



Guide to loyalty programs

Introduction

The first strategy you should implement for your online store is a **loyalty program**. To create it, you must first develop a **personalized journey for returning customers**. This will come much easier to you with our guide.

E-commerce is an ever-evolving ecosystem in which companies are finding it increasingly difficult to retain customers and nurture their loyalty. Regardless of the industry in which you operate, there will always be a competitor, whose product range will also be attractive to your customers.



75% of consumers choose to buy from such a brand, that can offer them attractive rewards.

Source: SmallBizGenius

56% of users remain loyal to a brand that understands their needs, and offers rewards that are an added value.

Source: SmallBizGenius



Therefore, the first strategy you should implement for your online store is a loyalty program. To create it, you must first develop a personalized journey for returning customers. One that will take into account their needs, past interactions with the site, preferences shopping experience, while also offering attractive rewards that allow them to move to the next level of engagement.

CHAPTER 1

What is worth knowing?





Loyalty programs are nothing more than **a set of tactics necessary to loyalize and engage the customer throughout their lifecycle**. At the same time, it can be a valuable lure, attracting the attention of those users you want to interest in your offerings.



Tip 1

4 types of loyalty programs

You can create your own proprietary loyalty program and offer various rewards. However, there are **four key types** that are most commonly used online in customer retention strategies. Among them are program types such as:



Collecting points

In this type of program, the user receives points for various activities related to your brand. You can offer points for every amount spent, for completing tasks you specify or for creating an account or recommending it to others, resulting in the registration of a new user.



Cashback

It assumes cash back (a certain amount or a certain percentage of the money spent on an order) instead of collecting points.



Loyalty program based on specific levels

It involves creating levels that a user can achieve. Based on various interactions, collecting points or performing certain tasks, a customer can reach a higher threshold, receiving more personalized or valuable rewards for doing so.



Exclusive loyalty program

Focuses on offering exclusive deals to loyalty program members. Its logic is exclusive access to a certain group of products, a dedicated pre-sale offer or some other form, encouraging premium users to actively engage in a relationship with the brand.

CHAPTER 2

Why implement a loyalty program into your e-commerce?





Tip 1

Less need to compete on product price

When looking for a specific product, a typical customer is presented with at least a dozen stores offering him or her a similar assortment. No matter how attractive a price you offer, there is a high probability likelihood that there will be a competitor who will outbid your offer.



90% of online shoppers decide to buy when they they receive an offer that appeals to emotion.

Source: IMPACT

So apply a loyalty program that focuses on giving benefits and added value in return for purchases.



Tip 2

Reduce customer acquisition and retention costs

Online customers encounter an average of 5,000 ads per day that lead to new products of various brands. According to statistics, **only 1 in 5 people a week after making a purchase are able to remember the name of the store.** This is why the cost of acquiring new customers is steadily increasing. On the other hand, loyal users are up to 8 times more likely to convert when introducing new campaigns.



Therefore, putting in place a loyalty program to induce repeat purchases is much more profitable for your your company much more profitable than competing for a new customer.



Tip 3

Develop a better personalized experience user

You not only get the new user himself, but also additional data about him. What's more - this happens at his own will. This allows you to share more information about the about your offer, and each subsequent interaction is a step towards understanding his needs, preferences or expectations of your brand.

As a result, loyalty programs will help you increase the consumer's lifetime value and build a strong relationship with him or her.



Tip 4

Positive PR through whisper marketing

When consumers are accustomed to shopping at a particular online store, it becomes a part of their life. It also appears in private face to face conversations and those conducted online.



More than 81% of the emotionally engaged consumers are not only able to spend more at favorite store, but also recommend it to others.

Source: Capgemini

At this point, it is worth noting that 72% of consumers trust recommendations from friends, family or people in the network far more than classic advertising.



Drive repeat sales



Increase AOV



Better privacy policy



Improve competitiveness



Lower customer acquisition costs



Increased conversions



Impact on product selection



Create rich profiles users



Increase UGC



Increase user engagement



CHAPTER 3

What are consumers' expectations of loyalty programs?





Traditionally understood loyalty programs – thanks to the pandemic – are no longer as effective as before. Consumer behavior has changed, and users themselves are engaging in those strategies that not only offer favorable rewards, but also nurture their changed behavioral patterns, preferences shopping preferences and give personalized content.

This proves to them that the brand really cares about them. Below you will learn about the main aspects, that influence customers to build a stronger relationship and loyalty to your store:



Tip 1

Savings, interesting rewards and additional benefits

Remember those times when you collected points yourself to reach a given threshold and be able to choose a discount on your desired products or pick up a long-awaited surprise? Those days are long gone.



79% of consumers believe that they no longer want to wait so long and collect loyalty points.

Source: Total Retail

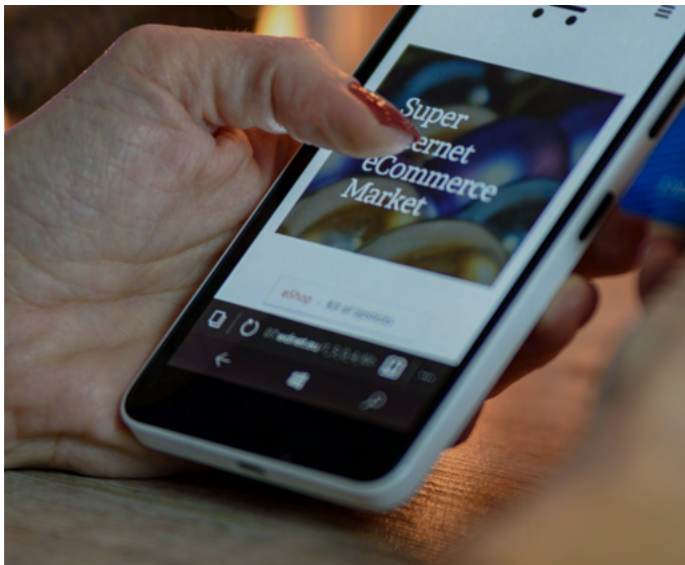
Instead, they expect that the program they participate in will offer them immediate benefits. This could be a specific discount on their current or next purchases, an additional product to add to their shopping cart for free or a symbolic zloty or other extra benefits. This will help them engage faster into a relationship with your brand.



Tip 2

A sense of being a valuable customer or an opportunity to join an elite community

In post-pandemic e-commerce, customers want to feel special by forming a bond with your brand by joining a loyalty program. The discount alone is no longer the only motivation.



90% of users report that they are more likely to establish a relationship with the retailer that offers them a loyalty program premium class than just a discount.

Source: Total Retail

What can provide additional value to your customer? **The possibility of immediate fulfillment order, faster shipping or helpful customer service available at any time.** It's worth considering a staged loyalty program, in which the customer is rewarded upon reaching a specific a specific threshold and further motivated by the vision of reaching the next one.



Tip 3

Allow the customer to choose the reward himself

Simply earning points for purchases is not unusual today. Consumers want to be able to the ability to choose both from whom they receive the reward and what the reward will be. How then then can you engage them in shopping on your platform? Offer the opportunity to redeem points for discounts that change from time to time. **Offer a range of rewards from which the user can choose the one that matches his or her expectations.** Set a threshold that will give the user the opportunity to choose rewards from the pool, and offer different types of activities that will credit the user's account. This will help take care of his additional motivation.



Tip 4

Seamless operation of the loyalty program

What's important from the user's point of view – is clear rules, an easy way to join the club, and a smooth and integrated operation linked to the shopping experience. In this regard this, it is worthwhile for you to prepare the rules and regulations early on, define the rewards and tasks to be accomplished, and lay out the step-by-step steps that will help users with more easily discover the subsequent features of the program. Also make sure that not only the rewards themselves rewards are beneficial. Pay attention to the UI and UX, which must be easy to use and attractive to the user themselves.



Tip 5

Combine a loyalty program with a charity

A post-covid study on consumer behavior noted that online customers are more likely to and more likely to interact with companies that claim to provide charitable assistance. Mainly in those areas that are important to them personally or that they want to contribute to indirectly.



Customers are up to 6 times more willing to support those companies that show willingness to help those in need.

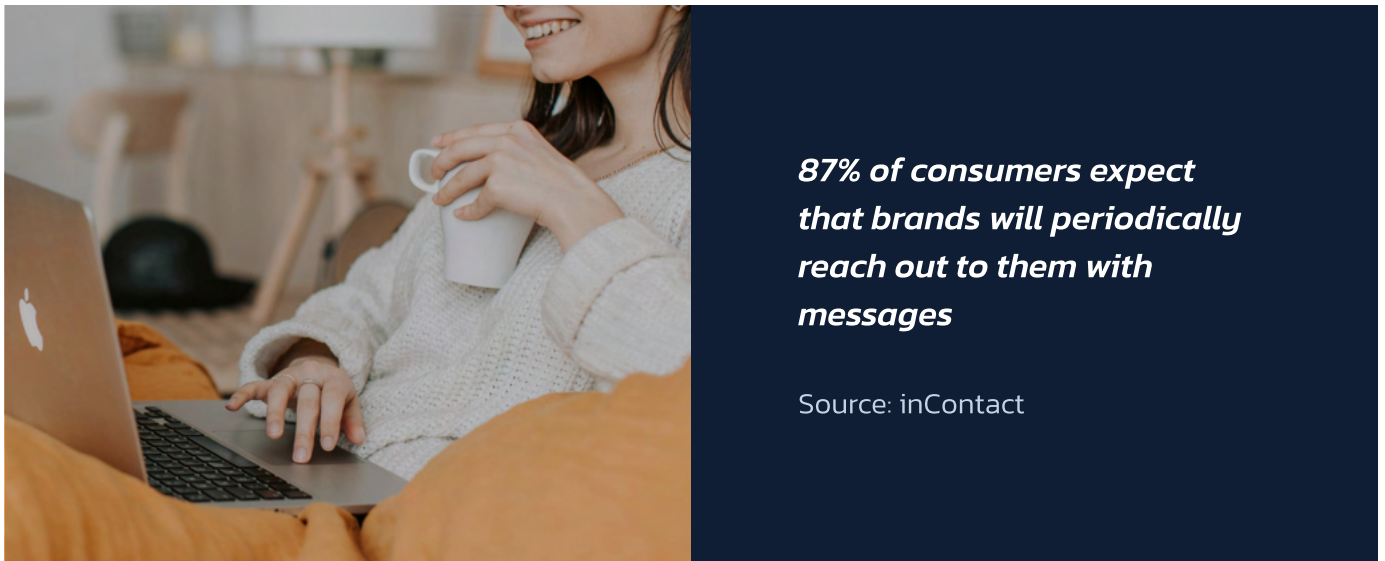
Source: Forbes



Tip 6

Experience multichannel communication

It would seem that customers are increasingly opting out of messages sent by brands? Nothing more mistaken.



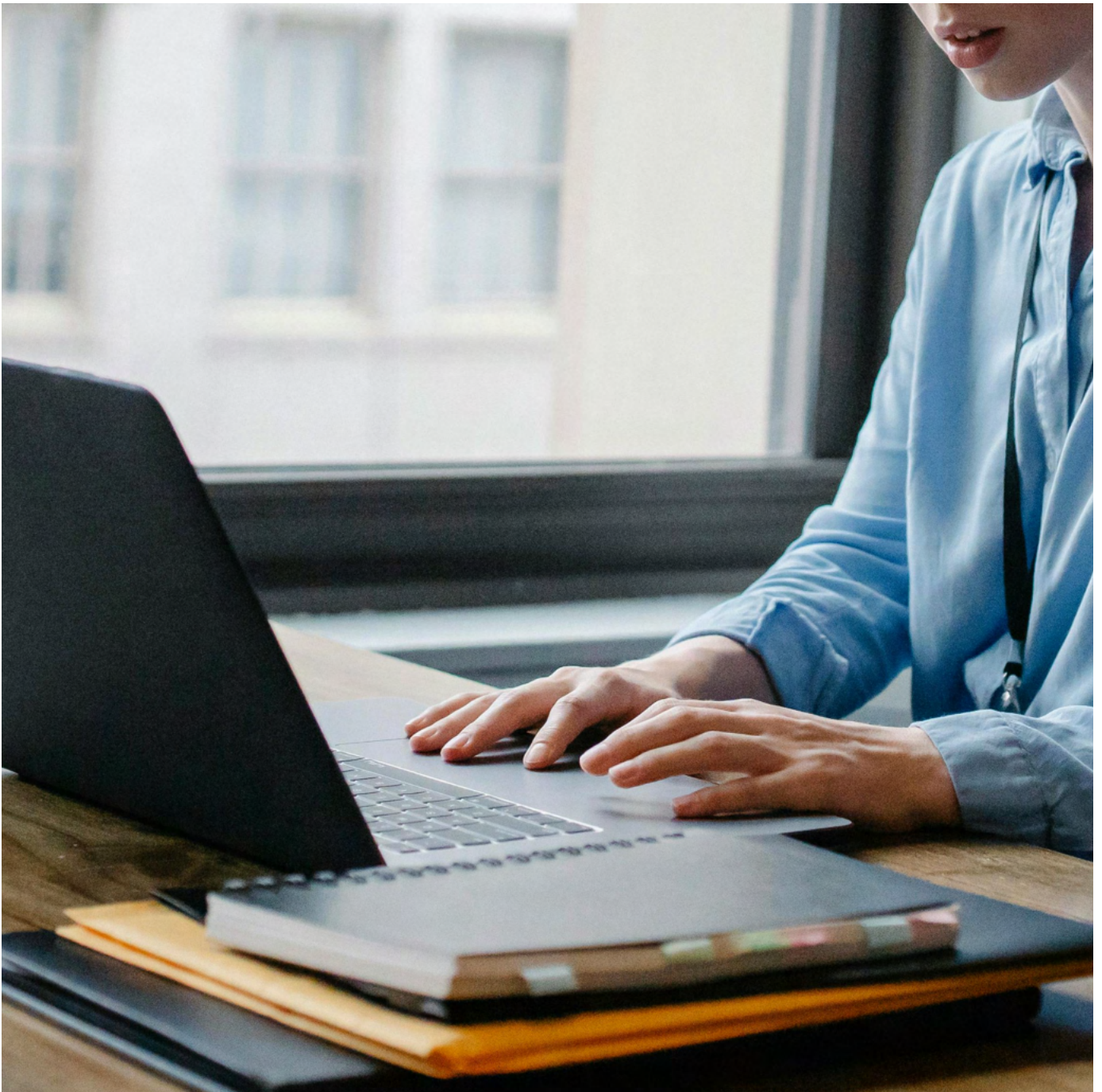
The traditional approach says only to inform about the number of points collected, the achievement of a given threshold or a prize earned. The modern approach, on the other hand, shows to use communication proactive.

To this end, **your e-commerce business should take care of an omnichannel strategy** to communicate with your loyalty program members through their preferred channels. This can include SMS, push notification, email, message on WhatsApp, Messenger or other messenger. This type of communication can be focused not only on rewards, but also on reinforcing the benefits of derived from membership.

Create dedicated newsletters or take care of guide video content. Provide customized benefits and deliver them through the channel that works best for your customers. This will allow you to increase the rate of participation and thus positively impact engagement.

CHAPTER 4

Steps necessary for implementation before launching a program loyalty





Wondering what you need to do to implement a loyalty program into your e-commerce business?

Before you do, go through some of the steps that precede the process.



Tip 1

Analyze customer data

Review your user data and make a note of how existing users are most likely to interact with your store. Some key aspects can affect the number of visits by returning customers, the amount of conversion rate, and the reason that leads to a repeat purchases. At this point, it's a good idea to ask customers for feedback and information on what they themselves would like to find in your loyalty program or what would be a significant benefit to them a significant benefit.



Tip 2

Set a goal to help achieve your program loyalty program

Identify the elements you want to improve with your loyalty program. Consider, Whether you mainly care about collecting more data on users, increasing the number of returning customers, increasing the number of product likes, or are there other considerations. **List all your goals** – these will help you determine what behaviors you will be able to offer rewards for in the program.



Tip 3

Create benefits for buyers

Once you have defined your goal, decide what rewards you would like to offer. **These could be points for completing specific tasks, free delivery for club members only, early access to discounts or training, and creating exclusive offers for program members only.** Make sure to you'll offer the kind of benefits that will really interest people who belong to a specific target group target audience.



Tip 4

Choosing a specific type of loyalty program

Above we described the main types of programs available to you. You can choose a program A points-based, tiered program (which involves reaching successive milestones and crossing different thresholds), an exclusive VIP membership type, a program based on additional values (e.g., offering to help charity) or a hybrid loyalty program, combining several elements from different techniques. Make sure, however, that you are sure how the different types work and which one you are decided on.



Tip 5

Set a budget

As a retailer, you need to allocate your budget in such a way that you can gain new customers, conduct marketing and advertising campaigns, and improve your website to achieve a better shopping experience. Therefore, at this point, you need to make sure that you have a well-defined budget that you can allocate for rewards or other types of benefits for your loyalty program members loyalty program.



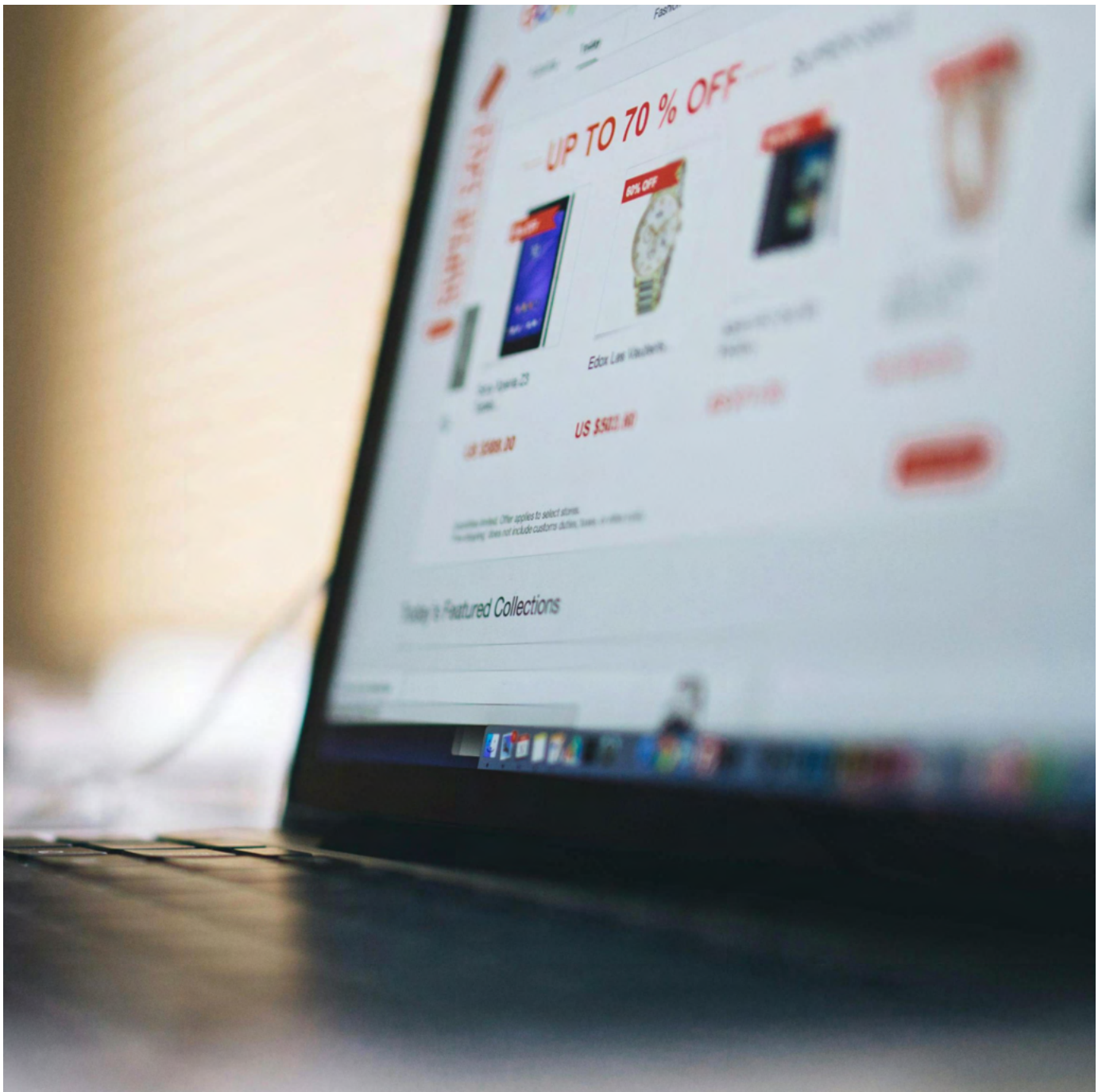
Tip 6

Refine the UX and implement properly

Before implementing a loyalty program yourself, **it's worthwhile for you to consider whether you have the right tools and competent specialists.** Designing, testing and implementing this strategy will require a lot of your time, skills and patience.

CHAPTER 5

How to measure user loyalty? Learn about useful metrics





Are you asking yourself whether it makes sense to run a loyalty program in your e-commerce business? Not sure how you can measure it? Below you will find some important indicators for to examine customer loyalty.



CRR (Customer Retention Rate)

Customer retention rate, which tells you how many customers you have managed to retain over a certain period of time.

$$\text{CRR} = [(CE - CN) / CS] \times 100$$

CE – the number of customers at the end of a certain period

CN – the number of new users at a certain time

CS – the number of customers at the beginning of the period under study



RR (Redemption Rate)

Redemption rate / utilization rate, will answer you whether the benefits and rewards you offer are valuable to your customers.

$$\text{RR} = \text{number of unredeemed points} / \text{total points earned so far}$$



PR (Participation Rate)

Participation rate, determines to what extent your loyalty program is attractive to the users attractive.

$$\text{PR} = \text{number of people enrolled in your club} / \text{total number of customers at a given time}$$



RPR (Repeat Purchase Rate)

Repeat purchase rate, shows data on the number of returning and engaged consumers.

$$\text{RPR} = \text{the number of users who have purchased more than once} / \text{the number of total customers at a given time}$$



LCR (Loyal Customer Rate)

The loyal customer rate, will allow you to see what proportion of your customers shop with you at least 4 times in a year.

$$\text{LCR} = \text{number of customers who have purchased at least 4 times in a year} / \text{total number of unique customers in the last 365 days}$$

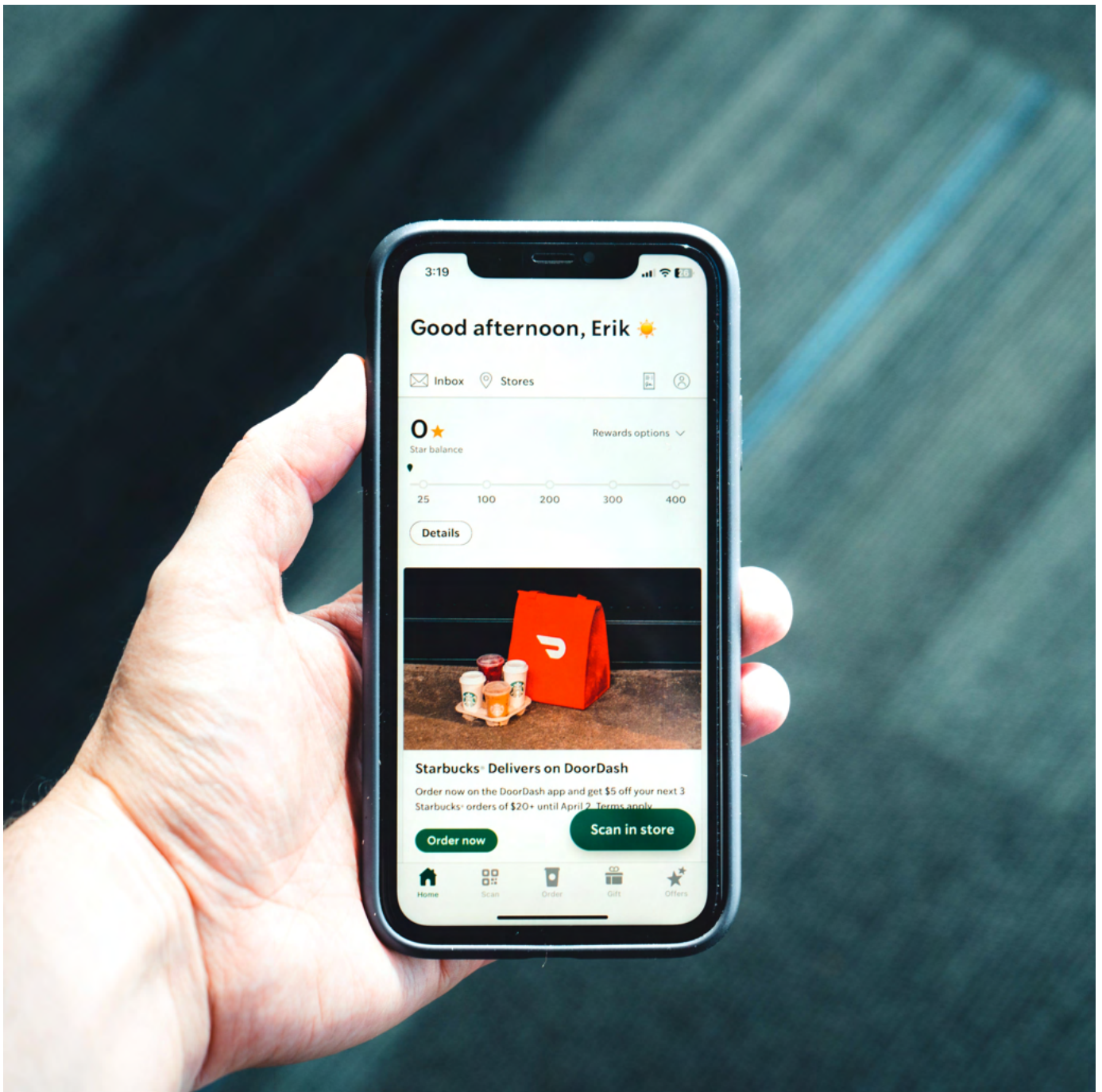


AER (Active Engagement Rate)

Active engagement rate, tells how many customers out of the total number of program members are actively engaged in it.

$$\text{AER} = \text{number of engaged members} / \text{total number of customers}$$

How to increase user engagement in your loyalty program?





After calculating the above indicators, you come to the conclusion that customer loyalty has not produced the results you expected? Don't know what you can do to further influence their engagement? Below you will find some tips:



Send reminders

Make sure to create a complete communication strategy with your club members. Send push notifications, web push notifications, SMS notifications, and emails that inform them not only about the number of points in their account or rewards, but also how to redeem and receive them.



Make the program visible on your website

For both existing and new users. Add it to the main navigation in the drop-down menu or on the home page view. Pin it in a prominent place and on all subpages in the subsequent steps of the purchase path.



Increase the ability to earn and receive rewards

Take care of micro-actions or offer less demanding tasks that allow users to gain extra points. Tailor them to your overall goals, however, to see how smaller steps affect the perception of the whole. You can offer additional mini rewards or points for product reviews, creating a wish list or observing your store on social media. Also allow your customers to redeem rewards more easily and quickly. If they have to wait for them for too long time, their motivation to actively participate may be much lower than you assumed.



Make sure your rewards are tailored to your audience

Monitor users' reactions to the rewards you offer on an ongoing basis. It is important that they are of value to your customers. Also observe what actions they take to get them get them.



■ **If you already know what program scheme you want to implement for your customers, then it's time to define the program in detail:**

Business tasks:

- What events/behaviors you want to reward customers for
- Whether and from where data on these events will be collected
- What will be the scheme for awarding rewards/points for rewarded behaviors
- What will be the list of rewards, how often will it change
- How the customer will receive the rewards
- Will there be affiliate rewards in the program
- Will points/rewards have an expiration period
- How points will be used and/or extinguished
- How the points will be used and/or extinguished

■ **If you've already defined your business assumptions, it's time for IT work**

Technical tasks

- Develop technical requirements and program architecture:
 - a) Data sources
 - b) Operations on customers
 - c) Operations on awards
 - d) Operations on events
 - e) History of events related to the program
 - f) History of customer communication in the program
 - g) Selection of the system/platform in which the program management and maintenance logic will be implemented
- Implementation of the program
 - a) Implementation of the program in the systems
 - b) Program testing (technical, integration, acceptance)
 - c) Debugging and retesting
 - d) Technical documentation
 - e) Formal acceptance
- Commercial implementation and performance monitoring



Persooa's offer for support in developing and implementation of a loyalty program

We offer comprehensive support in the development and implementation of a loyalty program with the use of Synerise marketing automation platform.

Scope of the offer

	Collection of points	Cashback	Tiered loyalty program	Exclusive loyalty program
Development of assumptions business assumptions program for selected scheme	✓	✓	✓	×
Implementation of the loyalty program on Synerise platform (without the cost of a license to the platform)	✓	✓	✓	×

Summary

Ensure that you have a loyalty program that is tailored to your needs and at the same time will allow you to increase customer engagement. Then use this program in the most effective way. Note that e-commerce success is not a one-time thing therefore continuous monitoring, feedback and optimization of the program will help you get an even better shopping experience and user engagement.

Not sure how to organize all this, or maybe you are looking for a template to help you implement a properly functioning loyalty program? Let's stay in touch! Fill out the form below and we'll provide you with a completely free downloadable worksheet to help you create your program.



Are you looking for experienced professionals to consult your concerns? Or maybe you need help in implementation, optimization and increasing conversion and user engagement? Get in touch us!

With Persooa's help, you will understand your customers' behavior, create logical segmentation, ensure for personalized recommendations and establish long-term relationships. All this using any marketing communication channel or based on a hybrid strategy.

Persooa Services

Persooa's services primarily consist of implementing marketing technologies that increase sales. In our experience, they bring about 10-20% revenue growth, as confirmed by McKinsey research.

We integrate various technologies and implement proven marketing automation strategies that are tailored to the industry. As a result, we help not only increase profits, but also reduce marketing costs, improve customer loyalty, average shopping cart value and much more. You will notice the first effects in just 90 days!

Our offer

