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Introduction to Loyalty Marketing in a Digital World

Brands today hope that their increased focus on loyalty marketing will drive greater customer retention, engagement, and lifetime value. Successfully pulling off a top notch loyalty program is more difficult than ever. Consumer expectations are sky-high for relevant, rewarding interactions. Multiple channels and devices are available to marketers. Yet not enough loyalty cards remain active, and not enough loyalty program points are ultimately used.
Today’s consumers prefer treatment that makes them feel special or privy to exclusive offers. They use the web and mobile devices to quickly compare products and prices. They also seek immediate answers that result in instant gratification. To capture these discerning customers in a great loyalty program, you must provide exclusive offers, ease of use, mobile access, and personalization.

When it comes to loyalty programs, the key question for many marketers is not "why," but "how." This Guide to Loyalty Marketing in a Digital World helps answer that question with practical advice, including insight and real-world examples on key aspects of loyalty marketing. Areas covered include traditional points-based rewards programs, emerging channels like mobile and social, and how to best measure program effectiveness.
Making the Perpetually-Connected Consumer Loyal

To better engage perpetually-connected consumers, loyalty marketers are increasingly bringing program features to mobile devices. Loyalty cards, coupons, and other program elements have become digitized. The benefits of this dematerialization include:

• Increased usage and rates of redemption thanks to the elimination of easily misplaced cards
• Lower costs due to the need for less paper and plastic
• More behavioral data that can drastically improve offer targeting

Figure 1 shows that mobile payment systems provide a huge advantage over traditional credit cards due to the frictionless nature of the transaction.

Figure 1: Use of Mobile Wallets in 2013

Mobile Wallet
18% HAVE USED ONE IN THE LAST THREE MONTHS
83% SAID THE EXPERIENCE WAS EASIER THAN USING A CREDIT CARD

Source: Adobe 2013 Mobile Consumer Survey
Mobile apps give loyalty marketers the ability to communicate with consumers and deliver 1:1 messages via push notifications. The many advantages of push notifications over SMS messages include:

1. Minimal cost per message
2. The willingness of mobile users to accept push notifications from apps
3. Geo-targeted offers by capturing geolocation data and contextual information
4. A seamless experience that directs recipients to in-app content

Many brands are extending their loyalty programs to the smartphone via their own branded app. This is due to the growth of average time spent inside mobile apps by U.S. consumers versus time spent on mobile browsers.
Sephora to Go App Incorporates Loyalty

The Sephora to Go iPhone app lets customers view past purchases (both in-store and online), create shopping lists, and even make purchases from within the app. Sephora to Go integrates with Sephora’s Beauty Insider loyalty program and allows members to view their own personalized exclusive offers.

Past purchases are even stored so that they can be easily reordered. In-store shopping is enhanced with the ability to scan products in order to read reviews. Free headphones are offered to new users to incentivize them to make purchases through the app.
Tapping the Social Data Goldmine with Social Opt-In

To capture and leverage social media data for broader marketing purposes, loyalty marketers must first ask for permission to connect. In this situation, also known as the social opt-in, audiences share personal information in exchange for something of value. This data is then brought into the master marketing database to build a more comprehensive view of customers. Using forms or Facebook Applications are two typical methods for accomplishing this. Making the social opt-in easy for users should lead to more accurate data and discourage users from supplying bogus information.
Starwood Preferred Guests links with Foursquare

Starwood Hotels & Resorts enables guests to link their Starwood Preferred Guest account with their Foursquare account to earn bonus Starpoints for check-ins during promotions. Starwood receives all Foursquare user data and uses it to drive greater insight into customer behaviors. Starwood encourages these social check-ins with the motto, “Let the world know you’ve arrived.”
Utilizing Gamification in Loyalty Programs

The principles of gamification include earning badges, attaining levels, completing checklists, public rankings, and competing with other members in various challenges. Figure 2 shows the stages of engagement that a gamified customer will experience as they increase in lifetime value.

Gamification taps innate human impulses and generates multiple benefits such as deeper customer engagement, enriched customer knowledge, and virality. To best leverage gamification in a loyalty program, marketers must understand what motivates customers and only reward value-creating behaviors.

Campaign Management Technology and Loyalty Marketing

Cross-channel campaign management technology supports loyalty programs by empowering brands to plan, target, execute, and measure marketing campaigns across traditional and emerging channels. Essential technical capabilities of such solutions are:

- Real-time data management which aggregates customer knowledge from multiple sources into a single marketing view
- Cross-channel execution which delivers messages and offers seamlessly across channels like email, direct mail, mobile, and social
- Integrating relational, transactional, and promotional communications in order to holistically manage customer relationships and orchestrate 1:1 lifetime dialogues
- A real-time offer recommendation engine which delivers the next best message or offer to each individual
The capabilities of loyalty platforms that incorporate cross-channel campaign management are:

1. Transactional data management by incorporating sales transactions on a daily or immediate basis
2. Currency calculation using sales data and pre-defined business rules
3. Workflow functionality to identify recipients and monetize points burn
4. Reporting to provide insight into the areas of points accumulation and related financial exposure

**Transaction Data Management**
In order to calculate the loyalty currency, sales transactions are imported into the platform often daily or in real time.

**Currency Calculation**
The points balance for each member is calculated using the sales data along with pre-defined points calculation rules.

**Points Burn**
Workflow functionality is used to identify recipients, monetize points, and then to execute messages or integrate with a fulfillment process (in the case of printed checks/vouchers).

**Reporting**
Financial reporting provides insight into the areas of points accumulations and the related financial exposure to the business.
With Adobe Campaign, Sephora Europe Directly Mails Loyalty Offers

Cross-channel campaign management technology supports loyalty programs by empowering brands to plan, target, execute, and measure marketing campaigns across traditional and emerging channels.

For example, Sephora Europe uses Adobe Campaign to deliver loyalty offers via direct mail. These offers are redeemable at the point of sale and include incentives to purchase specific products based on customer behavior. In the example to the right, the offer — double loyalty points for purchasing Sephora-branded makeup products — was sent to customers in one of three segments.
Groupe FLO Manages its Loyalty Program with Adobe Campaign

The umbrella brand for more than 300 restaurants around the world, Groupe FLO is a leading restaurant group and commercial caterer. Groupe FLO uses Adobe Campaign to provide a single platform in order to manage its marketing database, points calculations, and execution of all loyalty program communications. It has also integrated the cash-register as a 1:1 communication channel, providing members with personalized messages and offers via their receipts.

More than 450,000 customers registered for their loyalty program after deployment, and Group FLO has determined that members spend 30% more than others. Customer knowledge increased as more data was collected while the program matured. Overall, Group FLO registered a 50% conversation rate for distributed cards.
Of the roughly $48 billion in reward points and miles issued annually, at least one-third ($16 billion) go unredeemed by consumers.


The keys to successful emotionally-driven loyalty programs include:

- More fun, interactive, intuitive ways of engaging
- Relevant, personalized experiences
- Real-time and contextual engagement
- Seamless cross-channel integration
Examples of Emerging Loyalty Strategies:

1. **Behavior-Based Rewards** – C Spire Wireless’ PERCS loyalty program follows Figure 3 and offers customers gift cards for downloading, rating, and sharing apps, writing reviews, completing surveys, and participating in the company’s community forum.

2. **Experiential Rewards** – GameStop’s PowerUp Rewards program selectively targets the member base to offer restaurant and movie rewards, invitation to exclusive events, and one-of-a-kind trips for in-game participation.

3. **Recognition Rewards** – Estonian Air’s AirScore is a social media-based loyalty program that uses social recognition and gamification to evoke an emotional connection with customers and create a multiplier effect that exposes the brand to members’ friends and family.

Figure 3: The Customer Intelligence Loyalty Feedback Loop

Source: Murphy, Emily. Forrester Research, Inc. “Intelligence-Driven Loyalty.” September 2012
Estonia Air Recognizes Traveler Participation

Estonian Air’s AirScore loyalty program combines behavior-based rewards with social recognition and gamification. The AirScore Facebook application enables members to earn bonus points without having to fly — for instance, by signing up for the app, sharing information and campaigns from the AirScore Facebook page, or by having their friends join and participate too.

As points are accumulated, members reach higher AirScore levels (e.g. Gate, Economy Cabin, Cockpit, etc.), unlocking additional bonus points and better prizes. As a result of the program, Estonian Air has experienced increased traffic to its website and bookings, all driven directly by Facebook.
Main KPIs for Evaluating a Loyalty Strategy

Forrester Research proposes the multi-level framework in Figure 4 to measure loyalty program effectiveness.

As Analyst Emily Murphy notes, “The exact measurement process and metrics will vary based on industry and program specifics, but marketers need an organizing framework to make sense of the different types of loyalty metrics. Every loyalty marketer should think about loyalty program assessment on three levels: the health of the program itself, its impact on customer behavior; and, at the highest level, its impact on the overarching business.”

Source: Murphy, Emily. Forrester Research, Inc. “Measuring Loyalty Program Effectiveness.” September 2012
Conclusion

With brands placing increased emphasis on loyalty programs, it’s crucial to understand how to best measure and evaluate loyalty strategies to ensure that they deliver desired business results. Most programs aim to increase customer retention, purchase frequency, and lifetime value. Others attempt to increase sales of undersold and/or highly profitable products/services.

What loyalty programs measure, though, is often limited to operational aspects, such as membership levels, redemption rates, and program costs. Maximizing engagement and customer lifetime value can be achieved by keeping a close eye on other, more relevant KPIs. To level up their loyalty marketing, today’s best digital marketers utilize the tools available to them using mobile, social, gamification, and campaign management technology.
About Adobe Campaign

Adobe Campaign, formerly Neolane, provides best-in-class campaign, offer, and personalization management capabilities for sophisticated automation and execution of marketing programs across all channels — digital and traditional. Adobe Campaign addresses a key challenge for marketers: how to build and extend relationships with their customer base to drive top-line revenue growth and ROI. Adobe Campaign is used by more than 400 of the world’s leading brands including Alcatel-Lucent, barnesandnoble.com, Sears Canada, Sephora Europe, and Sony Music.

Marketers finally have a complete, integrated solution for all their marketing efforts. Analytics, social, media optimization, targeting, web experience management — and now cross-channel campaign management with Adobe Campaign — Adobe Marketing Cloud does it all.