

MARKETING

Communication from brands is key for loyalty programs: L2

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Nordstrom Rewards

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Brands must tap unconventional methods and various platforms to better promote their loyalty programs, according to a new [report from L2](#).

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Integration is a vital component of a rewards program, as consumers want to be able to access their account at any time on any platform without hindering their experience. Communicating and promoting these loyalty programs is also a major portion to the program's success.

“Brands must remember that each loyalty program investment should facilitate a mutually beneficial value tradeoff between the brand and the consumer,” said Camilla Opperman, senior associate at [L2](#). “For example, operating a tiered loyalty program that offers differentiated rewards based on spend allows for greater customer segmentation and more targeted marketing while simultaneously adding interest and additional incentives for consumers.

“When the value exchange is skewed towards the brand, consumers have little incentive to sign up; when it is skewed towards the consumer, brands bear the burden of expensive loyalty programs with little return on investment,” she said. “Properly identifying and communicating this value proposition of loyalty programs is key to their success.”

Communication is key

These communication processes are severely lacking with brands. For instance, those who reshare positive customer feedback in regards to loyalty programs on social only make up less than one third of brands.

Also, rewards-related messages on brand SMS programs make up less than 10 percent of messages sent by brands.



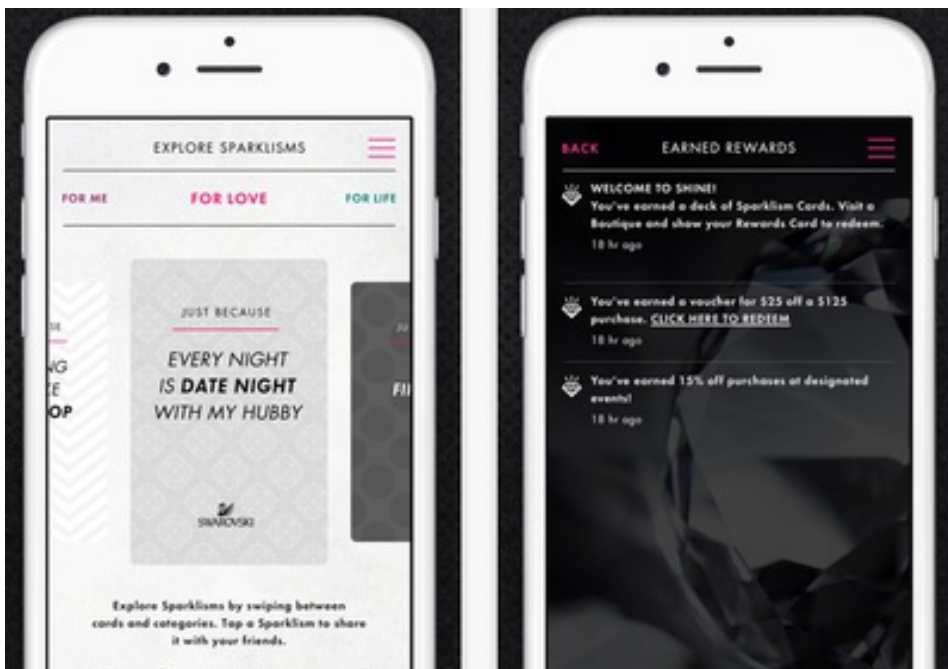
Marriott's merger with Starwood has made the two rewards programs one of the most successful

This concept is important with email as well, considering brand emails that reference loyalty in their subject lines have a 24-percent open rate compared to 17 percent for a standard brand email.

Live chats on brands' Web sites are growing but slowly, with 39 percent of brands incorporating one. However, these live chats rarely reference loyalty programs.

Brands need to weave communication throughout an omnichannel experience. All digital platforms should be leveraged to promote their loyalty programs.

However, only 27 percent of brands are tapping three or more platforms such as email, social and SMS, for loyalty communication.



It is also extremely important that consumers are in the know about how the loyalty program works as well as the terms and conditions. Members that understand the program are 12 times more likely to remain a part of it.

Additional insight

When it comes to online shopping for beauty products, consumers seem to place their loyalty more easily in specific brands rather than in the platforms that sell them.

A.T. Kearney's "Beauty and the Ecommerce Beast" report looks at how customers shop for cosmetics online and finds that while overall sales are healthy, loyalty is the latest challenge for retailers. What they found is that luxury beauty products perform almost twice as better at online retailers than mass-market cosmetics, suggesting that luxury consumers are more willing to embrace ecommerce ([see more](#)).

While loyalty programs are popular among consumers, they may not be used to their full potential, with \$100 billion potentially going unused.

This data comes from a new report on loyalty programs from Bond Brand Loyalty that looked into how those programs are being used by both customers and brands. The 2017 Bond Brand Loyalty report found that enrollment in loyalty programs has grown by 31 percent, but some opportunities are still being missed ([see more](#)).

“In a digital-first world, one would expect to see more brands leveraging multiple digital channels—including site, email, SMS, mobile app, and social—to enhance the loyalty program experience,” Ms. Opperman said. “However, L2 research found that 74 percent of brands underperformed on digital integration.

“Overall, loyalty program visibility is low, rewards are not digitally optimized, and brands are failing to create a consistent cross-channel experience for their loyalty members,” she said.

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