

RETAIL

## Loyalty programs should prioritize customer, not sales

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*Sephora invites its most loyal shoppers to its Beauty Insider Community. Image credit: Sephora*

By SARAH RAMIREZ

NEW YORK With the boom in luxury ecommerce and high-end direct-to-consumer brands encouraging more shoppers to experiment, retailers have a chance to rework their loyalty programs into more engaging experiences.

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During the "Points Can't Buy Their Love: How To Earn Loyalty In The DTC Age" panel at the Forrester Consumer Marketing Forum on April 3, industry experts cautioned against looking at loyalty programs from a solely promotional perspective. These programs should also show how a brand, across departments, is loyal to customers.

"Consumers are more emotional in their decisions because there are more options," said Emily Collins, principal analyst at Forrester. "Emotions drive specific behaviors. Which emotions will lead to retention or advocacy?"

### Customer appreciation

Nearly nine in 10 U.S. consumers are part of at least one loyalty program, but only 44 percent feel that those programs make them feel more loyal, according to Forrester's research.

While repeat customers are most likely to sign up for loyalty program, apathy towards loyalty programs impacts brands' bottom lines.

Eighty-nine percent of consumers who feel appreciated by brands are more likely to advocate for brands, and 86 percent will spend more on appreciative brands.

"[Loyalty programs] need to be about more than promotional value," Ms. Collins said. "Build a more engaging experience."

More exclusive opportunities reserved for a brand's most loyal consumers also provide more audience insights.

"How do you use loyalty to complement other sides of marketing?" said Allison Khurana, head of direct to consumer marketing, North America at New Balance. "You shouldn't look at loyalty in a silo."

For instance, LVMH-owned beauty retailer Sephora encourages peer-to-peer communications through its Beauty Insider Community. The content generated on the Beauty Insider Community page only available to those enrolled

in the retailer's loyalty program helps Sephora consumers find beauty inspiration, ask questions and get recommendations from like-minded consumers.

Furthermore, the Beauty Insider Community offers Sephora an accurate read of current trends in the industry ([see story](#)).

#### Loyalty retention

For a loyalty program to successfully engage and reward consumers, a brand's message must be consistent across its marketing, technology and operational offerings.

"Loyalty has to be a blend of marketing, technology and operations," said Sarah Angelmar, senior director at Global Customer Management and formerly of Tiffany & Co. "You must also sell employees into the idea of loyalty.

"You have to market and pitch your vision to every single department," she said. "What is the value of loyalty?"

Store associates are at the front line of customer interactions and must also buy into the idea of loyalty.

Many consumers value the personalized touch of a human sales associate to guide them through the shopping process, according to a recent report from the Luxury Institute.

Half of all affluent consumers surveyed by the Luxury Institute said that sales associates give a relationship-driven experience that is inimitable by online tools and ecommerce. While luxury brands should certainly not neglect the benefits that technology can bring, it is just as important to remember to keep the human element in-store ([see story](#)).

Additionally, loyalty does not solely revolve around having a strong rewards system.

According to a report from CrowdTwist, consumers choose to frequent their favorite retailers because of qualities such as product selection and positive shopping experiences. Gen X shoppers are most likely to abandon a program if they feel they are not being valued by the retailer ([see story](#)).

"Save the best of your brand for loyal customers," Forrester's Ms. Collins said.