

LOYALTY PROGRAMS NEED MORE VALUE

Retail loyalty programs are back on the rise. Loyalty programs never really went anywhere; they became somewhat dull and often lacked a close connection to company planning. That is all starting to change. The practice of offering meaningful loyalty programs to develop a loyal custom core is making a resurgence. No longer relegating these programs to a mere subset of marketing promotions, successful retailers are embedding loyalty into the heart of their company strategy.

To better understand some of the new customer dynamics in retail loyalty offerings, and to uncover insights for retailers seeking to reinvigorate their loyalty programs, Radial and CFI Group surveyed 500 randomly selected retail shoppers on their attitudes and behaviors around these programs.

SAGGING LOYALTY ADOPTION

Loyalty programs have been a standard component in retail marketing for ages. In recent years, though, customer interest has softened. Our research shows that in 2016 and 2017, 83%-84% of retail customers said that they generally sign up for loyalty programs with retailers. In 2018 and 2019, that number slid to 58% and 62%, respectively.

We see two primary reasons for this consumer disinterest in loyalty programs. First, consumers have a growing concern about the use

of their personal information. For those who do not join loyalty programs, 30% say the reason is that they just do not like giving out their personal information. They are wary of what companies might do with that information. Another 23% are specifically concerned that their identity could get stolen. Recent high-profile cases of stolen customer records reminds consumers to guard their personal data.

63%

say offering faster delivery influences signing up for loyalty membership



To address these data security concerns, retailers need to operationalize and promote their fraud protection services and security technology so consumers can be assured that their personal information will be protected.

The second reason for consumer lack of interest in loyalty programs is the simple fact that the programs offered are perceived to have little value. According to our study, 39% of those who don't sign up for loyalty programs

simply say it's because it's not worth it. As the retail industry grows increasingly competitive, and retailers jostle for consumer attention, loyalty membership programs must be more compelling to break through the noise and acquire new members.

So, what do consumers consider "value" when considering loyalty programs? Our study shows that there are two popular draws across retail brands. The first is special promotions. A full 79% said that special promotions influence their decision to sign up for a

loyalty program. Sometimes, obvious ideas hide in broad daylight. Attractive limited-time-only discounts, special combinations, or cash back offers are needed to convince new members to join. Consumers today are aware of the value their information is to retailers, driving up the price of what is considered a valuable loyalty program.

The second draw is faster delivery. A surprising 63% said that the benefit of faster delivery influences choosing to sign up for loyalty membership. Retailers could do well, then, to make faster delivery a part of a special promotion for joining a loyalty program. Although Amazon is referenced too frequently when looking for online retail best practices, it is worth noting that free next-day shipping—or even same-day shipping for some products—is a central feature of Amazon Prime.

THE VALUE OF LOYALTY

Loyalty members have higher overall value to the retailer than other customers. According to our study, loyalty members are 12% more satisfied, 10% more loyal, and 13% more willing to recommend the retailer than are those who are not members. And for those who have high satisfaction (9-10 on a 10-point scale) with the retailer, 37% make 10+ orders a year, and 42% spend more than \$500 annually, compared to 22% and 25%, respectively, for other customers.

Customers who shop more frequently or spend more money with a retailer have different expectations and offer more value to the retailer than do those who purchase less frequently and spend less online. It's not clear that many retailers are effectively identifying their most valuable customer segments. For "High Spend" customers who spend more than \$500 a year in online retail purchases annually, 69% said they sign up for loyalty programs, compared to just 55% for the "Low Spend" customers who spend under \$500 or less a year. Yet, our study shows that the customer satisfaction score for both High Spend and Low Spend customers is 69 (using a 0-100 scale). Across the retail industry, High Spend customers are no more satisfied than Low Spend customers.

About CFI Group (cfigroup.com)

Since 1988, CFI Group has delivered customer experience measurement and business insights from its Ann Arbor, Michigan headquarters and a network of global offices. As founding partner of the American Customer Satisfaction Index (ACSI), CFI Group is the only company within the United States licensed to apply customized ACSI methodology in both the private and public sectors.

About Radial (radial.com)

Radial Inc., a bpost company, is the leader in omnichannel commerce technology and operations. Premier brands around the world confidently partner with Radial to deliver their brand promises, anticipate and respond to industry disruption, and compete in a rapidly evolving market. Radial's innovative solutions connect retailers and customers through advanced omnichannel technologies, intelligent payments and fraud protection, efficient fulfillment, supply chain services, and insightful customer care services – especially where high-value customer experiences are critical. We are flexible, scalable, and focused on our clients' business objectives.

PERSONALIZED EXPERIENCE AND FLEXIBLE RETURNS

One approach retailers can take to boost satisfaction for the High Spend segment is to offer personalized customer service for loyalty members. Only 20% of Low Spend customers say that an offer of better customer service influences them to become a loyalty member, but that number jumps to 41% for High Spend customers. And for retail customers who are loyalty members, 62% expect to be recognized by the customer care agent, 59% say that the recognition is important, and 41% say that being recognized makes it much more likely that they will make more purchases in the future.

Loyalty members are **12% more satisfied, 10% more loyal, and 13% more willing to recommend a retailer than other customers**



Using CFI Group's proprietary ACSI analysis, our study shows that agents equipped with

customer loyalty data and decision-making authority have a remarkable impact on retail customer satisfaction. The impact of agents who are empowered to tailor solutions for customers is 2.5 times larger than the impact of agents who simply help customers successfully complete a transaction in a timely manner. An effectively completed transaction is good, but a custom, personal experience is great.

Another way to boost customer satisfaction of loyalty members is by offering fast and flexible returns and exchanges. When returning or exchanging online orders, only 30% of non-loyalty members expect the return to arrive within a couple of days, compared to 42% for loyalty members. And when the retailer provides multiple return options, 44% of non-loyalty customers say it makes them more likely to purchase products again from that retailer, compared to 55% for loyalty member customers.

Offering customized customer care and flexible return options requires sophisticated operational workflows, especially for High Spend customers. Smart retailers are able identify the most valuable customer segments and build out separate customer journeys around those segments to design and deliver personalized experiences that satisfy those customers. To deliver this level of customer engagement, retailers must provide agents with the tools and authority to recognize and serve loyalty members when they call.