



**A MARKETER'S
GUIDE
TO OMNICHANNEL LOYALTY**

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INTRODUCTION

Loyalty programs have long been characterized by points, punch cards, generic discounts, and rewards based on spend. And although loyalty program membership is up, “Consumers’ overall engagement in traditional loyalty programs has declined consistently over the past four years,” according to **Retail TouchPoints**. Similarly, **eMarketer** recently reported, “Memberships in loyalty programs are expanding rapidly while active participation in programs is falling.”

This is largely due to the fact that these traditional loyalty tactics--which also happen to be the tactics that most companies are still relying on--don’t do much to foster genuine, lasting relationships. These methods merely encourage transactional behaviors, which generally doesn’t help brands move the bottom line in the right direction.

By comparison, the best loyalty programs are designed to deeply connect with customers and drive long-term, repeat business. But how do they do this? It boils down to the experience they provide. In this guide, we’ll explain five of the best loyalty strategies for brands to implement in order to foster long-lasting emotional connections with customers and increase revenue and lifetime value. Let’s dive right in.



MOBILE IS KEY

Today's consumers completely depend on their smartphones. Getting directions, paying bills, composing emails, checking the weather, getting a price comparison while shopping--consumers are using their smartphones for just about everything. Smartphones have not only made information more readily available on the go, but also eliminated the need for a lot of physical objects. Consumers are sure to have their mobile devices on them when they're shopping in-store, and much less likely to still have that physical punch card they received in the mail eight years ago. Chances are, your brand has a mobile app already, so it's a no brainer to connect it to your loyalty program. It's an easy way for members to sign up and for you to use your app as an additional tool to drive brand engagement.

Brands are under immense pressure to "be on mobile" or succumb to the threat of being surpassed by the competition. But what does "being on mobile" mean exactly? The answer isn't cut-and-dry. There is no one-size-fits-all solution for being successful on mobile. Just because one type of mobile strategy works for Company A, even within the same industry, doesn't mean it will be a sure bet for Company B. Rather than setting out to copy brands that are successful on mobile, companies should focus on developing strategies that will enable positive and unique interactions.

Consider this--in a survey of over 8,000 quick service and fast casual restaurant diners, those that were members of at least one loyalty program (70%) identified free menu items, the ability to track rewards/points, and personalized rewards as the top three program features. Unsurprisingly, these are all features that are easiest to be deployed via mobile. If you're trying to make customers like your brand (and be more loyal), you have to cater the experience to their behavior.



Starbucks is well known for their **My Starbucks Rewards** program, regarded as one of the best mobile experiences. The global coffee chain has earned this praise not just because their loyalty program integrates with mobile; they're successful because that mobile experience is simple, easy to use and creates convenience for customers.

With their mobile order feature, Starbucks already has your most frequent order queued up in the app, and by connecting your Starbucks card to the app as well, all you have to do is click a button and voila-- your drink will be waiting at the nearest Starbucks location in a matter of minutes. My Starbucks Rewards members earn 2 Stars for every \$1 they spend using the **Starbucks® App**. Accumulated stars result in Star Rewards that can be redeemed for free food and drinks. Starbucks couples making a daily ritual just a little bit more convenient with rewards. The combination of these features serve to not only improve customers' lives, but also build loyalty.





BOUNTIFUL BENEFITS

As we've discussed, it has become commonplace for brands to have some type of loyalty program. However, a lot of these programs don't drive the results brands are trying to impact. Part of this has to do with the fact that many brands haven't designed their programs with the customer's interests in mind. Customers, even those with an affinity for the same brand, are motivated by different incentives. Some want exclusive experiences; others prefer gifts; and some want free shipping or discounts. Offering a variety of options for consumers to earn and redeem points both increases redemption and creates a better brand experience with a wider audience. As an example, **Sephora's Beauty Insiders** program provides shoppers with a wide variety of ways to redeem their rewards.

Although the program is traditional in that there are different levels based on a customer's yearly spend (Beauty Insider is free for everyone, VIB is \$350 a year, and VIB Rouge is \$1000 a year), the program offers unique benefits to members at each level and also a variety of benefits to all members as a whole. For example, VIB members are eligible for one free custom makeover per year and VIB Rouge members are eligible for unlimited makeovers every year. VIB Rouge members also get free flash 2-day shipping on all orders, access to a private hotline, and invitations to exclusive events. Beauty Insiders also get access to free beauty classes available only to members of that status level.

Sephora has also created the **Rewards Bazaar**, an online portal to which new rewards are added every Tuesday and Thursday. Beauty Insiders can use their points to redeem one-of-a-kind experiences, personalized services, and coveted sample rewards. Sephora offers good old-fashioned samples with purchase or a free birthday gift, as well as incredible, over-the-top experiences, like three-day VIP passes to the Austin City Limits festival.

Sephora's Beauty Insider program also provides plenty of opportunities to surprise and delight customers by offering gifts for smaller point values that customers can redeem at checkout in-store or online. These items include things like travel-sized mascaras and skincare products, or a mini-set of beauty goods by a particular brand. The point is (no pun intended!) you can only get these gifts and perks, small or large, if you're a Beauty Insider.

SOCIALIZE & GAMIFY

Most loyalty programs reward their customers only for the amount of money they spend, which makes sense, but lacks originality. Brands need originality and creativity to stand out from the competition. In order to encourage more than just transactional behavior, brands must create additional opportunities for consumers to earn rewards, while maintaining focus and alignment on their business goals. **Taco Bell** has incorporated gamification and social integration into their loyalty strategy with great success.

With Taco Bell's Explore game, which is part of their mobile app, users are rewarded not only for their patronage, but also for sharing what they've dubbed as "Live Mas" experiences on Facebook, Twitter, and Instagram. Many of these experiences are unrelated to Taco Bell. As Taco Bell's VP of Digital Innovation and On Demand, Tressie Liberman told AdAge, "We're not rewarding people for talking about Taco Bell, tweeting Taco Bell (or) using #livemas. We are actually just rewarding people for living their lives."

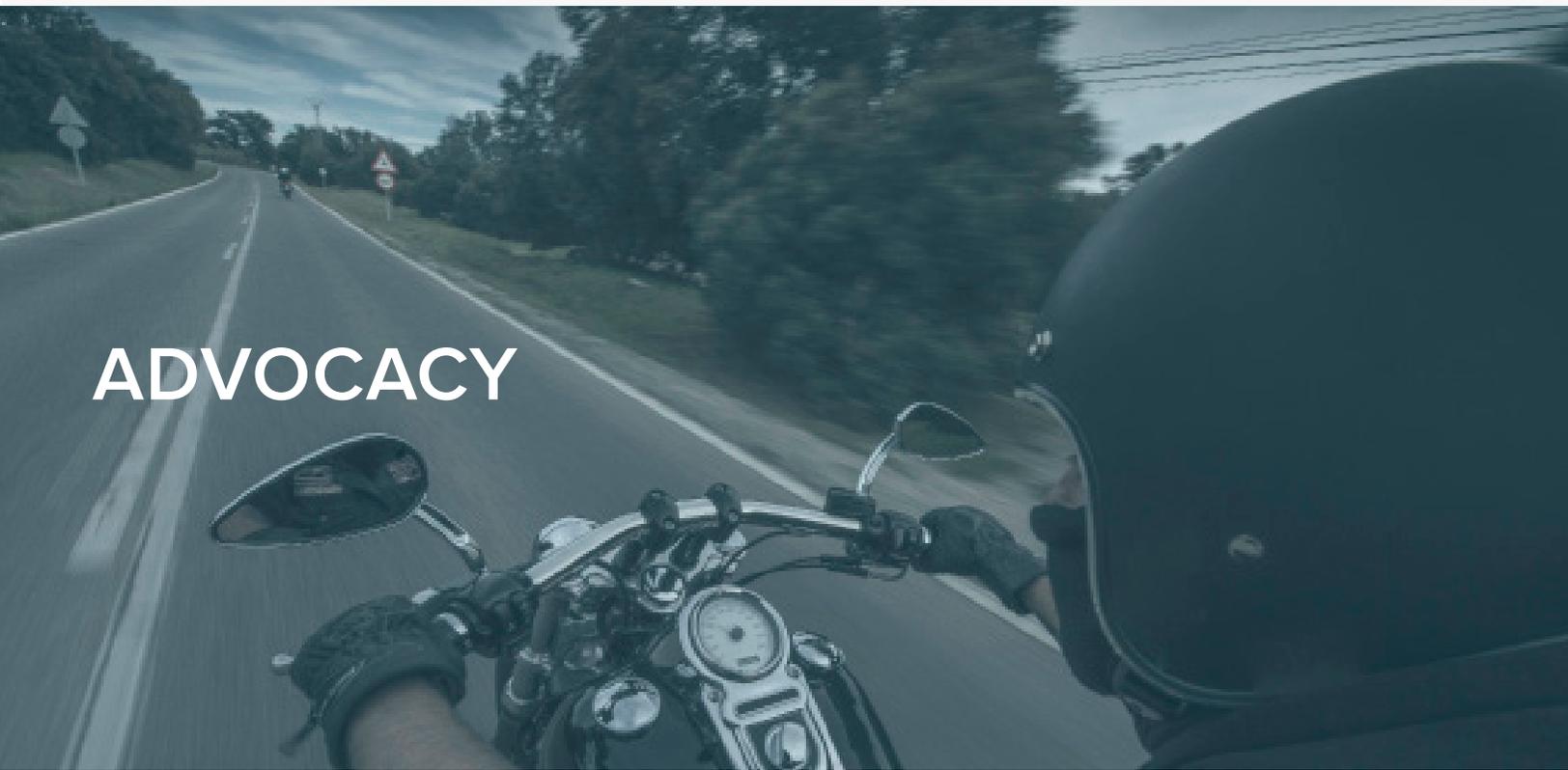
Users can unlock puzzle pieces when they share photos on social channels or order using the app. Consumers get a free Freeze drink if they complete the first puzzle. If they complete additional puzzles, users are eligible to receive rewards like a \$100 gift card, a reserved booth at a Taco Bell restaurant, or a trip to Taco Bell's California headquarters.

When it comes to the effectiveness of loyalty programs that incorporate gamification or social sharing, the proof is in the numbers. As a report by **Colloquy** revealed, "Programs that reward for Instagram follows have an average redemption rate that is 7.76% higher than the average across all stores. The redemption rate for programs that reward for a Facebook like are 12.26% higher, and programs that reward for a Twitter follow are 16.39% higher."



Loyalty programs are not just for brands selling lower cost items; they're also an effective way to drive more revenue from customers of high consideration products. Take **Harley Davidson** for example. Motorcycles are not an item people frequently buy, but the brand has a die-hard customer base. Harley Davidson harnesses the power of their devotees to spread the good word through their **Harley Owners Group (H.O.G)**. This program is focused on encouraging advocacy and building a community, which results in higher lifetime value. Don't take our word for it though: H.O.G members typically spend 30% more than other Harley owners (Clifton, Rita; Simmons, John; Ahmad, Sameena (2004), Brands and branding; The economist series (2nd ed.), Bloomberg Press).

H.O.G. offers three levels of membership -- associate memberships for \$29 per year are for passengers or family members of active full time members that offer benefits like a H.O.G. card, pin, jacket patch, and access to events and local chapters. Full memberships are \$49 a year and offer benefits like roadside assistance, access to exclusive H.O.G. events, issues of the HOG magazine, and more. This program is all about deepening the emotional connection Harley customers have to the brand. This type of program would not work for every company, as having a strong brand is a prerequisite for success. However, a program like H.O.G. is also difficult to replicate because of how focused it is on the the needs and desires of Harley evangelists. Whether your brand sells frequently purchased items or high consideration goods, your loyalty program should be designed around your customers' lifestyle and your brand's specific business goals.



ADVOCACY



The running theme among all of these loyalty strategies is the importance of understanding your customers' interests and lifestyles. Nailing that lifestyle piece often means going beyond your customers' interactions with your brand in a vacuum, and thinking about those interactions with more context. You may realize there are needs to be filled; ways to improve your customers' lives that your brand alone can't facilitate. Enter partners. Collaborating with another business to provide added value to loyalty program members is beneficial for all parties involved. Teaming up with a partner to add value, visibility, and additional touchpoints to the H.O.G. Program is another way in which Harley Davidson has excelled.

H.O.G also offers a sub-program in partnership with **Best Western Hotels** called the **Best Western Ride Rewards Program**. The partnership came about as Harley and Best Western recognize that H.O.G members are likely to go on weekend or longer trips to attend bike rallies or other events; excursions that require lodging, according to Colloquy. The three-tiered program is designed specifically for motorcycle riders with exclusive benefits for H.O.G. members. Perks include features like bike washing stations, bottled water for riders upon arrival, and 10+% off on room rates. Members have the option to redeem points for shopping, dining or entertainment, or they may choose to earn air miles instead of points. Members can also choose to use their Ride points to pay for their H.O.G memberships. With more than 130,000 Ride Rewards members and an annual growth rate of more than 10%, this partnership has been a success because it solves a need for customers, improving the brand experience as a result.



FIND YOUR PARTNER IN CRIME



CONCLUSION

Traditional loyalty tactics won't cut it anymore. Consumers have become too smart and savvy for them. In order to drive the type of loyalty that's going to move the needle on key loyalty metrics such as number of members, percentage of sales from loyalty program members versus non-members, average lifetime value of loyalty program members versus non-members, and other crucial goals, brands need to focus on building long-term, emotional connections with consumers. The five strategies outlined in this guide are some of the most effective tactics modern marketers can employ to foster lasting, profitable relationships. We hope they inspire and enlighten you of all the possibilities in store to transform your brand's approach to loyalty this year.

About SessionM

SessionM's technology allows you to deliver one-to-one, real-time engagement and loyalty at scale. Built on a real-time, mobile-first architecture, our platform gathers first-party data about your users to build a database of dynamic profiles about your key in-app events and behaviors. By applying our real-time rules engine solution against these events and behaviors, you can trigger personalized user engagement at the moments of impact. Using those behaviors, you can define key milestones to reward customers and unlock new program features, keeping their engagement for the long-term and expanding their loyalty.

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