Talkable



Loyalty in 2021:

Jumpstart Data Collection & Boost Brand Affinity

talkable.com • 2021

About Talkable

Talkable is a strategic growth partner for eCommerce brands. The company was founded in 2010, and was one of the first referral program software providers on the market. Talkable develops and implements long-term growth strategies to drive new customer acquisition, increased retention, higher LTV, and a significantly lower CPA than other marketing channels. Talkable is trusted by 250 top tier brands, including L'Occitane en Provence, Tarte Cosmetics, Rothy's, ALO Yoga, and TOMS – creating over $265M in referral sales for its customers in 2020.

In this piece we're going to discuss:

- First-party and zero-party data
- Technology and data connectedness
- How loyalty programs can jump start data collection and build brand affinity
- Elements to consider when building a loyalty program
- Workbook instruction on strategy, promotion, personalization
- What to expect in terms of ROI



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Part I

Loyalty ROI in 2021: The Importance of Connectedness in a "Permissions-Obsessed, Data-Driven-World," and How Loyalty Marketing Is a Key Piece of the Puzzle

Part I. Loyalty ROI in 2021

Increased privacy restrictions, coupled with an ever-increasing number of touchpoints along the buyer journey mean that simple third-party cookie tracking (such as those provided by ad platforms and Google Analytics) is, by itself, no longer a viable source of insight into consumer behavior.

Instead, data-focused marketing organizations are aiming to achieve richer methodology around the collection and connection of first, second, and third-party data. It goes without saying, the more comprehensively the data is connected, the better for the marketer.

Data-focused marketing organizations are increasingly leveraging CDPs, CRMs, DMPs, and/or private graphing solutions to synthesize complex data sources to execute a coordinated approach to analyzing consumer purchase behavior. These tools enable marketers to identify consumers at the level of an individual's experience, resolve identities in real time, pool third-party data, and automate communication based on the individual's unique preferences.

Just as important as the various tools that help organize the data is **the data itself:** the ease with which insights can be utilized, and the accuracy of the behaviors it tracks.

Synchronizing First-Party Data. Intro to Zero-Party Data

As a brand with an eCommerce experience, it's likely that you are already collecting first-party data. The most basic forms of data collection involve email collection/ mobile number collection, and purchase data. Brands that start to take data collection to the next level using first-party data are using tools like surveys or quizzes to learn more about their customers' preferences. And the brands that go the extra mile even layer in shopping preferences data at the profile level. Our research shows that this data will become more valuable to "own," opposed to earned or purchased data as the cookie eventually phases out.

Enter the notion of zero-party data. According to CMO.com and a recent Forrester report, **zero-party data (ZPD) is data that a customer intentionally and proactively shares with a brand**, and might include preference data, purchase intention, personal context, and how the individual wants the brand to recognize them. The ZPD differs from first-party data (FPD), Forrester says, because while brands own FPD, they do not own ZPD. Instead, consumers grant a brand the right to use their ZPD for the purpose of a particular intent or value exchange.

Therefore, unlike other forms of data, ZPD **should never be sold without consent**, and should be considered 'fluid'.

With access to so many different types of data, brands are looking for additional ways to build out customer profiles within their own ecosystems, and that means that the bar is being raised in terms of **technology connectedness**.

What Does Technology and Data Connectedness Look Like Today?

A **standard connected ecosystem** would include: ESP, CRM, eComm platform, Loyalty Program, and Referral Marketing. The **extended ecosystem** includes: payment gateways, analytics tools, and shipping modules, to name a few. All of the components can be integrated to a customer data platform (CDP) or CRM, depending on the final "source-of-truth" for the brand. If out-of-the-box APIs don't exist to connect your tech stack, then consider a third-party tool or application such as Zapier or Segment. These third-party tools operate as the "connector" between applications. Alternatively, brands sometimes rely on APIs to integrate and share data points in two directions, in order to create the 360 degree customer profile.

There is also a newer concept around connected ecosystems, in the form of **a network of brands who partner together strategically to provide customers with a more holistic experience** that is centered around the customer. Loyalty is an excellent platform for these sorts of partnerships, enabling a group of independent

brands to craft a coherent set of benefits that can be shared and compounded across the group, while feeling personally relevant to the consumer.

Whether you're at the point of being ready to craft that interconnected brand experience or not, Loyalty is still a great way to learn more about your customers and create that hyper-personalized user experience.

Loyalty marketing programs can be an integral lever when it comes to building out 360 degree customer profiles. In the current marketplace, there is a high expectation and demand for highly-tailored customer experiences. This expectation bodes well for both the brand and for the customers. Customers are incentivized to give up their information in exchange for highly personalized experiences, and the subsequent journey created by the brand becomes much more relevant to the customer. It's a win-win!

To create Loyalty programs as dynamic as their customers' shopping experiences, brands need to create a strategy that seamlessly integrates products, services and experiences. Customers are expecting the benefits of highly personalized Loyalty programs to tick the boxes of financial perks, emotional benefits, and social or community benefits. If a brand can create a meaningful Loyalty experience that ticks all those boxes, then customers are more willing to offer their personal data, because there is a clear benefit. This is where brands have a huge opportunity to create truly customer-centric experiences and get an edge on the competition.

In the near term, we expect standalone, brand-owned Loyalty programs will continue to operate alongside or within the "owned ecosystem".

> **"A smart Loyalty program can jumpstart data collection, while also increasing brand affinity.**

Part I. Loyalty ROI in 2021

Loyalty continues to positively impact affinity for brands, and the effect on advocacy and retention remains strong.

At the same time, programs face the challenges of keeping up with the heightened expectation of personalization. As a result, we're noticing a downward pressure on customer satisfaction scores across multiple sectors of Loyalty and rewards programs.

Data → Connectedness → Loyalty → Experience

With all of the changes happening in the data collection and compliance space, from Google to email, GDPR, CPPA, etc., it is important for brands to remember to stay transparent in the way data collection is organized and treated. Amidst all the changes on the collection side, it is important to stay sensitive to the ever-changing customer. In the last 12 months we've collected data that demonstrate shoppers are:

- **Elongating the sales process**
- **Becoming less brand loyal**
- **Using more discount codes**

As an additional pressure for brands to deal with, there are also increased requirements for programs to function efficiently. Organizational pressure for program efficiency is building, pushing marketers to stretch **Value Per Point** and reduce **Cost Per Point** at the same time.

As marketers, we know there are multiple moving targets, and an enormous pressure to stay on top of them all. In the next section, we will cover elements that need to be considered when you launch, or even relaunch a Loyalty program, to set your brand up for success.

Part II

Loyalty Program Best Practices: How to Revamp Your Loyalty Program to Engage Post-COVID Customers

Part II. Loyalty Program Best Practices

Now that we've touched on changing customer behaviors, let's talk about the ways brands can develop or reboot Loyalty programs in 2021 to promote continued engagement and repeat purchases.

What differentiates a **Loyalty program that is engaging** and drives successful metrics, from the one that isn't fully optimized or meeting goals? There are three components to an effective Loyalty program success: s**trategy, communication, and personalization.**

Strategy

What is the goal of your loyalty program? Here are some options:

→ Increase retention & repeat purchase rate

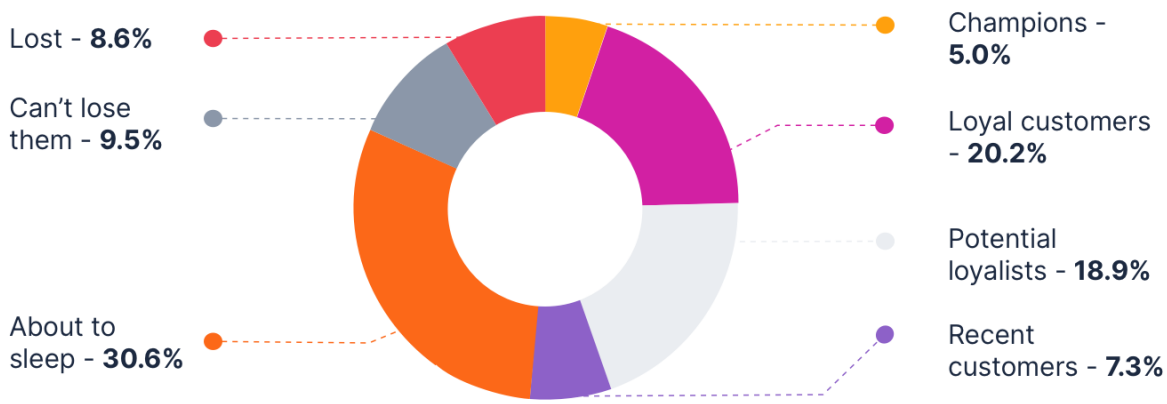
→ Build a community around your brand

→ Deliver more personalized experiences to customers

It helps to start by identifying the most high value customer segment and then study their behavior. What makes them happy, how do they derive value, what gets them to stick around and keep engaging with your brand? What do they love about your brand? Which products resonate with them?

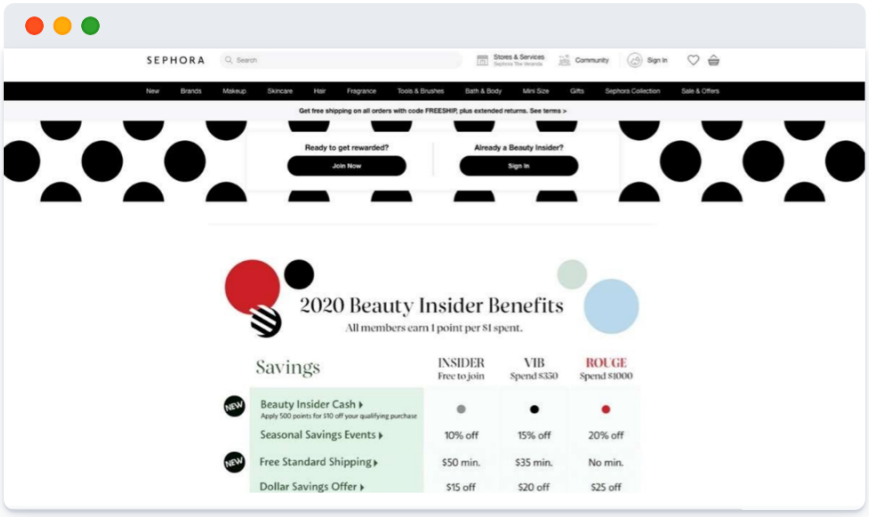
At Talkable, we will run this analysis for our customers to help decide the best way to build a Loyalty program for their specific client segments.

Revenue Contribution %



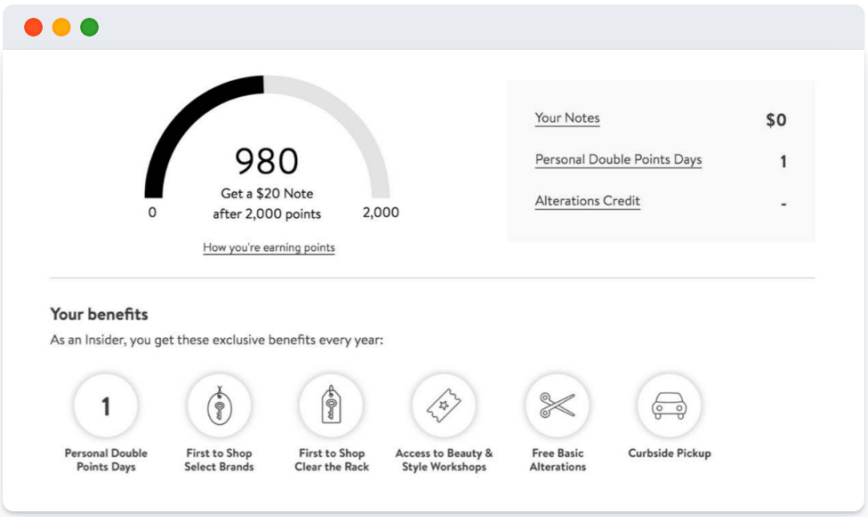
Answering these questions will help clarify the actions that customers should ideally take to become engaged and get value from the Loyalty program. In other words, the brand should be able to define the goal, structure, and type of your Loyalty program.

For example, Sephora's Beauty Insider program's main goal is to keep customers coming back for new beauty products. Loyalty program points can be redeemed to purchase beauty products, services, and one-of-a-kind experiences in the Rewards Bazaar. While there are many items to choose from, Sephora **keeps members coming back** to their rewards site by **updating their redeemable rewards** every Tuesday and Thursday morning. This keeps things fresh and exciting within the program.



Part II. Loyalty Program Best Practices

For Nordstrom, it's important to **create a real boost of value and a sense of exclusivity** for their most dedicated customers. The Nordy Club gives their customers the cashback they have come to expect from the legacy program, along with some **unexpected perks** such as access to beauty and style workshops, and curbside pickup which has been a wildly popular addition during the pandemic.



Tip: Make Loyalty programs as easy as possible to use for your clients. Lengthy registration processes, along with rules and conditions that are not fully explained, or change often, and technical difficulties with redeeming awards are all likely to deter customers. These common issues negatively impact customers' ability to make the most of these programs, thus diminishing the company's ROI.

When you know your customers, you can identify how a Loyalty program can complement their needs and intelligently choose its form. Loyalty can be based on point collection, tiers, adds-on, or it can be a paid Loyalty program.

Types of Loyalty Programs:

→ Basic points collection

Goal: Increase repeat purchases by rewarding customers after each purchase

Rewards: Points
Ideal for: High-frequency stores

Easy to use, point base programs work well for brands who have high-purchase frequency and short sales cycles. This is such because points will accumulate quickly and present lots of value for customers in a short amount of time. This is also great for brands that are in a highly competitive industry, having a points-based program where points accumulate quickly gives your brand the ability to stand out amongst competitors.

→ Tiered

Goal: Create long-term relationships with customers via access to privileges
Rewards: Points, tiers with services, and limited products
Ideal for: Higher AOV and high-quality shopping experience brands

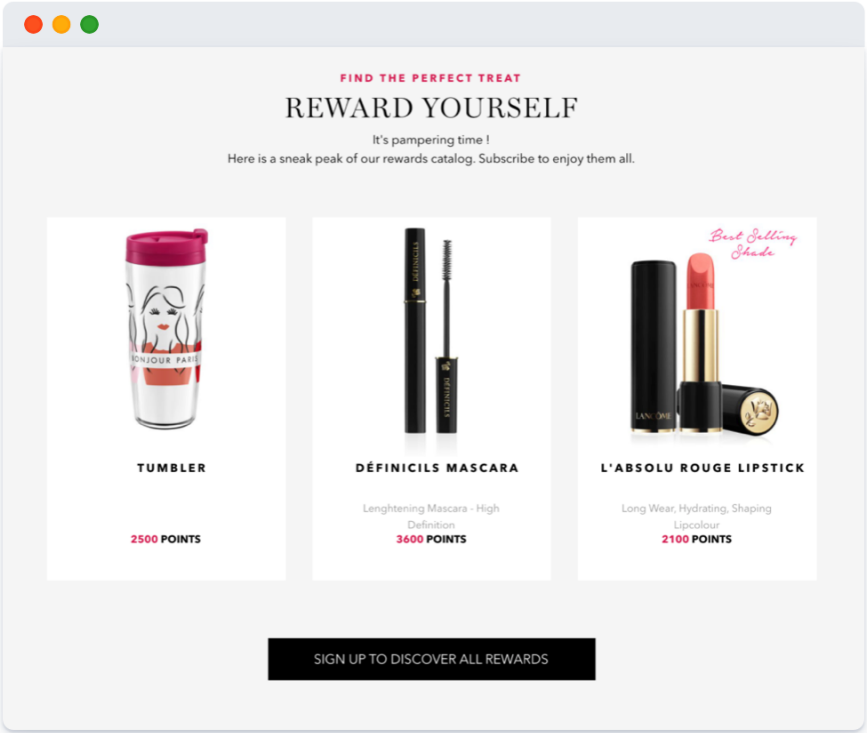
Brands that offer emotionally enticing products with longer decision times before purchase need to support high quality shopping experience through their Loyalty programs. Tiers help create a sense of privilege and exclusivity for loyal buyers, inspiring emotional connections with each new level of tier, as targeted experience and perks are unlocked.

→ Add-ons

Goal: Encourage customers to interact with the brand more often and complete certain actions.
Rewards: Exclusive perks, personalization
Ideal for: Niche audience brands that strive for high adoption and community building

Retailers that want to build a community around their brand, can add a custom action to basic or tired loyalty programs that resonate with customers and tap into their interests. Add-ons often take the form of personalization or gamification.

Part II. Loyalty Program Best Practices



Lancôme's Elite Rewards program delivers the standard points for purchases but is unique in the wide variety of ways it allows customers to earn additional points. These ways include **point bonuses for actions**, such as joining Lancôme's newsletter, following their social media channels, completing surveys, or signing up for an "auto-replenish service" for high-use items.

When it comes time to spend these points, members have access to a rewards catalog including full-sized products, VIP partner rewards, and unique experiences. This way, the brand engages customers through additional communication channels and makes them come back for more exclusive products.

Promotion

Although a Loyalty program can be a substantial investment for the brand, not all Loyalty programs are successful. One of the main reasons that Loyalty programs do not perform to their fullest potential is lack of promotion. A common mistake is placing a Loyalty program somewhere inconspicuous on the website where it is hard for users to find.

Part II. Loyalty Program Best Practices

💡 **Fact:** More than one in three customers who do not belong to any Loyalty programs say it is because they are not aware of any.

What your Loyalty program needs is a proper communication plan:

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1 **Give it a name! Having a unique name for your Loyalty program makes it more memorable and can bring it to life.**





2 **Develop a robust communication plan to support the Loyalty program launch.**

Introduce a Loyalty program to customers via different communication channels, based on their preferences: email, text, push notifications, and on-site. Promote the launch of the new program with double points week or a free product.

3 **Tell your most loyal customers about the program first so they feel special! Provide additional bonus points for them to join earlier.**

Part II. Loyalty Program Best Practices

4 **Use the power of your social media channels to spread the news of your rewards program to a wider audience.**

Show customers how and why they should join. Use Highlights on Instagram, Pins on Twitter, and Facebook posts to keep information about Loyalty programs easy to access for your followers.

5 **Make sure you're using a consistent tone of voice across all your social media accounts, email, and on-site communication.**

6 **On-site promotion: Customers that land on your site should immediately know that there is a Loyalty program that they can take advantage of.**

- Display a prominent Loyalty program banner on your site for the first three months after the program launch.
- Add a Loyalty link to the header & footer.
- Call out earning opportunities: product pages, in the cart, and at checkout.
- Display points available for logged-in customers.
- The Widget button can significantly increase the visibility of the Loyalty program.

It is not uncommon for customers to forget they have enrolled in a program, lose track of the points they have accumulated, and conclude that the rewards or offers are not worth redeeming. Have a strategy to remind your customers about points redemption and perks through email or push notifications and show appreciation for return customers with special gifts or extra points.

Personalization

> **"44% of Loyalty program members say they are very satisfied with the program, down from 47% in 2018.**

Part II. Loyalty Program Best Practices

22% of Loyalty program members say they are very satisfied with the level of personalization they receive in the programs.

When personalization is not intuitive or set up properly, it can create the opposite of the desired effect. When a 30-year-old receives a target offer to join the AARP program, or when a household without pets, receives coupons for discounted pet food, it's enough to raise eyebrows and turn a customer off the brand altogether. However, when a brand hits the targeting spot-on, the inverse reaction does not occur. We don't jump for joy when a brand remembers the shampoo brand we bought, or presents us with a new line of shoes we love; the way shoppers react to this is with their wallet.

Members who are part of personalized loyalty programs spend 3.5x more on average. What better way to thank a brand for its ability to gather data, make sense of the data, and present relevant products and services than continuing to shop with that brand. It makes life easier, so what's not to love?

It goes without saying that brands who are successful at collecting and synthesizing customer data will see compound benefits. These effects include seeing customers spread the word about your Loyalty program, stay with your brand longer, and even spend more with your brand.

Go beyond points and rewards to create personalized experiences. Customer experiences need to be intelligent and orchestrated at every step in the customer lifecycle, and the Loyalty program set up is no different.

Tips for Going Beyond Points:

→ **Gather customer insights** by offering points for completing in-depth profiles, participating in quizzes and surveys, and engaging across channels. Ensure that the quizzes are visually appealing and user-friendly by incorporating your brand identity and tone of voice into those. Be true to your brand!

Part II. Loyalty Program Best Practices

→ **Learn more about your customer's** personality and lifestyles, their shopping habits, and more to deliver on-point product recommendations and personalized offers.

→ **Include special incentives** such as anniversary gifts to show appreciation for their loyalty.

→ **True loyalty is defined by empathy and emotional engagement,** so an effective new reward might be to donate to a good cause, offer an exclusive experience, or an unexpected offer.



Part III

Program Adoption and Measuring Success:
Metrics & Benchmarks

Part III. Metrics & Benchmarks

Now that you have a Loyalty program launched, how do you measure its effectiveness? There are several common metrics that we recommend using to analyze Loyalty performance. The first and the most basic one is the **participation rate**, which shows the percentage of customers who enrolled in the program. Active engagement rate is the percentage of customers who are interacting with the program often and do certain actions (e.g. earning and redeeming points at least once a month).

The **redemption rate** is a bit similar, but is focused on the percentage of users who are redeeming points or using perks. **Retention rate** and **repeat rate** help to show how many users return to the Loyalty program and make repeat purchases.



There is also a way to project Loyalty program revenue based on the number of customers, AOV, and repeat purchase rate. **If you need help calculating it, contact our loyalty specialists!**

Loyalty Metrics & Benchmarks

	Benchmark
Participation Rate Percentage of your customers who are enrolled in your customer loyalty rewards program	60%
Active Engagement Rate Percentage of your total customers who are actively engaging with your loyalty program	30%
Redemption Rate Percentage of your loyalty program participants who are actually using the perks and redeem their points & rewards	40-50%
Retention Rate	50-60%
Repeat Rate Percentage of your loyalty program participants that are making more than 1 purchase	50-65%

Loyalty Impact Calculator

Existing Customers	100.000
AOV	$50
Repeat Purchase Rate per Customer	1.5
% Participation Rate	27%
% Engagement Rate	30%
% Increase AOV	20%
% Increase RPR	37%
Current Revenue	$7.500.000
Projected Revenue	$7.891.230
% Increase	5.22%

About Talkable's Loyalty Program

Talkable's loyalty program sits uniquely between the Loyalty Technology Providers and the Loyalty Service Providers of the world, offering a loyalty option that is:

→ Personalized

By adding Loyalty to Referral Program, brands are complimenting customers' experience with a layer of personalization - all while maintaining full control over messaging and offers along the customer journey.

Part III. Metrics & Benchmarks

→ Goal Oriented

Build around the brand loyalty program's goals, whether it will be customer growth, lifetime value, average order value, repeat purchase rate or overall revenue contribution. Talkable can shape the loyalty experience both for a brand, and for its customers.

→ Data Driven

The wide range of data insights and metrics for both groups of users provide comprehensive insight into how loyalty influences customer behavior:

- Lifetime Value (LTV)
- Lifetime Spend
- Redemption Rate
- Top Customer Analysis

→ Full Service

The Talkable team provides white glove service to advise on:

- User flow and touchpoint mapping to maximize adoption & use
- Incentivization strategy
- Email and SMS engagement strategy

Talkable offers both referral and loyalty programs, a combination that creates an incredibly effective customer acquisition and retention cycle; since referred customers are between 16% and 24% more loyal on average, Talkable partners benefit from a customer base of high value loyal customers who help fill the funnel with even more potentially loyal customers.

Contact Talkable team

Thanks for reading!

Our mission is to help great companies grow

Talkable is changing the way companies acquire and retain customers, by quantifying and accelerating the oldest marketing channel ever — word of mouth. We don't just build refer-a-friend programs.
We make them succeed.

Trusted by globally recognized brands

AMERICAN EAGLE TOMS WELLA PROFESSIONALS ROTHY'S

Get in touch - we'd love to know how we can help:

Book a demo | Contact us

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