

CUSTOMER EXPERIENCE

The Next Generation Of Loyalty Programs

WHY COMPANIES ARE TRADING IN POINTS FOR BRAND-BUILDING EXPERIENCES. **BY LISA LACY**

Thanks to Amazon's latest shareholder letter, we know its formidable Prime subscription service now has 100 million members who order more than 5 billion products a year.

Competing retailers have rolled out comparable two-day (and faster) delivery options, but Prime sets a high bar with streaming movies, TV and music, as well as access to books and shopping deals. Amazon is also a daunting adversary when it comes to price and convenience.

But retailers have an opportunity to distinguish themselves by providing personalized services with early and/or exclusive access to products, which has become a more important part of their loyalty programs as consumer interest wanes in transactional value.

In fact, Marissa Tarleton, CMO of savings site RetailMeNot, said loyalty is no longer a single program, but rather a product, marketing and business strategy that builds products and experiences to make customers repeat visitors.

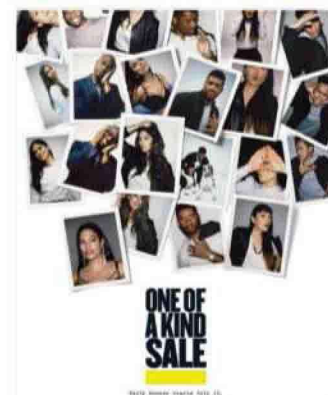
"Loyalty for most brands is about frequency and retaining users long term," she added.

Research from professional services network PwC found 73 percent of consumers say customer experience is a top factor in making a purchase decision.

And, David Clarke, global chief experience officer, experience consulting leader and principal at PwC, said successful companies transcend being a product or service and instead become platforms that foster communities of like-minded people.

"I think smart brands will think about ways to capitalize on the relationship opportunity to drive loyalty," Tarleton added.

But retailers must also offer additional experiences, or what Tarleton called "softer features that are less transactional," like Nor-



Access to VIP events, limited-edition products and personalized offers are replacing discounts as a way to cement customer loyalty.

cent off a first-year membership on same-day delivery from Shipt and free next-day delivery with Target's Restock service.

Retailers can generate loyalty even further with personalized experiences thanks in part to the data they collect.

"Each time a consumer swipes their card or enters their email, data from each touch point aggregates into a singular profile, giving retailers a consistent view of each customer and the ability to deliver contextualized experiences," said Stephanie Waters, global retail industry principal at digital software company SAP Hybris.

What's more, Tarleton said consumers now expect offers, services and benefits to be customized to their preferences.

Walmart's Savings Catcher, for example, is a free loyalty app of sorts that is embedded into how consumers already engage with the retailer, Tarleton said. To use it, shoppers scan their receipt's bar code, which allows Walmart to look for advertised deals nearby. If it finds a lower price, Walmart gives the shopper the difference. Walmart's built-in features drive repeat engagement through personalized discounts like a loyalty program would, kind of like Kohl's Cash, she added.

And while consumers may not necessarily say they want personalization, they will come to expect it once they reach a certain threshold, Tarleton said.

Sephora couples its loyalty program with its app and online tools to give it the ability to recognize customers online, in-store and on mobile in a highly personalized way.

"They are using omnichannel and personalization strategies in their products and experiences that drive long-term loyalty well beyond what their traditional rewards program can likely accomplish," Tarleton added.

dstrom offering Rewards Card holders early access to anniversary sales, exclusive holiday points events and VIP access to store events.

Another example is Mac Cosmetics' Select Loyalty Program, which is tiered based on dollars spent in a calendar year with benefits like exclusive products, early access to collections, complimentary makeup applications, birthday gifts and exclusive event invitations.

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SOURCE: PWC

Target's RedCard holders also have early access to events like its collaboration with British boot brand Hunter. In addition, they receive 5 percent back on all Target purchases and free two-day shipping. As a result, Target said RedCard holders are some of its most loyal guests, generating nearly 25 percent of sales in 2017. With \$71.9 billion in revenue last year, that's nearly \$18 billion.

"A program like this appeals to Prime members' sensibilities while also reinforcing Target's differentiators in a way that makes clear why it makes sense to be loyal to Target, too," added Jared Blank, svp of marketing and insights at AI-driven retail marketing firm Bluecore.

Target is also piloting a loyalty program in the Dallas area called Target Red, which gives members 1 percent back on purchases, 50 per-



LISA LACY IS A TECH REPORTER FOR ADWEEK, FOCUSING ON ECOMMERCE. @LISALACY