ORACLE

How to Win Brand Love

Perspectives From Loyalty Marketing Experts

Updated April 2020

TABLE OF CONTENTS

INTRODUCTION

Earning loyalty is always challenging, but it was particularly so during the final years of the past decade. Consumer trust in brands plummeted as a result of tumultuous times that were marked by data mismanagement, the proliferation of "fake news," and high profile retailer database breaches.

In response, many brands stepped up their game to win back consumer affection. The result is transformation and innovation that's only set to gain momentum.

CrowdTwist (acquired by Oracle in October 2019) invited marketing thought leaders to share their perspectives on what they see on the horizon, the most innovative loyalty programs in market today, and the specific tools and technologies brands can leverage to deliver the relevant, personalized, and valuable customer experiences that keep customers coming back.

This whitepaper outlines insights from thought leaders and brand marketers about the evolving marketing landscape and the trends that will shape the loyalty industry.

1. INVEST IN OMNICHANNEL RETAILING

CrowdTwist research from mid-2018 found that consumers are active across all channels: digital, social, and in-store. Despite multiple reports in recent years that retail is dead, the research found that a significant majority still find value in the in-store shopping experience. (Online is still the preferred shopping method for many consumers.)

Lisa Erickson, Senior Director of CRM and Loyalty at Sleep Number, oversees the company's loyalty program, InnerCircle. She is confident that in-store retail can continue to thrive. But brands can't be complacent about the in-store experience and should ensure the online and offline experiences are consistent and connected.

She said, "A marketing trend that's overhyped is that physical retail is dead. This is not true. If you have a good product and store experience, retail is alive and well. Our loyalty program, InnerCircle, does a really great job of connecting the in-store and online experiences by capturing and applying customer insight to create meaningful customer moments."

Ilana Leykekhman, Senior Solution Specialist Manager at Oracle, is another firm believer in the power of retail, which is evident in the surge of digitally-native stores opening brick and mortar locations, "We are seeing the rise of true omnichannel retail with digitally-native brands such as Tommy John, Amazon, and Allbirds, to name just a few, opening locations across the country."

More and more digitally-native retailers realize customers still appreciate the ability to walk in a store, touch and see the product, and then purchase and leave without having to wait for it to ship.

Online and in-store aren't the only channels consumers are purchasing from. Social networks are emerging as a viable shopping channel. Consider the statistics uncovered in research by Big Commerce:

- 30% of US online shoppers would be likely to make a purchase through a social media network. Among millennials, this proportion increases to 51%.
- 29% of consumers are likely to follow a brand on Facebook, and 20% are likely to make a purchase from the network.
- 23% of online shoppers are influenced by social media recommendations and reviews.

Influence and likelihood of purchase are only expected to climb. Leykekhman remarks, "Social networks are driving spend and shoppers are increasingly converting from these platforms. Millennials and Gen Z spend the majority of their shopping

> "A marketing trend that's overhyped is that physical retail is dead. This is not true. If you have a good product and store experience, retail is alive and well."
>
> **– Lisa Erickson, Senior Director of CRM and Loyalty at Sleep Number**

30% of U.S. online shoppers would likely make a purchase through a social media network.

dollars on products they find on Instagram and Snapchat. Both platforms continue to introduce new shopping and ecommerce tools."

Brands that invest in creating a single brand identity and provide a seamless shopping experience across all channels will benefit.

2. CREATE FRICTIONLESS SHOPPING EXPERIENCES

As Erickson mentioned, a good in-store experience is required to drive foot traffic. At the end of the decade, brands were investing in customer journey mapping to identify opportunities to provide better in-store shopping experiences.

For example, by mapping out the customer journey, Macy's was able to understand its customer better, build out her persona, and understand her experience with the brand. In doing so, they were able to identify her pain points and turn them into opportunities to differentiate. After discovering that mobile was a strong entry point for its customers, Macy's made significant investments to improve the app experience. As a result, the retailer's mobile sales were forecast to pass $1 billion at the close of 2018, with sales up 50% year-over-year for the first half of 2018.

In addition, Macy's customer journey mapping found that the checkout process was the number one frustration for customers, so significant investments were made to digitize the in-store shopping experience. In response, Macy's piloted a self-checkout mobile service called Scan-Pay-Go. Customers can scan barcodes on products with their phones using the Macy's App, pay within the app, and then go to a special express counter where security tags are removed by sales associates.

CrowdTwist research also aligns with some of Macy's findings around in-store shopping frustrations. 40% of the consumers surveyed stated that long check-out lines are their biggest in-store shopping frustration. Not having access to store inventory and not being able to find what they want are the second biggest frustration. Brands are starting to alleviate these frustrations to provide unique and frictionless shopping experiences that add value for customers.

Another brand that has been successful in removing barriers to purchase is Nike. Leykekhman explains, "Nike is an amazing example of a brand revolutionizing the shopping experience. Utilizing their loyalty program, NikePlus, members can interact with products in the retail store through the Nike App, get real-time inventory data, and request styles to try on. Nike infuses elements of surprise and delight through push notifications of extra savings and/or rewards. There are even Nike Plus Unlock Boxes in some stores that are like vending machines stocked with surprise gifts for Nike Plus members."

Today, more brands are realizing new ways to provide convenient in-store shopping experiences that keep customers coming back. Emily Rudin, Senior Director of Loyalty Sales at Oracle, adds, "We'll see more and more brands not only adopting customer journey mapping tools to identify pain points and opportunities, but also leveraging omnichannel loyalty programs to provide additional value for customers at every interaction of that brand journey. For example, we'll see more brands rewarding customers with points just for walking into a store or for downloading a mobile app as part of their loyalty program offering."

"Nike is an amazing example of a brand revolutionizing the shopping experience. Utilizing their loyalty program, NikePlus, members can interact with products in the retail store through the Nike App, get real-time inventory data, and request styles to try on."

– Ilana Leykekhman, Senior Solution Specialist Manager, Oracle

In the near future, we'll see more brands rewarding customers with points just for walking into a store.

3. COMMUNICATE BRAND PURPOSE

According to research from 2018, 79% of Americans are more loyal to purpose-driven brands than traditional brands. The research finds that 67% of Americans feel purpose-driven companies care more about them and their families than traditional brands. 77% also feel a stronger emotional connection to purpose-driven brands.

Leykekhman believes brand purpose has a huge influence on brand loyalty, stating, "Consumers care more and more about the social consciousness of the brands they purchase from, especially Millennials and Gen Zs. They are expressing this not only in surveys but through their wallets. Decision making is emotional, and a brand's culture is a key part of that decision-making process. Consumers adore brands such as Patagonia—a company that continues to sit out Black Friday and most recently donated their tax savings to green nonprofit groups. People are willing to pay a premium because they believe in the brand's mission and purpose."

However, Leykekhman also believes brands can do more to promote their values and should leverage their loyalty program to strengthen their purpose.

"Positioning and communication can play a strong role in how consumers perceive, and how strongly they believe in, a brand's purpose. Brands are missing out on the opportunity to emphasize this with the work and content they are producing around their mission through their loyalty program. Through an engagement-based program, brands can highlight their heritage, charitable partners, mission, and more. For example, companies such as Philosophy and WW (formerly Weight Watchers) use Oracle's Crowd Twist loyalty platform to promote and deliver rewards that support wellness. These rewards—whether a spa sweepstakes or a membership to a meditation app—create a deeper connection to the brand's ethos and mission," comments Leykekhman.

Rudin adds, "Brands need to work harder to connect with customers in meaningful ways by establishing their purpose. While price and product remain the top drivers for loyalty, brands would be remiss to underestimate the impact of giving back. Demonstrating that the company cares about what its customers care about is a powerful way to differentiate from the competition. Today's consumers not only want brands to be purposeful; they expect it."

4. BUILD ONE-TO-ONE CUSTOMER RELATIONSHIPS USING AI

Creating a one-to-one customer connection remains a top priority for brands. A huge wave of consumer and CPG brands, for example, are investing in loyalty initiatives in an effort to connect with their customers in ways that weren't previously possible.

For example, Pepsi brought back their popular loyalty program Pepsi Stuff and Budweiser launched Budweiser Rewards. This trend is set to continue with more brands finding new ways to not only connect with their customers on a one-to-one basis, but also predicting their next likely actions, needs, and wants.

Mike Giambattista, Editor in Chief at The Wise Marketer, thinks AI will advance this trend. He says, "The promise of AI is finally being realized. Watch for more companies to begin large-scale testing of AI initiatives. We're seeing some very innovative uses on the drawing boards right now that will allow brands to literally "know" and respond to their customers at a level that was unimaginable even two to three years ago. One very welcome by-product is that machine learning is forcing marketers to abandon long-held views on customer segmentation and, in the process, empowering them to approach their customers as individuals. And all this happens at-scale."

"While price and product remain the top drivers for loyalty, brands would be remiss to underestimate the impact of giving back. Demonstrating that the company cares about what its customers care about is a powerful way to differentiate from the competition. Today's consumers not only want brands to be purposeful; they expect it."

– Emily Rudin, Senior Director of Loyalty Sales, Oracle

Annual spending on AI by retailers is expected to reach $7.3 billion by 2022.

AI and machine learning are already transforming the customer service experience. Chatbots, virtual digital assistants, and artificial intelligence agents operate on the front line of businesses ready to answer basic queries, solve customer problems, and even take orders.

This investment in AI technologies is expected to continue to grow in the coming years. Analysts predict that global annual spending on AI by retailers will reach $7.3 billion by 2022, with the expectation that AI will improve the customer experience and optimize operational efficiency and productivity, according to a report by Capgemini.

5. ESTABLISH EMOTIONAL CONNECTIONS THAT BUILD TRUST

CrowdTwist research found a significant decline in consumer trust of brands in 2018. Only 46% of consumers surveyed said they were willing to share their data with a brand. Given that 2018 was marked by data breaches, high profile cases of data mismanagement, and even the introduction of new data protection regulations, brands should not be surprised to learn that rebuilding consumer trust should be a top priority.

Giambattista thinks brands need to be proactive about addressing consumer concerns and demonstrate a willingness to resolve them on an individualized, one-to-one basis.

"If brands are still thinking in terms of a recency, frequency, monetary (RFM) model, then they're missing it—badly," he states. "RFM (and similar models) are designed to determine the transactional value of a customer, whereas a trust-building approach overlays the human value of a customer. Brands that are genuinely committed to building trust can now use AI-empowered processes to identify customer concerns and relational soft spots to address them proactively. Brands can build trust by valuing the person at the opposite end of the transaction rather than just assigning them a valuation. And they need to be intentional about proving it—again and again and again."

Brands are investing in loyalty programs as a way to collect relevant opt-in information from customers and are using that data to build trust through relevancy. They are also leveraging loyalty programs to help build an emotional connection between the brand and its customers through personalization, member-only perks, and rewards.

Scott Ankers, Senior Solution Specialist for Strategy and Experience at Oracle, advises brands to "leverage your program to personify your brand's mission, build trust with your consumers, and bring them along personalized brand journeys."

He also adds that emotional loyalty can be a powerful KPI, especially during times when consumer trust is low in brands, and more particularly now, as brands are even more dependent on referrals and positive word of mouth.

He comments, "One non-traditional measurement of loyalty is a customer's resolve to maintain their relationship with your brand after a negative event. Whether it's personal or collective trust to a brand that was damaged, how loyal customers stay after a trust-eroding event is a great measure of loyalty.

"Ambassadorship is another non-traditional way to measure customer loyalty. How emotionally connected to your brand are your customers? How often and with how much fervor do your customers champion your brand to new potential customers? Ultimately, it's important to have a holistic view of your customers across traditional and non-traditional KPIs."

"We're seeing some very innovative uses [of AI] on the drawing boards right now that will allow brands to literally "know" and respond to their customers at a level that was unimaginable even two to three years ago."

– Mike Giambattista, Editor in Chief, The Wise Marketer

Only 46% of consumers surveyed say they are willing to share their data with a brand.

Antje Helfrich, Senior Manager on Lenati's B2C team, adds that to be successful in earning consumer trust and loyalty, brands must have a two-pronged approach, stating, "Marketers need to strive to create behavioral *and* emotional loyalty. Behavioral loyalty is more straightforward and can be measured with traditional metrics (such as repurchase, increases in spend, or basket size). Emotional loyalty is harder to establish and harder to measure, but is it crucial to building long-term customer relationships."

Helfrich acknowledges this approach is not without its challenges, noting, "The obstacles for marketers are about identifying and applying the right metrics for measuring their customers, and "selling up" their approach to executives who might show some initial resistance towards the concept of emotional loyalty."

Multiple reports have affirmed that building an emotional connection with customers is even more valuable for brands than customer satisfaction. A 2016 Harvard Business Review article attests, "By setting emotional connection as the overarching goal—the "true north" of the customer experience—companies can point their investments in the right direction, execute more effectively, and reap significant financial rewards." Now more than ever, these emotional brand connections can help make or break a company's success.

Erickson said Sleep Number is committed to focusing on the customer relationship. When asked about her plans for the future, she answered, "Continuing to build lifelong relationships with our customers by finding ways to interact in a meaningful way with them as often as possible. As a brand with a long purchase cycle that relies on referral business to drive sales, having lifelong relationships with our customers is imperative."

6. REFRESH LOYALTY PROGRAMS TO MEET GROWING CUSTOMER EXPECTATIONS

"CrowdTwist's research into consumer participation in loyalty programs was conducted mid-way through 2018," says Rudin. "It showed that loyalty programs offer brands a competitive advantage. 63% of the consumers surveyed answered that they could be persuaded to choose one brand over another due to the presence of a loyalty program."

And the loyalty market is booming. The global loyalty management market was valued at $2,160.06M in 2017, and it is expected to reach a value of $6,823.01M by 2023, at a CAGR of 21.13% during the forecast period (2018-2023). It makes sense for brands to invest in a loyalty initiative. With high customer acquisition costs, a focus on retention is the right strategy for many brands.

But how can brands ensure their loyalty program is successful going forward? Ankers offered some advice to brands planning to adopt a new loyalty program, "Simplicity is key. Don't overcomplicate a program. Keep it straightforward and easy for your customers to understand, join, participate in, and earn. Deliver value quickly. The number one reason customers stop participating in a program is the inability to earn rewards fast enough. Typically, customers should earn their first meaningful reward within 90-days."

He also warns brands not to become complacent once their program is in the market. "Review and refresh. Monitor your program's KPIs (particularly membership, purchase, engagement, and redemption) to ensure targets are being achieved. Programs should evolve over time to help reach targets and address customer demands in today's dynamic marketplace."

"One non-traditional measurement of loyalty is a customer's resolve to maintain their relationship with your brand after a negative event. A good measurement of brand loyalty is whether customers remain loyal once brand trust is eroded with an individual or community of consumers."

– Scott Ankers, Senior Solution Specialist for Strategy and Experience, Oracle

Don't overcomplicate a program. Keep it straightforward and easy for your customer to understand, join, participate in, and earn. Deliver value quickly.

Helfrich agrees and adds that even some of the most well-established, well-loved programs need to ensure their offering remains fresh and in line with what customers want, "Businesses with long-established loyalty programs may need to refresh their loyalty platform to support programs that are more experiential and that evolve over time in response to customer preferences."

Helfrich also has some predictions about how these new programs will evolve, "We predict that digital engagement features and tools will become an even more important part of loyalty programs going forward. The best-in-class brands are using customer data to deliver sophisticated personalization by driving unique individuals down different paths based on how they're using a service or product."

A couple of thought leaders also predict that member benefits and rewards will have to become more appealing to consumers in order for the program to thrive.

Leykekhman remarks, "Loyalty programs continue to offer more to their members and will take on a life far beyond spend-and-get. Engagement-based programs are enabling brands to offer more than discount rewards, powering a full experience that provides opportunities to be rewarded for deeper interaction with the brand, as well as exclusive and coveted benefits. Benefits could be anything from a member-only sale, early access, faster shipping, or getting to skip the line.

"Finally, free shipping is table-stakes, and consumers want it fast. A study found that the amount of time people are willing to wait for free shipping has dropped from 5.5 days in 2012 to 4.5 days on average. Other studies have found that consumers are not willing to pay anything extra for two-day shipping. For example, in exchange for customers opting-in to provide a brand with first-party data, the brand could offer free shipping. Even faster shipping can be reserved for higher-tier members, paid tier members, or even as a reward."

Kellen Fitzgerald, Senior Manager of Loyalty and Client Experience, who oversees the brand loyalty program tarte <3 rewards, also thinks the stakes have risen for what programs should offer in terms of rewards, adding, "I think experiential rewards will become more important among loyalty programs. At the end of the day, the customer is only going to engage at the level that they're rewarded. You want to offer those more unique, exclusive rewards to the clients that deserve that special treatment. I think the bar is going to continue getting higher in regards to the level of rewards offered—the unique reward-like experiences, trips, and meet-and-greets are going to become more crucial in retaining that high-value customer."

7. PRIORITIZE CUSTOMER DATA MANAGEMENT AND PERSONALIZATION

In recent years, personalization has been the marketing buzz term as brands searched for the tools and technology to collect data on customers effectively. Now marketers are crippled by the sheer volume of data and lack of effective application.

Antje Helfrich remarks, "Data is absolutely key to a successful loyalty program. Collecting, connecting, and acting on customer data is one of the biggest challenges loyalty marketers are grappling with. Specifically, connecting data points across channels and touchpoints is still a big hurdle for many, as is profiling customers in order to determine how different customers should be treated based on their individual needs to build loyalty. Businesses who do well regard data as a strategic asset to manage."

Ankers adds, "Use the data asset. Loyalty programs are a significant data source on customers…you should be able to build a myriad of anecdotes by year's end about how your program's data was strategically leveraged to achieve specific objectives and to personalize customers' brand experiences."

"Businesses with long-established loyalty programs may need to refresh their loyalty platform in order to support programs that are more experiential and that evolve over time in response to customer preferences."

– Antje Helfrich, Senior Manager, Lenati

Data is absolutely key to a loyalty program.

Personalization continues to be a critical part of brand strategy. CrowdTwist's research found that while personalization was top of mind for brands, many didn't have the tools or technology in place to successfully execute.

Kellen Fitzgerald says personalization is key to retention for tarte's customers, stating, "Personalization is an expectation. Our customer wants to be acknowledged as a loyalty member regardless of where or when she's interacting with us throughout her digital journey. So, creating personalized content (from acquisition channels to email to on-site content) that follows her throughout her shopping journey and calls out her loyalty status and benefits has been crucial in building retention and brand love for us."

Personalization is a strategic priority for Tarte. She says the brand's plans include "more on-site personalization and gated content or products for our loyalty members. Exclusivity creates novelty and allows us to build a more special relationship with our loyal customers. We want them to have access to exclusive products and content, so we're walking the walk and showing them that we really do want them to have inside access to what we are excited about."

Personalization is a priority for Sleep Number too. When asked what she is looking forward to tackling, Lisa Erickson replies, "Advanced personalization and experiences. Customers expect you to know them and reach out to them in a way that is relevant to them."

CONCLUSION

The future of loyalty marketing is all about the customer journey and understanding how to deepen the brand relationship at every touchpoint. This means having an omnichannel presence that demonstrates consistency across all brand channels, implementing sophisticated loyalty programs that allow customers to be rewarded for sharing their data, and personalized, meaningful brand interactions that build trust and create emotional connections.

Successful brands will prioritize the customer experience and invest in the tools and technologies to help them earn loyalty.

Learn More

Oracle CrowdTwist customer loyalty platform enables brands to unlock unique insights and incremental value through omnichannel engagement. A flexible SaaS solution, Oracle CrowdTwist leverages AI technology and predictive analytics to deepen brand-customer relationships and build emotional bonds. Forrester recognized the platform as a Leader in "The Forrester Wave: Loyalty Technology Platforms, Q2 2019."

"Personalization is an expectation. Our customer wants to be acknowledged as a loyalty member regardless of where or when she's interacting with us throughout her digital journey. So, creating personalized content that follows her throughout her shopping journey and calls out her loyalty status and benefits has been crucial in building retention and brand love for us."

– Kellen Fitzgerald, Senior Manager of Loyalty and Client Experience, tarte

CONNECT WITH US

Call +1.800.ORACLE1 or visit oracle.com.
Outside North America, find your local office at oracle.com/contact.

blogs.oracle.com/oracle   facebook.com/oracle   twitter.com/oracle

How to Win Brand Love
Updated April 2020