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Essential Strategies for Customer Loyalty Marketing

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Ignite Guide

Deepening customer relationships is key to unlocking revenue potential

Loyal customers spend more[1]. That fact alone should be reason enough for brands to leverage loyalty marketing programs. But the benefits extend far beyond increased revenue—loyalty programs help brands increase customer retention, customer lifetime value (CLTV), brand awareness, and customer satisfaction. They also provide companies with greater opportunities to capture rich first-party customer data. This data not only powers personalized customer experiences but allows for better, more-informed business decisions.

In short, **loyalty marketing programs should be an essential part of every company's customer acquisition and retention strategy**. But many companies are unsure how to launch a loyalty initiative.

From choosing the right type of program to determining the level of investment to figuring out how to promote it to the audience, customer loyalty marketing is a big undertaking—but a worthwhile one. When brands take the necessary steps to launch a program that resonates with their customers and engages with them across all touchpoints, it creates an opportunity to become more customer-focused and omnichannel.

This guide will help marketing leaders responsible for loyalty, branding, customer relationships, and customer retention and acquisition to better understand how to deepen customer relationships through loyalty marketing—and how to launch and optimize loyalty programs.

What's inside?

Customer loyalty marketing, defined

Customer loyalty marketing describes programs and tactics that incentivize repeat purchases and engagement from a company. Incentives can include anything from cash rewards to exclusive offers to priority access. But they all have the same intent: to create repeat customers and attract new ones. Modern, omnichannel loyalty programs that reward for both spend and engagement help build brand loyalty and keep customers active between purchases. Some familiar examples of customer loyalty programs include

- Grocery store shopper's club cards
- Frequent flier programs
- VIP and "insider" membership options from retailers

For customers, loyalty programs provide added value to purchases and incentivize repeat visits. They also offer new ways for customers to engage with their favorite brands and access to member-only perks and rewards. For brands, they provide rich and valuable data capture to personalize and optimize the customer journey, decrease churn, and grow CLTV through increased spend and visit frequency. Data captured through loyalty programs is also useful for

- **Personalizing all aspects of the customer lifecycle** to provide compelling brand experiences, meaningful communications, and relevant promotions

- **Building lookalike audiences for marketing campaigns**—a better understanding of current customers allows for more precise targeting of new ones

- **Optimizing omnichannel strategies**—capturing more data at every touchpoint throughout the customer journey gives a clear picture of opportunities for better engagement and a more consistent experience

Customer loyalty marketing, defined

Additionally, loyalty programs work well at creating brand advocates and helping brands identify their biggest champions. These advocates can then be targeted with extra incentives and surprise-and-delight tactics to encourage organic word-of-mouth promotion. By incentivizing customers for their referrals and reviews, brands can expand their reach to similar audiences at little cost. This tactic is extremely effective given that **89% of consumers read reviews before making a purchase**.[2]

Within every industry, loyalty programs provide benefits unique to that sector. For instance, consumer packaged goods (CPG) companies that traditionally don't have access to point-of-sale data can use receipt scan as part of their loyalty program to capture location and total basket data. Loyalty programs provide CPG brands with the possibilities of finding, learning more about, and connecting deeper with their customers. Media and entertainment brands can use their loyalty programs to find out what resonates with their fans and create content to supercharge their fandom—effectively using loyalty programs to influence business strategies. For retailers, for example, loyalty programs can provide differentiation in a marketplace full of parity.

Finally, there are distinct competitive advantages to customer loyalty marketing. **77% of consumers don't think brands are doing enough to earn their loyalty**,[3] providing a huge opportunity to companies offering a valuable loyalty program. This opportunity looms especially large given the global pandemic's impact; retaining customers has never been more important for many companies.

52%

52% of customers say that loyalty programs are the key reason they choose specific retailers or brands.[4]
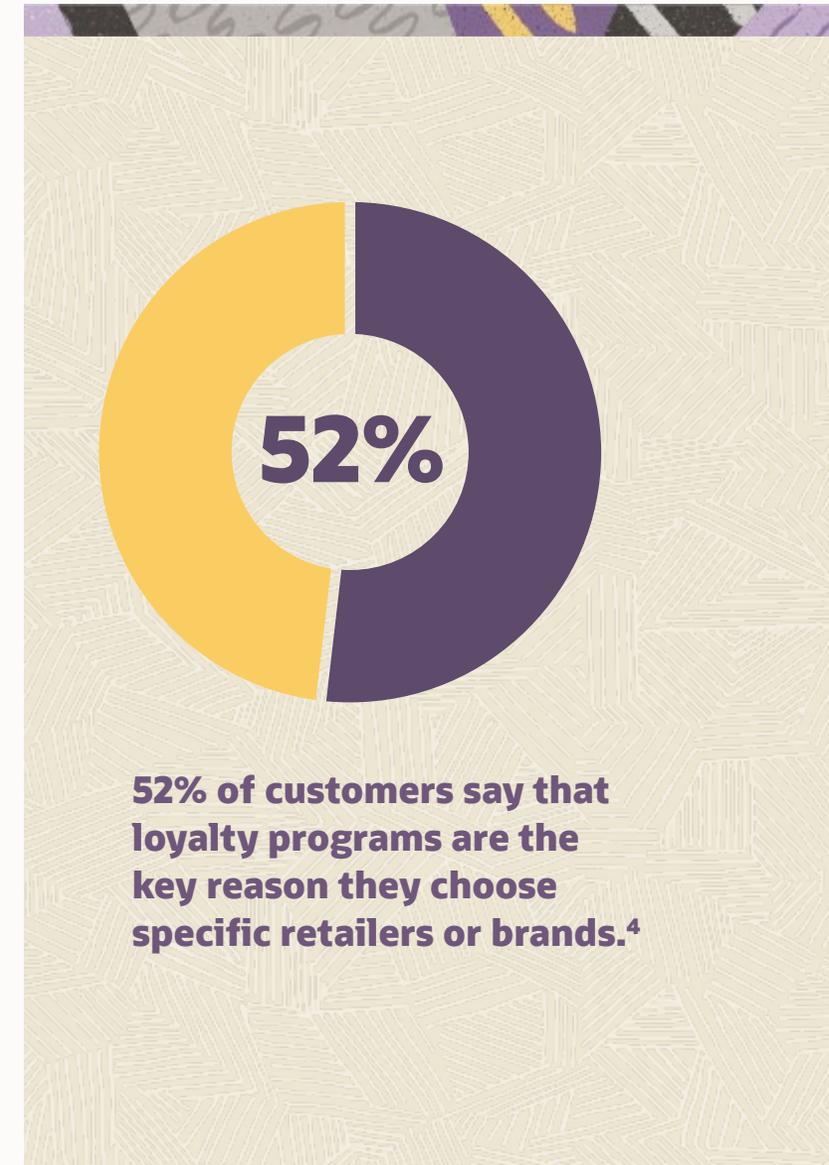
Build your foundation

In order to execute a successful customer loyalty initiative, brands should consider and implement the following steps:

1. Map the customer journey

Detailed knowledge of the current customer journey will allow you to design a loyalty program that leverages the most active and preferred touchpoints for your users and identify further opportunities to extend and engage your customers throughout the brand experience. Omnichannel loyalty programs enable customers to enroll in the program, accrue and redeem points across all channels, and make transactions, collect points, and redeem promotions in real time.

2. Determine what customer data to capture

A successful loyalty program incorporates spend and engagement activities your customers are willing to complete in exchange for members-only perks, as well as attainable and desirable rewards. Choosing the right mix will not only drive program participation but also provide your brand rich first-party data about your customers' interests, preferences, and shopping behaviors to power personalization.

3. Define success metrics

Knowing what you want your program to achieve may sound obvious, but it's often an ambiguous area for some organizations. Deciding on KPIs such as CLTV, purchase frequency, and average order value will help align the program to business goals, make the program easier to optimize, and provide insight into what can be changed to keep the program fresh and engaging.

4. Identify total investment

Gaining organizational buy-in is a crucial part of starting any new program. Having your expenditures and timelines mapped out— and showing projected returns if possible— are proactive steps to handling objections and proving ROI.

Strong working knowledge and employment of these foundational principles will allow you to tailor a solution that works best for your customers, industry, and market, in addition to improving your overall consumer marketing efforts.

Five steps to get started with customer loyalty marketing

After making the all-important decision to invest in a loyalty marketing program, these five steps will get you moving in the right direction.

01 Choose the right program type

There are several ways to structure a loyalty program, including free, tier-based, points-based, purchase-volume–based, premium (paid for), and VIP models. Some incentivize transactions solely, while others reward both spend and engagement. Premium loyalty programs, for which members pay a fee to join, usually offer perks and rewards up front, for example. In comparison, free tier-based loyalty programs usually motivate members to climb the ranks for greater benefits, services, and rewards. tier. Knowing who your customers are and what would motivate them to engage in the program, will help determine the optimal program structure.

02 Determine the engagement and spend activities you incentivize members to complete

Consumers opt-in to loyalty programs to share identifiable information with a brand in exchange for perks, rewards, and personalized experiences. The more information a brand can collect from its best customers through its loyalty program, the greater insight the brand will have into what drives its customers to be loyal and the better its ability to deepen those relationships through personalized experiences. Consider incentivizing members to complete their profiles, take surveys, read blog posts, watch videos, write reviews, and refer friends.

Five steps to get started with
customer loyalty marketing

03 Determine the best rewards for your audience

Successfully determining the right rewards mix for your loyalty program is key to deepening the customer relationship. Reward redemption rates provide a strong indication of how easy your program is to participate in and how attainable and attractive your rewards are. The right rewards mix can motivate members to complete more activities and purchases. Over half of consumers say that saving money is their primary reason for joining loyalty programs, and 88% of shoppers say that cash back and discounts are their preferred reward types.[5] Other reward types include VIP experiences, money can't-buy merchandise, free products or offerings, and sweepstakes entries.

04 Launch a program promotion plan

The strategy, tactics, and channels you employ to promote your loyalty marketing program to your audience can significantly impact its success. One of the most effective ways to promote your loyalty program is to encourage or incentivize your employees to communicate the benefits of joining. Find opportunities to promote your program on your website, such as on product and checkout pages. If you regularly email your customers, send an email offering them an incentive—such as discounts or bonus points—to register. If your customers follow you on social media, advertise your program across all your business social media pages. If you operate a brick-and-mortar store, ensure promotional signs are near the merchandise and cashiers.

Five steps to get started with
customer loyalty marketing

05 Prove ROI and optimize your program

It's important to establish the metrics to help you understand your loyalty program's performance. Certain metrics serve as a proxy for loyalty program success. CLTV, average order value, purchase frequency, and churn rate will help you establish how your loyalty program impacts your customers' purchase behavior. By measuring engagement levels within the program, you'll be able to understand how active your members are.

Helpful metrics include monthly activity rates, the number of activities completed per member, page views, and email metrics. Finally, reward redemption rates are important to measure. Continually measuring these KPIs will provide a solid view of what's working and what's not, allowing you to make changes to keep the program fresh, engaging, and successful.

The power of customer loyalty marketing

With a better connection to your customers and a better understanding of what makes them act or react, you'll be able to enhance their overall experience and see it pay dividends in multiple ways.

1. Loyal customers spend more—much more than new customers

Generating repeat business and retaining customers is much more lucrative and cost-effective than acquiring new ones.

" We are seeing 31% greater average order value from members than nonmembers, and members are also adding 25% more units to their orders."

Sarah Herrmann
Direct-to-Consumer Marketing Manager, Vitamix

2. Data drives CLTV

The more you know about your customers, the more personalized their experience will be. Data collected from loyalty programs is integral to omnichannel strategies that maximize metrics such as average cart size, visit frequency, and churn reduction.

## 3. Loyalty programs pay for themselves—and then some

More than three-quarters of companies with loyalty programs see a positive ROI.

Use Oracle to form deeper connections with your customers

Create engaging and dynamic loyalty programs that capture customer data, deepen customer relationships, and drive your business forward with Oracle CrowdTwist Loyalty and Engagement.

Learn more here.
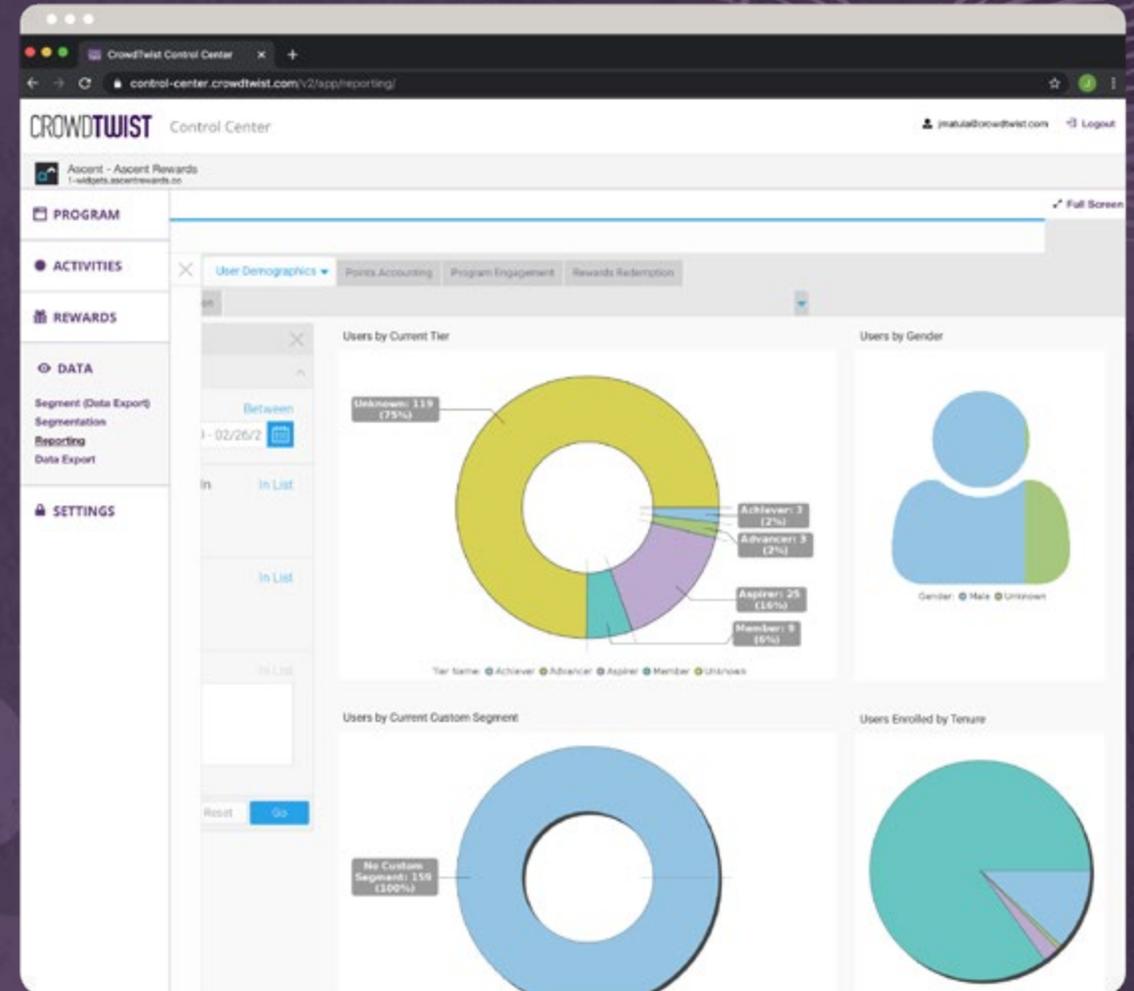
To the experience-maker who's always moving forward

As modern customers seem to shape-shift from one moment to the next, it's critical to maintain pace with their expectations. To help, we created the Ignite series to fuel your continuous pursuit of customer experiences that always hit the mark.

Guides like this one, *Essential Strategies for Customer Loyalty Marketing,* aim to advance your expertise and help you craft foundational strategies in less time. So you can get back out there to captivate customers and drive revenue.

What will you discover next?

- [Blog: 4 Ways Retailers Can Rebound from COVID-19 in 2021 Using Loyalty Program Data](#)

- [Replay: Elevating Customer Experiences with Vitamix and Oracle CrowdTwist](#)

- [Blog: 5 Ways to Make Customer Fall in Love with Your Loyalty Program](#)

About Oracle Advertising and CX

Make every customer interaction matter by connecting all your business data across advertising, marketing, sales, commerce, and service. Oracle Advertising and Customer Experience (CX) is a connected suite of applications that goes beyond traditional CRM to help you create and nurture lasting customer relationships. Build a complete view of every customer and every interaction, no matter how and when they engage. Empower your entire business to deliver exceptional customer experiences—from acquisition to retention—and everything in between.

Sources

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5. "The Marketer's Guide to Brand Loyalty," Oracle, last updated April 2020

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