

COLUMNS

## Producing loyalty programs without focusing on incentive-based benefits

October 31, 2017



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Luxury brands are notoriously cautious when it comes to customer loyalty programs and for good reason. The fear of discounting and promotions is palpable.

The last decade showed the long-lasting effect that over-reliance on promotions can have on brands. In many cases, national retailers have denigrated their brand identities and are suffering long-term consequences.

The most common issue they face is returning AUR to higher price-points since they trained their customers to wait for promotions.

But loyalty is so much more than points and tiers. It is a state of mind and a dedication to service.

Loyalty is a commitment to acknowledge and nurture best customers through the service and benefits they desire. And that is the heart of loyalty it is what the customer desires, not the brand.

For many retailers, that comes to fruition in the form of points, tiers and discounts, because their customers want deals to show appreciation for their time. It is different for luxury shoppers.

In many cases, a discount negatively affects customer sentiment, which is paramount in the luxury space.

So how can luxury retailers produce loyalty programs without focusing on hard, incentive-based benefits? Here are a few focus areas to consider:

### Data

Data is now its own currency. Everyone needs data. Whether you are a luxury or discount brand, retail chain or financial institution, it does not matter. Data is the gateway to customer motivations.

How each brand acts on data may be different, but all brands need a foundation for understanding their customers.

Loyalty produces vast amounts of data with built-in mechanisms for capture. It helps to create insights and actionable intelligence as a foundation for everything from ecommerce customer service to customer lifecycle

journeys.

Marketers across all verticals cannot make smart decisions driven by intuition and guesswork. They need to be fact-based decisions.

#### Outstanding service

Luxury shoppers expect good customer service, but there are opportunities to make their experiences outstanding.

First, empower store associates. They are on the frontline and they know their best customers already. Give them the tools and motivation to make those experiences special.

It is amazing what a motivated store associate can do with a tablet and a loyalty account with shopping history. They can understand the transactional history of their customer at the touch of a button to recommend products, styling and sizing, making the experience richer for the customer.

That experience can also be duplicated online.

Click-to-chat is under-used for styling and product recommendations to bring the online experience to life.

Stitch Fix, for example, has hit on a key area for its customers with product feedback to help them understand at a granular level what each customer is searching for in a product.

At the very least, just following up on an order in stores or online and giving the customer a voice to provide feedback can mean the difference between a lapsed buyer and a loyal customer.

Seek ways to understand your customer and empower teams to find ways to make those experiences special.

#### Exclusivity

Luxury is synonymous with exclusivity, plain and simple, but loyalty is also often associated with exclusivity.

Luxury brands can use that alignment to their advantage, since many customers see exclusivity as a cultural status symbol.

Luxury customers are not looking for discounts. As covered above, promotions can have dire, long-term consequences if the brand is no longer seen as exclusive.

Use loyalty to play on that idea. Offer private events, exclusive products, early access to new arrivals, and product previews they all play into the idea that members are being acknowledged and have access where others do not.

It is another opportunity to motivate customers to increase spend, visits and lifetime value, while adding to the brand's identity as a luxury merchant.

#### Loyalty is limitless

Customer loyalty gets a negative perception at times for being a glorified promotional cadence and for some brands that is true but it can be so much more.

Loyalty is a top-down focus on identifying with customers to make sure that they are satisfied.

IN THE END, loyalty lifts all parties involved, from brand to customer, because with a loyalty-first mindset, everyone gets better results.

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