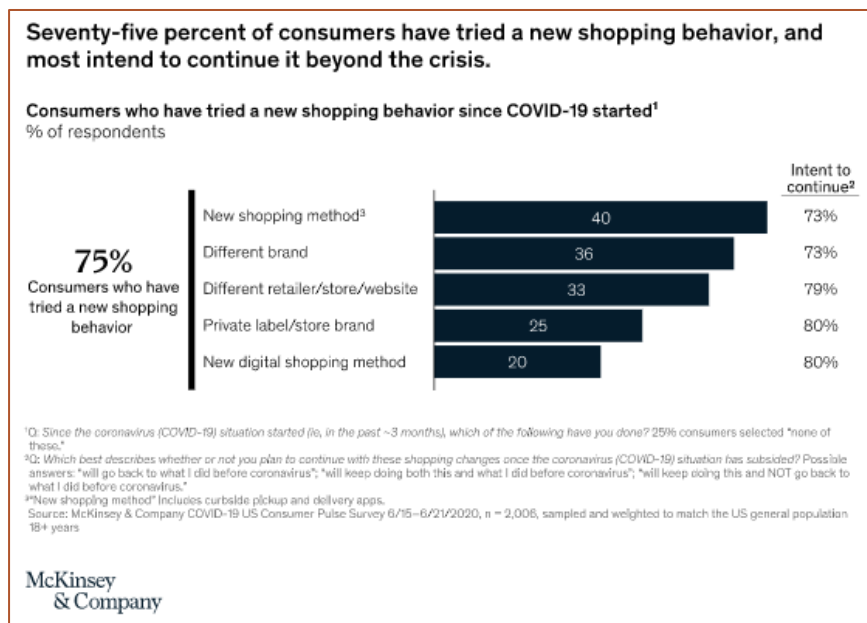ORACLE | Movable Ink | shawscott

Retail Loyalty in the Midst of a Pandemic Part 3: Frictionless and Flexible Approach to Loyalty

This is the last in a series of business briefs exploring how retailers can build loyalty and thrive in these unusual times.

In part one of this series, we examined just how much the retail landscape and customer behavior has shifted due to the ongoing pandemic. We also analyzed how the most effective brands have responded with empathy and built more authentic connections with customers. In the final installment of a three-part series, we're highlighting the ways retailers can go from "surviving" to "thriving" by focusing on generating customer loyalty.

There's no question that the global pandemic has increased the pace of change for retailers. It's estimated that the pandemic has accelerated the shift to digital shopping by roughly five years (IBM's 2020 U.S. Retail Index.) Because of and amidst these changes, consumers' choices and expectations are increasing — making it harder to build and maintain loyalty. According to a McKinsey study on consumer sentiment, 75% of consumers have changed stores, brands, or the way they shop.

Seventy-five percent of consumers have tried a new shopping behavior, and most intend to continue it beyond the crisis.

Consumers who have tried a new shopping behavior since COVID-19 started[1]
% of respondents

		Intent to continue[2]
75% Consumers who have tried a new shopping behavior	New shopping method[3] 40	73%
	Different brand 36	73%
	Different retailer/store/website 33	79%
	Private label/store brand 25	80%
	New digital shopping method 20	80%

[1]Q: Since the coronavirus (COVID-19) situation started (ie, in the past ~3 months), which of the following have you done? 25% consumers selected "none of these."
[2]Q: Which best describes whether or not you plan to continue with these shopping changes once the coronavirus (COVID-19) situation has subsided? Possible answers: "will go back to what I did before coronavirus"; "will keep doing both this and what I did before coronavirus"; "will keep doing this and NOT go back to what I did before coronavirus."
[3]"New shopping method" includes curbside pickup and delivery apps.
Source: McKinsey & Company COVID-19 US Consumer Pulse Survey 6/15–6/21/2020, n = 2,006, sampled and weighted to match the US general population 18+ years

McKinsey & Company

Though in-store shopping will always play a significant role for most brands, it's more important than ever to support seamless contactless shopping, while also maintaining authenticity and value. Here, we'll discuss several loyalty-building approaches for retailers to retain and build loyalty now and down the road.

Approach: Use a data-driven, cross-channel strategy for maximum engagement

The coronavirus affected how, what, and where people buy. This raises the bar for retailers to seamlessly recognize and reward customers across all channels. It goes without saying that multi-channel marketing increases the likelihood of the customer taking the desired action. Of course, following customer interactions across channels is more difficult than it may seem.

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It's now table stakes for retailers to have tools and processes in place to:

- Manage identity resolution across channels

- Collect customer data across all touchpoints and channels

- Translate that data into actionable customer profiles leveraging rich first-party data such as purchase behavior, brand engagement, social influence, and product affinity

- Measure and reward customer referrals

The sheer volume of data flowing into customer profiles necessitates adoption of AI and machine learning. The challenge lies in ensuring that clean and accurate data is flowing into AI-driven interactions, and that marketers are regularly auditing, testing, and optimizing messaging at every step of the customer journey.

Companies who use customer data in marketing outperform their peers by 85% in sales growth and more than 25% in gross margin (Google)

Tactic: Prioritize up leveling the mobile experience

Not everyone has the budget or resources to optimize all channels, so retailers will need to prioritize and shift resources to get the best ROI for their particular brand. More often than not, mobile, which has seen enormous growth during the "COVID era," brings huge opportunity for retailers.

- 70% of internet users worldwide are using their smartphones or mobile phones more as a direct result of the coronavirus outbreak (Statista)

- Globally, mobile usage has increased an average of 1 hour per day during COVID-19 (Ericsson Mobility Report)

- Mobile ad engagement has increased 15% during the pandemic (Mobile Marketer)

- Three out of four American consumers have tried a new shopping behavior, and most intend to continue the new shopping behavior even after COVID-19 subsides (McKinsey)

- According to eMarketer's predictions for 2020, the total spending on social networks was expected to cross $43 billion

Not surprisingly, much of that time spent on phones is done on social media which has become a key player for retail sales. Research shows that more than three-quarters of people have bought something they viewed on social media. This can be as "easy" as making all posts shoppable, using "shop my feed" or "reels, but can also involve engaging influencers. Retailers should make it easy for people to add hashtags to posts and use them as featured content. Retailers should also diligently respond when tagged on social media (both with positive and negative feedback) as, in some cases, reposts can be the best sales tools of all.
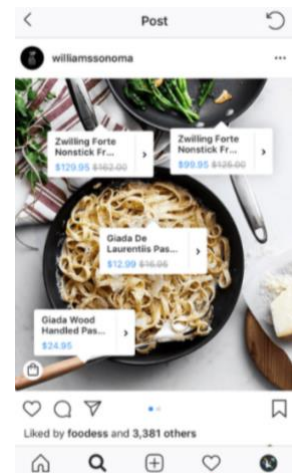

Example: Williams Sonoma infuses the inspiration aspects of social media with the convenience of online shopping, optimized for the mobile experience

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Mobile apps also present an opportunity to capitalize on shoppers who have already started to browse by leveraging social proof and dynamic imagery for app abandoned cart triggers.

Approach: Create highly personalized experiences to foster loyalty

Personalization has been popular for many years, but how does a brand go beyond just the basics to meet customers' ever-growing expectations? Each brand's approach will be unique, however, mapping the customer journey to identify key and customized touchpoints that add value and speak to each customer will ensure value propositions are focused on creating real relationships with consumers.

In a recent customer survey by BCG-Google, respondents were 110% more likely to add additional items to their baskets and 40% more likely to spend more than they had planned if the shopping experience was highly personalized. And, when asked to rate a particular retailer, customers ranked companies 20% higher when the level of personalization was high vs. low.
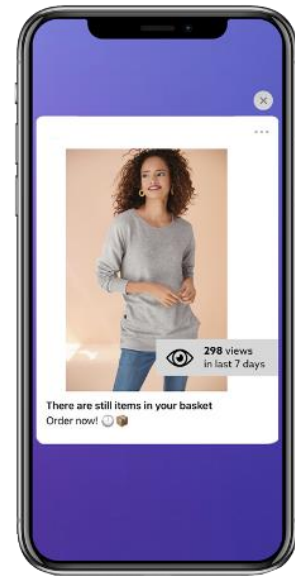
Example: Some retailers are driving conversions using customer behavior to make shopping even more frictionless
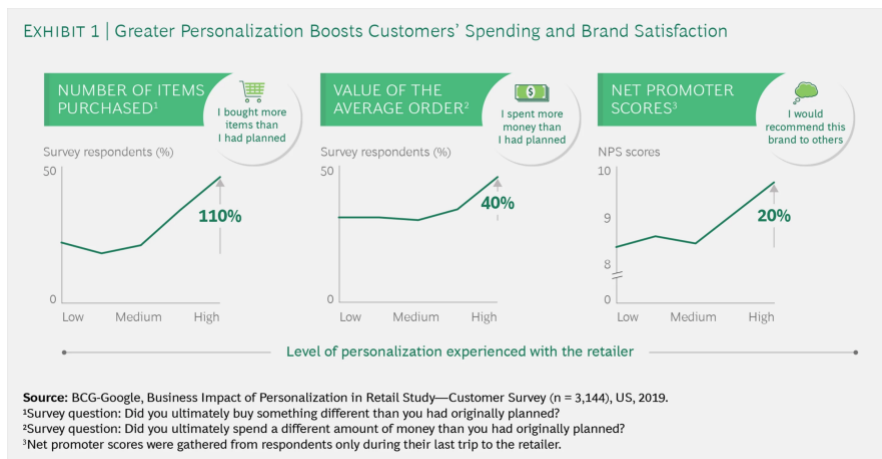
The bottom line is if retailers find ways to reduce friction and enable a better online shopping experience, the result will be happier customers that will be more loyal and keep coming back for more.

Tactic: Take extra care of newly acquired customers to begin building a relationship

Many retailers have seen shifts in the profiles of newly acquired customers. According to retailcustomerexperience.com, a recent study cited that customers acquired during the pandemic have an 82% lower retention rate than those acquired during the non-COVID or non-holiday period. So, applying a special lens to newly acquired customers and addressing retention issues early may help build long-term loyalty beyond the initial sale.

This is an important moment to perform analysis on new customers and to create more targeted "welcome" experiences. Pre-post COVID analysis on new

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customers' acquisition source, spend, early engagement, etc. will inform messaging and offer strategies early in the customer lifecycle.

Another tactic for retailers to consider is deploying a quick survey in purchase confirmation emails to new first-time customers and ask them why they choose to shop with them today.

Just as customers are more likely to make a second purchase immediately after a positive experience, they are potentially just as likely to answer a few questions that will prove immensely valuable and help earn and retain their loyalty.

Tactic: Define and appeal to segments in new and creative ways

Does a brand's traditional segments still make sense for the customer experience? With ongoing pressure on most shoppers' incomes, consumers continue to try new brands and channels, with convenience and better value being the primary drivers of the new behavior. A McKinsey study found that three out of four American consumers have tried a new shopping behavior and most intend to continue the new shopping behavior even after COVID-19 subsides. So, analyzing shifts with ongoing customers to understand if they still value the same things as they did pre-COVID (and try to anticipate how or if that will change once recovery has begun) is more important than ever.

Strategically targeted content that appeals to a customer's unique amalgam of preferences from lifestyle, values, environmental impact, and even how companies are treating their employees can make a big difference. Having an authentic point of view that's true to one's brand on social issues, for example, and finding creative ways to create meaningful offerings and experiences that resonate with these specific customer segments will go a long way.

Tactic: Create new experiences to mimic in-store conversations

To fill the gap left by traditional in-person experiences during this time of social distancing, these 1:1 touchpoints can be a powerful way to connect with shoppers and foster loyalty.

- Online chat to help bridge gap left by lack of in-person interactions in store

- Add augmented reality (AR) options for product experiences before one buys

    - According to a Nielsen global survey from 2019, consumers listed AR & VR as the top technologies they're seeking to assist them in their daily lives. In fact, just over half (51%) said they were willing to use this technology to assess products.

    - "We've seen AR shift from being sometimes gimmicky to now solving real pain points for customers, especially amid the pandemic. In fact, e-commerce company Shopify recently released new data highlighting that interactions with products having AR content showed a 94% higher conversion rate than products without AR." (see HBR article)

Example: Youth to the People offers free 15-minute skincare sessions with an expert via video chat with purchase (accessed through a QR code)

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- Offer scheduled video demonstrations or even a personalized online consultation

In-store shopping is often a sensory experience—how did the store's atmosphere make a brand's customers feel? It's human nature to touch things to gain a sense of quality and value. Being able to ask a question to validate a purchasing decision is a simple interaction, often enough to move to purchase. Many of these hard to quantify sensory experiences are often lost when online shopping. Any opportunity to help customers feel like they're experiencing a brand's products beyond an image and a description on a screen will likely foster a positive customer experience.

Approach: Map the customer experience, documenting what customers are thinking, feeling, and doing at every step in the journey

This may seem rather obvious, but going through this exercise at least once a year can yield important insights. If there is one positive byproduct of the pandemic, it's that it has forced retailers to reflect and reevaluate what's working, what's not working, and what can they do today to improve the customer experience and thus foster greater loyalty. A critical first step is to map out various customer journeys in order to identify pain points when shopping online and then try to solve for them using convenience boosting services or add-ons that give customers reasons to buy more, more often.

Many retailers are finding that since the pandemic started, their customers are expecting upgraded and innovative service offerings. Two almost universally expected upgrades/innovations are a simplified and contactless return policy and providing multiple ways to facilitate customers' preferred support needs (such as directly by phone, email, or social media.) It goes without saying that customers who had an "easy" shopping experience are happier and more loyal. According to Wharton Baker Retailing Center and WisePlum, customers who experienced problems while shopping were 35% less loyal than those who conducted business problem free. However, once these are in place, there are a couple other innovative tactics to consider that should elevate the customer experience and satisfaction.

Tactic: Implement a subscription model

According to CouponFollow and Forbes, "Retailers are taking note of this shifting behavior, and data projects that by 2023, as many as 75% of direct-to-consumer brands will have a subscription-based offering." They also note that while some verticals lend themselves to subscriptions more than others, they are seeing growth across all sectors.

- A third of those surveyed said they continue to pay for boxes even if unused (perceived value)

- Around 20% of people purchased subscription boxes just to have those products available to them during the pandemic

Example: offering all experiences - live chat, in-store and virtual appointments

Example: Vince offers a unique subscription service

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As an example, fashion retailer Vince offers a unique subscription service designed to encourage ongoing loyalty through both value and exclusive benefits such as free shipping and dry cleaning.

For many customers, loyalty is not just about what a brand may offer whether value, quality, etc., but the opportunity to engage with a brand that brings joy or other experiences they find personally rewarding. When a customer commits to a subscription model, retailers not only have a predictable revenue stream, but an opportunity to build a deeper relationship that can yield new insights on how to improve a retailer's approach to customer loyalty and set the stage to acquire and retain new customers with these learnings.

Tactic: Formalize loyalty program to identify and reward best customers

Most loyalty programs have some mechanism (points etc.) to reward customers for making purchases. More nuanced and robust programs add another dimension by rewarding nonpurchase activities. Gamification can be a great way to entice customers to:

- Amplify reach by sharing promotions on social channels

- Provide user generated content for brand stories

- Encourage customer referrals (especially when both the referrer and the referee receive a benefit)

- Write product reviews

- Complete customer satisfaction surveys

Some retailers find that brand loyalists and influencers welcome the opportunity to identify themselves as supporters with badges in social media. As an example, Land's End created a campaign to encourage brand loyalists to tag their Land's End inspired holiday photos with the hashtag #mylandsend. The end result was a simple, but effective, campaign that engaged their best customers while promoting the brand to potential new customers.

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Example: Sur La Table implemented personalized messaging to remind customers to use their points

Likewise, a formal loyalty program can make it easier for retailers to send targeted offers to specific audiences. Rather than send a richer incentive to all customers, a retailer may elect to send the highest value coupon to a one-time purchaser in order to move them to an ongoing purchaser. It's important to protect margin by not offering blanket discounts to customers who would have shopped anyway. With most loyal customers, retailers may elect to offer other perks such as an exclusive sneak peek at new merchandise or incentives designed to encourage trial of new products.

Many retailers are testing loyalty offers that drive future purchases once restrictions have been lessened or lifted. By taking both short- and long-term approaches, brands can deepen relationships and retention while driving new and repeat business though creation of personalized experiences based on buying behavior and offer meaningful rewards.

With so many shoppers using mobile devices to purchase, offering a robust loyalty program in-app experience can also boost engagement. Allowing members to easily access and manage rewards points or receive special bonus discounts, personalized perks, custom content and various delivery or pick-up options help create a seamless and engaging end-to-end experience. Also consider creative approaches to social media use such as issuing rewards for

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posting appropriate brand hashtags (10 points for a tweet or Instagram post, for example).

Last but not least, retailers such as Sur La Table implemented personalized messaging to remind customers to use their points. This messaging works best when it's tangible and time-bound. For example, "You've reached a new milestone. Earn $10 off your next purchase before your points expire on XYZ date."

Conclusion

These are just a few tactics to consider to help better navigate these uncertain times. The main takeaway here is loyalty is not just about offers and points. It's about creating unique and positive customer interactions at every point in the lifecycle. Knowing that customers have many shopping options, a brand's most loyal customers will still choose to shop with them — that's the ultimate test of any loyalty program. A customer loyalty program is an investment, but one that will pay dividends now and into the future if thoughtfully designed and implemented. However, this is a monumental task no matter the size of a company or marketing team so it's critical to lean on technical and agency partners to support both the loyalty vision and implementation plans. By working together and taking advantage of their collective expertise and capabilities, not only will a brand survive the challenges due to COVID-19 but will be well positioned to thrive well beyond.

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