The Essential Guide To
Loyalty Programs

MARIGOLD™

Introduction

As consumers, we swipe our loyalty cards or enter our phone numbers at our favorite stores, eagerly anticipating what reward we're going to get. Is it a free product? Discounts? Exclusive access? Whatever it is, we all love the excitement and thrill that comes with being rewarded when you're a part of a loyalty program.

For marketers, loyalty programs have shifted the playing field. They've quickly become one of the most talked about tactics in the industry and are now considered one of the main driving forces in increasing retention, engagement, and of course ROI.

This guide covers the fundamentals of loyalty programs - everything from the value they bring to the different types of programs you can implement and why they're a must-have in your marketing toolkit. Plus, we delve into how loyalty programs are the key to creating an emotional connection with your audience and the foundation to strong relationship marketing.

What Is A *Loyalty Program*?

To put it simply, a loyalty program is designed to **reward and incentivize your most engaged subscribers**, so they become brand superfans and continue to come back to your products or services.

Rewards may involve special discounts, VIP offers, giveaways and freebies, pre-sale invitations, access to exclusive content, personalized recommendations, and so much more.

There are **three fundamental components** that most loyalty programs are built on:

01

Program currency

Countable items such as points that your audience can collect over time. This involves giving something to your customer once they **make a purchase or interaction** - such as providing zero-party data on their product preference, or providing personal information such as their email address.

02

Offers

These programs are more promotional, where program members don't necessarily have to do anything to qualify for the loyalty offer. For example, if you buy a large 2-topping pizza, you get a free small cheese pizza. Traditional offers are generally one-size-fits-all, but loyalty programs take it one step further and provide **personalization that can drive new behaviors** outside of a consumer's norm.

03

Rewards

Benefits that the customer receives for purchasing or **taking a specific action**. For example, if you spend $100 and then receive a coupon for $10 off your next order.

The true sign of a successful loyalty program isn't based on the cheapest price-point, but instead it comes from *fostering community*, recognizing the individual needs and wants of your audience, and ensuring you deliver content and product recommendations that reflect this in order to drive lifelong loyalty.

Why *loyalty programs* are more important than ever before

Consumers these days have more choice than ever, and offering the 'best price' unfortunately isn't enough to stand out in this crowded market.

That's where a loyalty program comes into play.

For marketers, loyalty programs offer a competitive advantage, because they solve the age-old challenge of trying to do more with less, which is critical in this current economic climate. They also create 'stickiness for your customers', ensuring you're top of mind, so they keep coming back to your brand.

Implementing a successful loyalty program can be a powerful addition to your **marketing toolkit**, as they're proven to:

Increase retention

Loyalty programs reward your most active consumers and acknowledge their investment in your brand and product. By showing your appreciation, your consumers are more likely to return to your business and as a result, increase their customer lifetime value with your brand.

Help with acquisition

Our research shows that **67% of global consumers find it important or critically important for their favorite brands to offer a loyalty program**. This indicates that if you offer a loyalty program, consumers will typically choose your service over a competitor that doesn't have a loyalty program or has one with lesser benefits.

Give you better insight into your audience

The data you collect about your loyalty program members allows you to learn a lot about them and in turn, can help build a detailed audience profile. These profiles make it easier for you to deliver super-charged, personalized offers and rewards so that your audience feels appreciated, and ensures they keep coming back (once again increasing their lifetime value). For example, you could send a member who always orders vegetarian meals at your restaurant a special discount or preferred pricing on your new vegetarian menu.

Increase sales or brand interactions

Offering an improved and personalized customer experience - like a loyalty program - generally promotes more desirable customer behaviors. For example, many programs can provide larger incentives for repeated interactions or purchases that have a higher value. In 2023 we found that **59% of global consumers are prepared to pay more to purchase from a preferred brand**. In addition you may find that your members find the perceived value from the increased benefits and perks in your loyalty program more than enough - meaning you no longer have to compete solely on price.

Drive engagement

Loyalty programs encourage your audience to interact and invest more with your brand by clicking links, watching videos, and learning more about your brand's purpose, all of which can help foster emotional loyalty and lasting relationships.

Improve trust and brand reputation

Consumers can feel a strong emotional connection when they engage in a loyalty program, and may share that connection with friends and colleagues. This type of word-of-mouth marketing can create brand advocates who trust in and improve the reputation of your brand, with one survey finding that **92% of customers trusted things like word-of-mouth recommendations more than traditional advertising**.

Increase ROI and reduce marketing costs

Research shows that it's **6 -7 times more expensive to acquire new customers than retain existing ones**, meaning loyalty programs can help you make the most out of the dollars you're spending on both new and existing customers. In fact, i**ncreasing customer retention rates by 5% may increase profits as much as 95%**!

67%

of global consumers find it important or critically important for their favorite brands to offer a loyalty program

Loyalty programs don't just benefit you -
your audience wins too!

When you think about the loyalty programs you've joined, there are probably a few similar benefits, or expectations, that encouraged you to sign up in the first place.

When setting up your loyalty program, it's important to understand that most people want value - essentially joining the loyalty program needs to be worthwhile and offer real value, often saving money.

Loyalty programs don't necessarily need to only deliver monetary value. Consumers also value "money can't buy" experiences, which is important to remember when considering setting up your loyalty program. For instance, a publisher may share exclusive, never before released content, while a not-for-profit organization may invite their higher-spend donors to a VIP event, and restaurant customers may get first-access to test out a new menu item.

When you receive a financial benefit in return for actions or purchases, such as receiving 10% off your next purchase when you first join a program, it's called a **value exchange.**

However you choose to reward your members, they should feel recognized and appreciated. If possible, it's best to combine monetary and non-monetary benefits in a way that incentivizes your audience to achieve the objective of your loyalty program - keeping customers retained despite competition and alternative options. **Remember, the more they interact, the more special treatment they should receive.**

Loyalty programs are a tangible way to show how much you value your customers

Speaking of special treatment, it's not just a reward but a powerful tool to drive an emotional response. At the heart of loyalty programs and consumer loyalty is the emotional connection consumers have to the brands and products they love, with **56% of global consumers consider brands who strive to build relationships with them as important** or critically important. In turn, they want those exact brands to care about them, and loyalty programs are a tangible way to show just how much you value them.

Customers also want the freedom to choose their own rewards - someone may want a free appetizer while another member may prefer a discount off their next meal. Giving your consumers the choice to select their rewards ensures that they're happy and engaged. Remember - not everyone is motivated by the same thing, so flexibility and personalization is key.

IMPORTANT: If you decide to implement a loyalty program into your marketing strategy, be sure to get opt-in from your subscribers and audience, so they're aware of the values, benefits and of course how you're using their data - a great way to do this is using a signup form**.**

Types of Loyalty Programs

Remember, not all loyalty programs need to look the same. The power of a successful loyalty program rests in creating a value exchange that feels personal and relevant. **Put more simply: build a program that is as unique as your business.**
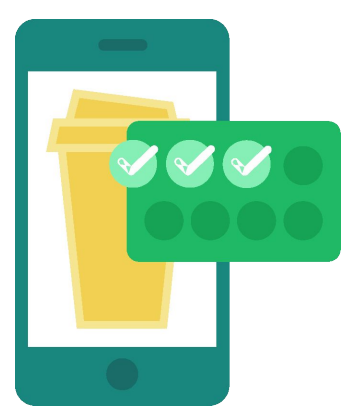
Punch Card Programs

This is one of the most tried and tested types of loyalty programs, as it's both simple to implement and use. Punch card programs reward customers for engaging with your brand after a specific number of times. Your business will define the type of action a customer needs to take, but these can range from purchasing a product or service, to creating and completing reservations, or even visiting a website. After the program member completes the desired action a number of times, they'll be rewarded and given another opportunity to repeat those actions to qualify for the same or different reward.

LOYALTY CARD
buy 5 get next coffee for free
COFFEE SHOP
THE BEST IN TOWN
1 .... 2 .... 3 .... 4 .... 5 .... FREE

Did you know?

Our Marigold solutions now have capabilities for you to set up and manage a punch card loyalty program.

Think of a coffee shop punch card

A customer who is part of the coffee shop's punch card program receives a physical punch card that can be stamped.
For every coffee the customer purchases, they receive a stamp on their card.
Once the customer purchases 10 coffees, they can exchange that completed punch card for a free coffee. They're also provided a new punch card to incentivize them to continue purchasing from the coffee shop.

By giving a customer a visible goal they need to hit, it incentivizes them to repeat that action until they achieve their goal. **These repeat actions increase customer retention and engagement.**

Tiered Programs

This type of loyalty program offers different levels of rewards based on specific spend levels or activities. Members typically come into the program at the lowest tier level with limited benefits, and as they purchase more or increase their interaction with your brand, such as engaging with content or completing a survey, they achieve higher tier status and more valuable rewards. A great example is an airline's frequent flier program that has bronze, silver, or gold membership options.

Sarah, Your Path To Platinum Status
(Spend $400 in a calendar year)

$0 $200 $400

$201
On your way to
Platinum for 2023

Spend for Platinum	$400
Dollars Spent	$199
Amount to Go	$201
You're Earning	1.25 pt / $1

Reach Platinum to earn 1.5 points per $1. When you're Platinum, you qualify for our Personalized Travel Concierge!***

Did you know - our Marigold solutions now have capabilities within our automation feature, for you to set up and manage a tiered loyalty program.

In order to be categorized into tiers, members typically need to:

Interact with your brand (also known as an engagement-based tier program) – Customers earn points based on purchases and interactions. The more points they earn, the higher the tier they'll be categorized into

OR

Pay-for-membership for different benefits (also known as subscription-based tier program) - Customers pay to be categorized into a specific tier. The higher the tier they pay for, the more benefits they receive.

As your loyalty program members unlock a higher tier status, be sure to **provide your customers with new and more valued benefits** such as higher discounts, increased coupons, or even invites to exclusive events!

Tiered programs are powerful retention tools, with entry-level tiered members typically requiring low investment. The key is to design the tiers so it's simple and straightforward for consumers to unlock or reach higher tiers.
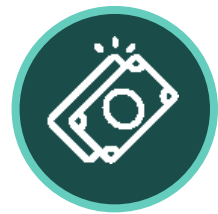
Referral Programs

Incentivizes subscribers to share a unique referral link or discount code with family, friends, and colleagues. When the family member or friend who was referred makes a purchase or interacts with your brand using that specific unique link or code, the customer who made the referral is then rewarded.

Cashback Programs

In this type of program, members receive a certain percentage of what they've spent with your business as cash back, such as 3%, to use either unconditionally or on specific items. These programs are popular with banks and credit card companies.

Transactional Programs

Also known as spend programs, these loyalty programs reward customers based on the amount they spend. Simple to implement, transactional programs tend to increase transaction amounts, and they encourage repeat business. However, you might not be able to gather as much zero-party data with this model as you can with other types of programs.

Points-Based Programs

Use points as program currency which consumers can exchange for rewards or benefits that are of value to them.

Value-Based Programs

This loyalty program type is unique because it doesn't have rewards, offers, or up-front benefits. Instead, these programs promote the values of the organization in an appeal to customers who share those values. Value-based loyalty programs will donate a portion of its revenue to charities selected by program members.
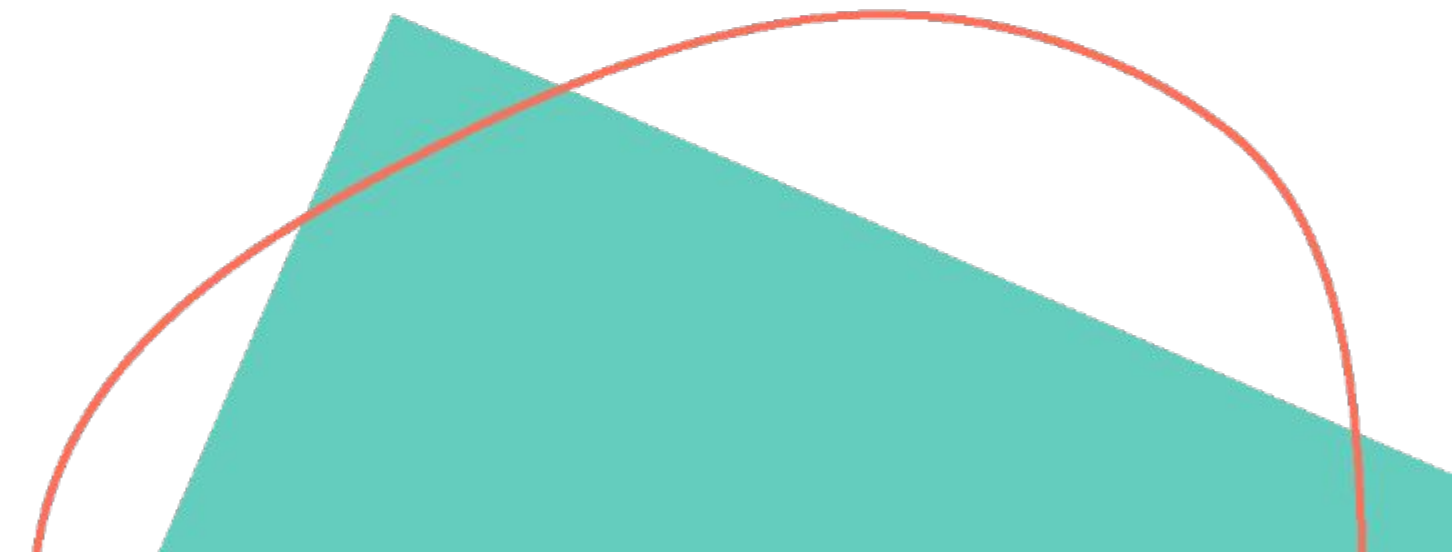
The type of *loyalty program* you set up will depend on your business model and goals.

Regardless of the loyalty program you implement, just remember that for members, your program must be simple to understand and participate in, and the values and benefits should align to their wants and needs.

Punch card programs

Tiered programs

Referral programs

Points-based programs

Cashback programs

Transactional programs

Value-based programs

Your Partner In Success

Here at Marigold, we understand the important role that a successful loyalty program plays for marketers and brands, that's why we're investing and innovating in our solutions to include more loyalty program capabilities in the coming months.

Delight and drive results with loyalty programs

Launching and managing a successful loyalty program can take a lot of work, but with the possibility of increasing ROI, driving retention and fostering an emotional connection with your audience makes it worth the effort.

❀ MARIGOLD™

Where *relationships* take root.

Marigold's approach to relationship marketing stands alone in a world of one-size-fits-all marketing technology companies. Our solutions are designed for your specific size, industry, and maturity, giving you the technology and expertise you need to grow the relationships that grow your business, from customer acquisition to engagement to loyalty. And, with a team of strategists that provide insights into what's working, what's not, and what's changing in your industry, you're able to maximize ROI every step of the way.

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