



# The Evolution From Loyalty Program to Loyalty Company

To drive behavioral and emotional allegiance, brands must think beyond points for purchases and commit to outstanding customer experiences.

**ansira**<sup>®</sup>

# Introduction

Thanks to advancements such as mobile ordering and payment, integration of digital and physical experiences, product subscription services, and on-demand delivery, consumer expectations have never been higher. These new benchmarks have created “experience competition” for all brands, regardless of industry or offering.

Today, customers demand seamless, contextually relevant experiences at every touchpoint, so brands have to think about their loyalty proposition beyond a single program or platform.

Meeting customer expectations requires personalized, data-driven communications and interactions that enhance engagement, foster retention, and build brand advocacy. To do this, a brand can no longer simply be a company with a loyalty program; **it must become a loyalty company.**

Brands that align their visions with the customer experience and value proposition are best positioned to consistently deliver on the promises they make to their customers, thereby forming longer-lasting relationships.

# The Loyalty Program Landscape

Empowered buyers have elevated expectations for every brand interaction, whether in-store or online. Brands with indirect sales channels — franchisees, dealers, resellers, or other channel partners — have an even more complicated task: ensuring consistency of the customer experience within the entire [brand-to-local ecosystem](#).

To remain competitive, brands have to understand their customers — and engage with them in personal, relevant ways that meet their heightened expectations. In fact, 57% of consumers say they will stop buying from a brand if a competitor provides a better experience.<sup>1</sup>

For decades, brands have used loyalty programs to connect with customers and gather valuable data about who they are and how they behave. The way a brand rewards and communicates is contingent upon many variables, including demographics, socioeconomic status, and purchasing history.

In general, there are four types of loyalty programs today:

**Points programs:** Members earn points for money spent that can be redeemed for rewards. This is the most popular loyalty program, in part because it's easy to understand and use, and brands can

create rewards to incentivize desired behaviors. Airlines, grocery stores, and credit card merchants often use this strategy.

**Frequency programs:** Members are rewarded based on purchase frequency within a specified time. Like points programs, frequency programs are easy to understand and use; however, they reward only one behavior and provide limited customer insights. A “buy 10, get one free” punch card, for example, may work for a local coffee shop, but established brands need a more sophisticated engagement mechanism.

**Surprise-and-delight programs:** Members accrue rewards based on specific buying behaviors and often receive unexpected rewards during the purchase process. With surprise-and-delight programs, customers are recognized in the moment with something they want, creating a more emotional attachment to the brand. In addition to a surprise gift at the point of purchase, brands can grant access to exclusive events or delight customers with random acts of kindness that reflect brand values, such as Patagonia's donating all Black Friday sales to charity.

**Membership programs:** Members pay a fee for access to privileges, such as free shipping, exclusive products, discounts, and experiences.

In fact, 64% of program members would be willing to pay a fee for additional benefits such as discounts and free shipping.<sup>2</sup> Amazon Prime is the gold-star example of membership programs.

models.”<sup>3</sup> Because customers respond differently and engage at different points in their shopping journeys, these hybrid models may better meet their expectations.

Rather than taking a one-size-fits-all approach, many companies are moving to “multimotivator

## How to Build the Optimal Loyalty Program

To reach the right construct, brands should design their loyalty programs around four principles:

**Relevant to the customer:** Meets customer needs, matches customer expectations of the brand, and is easy for customers to understand.

**Aligned with the brand:** Upholds the brand vision and mission, stands out from the competition, and addresses key business challenges.

**Operationally effective:** Delivers a seamless experience; provides a synergistic relationship between the technology, analytics, and experience; and can be easily implemented by channel partners and associates.

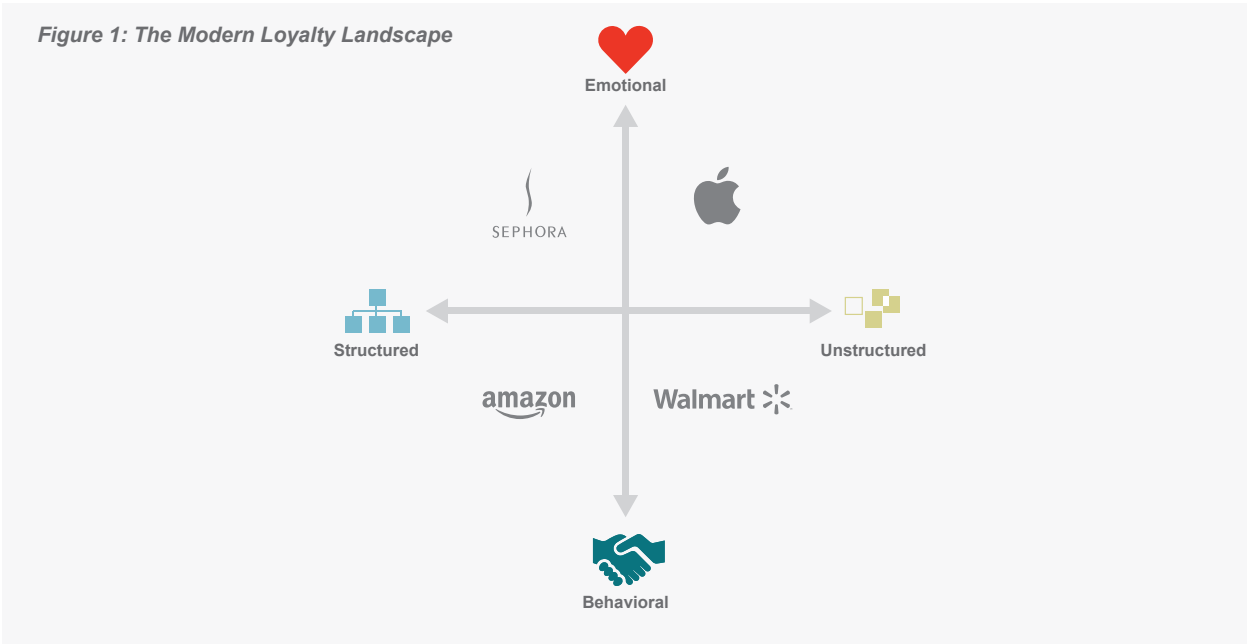
**Financially incremental:** Activates key business goals, grows the customer base, retains existing customers, and increases sales and profitability.

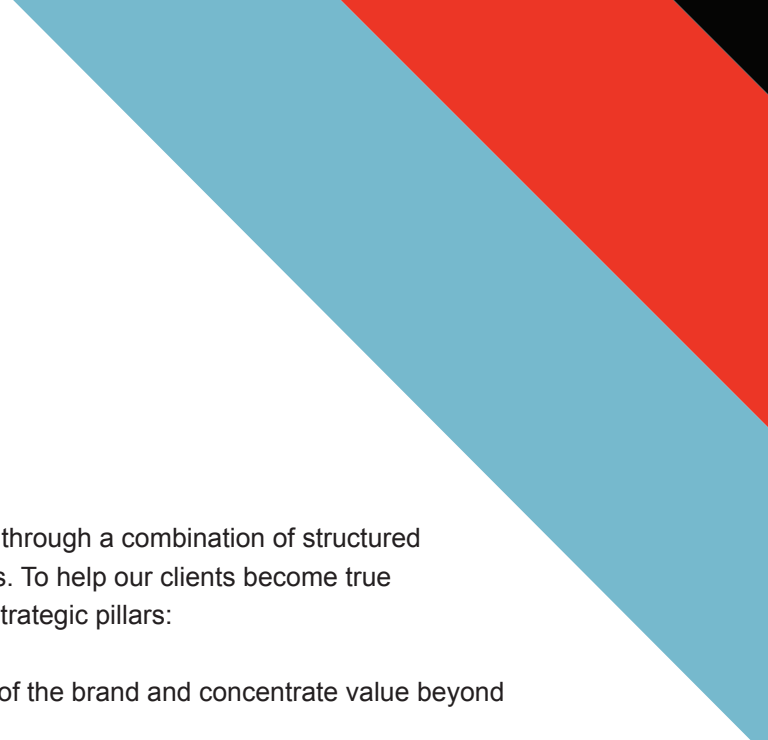
# The Principles of a Loyalty Company

What constitutes a seamless, contextually relevant customer experience today is vastly different than it was 10 years ago. Using a person’s name in the salutation of an email was once novel and effective, but today that kind of baseline personalization is underwhelming.

Increasing brand affinity requires nuanced, individualized experiences across marketing channels. Amazon remains the model example, prompting 69% of consumers to say they expect their experience with any brand to be like the one they have with the e-commerce giant.<sup>4</sup>

Forrester’s vision of brand loyalty is as simple as it is profound: “Be a loyalty company, not a company with a loyalty program.” At Ansira, we align our strategic approach to Forrester’s vision. Using data as the foundation, we build a customer experience that drives behavioral and emotional loyalty.





Today, brands strive for behavioral and emotional loyalty through a combination of structured loyalty programs and unstructured engagement initiatives. To help our clients become true loyalty companies, we design our solutions around four strategic pillars:

**Achieve loyalty beyond the program.** Deliver the best of the brand and concentrate value beyond the traditional loyalty program mechanics.

**Deliver on the customer experience.** Understand customer needs to create experiences that result in both functional loyalty behaviors, such as spend and frequency, and emotional loyalty outcomes, such as Net Promoter Score (NPS) and share of wallet.

**Inspire emotional connections.** Interact with customers on a highly personal, human level. Take a data-informed approach to understanding, responding to, and measuring emotional loyalty.

**Ensure local relevance.** Factor and solve for the full loyalty experience, especially at the local level, such as local operator or channel partner, geography, or in the moment. Most customer experiences happen locally, making brand-to-local alignment critical.

To evolve into a loyalty company, brands need to understand who their customers are, how they engage with the brand, what they expect, and where they are in their purchase cycles. The customer experience is a system of dynamic interactions, not a linear journey that begins with enrollment and ends with advocacy.

Customer-relationship management (CRM) solutions incorporate first-, second- and third-party data to provide insight into a customer. When brands use data and decisioning to customize experiences in a more authentic way, they generate emotional connections and customer allegiance. For brands with indirect sales channels, that data and decisioning can influence local marketing programs enabled via through-channel marketing automation (TCMA) — a critical step in delivering seamless customer experiences and becoming a loyalty company.

Despite the fact that loyalty programs remain the easiest and most effective ways to collect customer data, only 30% of companies are using that data to help them develop customer and member segmentations.<sup>5</sup> And CRM and loyalty data should not be confined to the marketing department: Companies can use it to influence product development, pricing, promotions, merchandising, and store and real estate planning.

# Understanding Current and Future Customer Habits

CRM has evolved to include transactional information, such as purchasing patterns, amount of spend, frequency of purchases, and customer sentiment. That information helps shape the messaging — by channel and offer — designed to influence behavior. Software companies provide the tools to systematically implement the data and monitor either manually or automatically, depending on the situation and client.

Behind the scenes, Ansira analyzes that data to uncover customer attributes. Based on scoring and statistical models, we can understand who the customers are today and what kind of customers they could be in the future.

**57%**

of consumers say they will stop buying from a brand if a competitor provides a better experience.

**67%**

of consumers expect brands to understand their needs and expectations.

**76%**

of consumers expect brands to understand their needs and expectations.

Source: Salesforce's 2018 "State of the Connected Consumer"

For example, vehicle maintenance retailers that offer oil-change services can use customer data to determine what offers will best entice a customer to take immediate action. Because price often influences where a customer goes for an oil change, the company may offer a discounted rate. Those savings get the customer in the door, and subsequent offers for ancillary services, such as brake replacement or an inspection, drive incremental purchases.

For the longer term, brands can leverage statistical models to predict which additional services their customers (or potential customers in the household) would benefit from, send offers based on that information, and then reward purchasing patterns accordingly.

With a CRM solution, brands can create opportunities to shape the customer relationship throughout the life cycle, such as getting customers on board with the brand, upselling and cross-selling, retaining customers, or re-earning business.

As brands aspire to deliver seamless, contextually relevant experiences, the technology they adopt must be cutting-edge. CRM has advanced enough so that marketers can tap into granular data to achieve results at scale.

#### CASE STUDY

## Reimagined Loyalty Program Becomes Restaurant Chain's Bread and Butter

Program shifts from mass discounts to profitable customer engagement.

### Challenge

A fast-casual restaurant chain needed to take its loyalty program to the next level. The existing program focused primarily on mass discounts and provided relatively little customer information. The brand wanted to improve customer engagement, customer spend, and brand loyalty.

### Solution

Ansira worked closely with the brand to transform its loyalty program into an analytically driven database marketing program that enabled its restaurants to exceed customer expectations when ordering online or dining in. With a robust CRM solution built on top of an existing technology stack, the brand now distributes rewards based on specific customer variables. The program also drives new daypart usage and menu trial, providing insight into business patterns and causes. As a result, the brand can track more than 50% of sales to loyalty members, which now total more than 35 million.





# Using Customer Data to Influence Outcomes

With a data-informed marketing strategy, a brand can score and measure customer activities and create a framework for the customer relationship. One tool in the arsenal is customer lifetime value (CLTV), a measurement that represents the customer's present and future values. CLTV is determined by an analysis of a customer's historical spend and frequency with a brand, as well as forecasted spend and frequency. Modern loyalty programs, and engagement marketing in general, are designed to increase CLTV over what is expected. As the customer stays with a brand longer or spends more (or both), CLTV goes up.

Another strategy is to look at expected CLTV. Statistical models can forecast what a person's CLTV will be, based on attributes that person shares with others in a particular CLTV group. These factors can be anything from income and gender to ethnicity and type of home; any data point is fair game. This knowledge can help guide a brand's engagement marketing strategy to influence customer behaviors in ways that entice them to spend more time and money with the brand. Conversely, those models can also help determine who is unlikely to increase time or spend with a brand and guide marketing efforts toward other buyers.

Brands also can use ethnographic research to identify unmet consumer needs and spur innovation. By observing and interacting with buyers in real-life situations, brands can see the value exchange from the customer's perspective, gaining insight into behaviors and context. Armed with this knowledge, brands can design and deliver experiences that delight customers and drive growth.



# The Bottom Line

Nearly 70% of C-suite executives have reported growing their loyalty investments in the past two years, and 55% intend to invest even more in the future.<sup>6</sup> These investments underscore a continued faith in loyalty's immense potential: Through our work with clients, we have found that a loyalty member is two to three times more valuable than a nonmember.

The benefits of these investments go beyond the monetary. A well-designed loyalty construct gives a brand competitive differentiation and valuable customer insights it wouldn't otherwise have.

At the same time, customers have escalating expectations of brands and their loyalty programs. Only 44% of members report that the program makes them feel more loyal to the brand.<sup>7</sup> The result is a disconnect between what the brand promises and what it delivers.

To turn buyers into loyalists — and, ultimately, evangelists — brands must close that expectation gap. Companies have to prioritize the customer experience over loyalty program mechanics, while ensuring both remain true to the brand promise. At the heart of both is data: With a complete picture of their buyers, brands can meet customer expectations within the entire marketing ecosystem, driving behavioral and emotional loyalty.

True loyalty companies consider the following when devising their CRM and loyalty strategies:

- Concentrating value beyond the program
- Delivering on the customer experience
- Inspiring emotional connections
- Ensuring local relevance

Adhering to these pillars and leveraging CRM and loyalty data to influence other business areas, such as merchandising and operations, ensure the customer is central to the brand's decision-making. This holistic thinking not only drives loyalty, but also efficiency and profitability.

# Endnotes

<sup>1</sup> Source: “State of the Connected Customer,” Salesforce, June 21, 2018.

<sup>2</sup> Source: “Loyalty Big Picture Report,” LoyaltyOne, 2019.

<sup>3</sup> Ibid.

<sup>4</sup> Source: “State of the Connected Customer,” Salesforce, June 21, 2018.

<sup>5</sup> Source: “Loyalty Big Picture Report,” LoyaltyOne, 2019.

<sup>6</sup> Ibid.

<sup>7</sup> Source: “Consumer Technographics® North American Online Benchmark Survey (Part 2),” Forrester Research Inc., 2017.



Headquartered in St. Louis, Ansira is a marketing technology and services firm that helps brands orchestrate customer experiences and drive business results in the brand-to-local ecosystem. Ansira's experienced marketing practitioners design, implement, and manage a unique combination of industry-recognized solutions in customer engagement, channel marketing automation, and national and local media. For more information, or to read more of our thought leadership, visit [ansira.com](https://ansira.com). To learn more about Ansira's modern loyalty programs, email [marketing@ansira.com](mailto:marketing@ansira.com).

