

OSF | DIGITAL

LOYALTY 4.0

The New Era of Loyalty

Improve customer retention and increase lifetime value with a winning loyalty strategy

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The Path To Loyalty 4.0

From traditional retailers and brand manufacturers to social sellers and giant marketplace operators, as both private consumers and business buyers, **we have a dizzying array of options for buying goods** and services. At the same time, it's become super easy to comparison shop for just about anything and for shoppers to complete a purchase, anytime, anywhere.

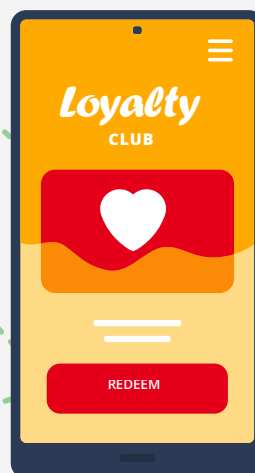
That's a lot of competition for any organization to deal with. So, what can you do to win over your audience and keep them coming back for more? The answer can be simple as: **offer a loyalty program that your customers will love.**

YOUR COMPETITORS ARE BETTING ON LOYALTY

70% offer a loyalty program

49% allow shoppers to redeem points for discounts

17% include experiences as loyalty program redemption



74% offer "earn & burn" loyalty programs

OMNICHANNEL
| RETAIL INDEX



Why Loyalty Matters

Building a loyal customer base has always been a priority for most brands, however in an uncertain economic climate coupled with fierce competition, **loyalty has become even more critical.**

It typically costs five times (yes, 5!) more to acquire a new customer than keep an existing one, and with rising acquisition costs and scrutinized marketing budgets, **organizations are doubling down on initiatives that foster loyalty** and drive increased customer lifetime value (CLTV).

For customers, **a compelling loyalty program can be the reason they stick with a brand** or retailer even when a lower price is available elsewhere. And for the company, the benefits of loyalty are clear. Loyalty programs can:

- 1 Drive revenue and lifetime value
- 2 Help build first-party data and customer segments
- 3 Deliver actionable insights

DID YOU KNOW?

- 68%** of shoppers modify amount spent to maximize the benefits that they receive
- 39%** of loyal customers will spend more on a product, even if there are other less-expensive options available
- 32%** of consumers strongly agree that a loyalty program makes their brand experience better

Loyalty programs provide a reason for customers to return and to spend more with a brand or retailer, however in today's digital world, **traditional "earn and burn" loyalty programs are no longer sufficient.** Retailers and brands need to look beyond the transactional point reward schemes to differentiate and retain customer loyalty.

It's Time For Loyalty 4.0

While many loyalty programs are still built upon traditional point systems that reward shoppers for transactional activities only, **smart organizations are rethinking how they approach loyalty**. This fresh focus on loyalty has introduced a wide range of exciting new programs that go beyond the traditional point systems. Organizations are increasingly realizing that loyalty programs present one of the most efficient ways to capture first-party data about customers and is **a highly effective vehicle for delivering the personalized experiences that customers crave**.

In this new era of loyalty, brands are investing in programs that focus more on experiences and complimentary services, omnichannel engagement and hyper-personalization.

Some programs offer **new ways to earn and redeem points** such as points for sharing on social media, as well as new types of rewards, including **unique experiences, exclusive perks, and brand partnerships**. These programs have the power to foster long-term loyalty and, better yet, drive a casual fan into a brand evangelist.





#IRL

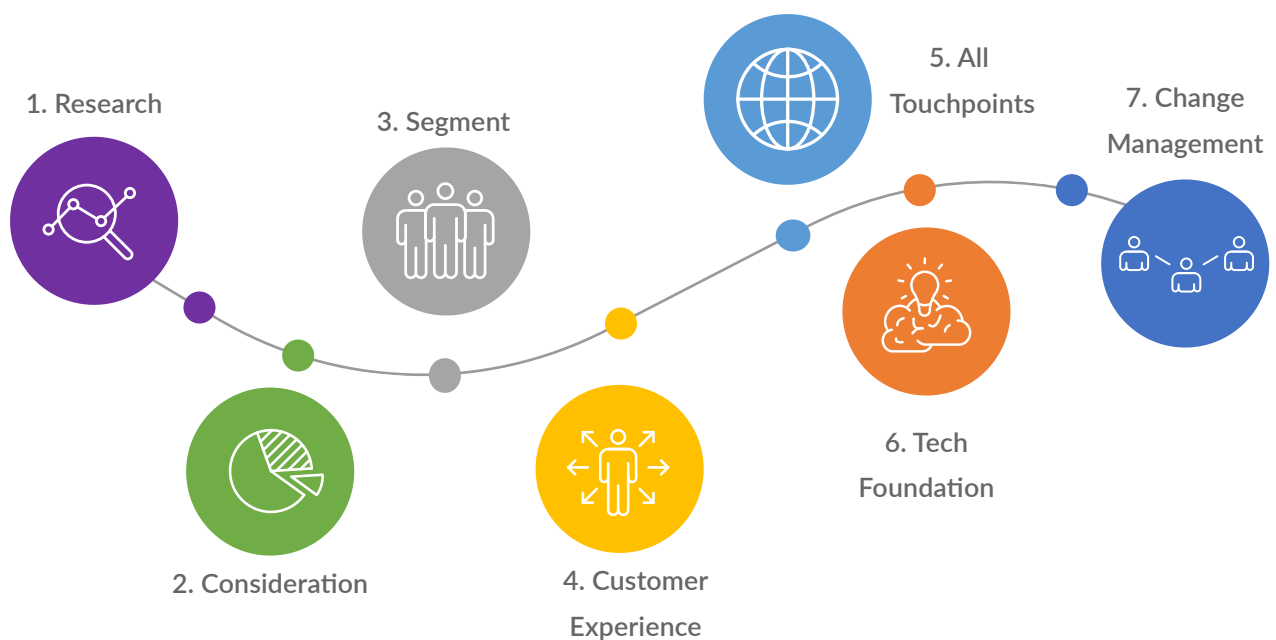
The footwear vertical has stepped into this space with both feet. Great shoe brands are available at countless specialty and department stores — and, of course, Amazon — but their loyalty programs cater to their customer needs. For example, sneakerheads need first access to new drops and to know when and where they need to be to get the latest kicks. Runners need a program that supports their habit — run trackers, subscription models, points for miles run.



Key Ingredients Of A Customer-Centric Loyalty Program

While **there is no one-size-fits-all when it comes to loyalty**, there are a few key factors to consider and best practices that apply to most businesses. Most importantly, **all programs should be customer-centric** – that means starting with the customer and building the program around customer insights, preferences, and

- 1 **Know** what your competitors and other industry leaders are doing
- 2 **Build** the loyalty program based on customer data and feedback
- 3 **Segment** your audience and build relevant tiers to personalize the experience
- 4 **Continually** keep the overall customer experience top of mind and leverage customer data from loyalty programs to optimize overall customer/brand experiences
- 5 **Utilize** a multichannel approach and capture loyalty interactions across all customer touchpoints
- 6 **Build** a solid tech foundation to support loyalty 4.0 that is fully integrated across your tech stack
- 7 **Prepare** your organization with a change management strategy that includes robust training and KPIs



Best Practices:

Elements of a winning loyalty program design

- ✓ **Develop** an easy-to-use and easy-to-understand loyalty program
- ✓ **Build** a program with attainable rewards for all tiered segments
- ✓ **Create** a unique program that aligns with your brand values
- ✓ **Offer** the right mix of financial (hard) benefits and non-financial (soft) benefits to appeal to all customer segments
- ✓ **Offer** opportunities for re-engagement and stimulate interest over time. Design for the long term and keep customers motivated and interacting with your brand
- ✓ **Offer** a seamless experience across all channels – holistic and inclusive approach to commerce
- ✓ **Develop** a loyalty lifecycle communication program and communicate rewards status and benefits early and often (tip: best-in-class programs include their loyalty program value proposition in most of their customer-facing communication)

Top 6 KPI's To Measure The Success Of A Loyalty Program

**Customer
Retention
Rate (CRR)**

**Redemption
Rate (RR)**

**Participation
Rate (PR)**

**Repeat
Purchase
Rate (RPR)**

**Loyal
Customer
Rate (LCR)**

**Active
Engagement
Rate**

Getting Started With Loyalty

- Set clear goals** on what you want the loyalty program to deliver to your customer and your business
- Ensure that your rewards are **compelling** for your target audience
- Have a **right-sized budget** for running the loyalty program, including paid promotion
- Understand how you will **collect and monitor loyalty data**; make sure you have a data governance plan
- Define a set of processes** for turning insights from your loyalty program into actions
- Make sure you are staffed appropriately** to manage your loyalty program, which will require skills in strategy, operations, and technology
- Choose a technology vendor** whose capabilities are the right size for you now, with room to grow

When scoped and operated according to business goals, loyalty programs are well-worth the investment and will be **rewarding for customers and organizations** alike.

WHAT TO CONSIDER DEPENDING ON YOUR ROLE



CMO: You'll want to build a loyalty program to improve customer retention, build brand loyalty, and increase customer lifetime value (CLV). A well-developed and differentiated 4.0 loyalty program can even leapfrog the competition and grow your customer base. Make sure to have a holistic loyalty plan that aligns with other marketing campaigns and initiatives.



CTO: Your team will be responsible for designing the UX and integrating the loyalty program across web, mobile, and in-store (POS). We recommend implementing loyalty in phases, so plan for incremental features, new integrations to payments, and ongoing improvements in your roadmap. Loyalty programs will generate a lot of data on your customers (e.g., engagements, preferences, habits across channels) so make sure to have a data plan in place.



CFO: Identifying and forecasting the total program costs/benefits from margin and spend POV will be top-of-mind for you. Building a detailed financial model will enable you to measure your projected ROI before launch and set you on the path for success. When evaluating business outcomes, make sure to consider quantitative (e.g., increase in sales, cart size, repeat orders, reducing marketing acquisition cost) and qualitative (e.g., competitive advantage, increase brand awareness, marketing spend reduction) metrics.

Does Your Loyalty Program Need A Tune-Up?

Are you getting the most out of your loyalty program?

- I have a **vision statement** for my loyalty program
- I have **KPIs** for my loyalty program that I collect and review regularly
- I have made or **considered adjustments** to my loyalty program based on data
- My loyalty program's rewards **go beyond** traditional transactional points system
- My communications to loyalty members are **personalized** for tiers and for segments within tiers

Hint: If you didn't check off all the boxes above, you should get a loyalty assessment and tune-up in order to maximize value for your customers and for your business.

What you'll need to review:

Vision Statement	Updated over time to keep pace with business and customer needs, a vision statement can help you ensure that your loyalty strategy and execution stay on track.
KPIs	In order to understand how your loyalty program is doing, you need to set and track goals regularly
Data and Optimization	You should be taking the data you harvest from your loyalty program and turning it into actionable insights to optimize performance
Beyond Transactional	Consumers expect loyalty programs to combine offers with experiences. Are you providing the right mix?
Personalization	One of the reasons loyalty members share their data is so you can get to know them better. Make sure your content strategy demonstrates that you are holding up your end of the bargain.

Like all other marketing programs, loyalty needs proper care and maintenance in order to deliver a strong ROI. With a few small upgrades, your loyalty program can deliver significant improvements for your customers and your brand.

How We Help

STRATEGY & INSIGHTS

- Assessment and Business Opportunity
- Research and Insights
- Program Design
- Launch Strategy & Change Management
- Financial Modeling

TRANSFORMATION ACCELERATION

- Change Management Strategy
- Organizational Changes
- Process Re-Engineering and Documentation
- Resource Support & Training
- Launch Readiness

TECHNOLOGY SERVICES

- Architecture and Discovery
- Implementation
- Data Migration
- Integration
- Managed Services
- Post-launch Optimization

Improve Customer Retention And Increase Lifetime Value (LTV) With A Winning Loyalty Strategy

When done right, a great loyalty program will **increase retention, boost sales, turn customers into brand advocates** and drive direct communication back to your business - all while gathering invaluable data.

Whether you are looking to elevate your current loyalty program or launch a new program, our experienced team can help you **define, implement, and manage a unique loyalty program** that fits your business needs, engages your customers with meaningful experiences, and drives value for your organization.



DON'T GET LEFT BEHIND!
Contact us wherever you are on your loyalty journey.

GET STARTED WITH A
COMPLIMENTARY LOYALTY
ASSESSMENT



CASE STUDY:

Helping a US footwear retailer stay competitive with a winning loyalty program

Business Challenges

- A footwear and apparel omnichannel retailer, with over 1,400 stores in the US and Canada, was looking to design and launch a profitable loyalty program, which would deliver growth to their business and increase data collection and customer insights.
- Their top competitors were already offering rich and engaging loyalty programs, with highly experiential initiatives to a very engaged customer base.
- The retailer needed help strategizing and developing a robust business assessment and strategic roadmap that would lead them to a go / no-go decision.

OSF Digital's Solution

- Provided a 3-phase strategic approach, with a robust needs/goals/business assessment, followed by marketing research and insights, financial modeling, and program design.
- Used our proprietary strategic diligence framework, technology, operations, organizational structure, customer experience, marketing, and P&L/budgeting pillars to inform business and technical requirements.
- Conducted competitive assessment, customer and employee surveys, data segmentation, persona development, goals & KPI alignment to inform and validate the loyalty program design and features.
- An extensive cost and lift incrementality modeling exercise validated program profitability.



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Ready to Grow? Let's Talk!

Contact us today to see how OSF Digital can help you optimize your loyalty program.

Contact Us

THANK YOU
FOR READING

Join the Conversation

