marketing practice, however, this discipline has moved on in terms of real measurement and the opportunity to influence it through your digital capability.

Unlike traditional word of mouth, referral marketing calls on your advocates and encourages them to evangelize about your brand through a tracked process. In return for that referral, the customer and usually the person who is referred, are rewarded. It can be highly effective and efficient in driving new customers with the advantage that they have already been warmed up to what you do. Managed well this can become an advocacy cycle where the hard work you put in with your customers then starts to multiply under its own momentum.

By taking trading mechanics, such as discount and incentives and handing those over to your best customers to share with their contacts, it becomes less 'cold call' and abrasive. A potential new customer receiving a recommendation from a trusted source removes some of the hard work involved for you and for them in finding a product or service that they like. When your brand makes someone's life easier, they start to value you - one of the golden rules of building loyalty.

In some industries, peer to peer recommendation can be as big an influence as any other claims or endorsement. If you have found your ideal customer, it's likely they will know and be able to influence other people who are just like them. The reason referral works across so many industries, is because it scores highly on relevancy and trust, another two key contributors to loyalty.

The human aspect of this method is of high value to your brand. There is targeting and audience creation functionality in other marketing channels but this has an edge. When a friend or colleague recommends

something to you, it's not considered to be "advertising." Your customer will already have the knowledge of who your brand is relevant to and has a relationship with the recommender so it's less of a stab in the dark. What's even better is that it can often be done before you have sophisticated customer tracking in place so it's a viable option from the start of your business.

## How It Works

Of course, there is still need on the part of the brand to create those great customer experiences. Nobody wants to recommend something that is a poor experience. But referral programs certainly develop advocacy from your existing customer base and can often result in recruiting high value customers through it. The brands who do well are those that offer kudos associated for doing it.

For the referrer, being considered someone who is a trailblazer, has found a new exciting brand, a niche product, bought a luxury item or experienced a unique service is something they want their friends to know about. When you really dig deep on what that great experience is for your brand, your customers will love you for it and want the credit for telling others - help them do just that!

As you would with any other campaign, apply test and learn methods to the implementation of referral. Consider where in the journey you are best to ask them to refer, how you are going to thank them for doing it, how you are going to incentivize the new customer to purchase and what channel you are going to get the best response from.

Try and find ways of getting a referral for more than just orders. Think about how this method can help you get leads, improve engagement in your content or gather feedback. Positioning a request for a referral in various points in the customer journey can enhance the results you get and actually support advocacy more broadly as you are actually asking these customers to be part of your brand, share in your success, and show how much they love your brand.

## Partnership Marketing

The substantial growth in partnership and influencer marketing is really a reflection of referral marketing but with the opportunity to scale this considerably. Just as peer to peer referral can be highly effective in driving new customers, so too can brand partnerships and influencer marketing. However, it isn't simply about hiring a celebrity for the day and it's certainly not just for younger, edgier brands. Find the right people and organizations who share your brand vision and values so that you can mutually benefit from the association.

Just as referral marketing can introduce you to a new pool of your ideal customers through your existing base, partnership marketing can find you new audiences who may currently not be giving you any brand consideration at all. Because they trust your partner, who in turn is endorsing and advocating your brand, you can benefit from those potential customers.

### How It Works

Improving the reach of your brand through popular but authentic brand partnerships can also widen out the appeal of your brand. The best bit about it? They no longer have to be the latest celebrity. These powerful alliances can be formed with anyone from a student to a stay at home mom, a comedian, a nurse, a crafter or a personal trainer.

People from any walk of life, who are specialized and knowledgeable in their field, who have something highly relevant to share with their audience can be a great vehicle for introducing your brand. Through your partnership, your brand sits right alongside that influence they have and benefits from that association. As with referral marketing, as long as the relationship is respected and nurtured, this can be made very authentic and lucrative. Though it is advertising, it's a less invasive and more value adding method than display alone.

If you're not sure where to start, using market data to highlight gaps

in the reach of your brand can help you be specific about the types of brands that would make a good partnership. Or the kind of interests that would sit comfortably alongside your brand. Avoid going for obvious associations as they will appear disingenuous and lacking authenticity. You want increased reach and new customers through someone who really listens to them. Making these brand partnership selections based on gut feel can often lead to simply talking to your existing set.

## Subscription Models

One of the reasons subscription models are a good consideration when building a loyalty strategy, is that they allow you to mimic a loyalty program without much investment. And with the option of enhancing or down-sizing it at a future date. In addition, they are particularly useful for businesses in their infancy and with little brand equity as it takes time for customers to have a series of great experiences and for that loyalty to build.

By creating a subscription model, brands can help in enhancing those great experiences in a short period of time and start to influence some of the behaviors you would like to see over time. They give your marketing great scope, can be the structure of some of your communication programs and, as with referral, allow you to create a sense of personalization and relevancy much sooner than through data alone.

Of course, a subscription model should be done ethically. This approach isn't about simply locking customers into shopping with you and disadvantaging them when they choose to stop. It should be a fair exchange of value and benefits in return for consistent behavior.

Some of the most established subscriptions are within health and beauty where trial of new products, repeat order, and bundles are of high relevancy. Also, more frequently, this kind of model is being tested in areas like fashion, food, education, and lifestyle. To really hone in on what customers need and to provide a service in that space that they

grow to rely on – these sectors must lean into core principles of loyalty.

### How It Works

When you can design a subscription around what your customers love about your brand, your subscription model has the potential to be highly personalized, relevant, timely and helpful. Think about how it should feel to be part of that subscription. Where people are, for example, time poor, lacking inspiration or body confidence, for instance – your brand can fill that gap and give your customers the helping hand they need.

As with referral, find the pain point that your ideal customers are feeling and then focus in on that. Word of caution, however, before you start, be clear on why subscription is the right model for addressing this pain point. It needs to be something that makes sense for the customer to continue with over time otherwise you will experience high churn rates.

A discount alone is not a subscription model, but it can certainly serve as one of the perks. Don't be afraid to use them, in fact, most customers would expect a preferential rate. But aim to make it a perk and benefit rather than the sole reason for being part of the subscription.

And of course, don't forget delivery. This should almost certainly play a part in your subscription offering for all or, at least, some of the time. It is one of the best ways to remove the barriers to repeat and incremental orders with you versus your competitor.

Don't forget to have some fun when creating a subscription that really meets what you stand for as a brand and encourages your customers to get involved. When they are invested in feeling a part of your business and your brand, that's loyalty in the making.

Good luck.



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