

MARKETING

Loyalty programs now at core of brand-consumer relationship

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Consumers are open to having more activity tracked for personalized rewards. Image courtesy of Lancome

By SARAH JONES

Rather than just focusing on transactional-based rewards, loyalty programs should work to develop personalized, relevant engagement with consumers.

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According to a report from Bond Brand Loyalty, 78 percent of upper-affluent individuals say that loyalty programs are a significant part of their brand relationships, more than the average 71 percent among all consumers. Successful loyalty strategies today are integrated into the overall customer experience, taking the programs beyond points to drive positive brand sentiment.

"Seventy-one percent of members describe the loyalty program as a key part of their relationship with the brand, and this is even higher among upper mass (77 percent), affluent (73 percent) and upper affluent (78 percent)," said Scott Robinson, vice president of design and strategy at **Bond Brand Loyalty**, Toronto. "In this regard, the role of the program is to be a natural extension of the brand experience, whose role is to help the brand deliver on the promise it is making to its customers."

"Meanwhile, we know that the aspects of a program that most affect a member's satisfaction are the experience elements and not the traditional earn and burn mechanics found in many programs today," he said.

"This is especially the case among affluent cohorts and as such, affluent brands must not only think of their program as a means of better delivering on its brand promise. It is especially important to hone the program on enabling the best experience for its best customers."

Bond Brand Loyalty's "The Game is Changing: The Loyalty Report 2018" is based on surveys of more than 50,000 consumers in North and South America and Europe.

Relevant relationship

About three-quarters of consumers say membership in a loyalty program makes them more likely to keep spending with that brand.

However, loyalty is more than just a driver of repeat purchases. It can also gain brands additional clientele, as seven in 10 consumers say they are more apt to recommend brands to friends if they like the brand's loyalty program.

One of the main drivers of customer satisfaction with loyalty programs is a feeling of being recognized. Many brands fail to accomplish this, with only 19 percent saying that brand representatives make them feel special.



Nordstrom Rewards' 10.5 million members demonstrates consumer interest in loyalty programs. Image credit: Nordstrom

Technology offers opportunities for brands to deliver more customized encounters.

While many consumers used to find too much tracking to be creepy, they appear to be warming to the idea.

Among all consumers, 87 percent would be interested in having their activity monitored to receive more personal rewards. This number was even higher within the affluent audience, with 94 percent saying they would opt-in to tracking.

Learning and gathering data about customers can help brands forge more meaningful relationships.

"Armed with a richness of member data that affluent members willingly provide, luxury brands' programs can enable the experiences that affluent segments not only value but crave, and do so in a way that authentically meets their needs," Mr. Robinson said.

"In luxury, there is an important role that the human experience plays," he said. "We know that positive emotions drive loyalty, and members who agree that representatives of the brand make them feel special and recognized are much more satisfied.

"In other words, authentic human interactions pay dividends on members' propensity to say good things about the brand, spend more with the brand after having joined a program, and their likelihood to continue doing business with the brand."

Almost all consumers also show interest in interacting with loyalty programs through new technology such as virtual reality, biometrics, wearables and chatbots.



Shoppers want to engage with loyalty programs through virtual reality. Image credit: Mastercard

Technology can also be used to drive conversations with and among loyalty members.

For instance, LVMH-owned beauty retailer Sephora encourages peer-to-peer communications through its Beauty

Insider Community.

Instead of spurring a dialogue between brand and consumers, as many marketers often work towards, Sephora is taking a different approach to generating conversation among its enthusiasts. The beauty industry relies heavily on peer recommendations, and consumers often put more stock into influencers and friends' opinions rather than brands themselves, making Sephora's Beauty Insider Community an accurate read of current trends ([see story](#)).

Reaping rewards

Looking to get more out of their memberships, 37 percent of consumers are open to paying to receive better benefits. This interest in paid programs is higher among younger generations, with those in Gen Z most apt to pay for perks.

A key example of this is Amazon, which has millions of members in its Prime program who pay to receive benefits including free expedited shipping.

Consumers also value loyalty programs that offer them benefits to a wider array of merchandise or services. Larger companies are able to offer membership to a number of brands, such as enterprise programs within hotel groups.

However, brands with less variation in products can still achieve this broader set of benefits by striking up partnerships.

In the luxury space, private aviation charter XOJet displayed its commitment to service with its first global hotel partnership with Mandarin Oriental Hotel Group.

Through XOJet's partnership with Mandarin Oriental, its Preferred Access and Elite Access clients will be eligible for privileges at the hospitality brand's hotels and resorts. XOJet has worked to ensure that every aspect of a trip where its services are used is enjoyable by partnering with others in the travel and hospitality space to guarantee that no detail is overlooked ([see story](#)).

"There is much that luxury brands are getting right, and meanwhile, much that they can learn from top program performers like Nordstrom and Marriott," Bond Brand Loyalty's Mr. Robinson said. "The Loyalty Report reveals the things that matter most to members and points at the things that successful programs must embody.

"The program must authentically meet members' needs, such as the need to feel special and recognized, the need for recognition and a sense of status, and the need to feel like part of a community, and it is these things that luxury brands are uniquely positioned to embrace, as they craft their go-forward loyalty approaches."