

A decorative graphic consisting of three concentric, light pink circular bands. A thin red line with small red dots runs along the inner edge of the middle band. Various icons are placed around this line: a woman's profile with a five-star rating, a person's profile, a heart, a man's profile with a five-star rating, a gift box, a speech bubble, and another person's profile.

Ai Trillion

Loyalty Marketing: What is it, Strategies and Trends of 2022

#fortheloveofecommerce

Introduction

A-Z of Loyalty Marketing in 2022

Loyalty Marketing: What is it, strategies, trends, and tools [2022]

The ecommerce industry is growing at a rapid rate and there's at least ten brands to choose from when making online purchases. Every brand is stepping out with the best they can offer - from deals and discounts, to shipping and delivery and products, there's a lot of competition to tackle as of today, resulting in a dip in customer loyalty across the globe.

We as consumers are no longer bound to choose the same brand time and again, and the easy access to information has made us open to trying newer names. But from a business perspective, this change in behavior is resulting in losing customers that have interacted with the brand before, showing their trust in what you have to offer - to distractions.

Worse still, you just lost the chance to get mentioned in their circles simply because they can't recollect your brand name.

If you take numbers into account, that's a lot of potential sales to lose.

That's where the importance of having a loyalty marketing strategy comes in.

In this blog, we're going deep dive into what loyalty marketing is, why it is important, how it impacts your business and equip you with a strategy that gets you ahead of competition!

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What is Loyalty Marketing?

Loyalty marketing is a form of marketing that is more focused on engaging existing customers than reaching out to a new audience and trying to acquire them. The tactic includes strategies like consistent communication to stay on top of a consumer's mind, offering them incentives and discounts to choose your business repeatedly and keep coming back for more.

The end objective of this marketing tactic is to improve customer engagement and the overall customer retention rate.

To put things in perspective, let's take the Starbucks card as an example. The idea there is to encourage customers to collect points for every purchase they make and the reward comes in the form of a % discount or a free coffee eventually.



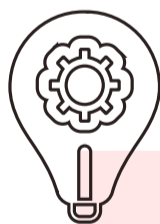
Now think about the number of people who are Starbucks fanatics. That's loyalty marketing!



Why is loyalty marketing important?

Let's take a look at some statistics to understand why loyalty marketing is important for ecommerce businesses today.

- As per Statista, retail ecommerce sales amounted to approximately 4.9 trillion US dollars worldwide in 2021. The figure is forecasted to grow by 50% over the next four years, reaching over 7.4 trillion dollars by 2025.
- There are an estimated 12-24 million ecommerce sites across the globe, with more and more being created every day owing to the ease of store set up using platforms like Shopify, BigCommerce, Wix, Ecwid and other solutions. That's a lot of competition to tackle, irrespective of the industry you are in or the products you sell.
- As per statistics shared on Zendesk, the customer acquisition costs have increased by 60% ever since the pandemic hit and ecommerce businesses are still struggling to get their costs in control on both social media and the search engine.
- Acquiring new customers is 5X more costlier than retaining existing ones owing to the increase in competition across all industries.
- A 5% increase in customer retention can help businesses generate 25%-95% more profits for your business.



Simply put, consumers are no longer bound to buy from your business time and again, unless you make an effort and create a loyalty marketing strategy.

What are the goals and objectives of loyalty marketing?

Let's take a look at some of the objectives and goals you can tackle with loyalty marketing based on its core principles.

- **Improve customer engagement rate** by keeping customers continually in the loop with the value you have to offer.
- **Drive more repeat sales** through better customer engagement and understanding their changing needs.
- **Build a community** by creating a group of customers who are actively engaged and buying from your business.
- **Drive more word of mouth marketing** by delivering more value to customers who are likely to recommend your brand to others in their network.
- **Lower customer acquisition costs** by reaching new audiences through your existing customers; people trust people more than brands.
- **Save money while increasing profits** since existing customers are more likely to trust your promotions and act on them, as compared to those who haven't engaged with your brand before.
- **Understand your target market better** with the help of more concrete data; engaged consumers are more likely to share feedback and insights into their needs and changing preferences.

TLDR; loyalty marketing is the growth hack you have been looking for to grow your ecommerce businesses sustainably in a highly competitive industry.

What are the best loyalty marketing strategies?

There are a number of ways in which businesses can build better customer engagement and improve retention. But here are some of the top loyalty marketing strategies that have become a must for ecommerce businesses today.

► Consistent and proactive customer communication

More often than not, it is the lack of consistent communication on a channel of the consumer's preference that leads to losing them. That's why ecommerce businesses need to focus on identifying the channels their consumers are the most active on and giving them the choice to receive updates where they want to.

Some of the channels businesses will need to cover include:

- Email
- Web push notifications
- Facebook Messenger
- SMS
- WhatsApp



► Customer loyalty programs

Customer loyalty programs have proven to be an effective loyalty marketing strategy for years. Businesses across all industries have been running loyalty programs in different forms to keep their existing customers engaged.

A loyalty program typically works on the logic of offering incentives and rewards to customers in lieu of getting their loyalty - choosing to actively engage with your brand, and buy from your business frequently.

Here's an example of a customer loyalty program from Sephora:

BEAUTY INSIDER
FEED YOUR OBSESSION

●

VIB
TAKE IT TO THE NEXT LEVEL

■

VIB ROUGE
SEE THE VIEW FROM THE TOP

◆

ADDICTED TO BEAUTY?

WELCOME TO THE CLUB

✕

Beauty Insider is your fast track to a never-ending supply of beauty rewards. It's free to join, and every dollar spent earns a point that gets you closer to your next beauty fix.

	Beauty Insider	VIB	VIB Rouge
Spend per calendar year	FREE	\$350	\$1000
<i>Free birthday gift</i>	●	●	●
<i>Free beauty classes</i>	●	●	●
<i>Seasonal savings</i>		●	●
<i>Handpicked gifts</i>		●	●
<i>Free Custom Makeovers</i>		1X	●
<i>Flash 2-day shipping on all orders*</i>	\$10/yr	\$10/yr	FREE
<i>Private hotline</i>			●
<i>Invitations to exclusive events</i>			●



Want to see how leading ecommerce businesses are using customer loyalty programs?

[Explore Success Stories Here](#)

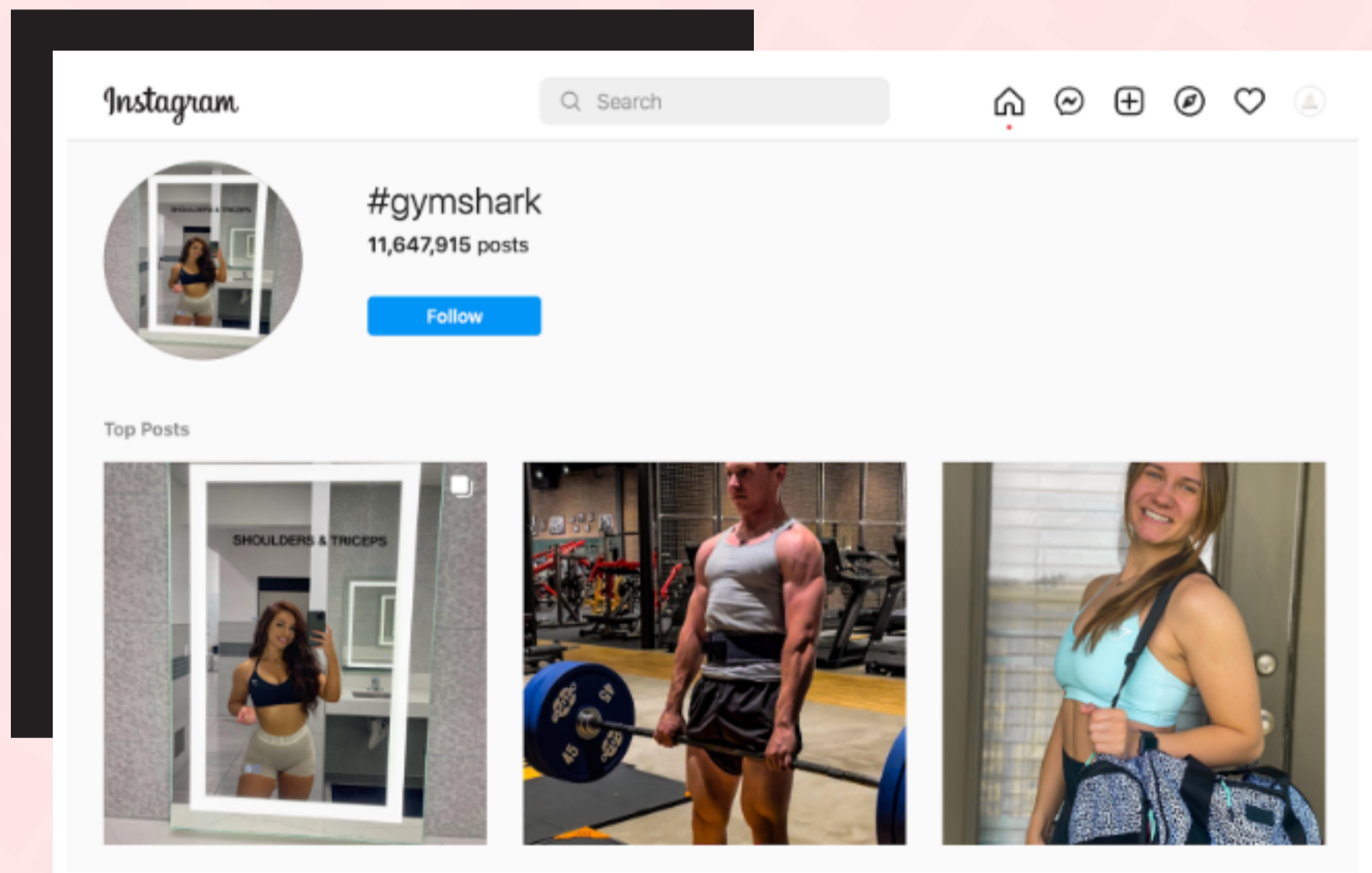
► Community building

According to a study conducted by the Harvard Business Review, building a community around a brand can help keep customers engaged more proactively. The study involved studying customers of LEGO to see what kept them engaged with the products and motivated to experiment, and it was what others were doing that kept them driven!

That's why we recommend community building as a loyalty marketing strategy for ecommerce businesses.

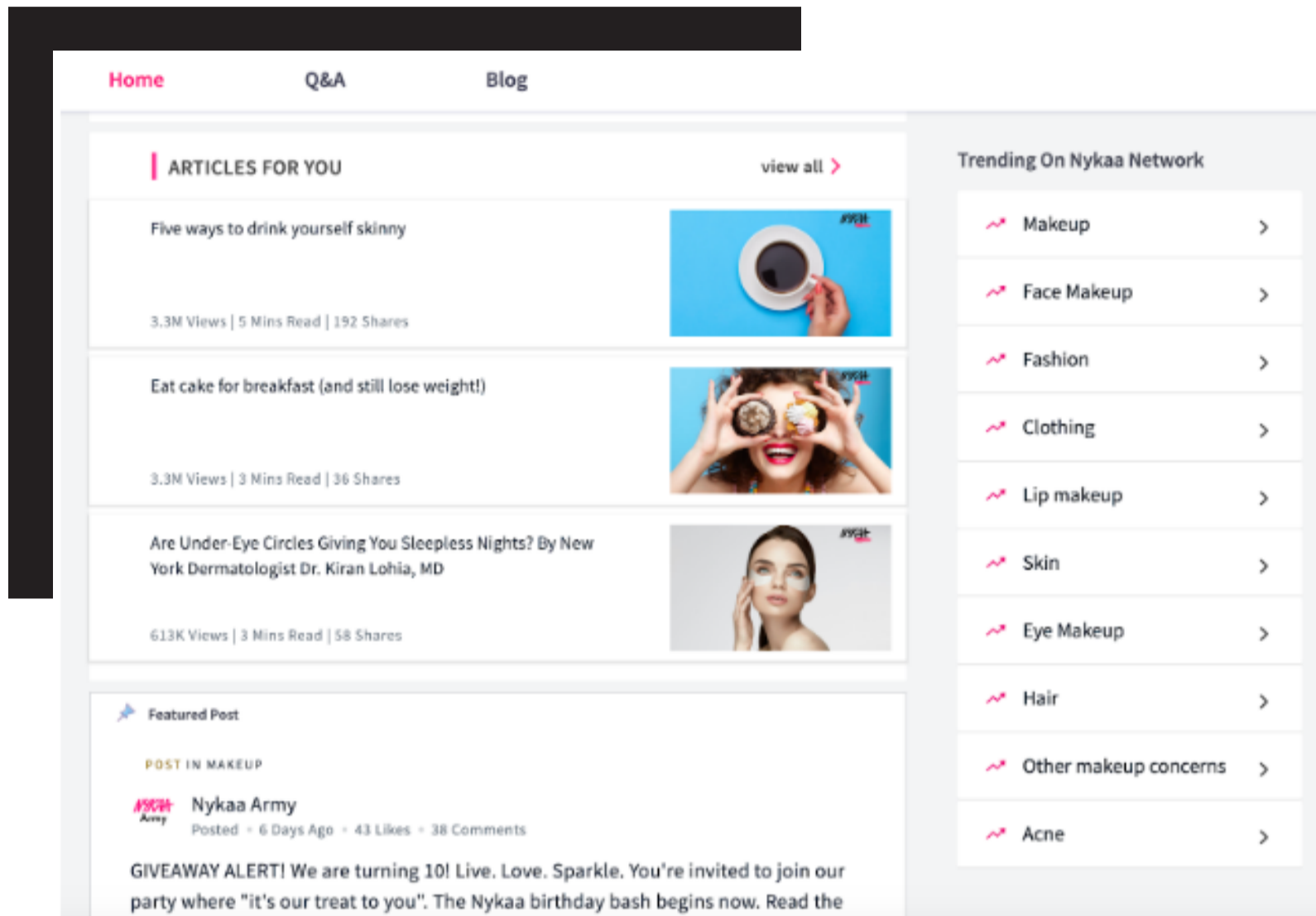
You can build a community by leveraging social media channels, creating groups or channels to have open conversations with existing and prospect customers. Another way of building a community on social media is by creating a branded hashtag for your consumers to make use of.

Here's an example of this loyalty marketing strategy from Gymshark:



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Or you could go one step further and build a forum on your ecommerce website instead. Here's an example of the same from Nykaa, a beauty and cosmetics online store:



► Value-add loyalty marketing

This strategy is focused more on delivering high value products/ services and then following it up with efforts to ensure a great experience for customers. Value-add marketing typically includes tapping in creating content like educational blogs, video tutorials around products, how-to's and more. The goal here is to cater to consumer interests and their search behavior on the internet, becoming their go-to for quality information.

Here's an example of the same from Gym+Coffee, an activewear brand that creates content around the end goal of their target audience:

Make Life Richer Blog

All posts Clubhouses Community Event Health Knowledge Movement News Product Sustainability

Earth Day 2022: Easy Switches To Help Our Planet
KNOWLEDGE • SUSTAINABILITY
Sat, Apr 23, 2022
Today is Earth Day. It's time to play our part.
[READ MORE](#)

PILATES FOR BEGINNERS: WHERE TO START WITH SASHA MORGAN
COMMUNITY • HEALTH • MOVEMENT
Fri, Apr 22, 2022
[READ MORE](#)

GOOD HABITS: CHANGING YOUR MORNING WITH ERIN DUSEK
COMMUNITY • HEALTH • MOVEMENT
Fri, Apr 22, 2022
[READ MORE](#)

SUMMER SOCIAL X GYM+COFFEE
COMMUNITY • NEWS
Tue, Mar 15, 2022
Sweat in the sunshine. Dance after dark.
[READ MORE](#)



How to create your loyalty marketing strategy?

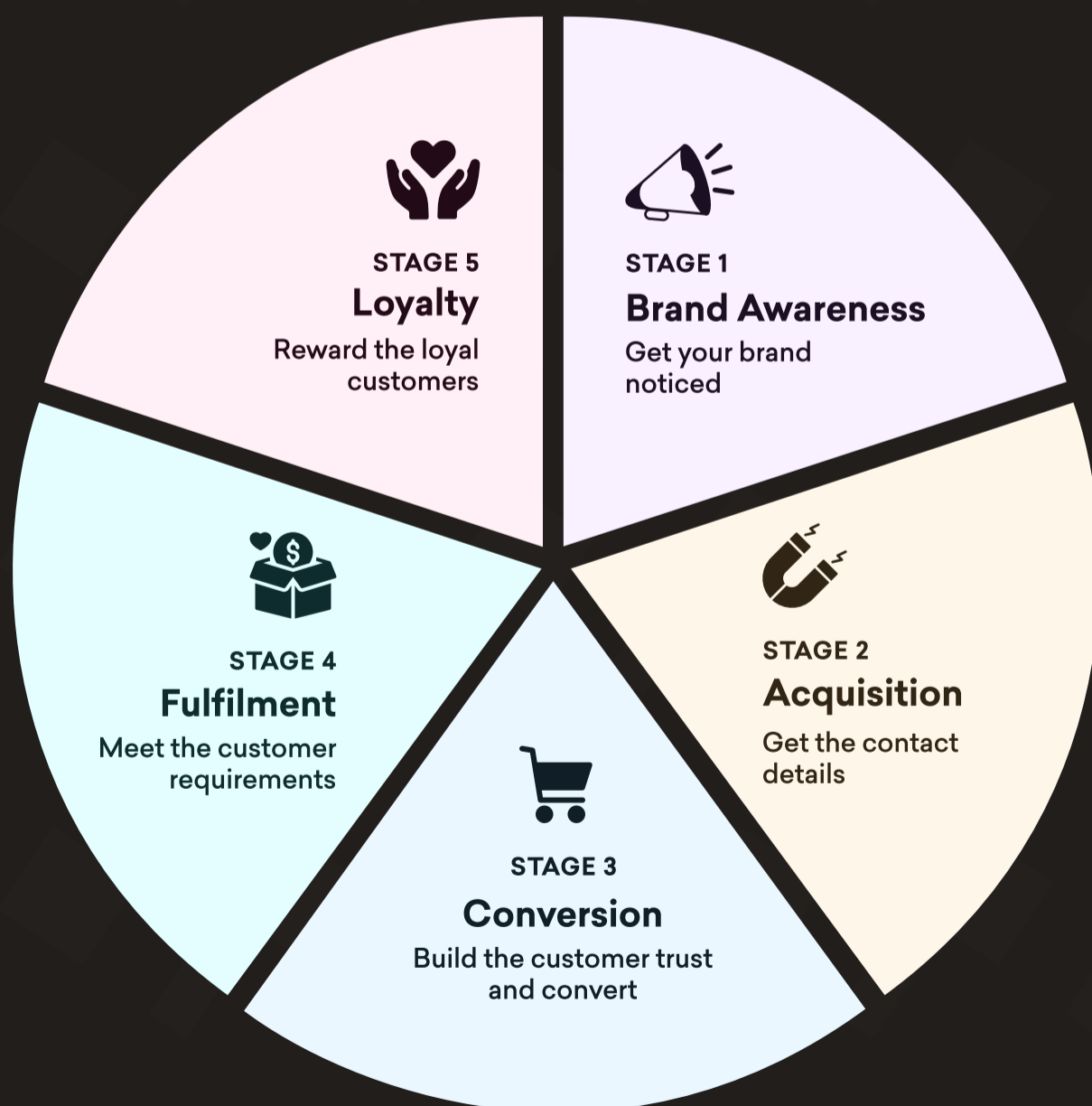
Improving customer engagement, retention and loyalty isn't just about getting started with the above examples. It's about strategically thinking it through the customer's lifecycle with the brand and focusing on how you can improve their experience at each stage.

Here's how to create a loyalty marketing strategy:

► Understand and map out a customer lifecycle journey

First things first, you need to identify the path a consumer takes while engaging or interacting with your ecommerce business. This includes starting from the point they discover your brand, when they choose to share their details with you, what results in them making a purchase and their actions post-purchase.

Here's what a typical ecommerce customer lifecycle journey looks like:



► Identify the key milestones in the journey and opportunities for engagement

Once you know how consumers progress with your brand, identify the key moments at which you have an opportunity to build loyalty. For example, when you acquire the details of a consumer, sharing product recommendations can improve their experience and show how you care about their preferences.

Similarly, once a consumer converts (makes a purchase), seeking feedback and proactively communicating with them is another moment to tap into and ensure a positive experience at.

Ecommerce analytics solutions like AiTrillion come with an easier way to map key milestones. With detailed [customer timelines](#), you get an overview of how different consumer segments move through the purchase cycle.

► Identify your ecommerce business objectives and goals

Every marketing effort made should come with its clear goals and objectives. In the above section, we have listed some of the goals and objectives that a loyalty marketing strategy can help you achieve. But you still need to identify what matters the most to your business in order of priority. This could be improving your customer engagement rate at the first stage, increasing repeat sales at the next and then improving your overall retention rate.

► Correlate available resources with the strategies

Similar to how you decide on the marketing and sales channels you make use of, it is important to keep things streamlined. Evaluate each of the strategies based on the resources available to you to execute them, and the potential impact they will have on your revenue.

► Explore the different loyalty marketing strategies

In the above section, we have listed down some of the most popular loyalty marketing strategies. But when you're creating yours, we encourage you to explore each strategy in detail, take a look at your competitors and conduct a thorough study on what your target audience expects from you.

► Find a multi-purpose loyalty marketing solution

Loyalty marketing involves a number of moving pieces - from setting up consistent communication across multiple channels, creating a loyalty program and keeping a watch on performance metrics. That's why you need to find a solution that lets you tackle it all from one dashboard, securing your customer data as they move along the lifecycle.

A solution like [AiTrillion](#) is one of the best loyalty marketing apps for ecommerce businesses. It comes with modules that help you automate customer communication across popular channels like email, web push and integrate the same with your loyalty program to boost participation.

➤ **Implement your loyalty marketing strategies**

Once you have a solution in place for executing your loyalty marketing strategies, go live and get started! You will only know the response of your customers when you give them a chance to interact with the strategies you get in place. Just make sure that no matter what strategy you use, you make it visible and easy to interact with.

➤ **Go live, measure and optimize your loyalty marketing strategy**

Good loyalty marketing starts when you focus on adapting it to meet the changing consumer needs. That's where measuring the impact and performance of your loyalty marketing strategies comes into play. In the following section, we're going to talk about the loyalty metrics you should be measuring continually to derive actionables to get better at loyalty marketing.


How to measure loyalty marketing performance?

Just like all other marketing efforts, your loyalty marketing strategy needs continual optimization too. None of the strategies listed above are a one-time set up - you need to learn from how they influence consumer behavior and make improvements to keep up with what they expect.

Here are some of the success metrics for loyalty marketing that you should be measuring:

► Customer retention rate

This ecommerce metric is targeted at measuring the effectiveness of loyalty marketing for its number one objective - improving customer retention. Here's how to calculate your customer retention rate:


$$\text{CUSTOMER RETENTION RATE (CRR)} = \frac{\text{Number of customers at the end of a time period} - \text{Number of new customers gained during the same time period}}{\text{The number of customers at the beginning of the time period}} * 100$$

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► Net promoter score


Your NPS (net promoter score) is indicative of the impact of your loyalty marketing strategies on the experience you deliver. While there are a number of tools to help you measure NPS, you can also calculate it using this formula:


$$\text{NET PROMOTER SCORE (NPS)} = \% \text{ of promoters} - \% \text{ of detractors}$$

**promoters are happy customers; detractors are unhappy customers*

► Active engagement rate


Most of the loyalty marketing strategies listed above are targeted at improving how your existing customers engage with the brand. But the 'engage' part is still in their hands and hence you need to measure it closely to understand what can motivate them to interact with you proactively. Here's how to calculate the same:


$$\text{ACTIVE ENGAGEMENT RATE} = \frac{\text{Number of customers who engage with your loyalty efforts}}{\text{Total number of customers}} * 100$$

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► Repeat purchase rate

Another goal of loyalty marketing apart from customer engagement is driving repeat sales for a business. This is a more tangible metric when it comes to measuring how effective your loyalty marketing strategies are. Here's how to calculate your repeat purchase rate:



$$\text{REPEAT PURCHASE RATE (RPR)} = \frac{\text{Number of customers who purchased 'x' times in 365 days}}{\text{Total number of customers acquired in 365 days}} * 100$$

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**you can also measure the repeat purchase rate weekly, monthly or for a desired duration*

► Loyal customer rate

A loyal customer is someone who has made a purchase from your business more than four times on average over a defined period of time. This ecommerce metric is targeted at showing you how many of your total customers are loyal to your business. Here's how to calculate this:


$$\text{LOYAL CUSTOMER RATE (LCR)} = \frac{\text{Number of customers who made a purchase 4+ times in a defined period of time}}{\text{Total number of unique customers acquired in the same time frame}}$$

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You can also leverage social listening and sentiment analysis to measure how your customers feel about your brand, and what they're saying about you on the internet. But this requires leveraging social media marketing tools to stay on top of conversations and understand the intent behind them!

What are the loyalty marketing trends you need to tap into?

Loyalty marketing has evolved over the years due to the changing consumer behavior and preferences. This has given rise to some trends that you should consider including in your loyalty marketing strategy.

► Personalization

Roughly 75% of consumers expect ecommerce businesses to personalize their experiences. This includes taking into account their interests, purchasing habits and changing needs, and tailoring their journey for higher context. So make sure that when you implement a loyalty marketing strategy, you focus on personalization.

With the help of loyalty marketing solutions like [AiTrillion](#), you can ensure personalization across all efforts. It helps you not just monitor customer engagement, but take note of important data at each stage, and segment them based on common demographics and behaviors to create targeted loyalty marketing strategies.

► Gamification

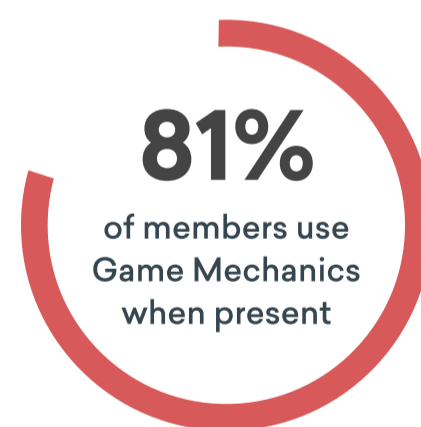
Age old customer loyalty programs are no longer enough to keep customers engaged. A simple transaction of rewards in lieu of a desired action can only go so far. That's where gamification comes in to keep customers engaged by creating challenges, awards before rewards and tiered rewards based on customer engagement.

Gamification Drives Program Enjoyment

Members who engage with game mechanics enjoy participating almost twice as much. 8 in 10 members engage with these mechanics when present, but only half of programs employ them today.

1.7x

Enjoyment Lifi when Game Mechanics are used



Higher use with younger member

- 85% Gen Z
- 86% Younger Millennials
- 83% Older Millennials
- 81% Gen X
- 75% Baby Boomers



- 66% Airline
- 65% Online Travel Agency
- 62% Retail Health & Beauty
- 58% Credit Cards
- 49% Gas & Grocery

Tiered customer loyalty programs are slowly becoming a popular go-to strategy for businesses. Ecommerce businesses are now tailoring their loyalty programs to give higher value rewards to those who engage with them more actively and add to their business at different stages, instead of standardizing them for everyone.

Here's an example of a tiered loyalty program leveraging gamification, from Lancome, a beauty and cosmetics brand:

WELCOME TO LANCOME ELITE REWARDS			
Join our free rewards program for exclusive offers, complimentary treats, and so much more!			
	JOIN NOW	SIGN IN	
TIER	ROSE GOLD	GOLD	PLATINUM
Free Shipping Our treat to you when you shop with us	Standard Shipping All orders \$49 or more.	Standard Shipping. No minimum purchase.	2-Day Expedited Shipping. No minimum purchase.
Rewards Access to our rewards catalogue including full-sized products, VIP partner rewards, unforgettable experiences and more.			
Birthday Gift A birthday gift on your special day each year.			
Early Access Access to our best products and promotions before anyone else.			
Anniversary Gift To celebrate your loyalty.			
Free Gift Wrap Give the gift of Lancôme, or treat yourself.			
Complimentary Shoprunner™ Membership Free 2-day shipping on all your favorite websites.			
Event Access Invitations to Lancôme parties, artistry events, and more.			



► Partnerships

Ecommerce businesses should also look at consumer behavior beyond what they offer themselves. This includes looking at the type of products and services they make use of on a day-to-day basis, and identifying those you have a common ground with.

For example, if you're an activewear brand, partnering with popular online fitness membership providers can help you become an active part of the consumer's daily life. This in turn helps boost customer engagement and drive higher loyalty.

► Localization

64% of buyers value localized content. That's why your loyalty marketing strategy needs to look into local consumer behavior and trends. This may include tailoring your loyalty rewards based on different demographics of your customers - this is especially important for ecommerce businesses that sell to a global audience.

Don't wait, it's time to focus on loyalty marketing!

Now that you're aware of what loyalty marketing is and how important it is for ecommerce businesses to grow, don't wait another day.

The good thing is that this tactic is targeted at consumers who have already shown their trust in your brand and interacted with you in one way or another. Letting go of that trust or interest in what you have to offer is the biggest mistake you could make!

While we're not saying your acquisition campaigns need to be put on hold, we do think you can't afford to miss having a loyalty marketing strategy running in parallel too.

Not sure where to begin?

The simplest ways to build loyalty is consistent communication and a loyalty program, and AiTrillion helps you set them both up with one solution.

[Explore AiTrillion for ecommerce loyalty marketing today.](#)

Book a Demo



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