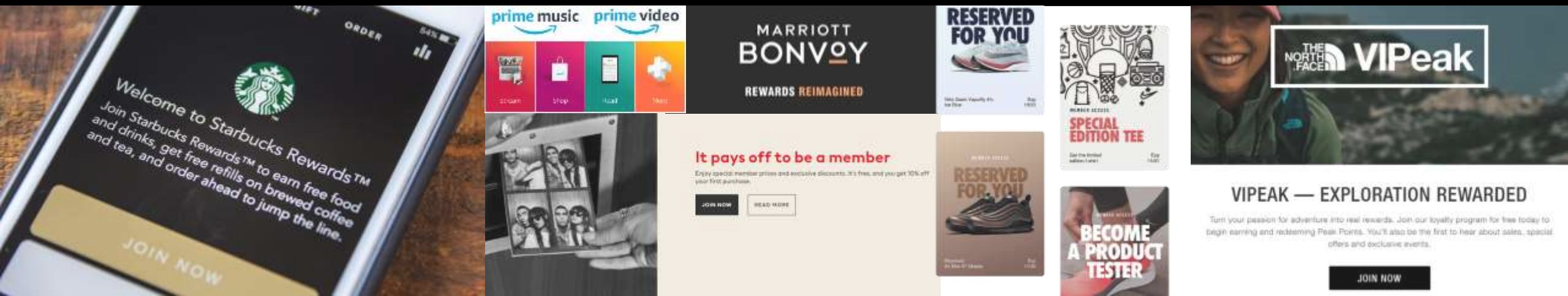


Loyalty Programs

Are They Worth the Investment?

An overview of loyalty programs designed by leading consumer brands



Key takeaways

Findings from the report

90%

of all companies have a loyalty program

80%

are not effective in the long run

Points-based programs are the most popular, whereas value-based programs are the toughest to execute

Success in loyalty programs is driven by:

- Data-driven personalisation
- Gamification
- Ease of use across channels
- Community engagement

Loyalty program 101

The basics



Understanding loyalty programs

Programs sponsored by businesses that **offer rewards, discounts, and other incentives** to attract and encourage repeat business and reward people for their brand loyalty.

← Key elements to a successful loyalty program →

Attractive Rewards



Provides incentive in lieu of customer's loyalty.

Convenient Services



Services like free shipping, and smooth checkout processes improve members' experience.

Customer Personalisation



Displays of customised recommendations and offers create a connection between the customer and the brand.

Sense of Exclusivity



Offerings of exclusive access to sales, events, products, etc. are attractive to members.

Community Engagement



Members can engage with other like-minded Members which fosters a sense of community and belonging.

Four common types of loyalty programs

Point-based



Transactions are awarded points that can be redeemed in exchange for various rewards

Vouchers, discounts, food, drinks, merchandise

Tier-based



Members spend more to unlock higher tiers with increasing value of benefits

Higher discounts, early access to sales

Subscription-based



Members pay an upfront, monthly/yearly fee to join and gain access to exclusive benefits.

Free/same-day delivery, extra protection

Value-based



A portion of the customer's transaction will be donated to a charity/cause of the brands' choosing

Contributions to NGOs, charities & communities

The most popular: Point-based loyalty programs

Pros

- ✓ Free membership for all new members
- ✓ Points are easily attainable
(Spend \$1 to gain 1 point).
- ✓ Ample time to redeem points
(Expires within 2 years)

Cons

- Some programs may require members to spend more to earn points (Spend \$3 to gain 1 point)
- Members tend to forget about the points
- Rewards may be unappealing and irrelevant to members (decreasing their motivation to use the loyalty program)

Example of programs



The Starbucks Rewards program has mastered the art of leveraging simplicity and personalisation for ultimate customer satisfaction.



Malaysia's low-cost airlines is successful in driving customer loyalty by offering its members with deals and discounts for flights, hotels, car rentals, and retail shopping.



The North Face's program is highly unique as it allows its members participating in events, outdoor activities, and tasks in return for points, free gear, and a memorable experience.

Case Study

Point-based loyalty programs



Starbucks has continued to invest in and expand the **Starbucks Reward** program with new features and benefits, such as the ability for customers to earn Stars through non-Starbucks purchases with the Starbucks Rewards Visa card.

Key "Loyalty" factors

1. **Seamless integration with the Starbucks mobile app.**
 - Members can easily join the program and track their Stars
 - Place mobile orders
 - Pay for their purchases
2. **Personalised promotions and offers to its members based on their purchase history and preferences.**
 - Helps to keep members engaged and motivated to earn and redeem Stars

Tier-based loyalty programs

Pros

- ✓ Similar to point-based memberships.
- ✓ The higher tiers reward members with better benefits and exclusive access to launches or events.
- ✓ Members are made aware of the rewards before joining the program.

Cons

- Time-consuming to accumulate the points.
- May require members to spend more to earn points.

Example of programs



By staying and dining at Marriott Bonvoy, members can redeem meaningful travel-related rewards such as airline miles, car rental services, and travel packages for their convenience.



Harley-Davidson members are a tight-knit community of motorcycle enthusiasts who participate in rallies and community projects hosted by the brand.



Designed for fitness enthusiasts and professionals, Lululemon's program unites every fitness junkie by providing access to fitness videos and events and exclusive access to apparel releases.

Case Study

Tier-based loyalty programs



The "Beauty Insider" program by Sephora has been successful in driving customer loyalty and repeat purchases, all while providing valuable customer data and insights for the company.

Key "Loyalty" factors

1. **Tiered system**
 - Encourages members to spend more in order to unlock higher levels of rewards and benefits.
2. **Personalisation**
 - Sephora uses customer data to tailor rewards and recommendations based on individual preferences and purchase history.
3. **Regularly offers limited-time promotions and exclusive perks**
 - Limited-time promotions include free gifts with purchase or access to exclusive beauty events.

Case Study

Tier-based loyalty programs



"Hilton Honors" has several tiers, including Silver, Gold, and Diamond, which offer additional benefits to members based on their activity level and loyalty. Hilton also expanded its partnerships to include a wide range of companies to increase member engagement and activity.

Key "Loyalty" factors

1. Offers a range of rewards and benefits to its members.
2. Provides personalised experiences and exclusive offers.
3. Allows members to redeem their points for a variety of rewards
 - Such as free hotel stays, additional hotel amenities, airline miles, and merchandise.

Subscription-based loyalty programs

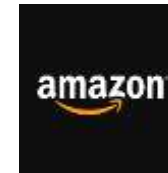
Pros

- ✓ Members gain access to a wide and relevant selection of benefits,
 - ✓ Amazon Prime subscribers get access to free shipping, Prime Video, photo, storage product recommendation and more.

Cons

- High membership fees can be daunting to commit to.
- Members may feel obligated to spend more to compensate for the membership fee.

Example of programs



Amazon Prime members stay engaged with the world's largest online retailer due to the many exclusive products and services (from free shipping to music) Amazon provides.



YouTube Premium is where consumers go to watch personalised ad-free and exclusive videos. This program provides members with the flexibility to watch videos offline and while they are multitasking.



Grubhub+ members remain faithful to this online food delivery platform due to the many money-saving offers and donations that Grubhub commit to.

Case Study

Subscription-based loyalty programs



Amazon Prime is a highly successful loyalty program, helping to drive customer loyalty and repeat purchases for the company by offering a range of perks including two-day shipping on eligible items, access to streaming of movies, etc.

Key "Loyalty" factors

1. **Perceived value that it offers to members**
 - Members can access a wide range of benefits.
2. **Uses its vast data analytics capabilities to personalize the Prime experience for each member**
 - Product recommendations are tailored and advertised based on their individual preferences and purchase history.
3. **Company's relentless focus on convenience**
 - By offering fast and free shipping.

The least popular: Value-based loyalty programs

Pros

- ✓ Customers can contribute to charity/a noble cause.
- ✓ Increases brand awareness and reputation as a socially responsible company

Cons

- These programs do not offer other rewards to their customers (i.e., discounts and vouchers).

Example of programs



Besides the traditional rewards, this socially conscious footwear company operates by donating a pair of shoes for each purchased shoe which caters to customers' philanthropic side.



Unknown to many, this popular tech company regularly donates to charities/funds when customers purchase any red coloured iPhone.



Bombas rewards its customers with redeemable and donatable points all while also donating a pair of socks for each purchased pair.

Case Study

Value-based loyalty programs



A program that donates a portion of the proceeds from the sale of special edition products to the Global Fund to Fight AIDS, Tuberculosis, and Malaria.

Key "Loyalty" factors

1. Apple offers special editions of its products, with a portion of the proceeds going to the Global Fund.
 - Boosted sales of Apple's products.
 - Customers will also receive a unique (PRODUCT) RED digital badge in their Apple Wallet.
2. Appeals to customers' sense of social responsibility while also driving sales and brand loyalty.

Leading loyalty programs in Asia Pacific



AirAsia BIG Loyalty
Airlines – Airasia, Malaysia

Tiered membership – > 10 million members



KrisFlyer
Airlines – Singapore Airlines, Singapore

Mile-based membership - > 5 million members



T-Cash
Telecommunications – Telkomsel, Indonesia

Point-based membership - > 25 million members



VinID
Real estate, retail, etc. - Vingroup, Vietnam

Point-based membership - > 7 million members



Central The 1
Retail – Central Group, Thailand

Tiered membership - > 16 million members



Taj InnerCircle
Hotel – Taj Hotels, India

Tiered membership - > 4 million members



T-Point Program
Retail – FamilyMart UNY Holdings, Japan

Point-based membership - > 74 million members



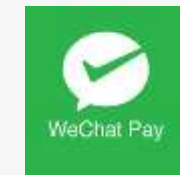
LOTTE membership
Retail – LOTTE Group, South Korea

Tiered membership - > 60 million members



SM Advantage
Retail – SMAC, Philippines

Tiered membership - > 17 million members



WeChat Pay
Mobile payment app – WeChat, China

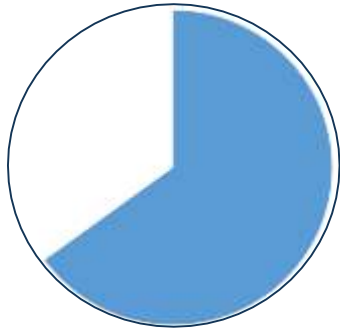
Point-based membership

Understanding the mechanics of a loyalty program

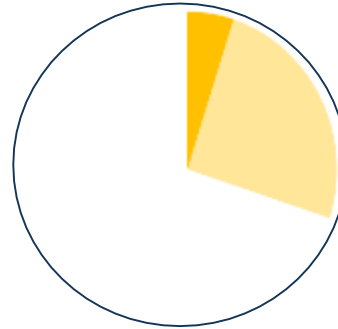


Hard truths about loyalty programs

While 90% of companies have their own loyalty programs ...



60 -70% of members drop their loyalty within the first year of joining a poorly designed loyalty program.



Instead of retaining their current members, companies are more focused on the **5 – 25% chance of attracting new prospects.**



Retaining 5% of members correlates to a **25% profit increase** for companies.

Top 4 reasons why loyalty programs are struggling

Difficulty gaining points

- Members need to spend a lot of money to redeem low-value points.
- Points may be time-consuming to accumulate.

Underwhelming rewards to redeem

- Rewards offered to members are limited to vouchers and discounts.
- Redeeming low-value rewards for a large sum of points may be unappealing.

Lack of communication between brand and members

- Members tend to forget the points/rewards they have hence, reducing their consumption.
- Members are unaware of interesting rewards/events to keep them engaged.
- This leaves members emotionally unattached with no loyalty to the brand.

Poor program and software design

- Members tend to refrain from using programs with complex, unclear reward structures.
- A complex UI/UX makes it difficult for members to navigate the mobile application, which could reduce brand loyalty.

Increasing customer retention and loyalty by prioritising the members and their needs

Effectively utilising customer data



- Allows businesses to personalise the rewards based on the interest and specific needs of the customer.
- Enhances emotional bonding.

Keeping engagements alive



- Timely and relevant communication keeps the customer-brand relationship alive.
- Reminds the customer about the brand.
- Establishes a stable line of communication between customer and brand.

Designing a customer-friendly program



- Rewards must be worth equal/more than the points.
- Have rewards for members for every milestone of collecting points.
- A seamless UI/UX pleases and retains members.

Your checklist for an outstanding loyalty program – before launch



Have clear objectives

- Define what you want to achieve with the loyalty program.
- To increase customer retention? Boost sales? Improve customer satisfaction?



Determine rewards

- Develop a compelling reward system that motivates members to participate and stay engaged with your program.
- Hard benefits make up the main selling point of the program (Discounts, freebies, prizes).
- Soft benefits attract returning members (Exclusive perks and services).



Identify customer segmentation

- Identify your target audience and segment them based on their behaviour, preferences, and needs.
- Allows you to tailor your program, rewards, and communication to better engage with them.



Streamline communication

- Create a clear communication plan.
- Outline how and when you will communicate with your members about the program, rewards, and other relevant updates.

Your checklist for an outstanding loyalty program – after launch

- ✓ **Personalization**
 - Offer personalized experiences to your members to increase engagement and retention.
 - This could include personalized recommendations, offers, or rewards based on their past behaviour and preferences.
- ✓ **Ensure ease of use**
 - Ease the participation process for members to participate in the program.
 - Can be done by simplifying the sign-up process, providing clear instructions, and ensuring that the program is accessible across different channels and devices.
- ✓ **Utilise data analytics**
 - Analyse customer data and program metrics to measure the success of the loyalty program and identify opportunities for improvement.
- ✓ **Partner up with other brands**
 - Partner with other brands to provide additional rewards or benefits to your members, which can help increase the perceived value of your program.
- ✓ **Experiment and iterate**
 - Continuously test and iterate your loyalty program to optimize it for maximum impact and customer engagement.

twimbit
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Insights



Immersions



Challenges