

# BEEN THERE, DONE THAT

Retailers get inventive to attract shoppers tired of traditional loyalty programs **by FIONA SOLTES**

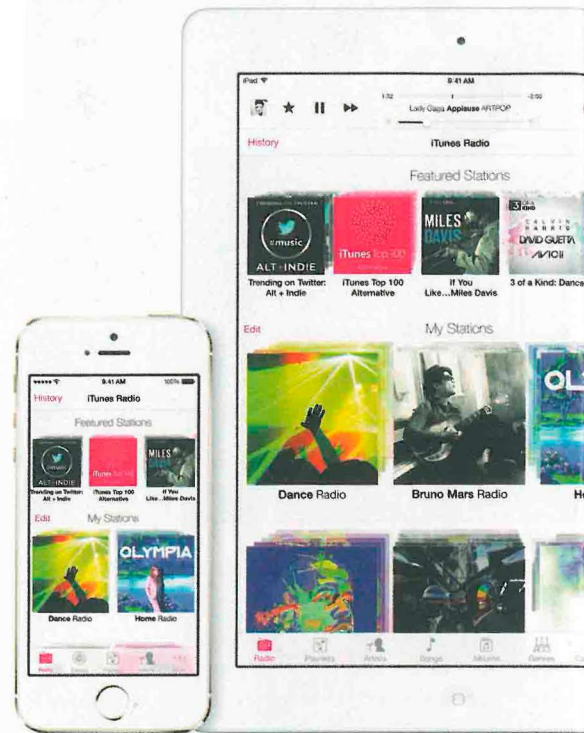
**A**s consumers, we've all been there: We sign up for a loyalty program to receive an intriguing discount or reward — and then hit “delete” when the follow-up email arrives.

On an individual basis, such an act seems inconsequential; we likely even continue to tout the benefits of such programs, considering them worth the effort.

But on the retailer's side, if a loyalty program fails to truly engage customers — whether beginning or enriching those relationships — it's not much more than a “do this, get that” discounting mechanism.

Enrollment in loyalty programs has reached an all-time high: Bond Brand Loyalty's fifth annual Loyalty Report showed that the average consumer was enrolled in 13.3 programs this year, compared with 10.9 in 2014. And yet, “Despite the increase in average enrollments, the average number of programs in which members are active (i.e., make a purchase) has decreased from 7.8 to 6.7,” the report says, “which tells us that consumers appear to have a finite capacity in terms of the number of programs with which they can actually engage.”

Creating true “loyalty,” then, requires a greater understanding of customer needs, authentic alignment with the brand, an eye toward solid differentiation — and, of course, a



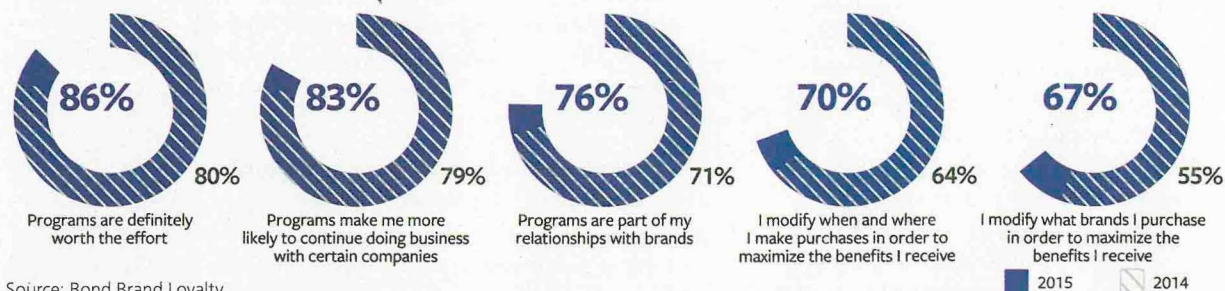
rich customer experience with mobile functionality. The goal is to be a loyalty brand, rather than just a brand with a loyalty program.

## REWARDING THE EXPERIENCE

“We know that things like believing the program is worth the effort, the amount accumulated per dollar spent, the benefits offered to customers as part of their participation — all of those things are what drives satisfaction with programs,” says Scott Robinson, Bond Brand Loyalty's senior director of loyalty consulting and design.

“When brands are getting those things right, we see them climbing up the list. What we're also seeing is brands differentiating from each other based on those non-functional, or more emotive, experience-oriented attributes of programs, things like meeting their needs, like being enjoyable, like being simple and easy to understand,” he says.

## LOYALTY PROGRAM ATTITUDES (AGREE WITH STATEMENTS)







"It's really important that brands focus beyond the reward and make the program experience rewarding in and of itself."

The study, which took place in January, considered more than 200 loyalty programs and engaged a sample of 11,316 North American consumers. Bob Macdonald, Bond Brand Loyalty president and CEO, notes that the agency had been expecting the decrease in the activity of loyalty program members for several years.

"The notion of the saturation point, the higher expectations, the proliferation of 'me-too' programs, have probably combined to create a more discerning set of consumers who are actually more attuned to the value-add they get from a particular program than they might have been in the past," Macdonald says.

Even so, the decrease is not a comment on the influence of the programs overall.

"In fact, three quarters of consumers say the programs are worth the effort," Robinson says. "Also, in terms of satisfaction with brands, when you think about the four P's of marketing, 'program' really warrants being considered as the second P. It falls second only to product in terms of the factors that influence satisfaction with brand — ahead of price, ahead of promotion, ahead of placement."

## FOCUSED ON CUSTOMERS

Some brands are indeed influencing satisfaction. The study noted growth in brands such as Barnes & Noble — crediting its website and enrollment experience with helping increase its overall satisfaction by 31 percent since 2014 — and Kroger Fuel, rated among Bond Brand Loyalty's best in class for its enrollment experience and amount accumulated per dollar spent. Conversely, Dove Insider fell 13 percent in its overall satisfaction rating; My Best Buy fell 27 percent.

"One of the purposes of the study is to evaluate the extent to which the consumers are satisfied with the program," Robinson says. "We also endeavor to answer the question, 'Why?'"

So when we look at factors like the appeal of the benefits, the amount accumulated per dollar spent, those are the things that do drive satisfaction with programs. Yet that is also where brands fall victim to looking like many other programs in the market, when everybody is focused on the reward.

"The programs that will differentiate and establish long-term, sustainable engagement with customers are those that focus on customer needs, those that focus on making the program experience enjoyable beyond getting a discount," he says. "Two-thirds say, 'Yeah, the program is part of my brand relationship,' so it's very important that the program experience lives up to and feels like it lives right alongside the promise they're making to consumers."

Programs like Starbucks' new beta order-in-advance/pay app, for example, leave Robinson "optimistic."

"For the time-starved consumer who wants to run in and get that latte and run out, the time delay of lining up and placing the order can be solved with the new feature they're testing," he says. "That's a good example of a brand being cognizant of a consumer need, and looking to enhance the program experience to address that need."

But it's not just any customer, Robinson says. Ultimately, loyalty programs should be aimed specifically at the brand's best customers.

"It's so important to get the experience really right for your best customers instead of getting it almost right for all of your customers," he says. He points to Amazon's new Dash Button, which users can affix anywhere — on the washing machine, for example — for one-touch ordering of household products by Amazon Prime members. Amazon clearly understands what those customers desire.

## LISTENING TO CUSTOMERS

CVS Pharmacy is another rising star. Since 2014, the company has seen an 18 percent rise in its CVS ExtraCare loyalty program member satisfaction. Melissa Studzinski, vice president of customer relationship management for CVS Health, attributes that to the continuous innovation of offerings, processes and applications — with a focus on digitization and relevancy.

"Over the past several years, one of our biggest goals has been to keep evolving the program to truly be a platform that offers customers more choices in how they want to

Barnes & Noble's website and enrollment experience helped increase overall customer satisfaction by **31 percent** since 2014.



engage with CVS Pharmacy,” Studzinski says. “Through listening to our customers — and responding swiftly — we are building a program that goes beyond monetary rewards. We’re building a close-knit relationship with our members.”

Today’s consumers have expectations of receiving a relevant, personalized shopping experience each time they interact with any brand, she says, and that demand is only going to increase in the months and years ahead.

“Personalization is something we have been investing in for years at CVS Pharmacy because it delivers value to our customers and also helps us from a business standpoint, so it’s a win-win,” she says.

“Our ExtraCare program is an invaluable tool that helps us better understand and serve our customers, and in turn they love the value they get from it. Through listening to our customers we are able to build a program that goes beyond a ‘one-size-fits-all’ approach and evolve the program to offer customers more

choices in how they want to engage with CVS Pharmacy to help them save money and time.”

Because mobile and digital are increasingly important channels for CVS customers, they’re also increasingly important to the company.

“Through email we are able to share special deals, exclusive savings and information about new as well as upcoming promotions that are relevant to each recipient,” she says. “Coupons delivered via email can be printed for in-store use or easily sent to the recipient’s card for digital redemption, and we have worked hard to make sure that our customers are getting more relevant offers on products they regularly buy or have tried in the past, or that we know they will be interested in.

“Email communication helps us demonstrate the real, tangible value ExtraCare members are getting from using their card, and also helps keep them excited and engaged, so they continue shopping at CVS Pharmacy.”

#### FORMAL, INFORMAL

Satisfaction comes in a variety of ways. In addition to formal loyalty programs like ExtraCare, some retailers are finding success through informal efforts. Consider Nike+,

which offer consumers a variety of apps for motivation, tracking and community building and engagement. The Nest Learning Thermostat rewards users with digital acknowledgment of green behaviors. And Apple iTunes Genius is an opt-in program that automatically creates playlists based on user preference.

Informal loyalty like this, Robinson says, is programmatic loyalty. These brands are leaning on traditional loyalty mechanics, still making sure they can identify their customers, track and monitor customer engagement and establish two-way dialogue by providing a relevant service.

“What is compelling is that these brands have crafted a value exchange that is not solely reliant on a discount and monetary exchange, but rather on one that fulfills customer needs, makes customers feel recognized and valued and engages them through relevant and personalized experiences,” the report states. “In short, these principles help brands outperform by making the experience with the brand better, get customers to a place where they’re willing to pay a premium and make them more loyal to the brand.”

In addition to creating long-term relationships with consumers, effective loyalty programs — whether formal or informal — also create resilience. Even if the brand makes a mistake, these consumers are much more likely to forgive and forget. And that may be exactly what’s required as brands continue to grow and experiment with fresh ideas.

In the meantime, brands wanting to expand loyalty offerings would do well to remember it’s a new world — one in which consumers won’t so easily be engaged for the long-term. It’s going to take some work.

“Now we see, of marketing and loyalty, loyalty is much more prevalent, both in the form that everybody wants to get to know their customers better, which loyalty is the enabler to, and the notion that it’s much more cost-effective to hang on to the customers you have versus finding new ones,” Macdonald says.

“Those two facts are making loyalty a much more important conversation than it has been in the past. It’s a very, very different environment.” **STORES**

Fiona Soltes, a freelancer based near Nashville, Tenn., loves a good bargain almost as much as she loves a good story.



“Through email we are able to share special deals, exclusive savings and information about new as well as upcoming promotions that are relevant to each recipient.”

— Melissa Studzinski,  
CVS Health