The Ultimate Guide to **Loyalty Management**

CLARUS commerce

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Why is Loyalty Management a Hot Topic?

Did you know that a loyalty increase of **7%** can boost lifetime profits per customer by **as much as 85%**?

It's no wonder that loyalty management is such a hot topic among retailers today.

If you're in retail, you're thinking about it. But loyalty management is also a complex topic.

Your loyalty program touches so many parts of your customer experience.

From your website to your stores to your backend resources like development, marketing, customer service, and finance, loyalty is complex.

Do you tackle it in-house? Do you find a specialized loyalty partner to work with?

With so many different platforms, consultants, and vendors out there, it's daunting.

Not to mention, every brand is different and your loyalty program needs to be tailored to your unique customers.

Whether you already have a loyalty program that needs some updating, or if you're thinking about launching one for the first time, there is a lot to think about — and a lot of questions to ask potential partners

Whichever bucket your company falls into, this guide will show you everything you need to know about loyalty management and help get you started on the path to building better customer relationships.

A great place to start is defining loyalty management.

CHAPTER 1

What is Loyalty Management?

Simply defined, loyalty management is the **strategy, tools, and tactics** around how your company acquires, engages with, and retains customers.

This includes your loyalty marketing strategy, loyalty program platform itself, and all of the managed services that are required to build and run a successful program.

Aside from your loyalty program itself, comprehensive loyalty management includes numerous elements:

- **Loyalty program construct**

- **Rewards and benefits mix**

- **Technology enhancements**

- **Creative services**

- **Member communications & marketing**

- **Member acquisition strategy**

- <u>**Branded customer service**</u>

- **Client services**

- <u>**Loyalty program optimization**</u>

- **Billing engine (in the case of <u>premium loyalty programs</u>)**

All these pieces need to work together for a successful loyalty program.

This is not only about acquiring new program members. It's also about retaining existing program members and maximizing your relationships with them.

- How can you entice them to join with the right marketing?

- Once they're in, how do you keep them engaging?

- Is the loyalty program experience consistent with your brand? Are your in-store associates properly trained on selling the program?

- How are you able to upgrade your program over time? Who's running the day-to-day?

- Do you have the internal resources to manage it all or should you outsource it?

And while certain retailers handle some of them in-house, managing all these pieces correctly can take up a huge amount of resources, technology, and expertise.

For this reason, most retailers choose to outsource some, if not all, of these elements to qualified loyalty management companies.

LEARN MORE: What is Loyalty Management and Should You Tackle it In-House?

So, now that you have a solid understand of loyalty management in general, you should start thinking about software.

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CHAPTER 2

How Do You Choose the Right Loyalty Management Software?

Choosing the right [loyalty management](#) software can be daunting.

With so many choices, which system is the best? Will there be unexpected or hidden costs? Can it really solve my problem? And can it do what my customers expect?

After all, your loyalty program is a huge part of your overall brand and customer experience.

There is a staggering number of features out there to consider when assessing your loyalty management software needs.

But the decision comes down to how you answer these questions.

1. What Do I Like and Dislike About My Current Loyalty Management Software?

If you currently have a loyalty program and you're looking to re-platform, it's important to start here.

(And even if you don't have a problem today, you should still consider what your ideal program would look like.)

What's working and what isn't with your current platform today?

Maybe your current platform does a good job with reporting, but it's very difficult to customize or add to it over time.

Perhaps you are thinking of adding a premium loyalty program that your best customers will pay to join, but your platform doesn't support billing.

Or maybe your annual licensing fee just feels a bit astronomical.

It's important to make a list of likes and dislikes to help you narrow down your potential software vendors as you go.

Then, start asking yourself more questions as you evaluate platforms.

2. Can It Support the Types of Rewards My Customers Value Most?

At the core of most loyalty programs is some type of currency that eventually earns rewards.

Points-based loyalty programs are the most common. But a one-size-fits-all loyalty program doesn't work today.

We live in an instant world. Many consumers don't want to wait to collect points to redeem after several transactions.

These customers are often willing to pay for a membership to a premium loyalty program or a premium tier of a program.

But these customers expect elevated benefits like instant discounts, free shipping, and exclusive experiences.

> According to our 2019 premium loyalty data study, **67% of customers** say instant discounts that can be used whenever they shop would motivate them to invest in a premium loyalty program.

So, think about whether you intend on offering a traditional free points program, a standalone premium loyalty program, or a tiered program.

And think about the currency your software will need to support.

If you're thinking about a traditional program, it will need the ability to manage points.

But if you're thinking about launching a premium loyalty program, the currency will look a little different. Think instant benefits, cash back and even gift cards back to your brand.

The most important thing is to make sure your potential loyalty management software can handle whatever types of rewards your customers prefer.

3. Can I Use it to Send Personalized Marketing and Promotions?

Personalized communications and offers that are more relevant to members will drive higher response rates and program engagement.

Basic personalization elements might include name, tier status, recognition of member performance in the program, and the value to you.

Targeted promotional offers based on profile, segment, program performance, and tier are also possible.

On the more advanced side, some loyalty management software allows for dynamic content.

This is web content that can change based on individual members' behavior, preferences, and interest.

If you want to engage your best customers, you can use this technology to dynamically change not only the website experience but also the email content that you send out.

It's all based on the data you collect on your members.

If your loyalty management software has a CDP and a good analytics platform, you can use that data and segmentation to drive personalization.

4. Can I Use it to Analyze That Data for Optimization?

Does your loyalty management software offer the ability to provide predictive and prescriptive analytical services?

A loyalty program can be one of the best data collection tools available.

What could be better than first-party data on your best customers?

There are certain KPIs your software should track to deliver deeper insights and strategies that can be used to optimize your program.

For example, member acquisition, increase in spending, reward redemption rate, and churn are all important pieces of data to measure the health of your program.

Product usage is also critical. It will give you insights into what benefits your members love and which ones don't get much use. This is the foundation of personalization.

Once you start collecting this data, your analytics team, or an external partner team, can help generate actionable customer insights through data.

Remember, data collected from your loyalty program is first-party data that is coming from your best customers. It's like gold for your marketing efforts.

5. How Easy is it to Add to My Loyalty Management Software Over Time?

Hopefully, the software you choose can collect a lot of great data.

But once you have it, how easy is it to update your program based on your findings?

Loyalty programs should never be "set it and forget it" because consumer tastes, habits, and expectations are ever-changing.

You can use the data you have collected to truly listen to what your customers are saying and understand their needs.

But what good is that if your platform makes it hard to update and enhance your loyalty program over time?

If enough customers aren't signing up for your program, is the value proposition compelling enough?

Maybe certain benefits aren't being used. Would it make sense to cut them?

When members aren't as active as you'd like them to be, are you communicating with them enough through your platform? Do you need to tweak the benefits?

Is it easy to make these tweaks on the go, or is changing the program to better suit your customers difficult or require customization?

Remember, once your program launches, that's only the beginning.

Make sure whatever platform you go with is designed with optimization in mind.

6. What is My Budget?

One of the biggest considerations when it comes to loyalty management software is the cost.

And it can be very high, depending on what direction you go in.

Many software vendors charge not only for platform setup, but also for the initial consulting. And this can run into the six figures.

In addition, they usually charge an annual or monthly license fee just to use the software. This can often cost more than the implementation itself.

So, this becomes not only a question of your initial budget, but also how they charge.

Ask them if they charge for further customization and optimization as well. Many of them do.

Is the vendor going to charge you any time you need a change order? Will they bill you for services beyond just the platform like creative work?

It's important to understand not only the costs of the software itself, but of any additional costs that might be overlooked initially.

At Clarus, we have a unique pricing model where we do not charge any upfront fees or add-on costs for consultation, build, deployment, optimization or services.

7. How Customized and On-Brand Do I Need it to Be?

Your loyalty platform needs to look and feel like your brand on the outside. This ensures your customers have a consistent experience across all touchpoints.

Is the software you're looking at able to be customized to your brand identity standards?

Even more than just logos, colors, and fonts, will communications that come from your loyalty platform match the tone, look, and feel of your website?

When a customer logs into their loyalty account, can they even tell that they may be in a separate system?

While a loyalty platform may be a separate system on your end, to your customers, it's all part of one big brand experience.

LEARN MORE: How you should think about loyalty program branding?

At Clarus, no two programs we build for retailers look exactly the same.

We make it easy for each brand to add its personality to the program, mechanics, rewards, and more while continuing to be supported by our loyalty platform.

8. What Are My Technical Resources?

Or, perhaps another question is, "How hard do I want my technical integration to be?"

You want your loyalty management software to integrate with your POS system, website, and other touchpoints as easily as possible.

Make sure potential vendors have standardized APIs and an API developer portal.

APIs (or Application Program Interfaces) are important for all aspects of business technology including loyalty programs.

They are what allow different programs to communicate.

This allows your internal systems to connect with those of your loyalty platform.

It eliminates the need for a lot of custom technical integration to get systems communicating seamlessly.

APIs from your loyalty management software should include Member Enrollment, Membership Status, Membership Update, Member Purchase File, and for a premium loyalty program where customers are paying to be in it, Membership Billing.

In addition to the APIs, an API Developer Portal is recommended.

This is detailed integration documentation that would give clients and prospects a clear understanding of integration preferences.

The portal will give your IT team an idea of how easy or difficult technical integration can be and communicates a standard baseline process.

It serves as a developer resource center that provides your team clear instructions on how to hook into the loyalty platform, how to format data, and more.

At Clarus, we take care of all the IT heavy lifting and can integrate with virtually any infrastructure to complement your existing CRM, eCommerce, POS, and payment gateways.

So, ask potential loyalty vendors how much development time their platforms typically require.

What would it take from your team to get their program fully integrated and up and running?

Once you've honestly answered all the questions above, it's time to start the search.

It's important to get buy-in from your team at this point to ensure everyone is on the same page.

The last thing you'd want is to make a shortlist of potential vendors only to find out there is misalignment on goals, budget, resources or expectations.

The most important thing to remember is that most vendors are going to tell you their loyalty management software is the best.

Make sure you know exactly what will work best for you and your customers before making a commitment.

CHAPTER 3

When is it Time to Partner with a Loyalty Management Company?

Now that you know what questions to ask when looking for software, you have to decide whether or not it's time to partner with a loyalty management company.

Some retailers have taken this on in-house, but struggle.

The truth is, there is a lot involved in managing a loyalty program.

Every brand is different.

Each has different goals and different customers as well as different skill sets internally. That's why this is a tough one to answer.

The best place to start here is by assessing your needs. Ask yourself these questions:

- **Have my best customers been engaging with my program?**

- **Have I revamped my loyalty program within the last year, or has it gotten stagnant?**

- **Do I have the budget to work with a partner?**

- **Can I afford to take my time with a launch or revamp?**

- **Is my program very unique and not at all like that of my competitors?**

- **Does my ambition align with current capabilities?**

- **Are my customers evangelizing for my program?**

- **Can I wait for changes and updates to be made?**

- **Does my program have robust data and analytics capabilities?**

A loyalty program is a complex undertaking for any company.

These questions can help you understand if it's time to look for a loyalty management company, or if you are equipped to manage and change your program yourself.

Regardless of how you answered those questions, there are a few universal truths about working with a loyalty management company that you should consider.

When you work with a partner you receive:

A LIGHTER LIFT ON INTERNAL RESOURCES ACROSS THE COMPANY.

This includes marketing, marketing operations, data, and IT. You can view our services page to better understand the full extent of services a loyalty management company can offer you.

LESS OF AN IT FOCUS ON UPKEEPING YOUR INTERNAL SYSTEM.

Staffing and creating a loyalty program is hard enough. Upkeeping a program over time takes constant work. Therefore, many companies don't test enough new things with their programs. Their entire focus is to keep the current program moving.

CONTINUOUS INNOVATION.

When you work with a partner, they will update their systems and processes over time with the learnings they receive across multiple companies. When you work with a partner here, you will have access to these updates.

Loyalty management partners specialize in all these areas which takes all of those responsibilities off of your shoulders so you can focus on your business.

LEARN MORE: Thinking of Hiring a Loyalty Management Company? Ask Yourself These 10 Questions

We live in the age of the customer. Their expectations are changing constantly and rapidly.

That's why it's so important to analyze data and be able to enhance your program nimbly over time.

Speed is essential as is customizability. Your loyalty program should be a differentiator. Look for a partner that can build a custom program that your best customers will love quickly and within your budget.

What Loyalty Management Services Should You Expect from a Partner?

There are a staggering number of partners out there. Not all of them are created equally.

And while they all offer various loyalty management services, what matters for your brand may be different than another.

Yet there are seven essential services that you should ask any potential partner about.

- Client services
- Loyalty strategy
- Technology services
- Creative services
- Marketing campaign management
- Data and analytics
- Customer service and billing (for premium loyalty programs)

1. CLIENT SERVICES

At the very heart of your relationship with your loyalty partner lies the Client Services team.

An account manager from this team will be your day-to-day contact and is like an extension of your team.

This person should be keeping in constant communication with you and working towards your KPIs.

They know your brand, your customers, and your goals.

Want to add a new feature to your program?

Looking for assistance analyzing member data?

Have any questions or concerns about how your program is performing?

The client services team is there to help with any of that.

From your initial launch to ongoing support to quarterly business reviews, this team is focused on making your loyalty program a success.

Many loyalty companies that do provide this service also charge for it, whether it's an hourly rate or some type of retainer fee.

At Clarus, all of this is included at no charge.

This loyalty management services video shows how we think about it.

So, ask your potential partner if they provide client services or if you'll be on your own once your program launches.

And be sure to ask them if there is a cost associated with it.

2. LOYALTY STRATEGY

A one-size-fits-all loyalty program doesn't work today.

Brands need to figure out what their customers value and build a program to suit them.

This involves holding a stakeholder alignment meeting.

You have to make sure key people from your finance, technology, store operations, CRM, and merchandising teams are all in alignment with your loyalty partner.

It's important for your partner to fully understand the goals of each stakeholder to make sure your loyalty program will help achieve them.

Your potential partner should be asking questions like:

- What are you doing today, or what have you done in the past, as it relates to loyalty?

- Do you have any existing metrics that indicate consumers behaving positively?

- Are there any loyalty tactics out there that are interesting or would like to explore?

- What are your competitors doing?

- What are your goals and objectives for this program?

This is also a great time to uncover any potential budget or technology constraints.

Once all these questions are explored, it's time to start thinking about product construct.

Should this be a free, premium, or tiered program?

What benefits and rewards would your customers value most?

Aside from transactional benefits like discounts, what are some exclusive experiential benefits that you could offer?

When you work with a loyalty management partner, they should make sure that everyone is aligned with the goals of the program.

Will your potential partner work with you on loyalty strategy, stakeholder alignment, and program construct to develop a program that is custom-tailored to your brand?

Or are they simply selling you a standard, out-of-the-box platform and leaving the rest up to you?

3. TECHNOLOGY SERVICES

It's important to understand how your loyalty partner will handle the technical end of your program.

Are they able to integrate seamlessly with other existing systems that you have in-place like your website and POS?

Is the platform a standard, off-the-shelf solution, or is custom-built for your brand?

What does the integration look like from a timing perspective and what are the costs associated with it?

Where does it all begin?

Your partner should first start with a gap analysis to examine current technology versus where you want your loyalty program to be.

This will help identify the data sources needed for integration and the actual integration points. It will also help set a realistic timeline to launch.

Ask if they have standard APIs to make hooking into your existing infrastructure easier.

A good document for your technology team to look at is your partner's API Developer Portal.

This will give your team an idea of how easy (or difficult) it is to integrate with your partner's platform.

And once your program does launch, how easy is it to update over time?

Is that something your partner can do for you quickly? What cost does that come at?

It's critical to gain a solid understanding of exactly the type of resources needed from your end to build and maintain your program.

4. CREATIVE SERVICES

Your brand is everything.

More than just your name or logo or color palette, it's the overall experience your customers have when they interact with your company and products.
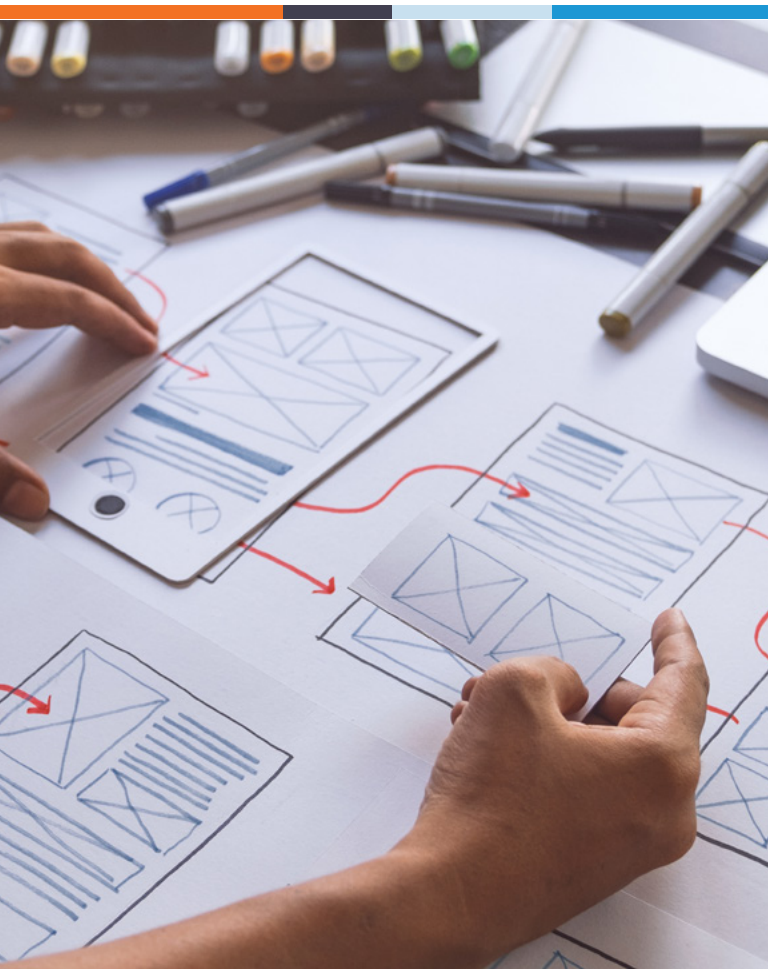
It's your customers' perception of your company across all touchpoints – website, emails, social media pages, video, in-store, and everything in between.

And it's also what makes you different from your competitors.

Your loyalty program needs to be included and can't be an afterthought.
After all, it's not just an add-on or a tactic.

Your loyalty program is an extension of your brand. That's why Creative Services is so important.

Many loyalty partners offer these services at an additional cost. Or, they would work with third-party agencies on creative.

At Clarus, we include these services an no charge.

We start with our partners' brand identity guidelines to make sure every element is on-brand down to the colors, fonts, image styles, and tone of the copy.

Since we also manage marketing campaigns around the program for many clients, we ensure that the email design and tone match.

The same goes for the in-store experience. We often design promotional cards, counter mats, and signage for our retail partners.

We even help train their in-store associates on their loyalty programs and how to get customers excited to join.

LEARN MORE: How you should think about loyalty program branding?

Brand consistency is key when it comes to your loyalty program.

If your customer experience is disjointed when they interact with your program, it comes off as cobbled together and inauthentic.

When looking for a loyalty partner, ask them how they think about your brand.

How do they make sure the loyalty program experience is consistent with all other touchpoints?

5. MARKETING CAMPAIGN MANAGEMENT

Once your loyalty program is built and in the market, how will you attract and acquire new members?

And just as importantly, how will you keep them engaged?

Many loyalty partners can help with loyalty marketing campaign management to make sure your customers are not only aware of the program but receive regular communications to keep them engaged.

Your loyalty management partner should be able to design and execute personalized and targeted program messaging, promotions, and offers through all channels (web, email, mobile, print).

You need to consider:

- **Marketing to attract customers to sign up**

- **New members welcome communications**

- **Ongoing communications to keep members informed and engaged**

- **Special promotions to keep your program fresh and exciting**

LEARN MORE: 4 Ways to Best Communicate and Engage with Loyalty Members

This is especially important if you're thinking about a premium loyalty program that your customers are paying to be members of.

There's a lot more to marketing when it comes to premium loyalty.

When you're asking someone to sign up for a free program, you're just asking for an email address.

With a premium loyalty program, your ask is monetary.

Constant optimization from a marketing perspective is key.

Looking at the data and evaluating what you need to do to resonate with customers and have the right benefits to get them engaging is needed.

This is a key service and one in which your brand and partner need to be in perfect alignment.

Ask your potential partner how they can assist with attracting members and keeping them engaged for the long run through marketing communications.

6. DATA AND ANALYTICS

Regular reporting and analyzing the data generated from your loyalty program is crucial.

It's important for your partner to be transparent with you on the successes and struggles the program is experiencing.

Make sure you know how often your loyalty management partner will provide reporting metrics, and what those metrics will be.

This is a key area where your loyalty partner can offer expert advice based on the results generated in your program.

Your loyalty partner should use the data to uncover insights that lead to strategic recommendations to enhance the member experience and evolve the program.

For example, if your join count is low, you should look at whether or not customers think your program is valuable. Or perhaps your in-store associates need more training to get customers excited about it.

If you have a high churn rate, it could mean that members are not getting value out of the program. Then, it's time to rethink some of the benefits and rewards you're offering.

All this information will help you better understand your members and their expectations.

This reporting allows for open communication with your partner and allows you the opportunity to evaluate your program and make changes where you see fit.

So, ask your potential partner what types of data they collect, what that data means, and how often they're reporting on it and making strategic recommendations.

7. CUSTOMER SERVICE & BILLING

These services are specific to premium loyalty programs.

In a traditional, free loyalty program, all your customers have to give is their names and email addresses so they can be sent promotions.

After that, it's mostly automated.

Points are added to their accounts after transactions and communications are sent out. It's on the members to use their benefits before they expire.

There's not much need for additional or special customer service because your customers haven't invested a lot in the program.

But premium loyalty programs are much different.

Since your best customers are paying to be members of this type of program, customer service and billing become very important.

You want to make sure you (and your loyalty partner) are doing everything you can to retain these members.

If an issue ever arises around billing, benefits, or anything else, it's critical that the issue is resolved promptly and on-brand.

That's why Clarus Commerce offers branded customer service on behalf of our retail partners.

This means that our customer service representatives are assigned specific partner accounts and they are trained extensively on the ins and outs of each loyalty program.

This removes the burden from our retailer partner.

It means that when a member of your premium loyalty program needs to speak to someone in customer service, they're getting access to a special team just for VIP members.

While that team consists of our people, to your customers, it's all one seamless brand experience.

LEARN MORE: Here's why branded customer service is so important in your loyalty program.

And billing adds yet another layer.

This isn't a concern in a free program, but you have to consider who will handle the subscription billing aspect.

Many retailers are not well equipped for this, so your partner can be a huge help here.

If you're thinking about a premium loyalty program, it's important to ask your partner how they handle billing and customer service (if at all).

And if they are handling billing and working with credit cards, are they PCI compliant?

You already know that a one-size-fits-all loyalty program doesn't work.

That's why loyalty strategy is so important. Your partner should hold a stakeholder meeting right away to assess what everyone's' goals are for the program.

This is also a great time to understand any possible budget or technology constraints, perform a gap analysis, and iron out what the program is going to look like.

You also should know upfront about how your partner will handle the technology aspect of your program. Integrations, custom work, and ongoing maintenance should all be handled by the tech team.

Many loyalty partners can give you access to an API Developer Portal so your tech team can understand just how easy, or challenging, implementation will be.

Once all of the technical details have been ironed out, it's critical that your partner understands your brand and carries it through seamlessly in your program.

Your brand is everything. Members of your program need to have a seamless experience while interacting with all touchpoints of your program. Make sure your partner adheres to your strict brand standards.

Once your program is launched and in the wild, you have to attract and retain members. Your partner should be able to assist with this.

From marketing messaging to acquire members to ongoing communication to keep existing members engaged, make sure you're not on your own once the program is live.

As the program runs and members interact, you'll start collecting first-party data on your best customers.

Ask your potential partner if they have an analytics team that acts as a source of truth for your program. The data that's collected should act as a barometer for future improvements and optimization.

And if you're thinking about a premium loyalty program, make sure your partner is experienced in billing and customer service.

After all, your best customers are paying for membership. If an issue ever arises, they should be offered VIP customer service. And when dealing with credit cards, make sure your partner is PCI compliant with a security team.

All of these managed services go back to a great client services team.

They are your loyalty liaison and are the go-between for all the other services. They know your brand, your customers, and your goals.

LEARN MORE: 7 Loyalty Management Services You Should Expect from a Partner

For brands to offer truly unique loyalty programs, personalization, and relevancy driven by customer data insights, they need to focus on individual consumer journeys.

And they need a trustworthy loyalty management partner to reach their goals. After all, a great loyalty partner has just as much at stake in the program as your company does.

How do You Choose the Right Loyalty Management Partner?

Aside from offering the right services, the right loyalty management partner also needs to be a good fit for your brand.

From a resource perspective, how much of your program do you want to manage?

The type of loyalty management partner you work with depends on a few key factors.

- **How much of the program do you want to manage internally?**

- **Do you have a lot of time resources to devote?**

- **How far do you want to go?**

Three main types of loyalty management partners can fit your needs depending on how you answer.

1. Loyalty Agencies

Loyalty agencies offer a range of services designed to help brands with all their loyalty needs.

These services include consulting, market research, building and managing loyalty programs, measuring performance, customer relationship marketing, and offering operational support.

And while they can help you choose a loyalty platform, most don't have their own. They prefer to work with existing platforms.

What they can do, however, is offer support by helping you set KPI (Key Performance Indicator) benchmarks and leverage data and customer insights moving forward.

They evaluate and monitor your program on an ongoing basis, making adjustments when necessary.

If you're looking to dip your toes in the water and need help with strategy, it may be good to consult with a loyalty agency.

But if you're looking for a custom loyalty program with a full suite of value-added services with a team to manage and optimize it, this might not be a great fit for you.

2. Loyalty Technology Platform Vendors

These vendors build and sell (usually as a SaaS solution) loyalty technology platforms.

Vendors selling loyalty technology platforms offer services such as implementation, integration, analytics, and support.

Some may also offer design services, but most outsource this to other agencies and third-party vendors.

Loyalty platform vendors typically charge not only an annual or monthly licensing fee, but they also charge for consulting and setup.

Those costs can skyrocket into the six figures. The licensing fees can be even more. Not all platforms are created equal, so make sure you know what you're looking for before you seek vendor information.

If you have the resources and experience to handle strategy, technology, creative, marketing, analytics, and optimization (plus the budget to handle the costs), a technology platform vendor might be worth reaching out to.

3. Hybrid Loyalty Solutions

As far as the loyalty management industry goes, these vendors do it all.

These vendors offer the most comprehensive picture of your loyalty program because they are involved in every step of the way.

Hybrid loyalty providers combine consulting, technology, and services capabilities that include everything from strategy to program management, to loyalty measurement and analytics.

They are involved with your loyalty program and accompanying strategies from Day 1 and monitor and manage your program daily after it launches.

They provide end-to-end service that focuses on managing your program so you don't have to.

Most of these vendors charge similarly to platform vendors. There's often a substantial recurring fee for management and updates after launch.

Clarus has a unique pricing model in that we don't charge any upfront fees or for any additional upgrades or services.

We build premium loyalty programs that members pay for.

That allows us to offer a revenue share model that simply takes a portion of the membership fees that your customers pay.

Here's how we think about the loyalty revenue model.

LEARN MORE: Finding the Right Loyalty Management Partner: Categories, Qualities, and Questions

Choosing the right partner comes down to some big questions.

To start, what kind of loyalty program do you want to offer your customers?

Will it be a free, points-based program? Or a premium loyalty program that members pay for? Or a combined program with a free and a premium tier?

What are your customers' biggest pain points? How can this new program address those engagingly?

How much of it do you want to manage yourself?

Can your loyalty management partner build everything for you turnkey? And can they manage it from launch and beyond?

Find a loyalty partner that takes a holistic, data-driven approach, is forward-thinking, understands your goals and works toward achieving them, and is trusted and reliable.

CHAPTER 6

How Can You Leverage Loyalty Management Data?

Now that you have a good understanding of loyalty management, platforms, and partners, it's time to think ahead to after your program launches.

One of the most important features of your loyalty program is the data that it can collect on your best customers.

But what data matters most? What KPIs should you be working towards?

Here are ten KPIs you should be thinking about to keep a pulse on your program performance and figure out how to further optimize it over time.

1. Join count

2. Conversion rate

3. Member retention rate

4. Churn rate

5. Member engagement rate

6. Purchase frequency

7. Average order value (AOV)

8. Incremental margin

9. Customer lifetime value (CLTV) — for premium loyalty programs

10. Refunds — for premium loyalty programs

CHAPTER 6 - HOW CAN YOU LEVERAGE LOYALTY MANAGEMENT DATA
TO INCREASE ENGAGEMENT WITH YOUR BEST CUSTOMERS?

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1. JOIN COUNT (OR, NEW MEMBER ACQUISITION)

New members are the lifeblood of any loyalty program, so acquiring them is critical.

While this KPI is simply the number of new members that join your program during a certain period, what it tells you goes much deeper.

If this number starts to fall or is low from the get-go, it raises some questions:

- Is my program easy to understand?

- Does the marketing around my program resonate?

- Do my customers find it easy to sign up?

- Are my in-store associates educated about the program and are they getting customers excited about it?

- And in a premium loyalty program that customers are paying to be in, does the value proposition make sense?

Making it easy for consumers to join your program, and showing its value, is the best thing you can do to impact join count.

2. CONVERSION RATE

Conversions are defined as the number of joins a loyalty program receives from its online marketing efforts.

Conversion rate is an important metric because it not only reveals how effective online marketing is, but it also shows if the program's benefits are enticing members to join.

If this KPI is low, it's a good indicator that you should revisit your marketing efforts.

- **When am I asking people to join the program?**

- **What mediums am I using to tell customers why they'll get value out of the program?**

- **Is my message resonating?**

- **Are my associates well versed in the features and benefits?**

Healthy conversion rates elevate loyalty program engagement, retention, and encourage brand advocacy.

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3. MEMBER RETENTION

The only thing more important than converting costumers into members is retaining them in the program. Retention means the length of time members stay with a loyalty program.

It can cost five times as much to attract a new customer than to retain an existing one.

In a traditional free loyalty program, members will simply stop using the program if they aren't getting value from it.

In a premium loyalty program that members are paying for, they will cancel or choose not to renew.

Either way, if the retention rate is low, it's time for you and your loyalty partner to work together and figure out how to enhance the program and add more value.

The goal is to have a long retention rate because this means the program is truly adding value to members' lives.

4. CHURN RATE

Churn is a term you don't want to use much as it relates to customer loyalty. It's the opposite of retention.

Churn simply means the percentage of members that cancel their memberships per month.

As mentioned above, most traditional loyalty program members will simply stop using the program rather than cancel their membership.

This can make determining a true churn rate tricky.

But in a premium loyalty program, where members are paying a recurring fee, a high churn rate means you need to take action now.

A high churn rate is usually a symptom of members not getting value out of your program or getting the wrong types of benefits.

If this KPI is high, you should survey your members and look closely at your data to see what benefits they're using and where they feel more value could be added.

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Like trial cancel rate in a premium loyalty program, you want a low churn rate because that means members enjoy the program's benefits and don't have a reason to cancel.

For traditional loyalty programs, it also means you're adding new members faster than you're losing current members.

This is why it's critical to continue adding to and optimizing your loyalty program to keep up with changing consumer expectations.

5. MEMBER ENGAGEMENT

This KPI is the most important one for any traditional or premium loyalty program. If members aren't engaged, they won't use the program very often or at all.

This KPI shows which program benefits your members are using.

A high figure shows that members are enjoying the program's benefits thoroughly. If the rate is lower, it's time to do some reevaluating.

Are there certain benefits that can be cut and replaced with others?

Do members feel they're not getting enough value of out the program? Is it taking too long to earn rewards?

Product usage ties into all other KPIs. If members are actively using the program, all the KPIs should skew in a positive direction.

The more members that use the program, the more value they see, and the longer they stay with the program.

6. PURCHASE FREQUENCY

Successful loyalty programs will result in your members spending more as they shop more.

As members use the program more and earn rewards more often, they are more likely to shop more frequently.

For example, that's why Amazon Prime members spend $600 more per year on average than non-Prime members.

And when members invest in joining a premium loyalty program, they become your best customers and want to make sure they're getting the most out of it.

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7. AVERAGE ORDER VALUE

One of the biggest benefits a traditional or premium loyalty program can bring retailers is an increase in average order value.

When members earn rewards back to your brand for engaging with the program, it is proven that they will spend above and beyond the reward dollar amount and above a retailer's current AOV.

This KPI certainly is critical to judge the overall success of any loyalty program.

If you compare it to the AOV of non-members, it's easy to see how much value your program is bringing to your bottom line.

8. INCREMENTAL MARGIN

This KPI is vital for the long-term health and viability of any loyalty program because it focuses on profitability.

If your program doesn't show a positive incremental margin by the end of its second year, you might not be driving enough top-line revenue and/or your program costs are too high.

If this is the case, lower your program costs and consider a program that offers value outside of monetary rewards.

This KPI determines the attractiveness of your program and its flexibility. It also shows how a brand can personalize the program to various members.

With a loyalty program, if your rewards don't spark increased spending from your members, make adjustments.

For the program to be profitable and sustainable, your members must contribute more dollars than the company invests in funding the program.

The most profitable loyalty programs invest more in their best customers and this point speaks directly to premium loyalty programs.

Premium loyalty programs target a brand's best customers and, once those customers become members, they receive valuable benefits and engage with the brand frequently.

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9. CUSTOMER LIFETIME VALUE (CLTV)

From a premium loyalty perspective, Customer Lifetime Value, or CLTV, is a comprehensive metric that shows the projected value of members in your program.

In premium loyalty programs, the most important component of LTV is the trial cancel rate. The lower the trial cancel rates, the better prospects for future program success.

That means your members are enjoying the product and will likely stick with it. A higher CLTV signals the product is healthy and helps you build better relationships with your members.

It's important to understand how much each member is worth over the lifetime of his or her membership.

To calculate a member's CLTV, combine the average number of months a customer stays in the program with the cost per month, and that gives you the total lifetime value of each member.

10. REFUNDS

Like in all businesses, it is important to focus on refunds and make sure they are low. This KPI is unique to premium loyalty because traditional loyalty programs are free for members.

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Premium loyalty programs are designed to offer heightened value and instant benefits to members, so monitoring refunds help ensure that this is accomplished.

If refunds are high, it means too many people aren't seeing the value in the program.

In this case, you need to rethink your benefits mix and value proposition.

These KPIs will show you whether your value proposition makes sense and whether your marketing is breaking through to your customers.

For example, if your join count is low, it could mean that your marketing strategy is resonating with customers. Or, maybe your program just doesn't seem enticing enough to join.

If your churn rate is high, that means your members aren't finding enough value to stay active in the program. Then, it may be time to reevaluate the benefits and rewards you're offering.

If purchase frequency and AOV are going up, it means that you're loyalty members are engaging with your brand and the loyalty program is driving value to your bottom line.

LEARN MORE: What Your Loyalty Management Data is Telling You (With 10 Example KPIs)

It's important to not only track these metrics but also analyze them. Your loyalty partner should act as a source of truth when it comes to data. They should constantly look at this data to figure out what's working and what can be optimized.

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CHAPTER 7

Loyalty Management Doesn't Need to be Overwhelming

There's no way around it.

Managing customer loyalty is a massive undertaking with many moving parts.

But with the right platform and partner, it doesn't have to feel so intimidating. It can be very rewarding.

The important thing is to put your customers at the center. What would they value the most in your loyalty program?

From there, think about your biggest goals, your ambitions, and your resources.

And if you ever have any questions about loyalty management, please feel free to reach out to us at any time.

Remember, according to our [2020 Premium Loyalty Data Study](#), nearly two-thirds of customers say their loyalty is more difficult for retailers to maintain than ever before.

How do you think a loyalty management partner could help you get more of your loyalty efforts?

About Clarus Commerce

Clarus Commerce is the only company solely focused on building, managing and optimizing customizable premium loyalty programs for retailers. The company provides the full suite of services needed for a successful program, which includes the technology platform, client services, strategy, creative, marketing, analytics, IT and operations. Clarus Commerce was founded in 2001 and is headquartered in Rocky Hill, Connecticut.

For more information, visit www.claruscommerce.com

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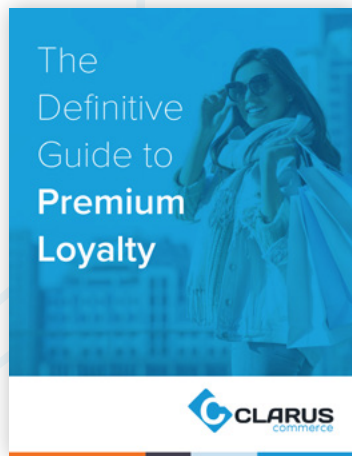
The Definitive Guide
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