ITERABLE

Unboxing Must-Have Marketing Campaigns: Loyalty and Rewards

Are you taking your brand's best customers for granted?

As marketers, it's too easy to focus our resources on acquiring new customers or reducing churn.

Because it also means your loyal fans—the ones who choose to spend their hard-earned money with your brand over and over—may not be getting the exclusive experience they deserve.

That's why for this next edition of Unboxing Must-Have Marketing Campaigns, we're going to focus on loyalty and rewards campaigns.

Once you read this guide, you'll understand:

- **Why a successful loyalty or rewards program is more than an exclusive discount**
- **The five principles you need to create a brand community**
- **Three ways to gamify customer rewards with cross-channel messaging**

Sound good? Let's get started.

Why a Successful Loyalty and Rewards Program Is More than an Exclusive Discount

The reason your brand should have a loyalty or rewards program is simple. By giving preferential treatment to customers who frequently purchase your products or services, you increase customer lifetime value.

According to hotel & airline loyalty program expert David Feldman, customers who join a loyalty or rewards program can advance their status in the three following ways:

- **Increasing their frequency**
- **Increasing their spend**
- **Increasing their affinity**

In other words, you want customers to come back to your storefront (brick-and-mortar or online), you want them to increase the monetary value of their purchases, and you want them to tell their friends how much they love your brand.

Sounds easy, right? Yet, there are just some loyalty programs that are more successful than others. According to marketing consultant Howard Schneider, this is because:

> **"Customers will remember their experience with a brand long after they've forgotten a discount. Companies cultivate true customer loyalty by making customers' lives easier and making sure each engagement is valuable for them."**

For example, customers may join a loyalty program because they frequently shop at their local drug store. However, it's probably not as exciting to accrue rewards from buying shaving cream and aspirin as it is buying clothing, handbags, and accessories to collect points for Nordstrom's rewards program.

To further examine why that is, let's explore a term that may be new to you as a marketer: **brand community**.

The Five Principles You Need to Create a Brand Community

When author Charles Vogl revealed how he successfully hosted a weekly dinner party for five years in *The Art of Community*, it surprised him at how many leaders approached him afterward to help them do the same.

Yet, his definition of what a community entails didn't align with a for-profit organization's need to make money and satisfy shareholders.

So alongside author Carrie Melissa Jones, the two of them created the **brand community** concept, which "aspires to serve both its members and at least one organizational (brand) goal."

Jones and Vogl go on to further define the **brand community** by stating the following:

> **"Real communities are made up of relationships...although they may include transactionals, they are never purely transactional. They include generosity, at least the kind where we help others without calculating the return on investment (ROI) for sending a card, answering a timely question, or holding a door open for a stranger coming in from the cold...community relationships transcend transaction."**

While the generosity examples listed above may work for a brick-and-mortar business, doing the same online starts to get complicated.

Luckily, a designated loyalty and rewards campaign can communicate the same intentions of generosity, provided that they follow some of the Principles of Belonging that Vogl outlines his first book.

There are technically seven principles, but we at Iterable find that only five of them translate over to a marketing campaign. They are:

1. The Boundary Principle
2. The Initiation Principle
3. The Rituals Principle
4. The Temple Principle
5. The Inner Rings Principle

Let's break them down, one by one.
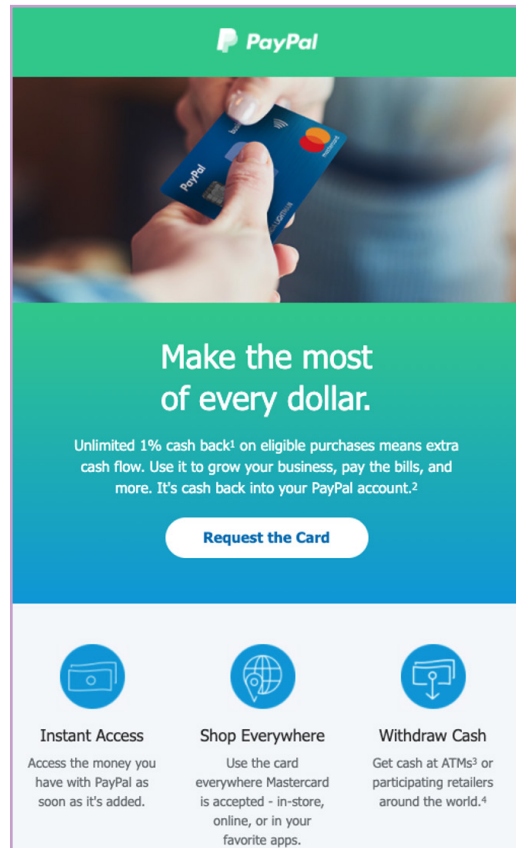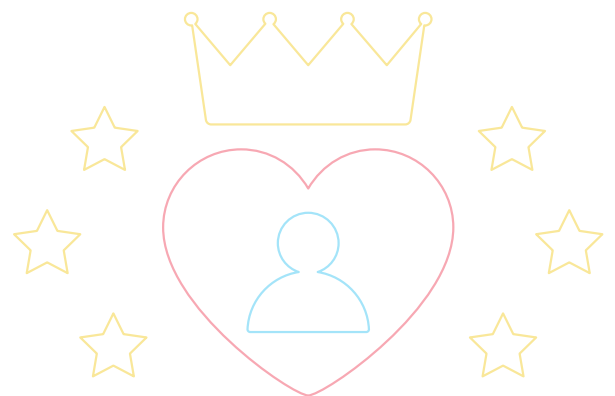
1. The Boundary Principle

The first part of building any community is to create a **boundary**. To do this, a brand must determine a set of criteria on who is eligible to join your loyalty or rewards program and who isn't.

For your B2C brand, that criteria could be a first-time purchase.

Or it can be an application process, like in the email example below from PayPal debit Mastercard.

In this scenario, PayPal sends this email to business owners interested in 1% cashback on eligible purchases. The boundary used is the online form that requests specific information, like a birthdate and a social security number.

It's unlikely that every customer you interact with is going to join your loyalty or rewards program. Therefore, it's helpful to determine who your ideal customer segment is for a loyalty or rewards program, create a boundary like an application or a first-time purchase, and invite selected individuals to join accordingly.

Online payment processor PayPal invites their business customers to receive 1% cashback if they apply for their debit Mastercard.

2. The Initiation Principle

Once a customer joins your loyalty or rewards program, now comes the **initiation**. The customer has successfully crossed over the boundary and is now officially a member of the brand community.

While an initiation can be as simple as a loyalty-specific welcome or onboarding email campaign, author Charles Vogl states that the most impactful initiations include a ritual that comes with symbols and tokens.

For instance, let's examine how Seattle-based PCC Community Markets initiates new members to their food co-op.

It's important to note that PCC Community Markets is open to the public. However, PCC states in their mission that they exist to serve the members of the local community. If a frequent shopper chooses to cross the boundary and pay a one-time $60 fee, they start to accrue an annual dividend.

Once a new member joins, the below email example is sent with instructions on tracking their earnings.

While a phone number can be used to track purchases made in-store or via Instacart, PCC also makes a point to mail new members a physical membership card.

Not only is it inexpensive for the brand to send a physical card, but it also serves as a **token of initiation** to the loyal customer who has crossed over the boundary to join the community.
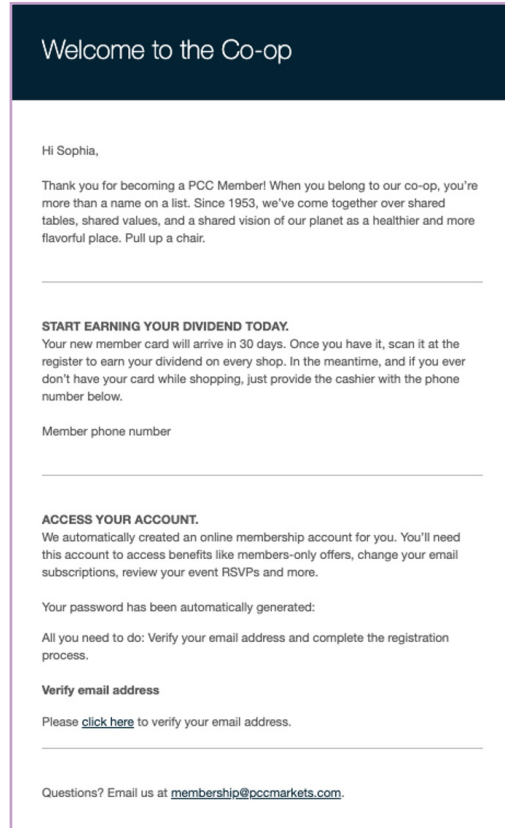
Local grocery store PCC Markets sends a welcome email to new members of their co-op.
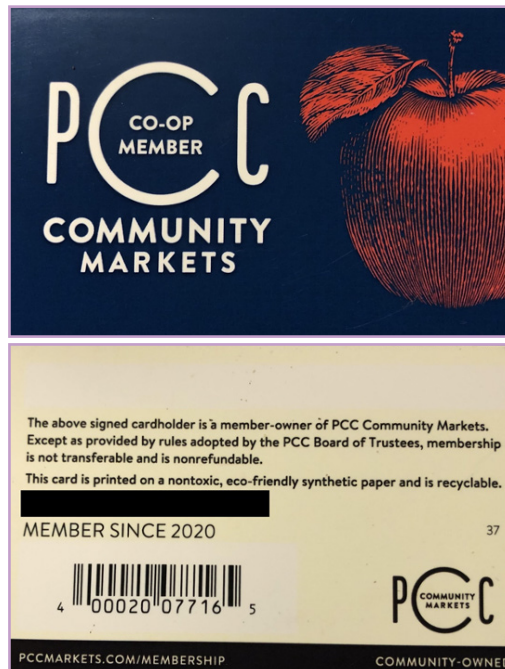
Local grocery store PCC mails a physical membership to new co-op members.

3. The Rituals Principle

After initiation has taken place, now comes the part where brands excel: creating and celebrating at least one **ritual**, otherwise known as "a practice that marks a specific time or event as special or important."

An example of a ritual for your family can be eating turkey on Thanksgiving or serving cake on a birthday. But for your brand, a ritual could be a customer milestone or a regularly occurring event, like a yearly sale.

For instance, outdoor retailer REI hosts its anniversary sale every spring. The public is free to shop there, but REI co-op members get a first look at the merchandise and receive exclusive coupons.

Inviting co-op members to view the anniversary sale merchandise before the public accomplishes the two following things:

1. Alerts new members that this sale is an event or ritual to look forward to every year
2. Rewards existing members for their continued loyalty and patronage

Outdoor retailer REI emails its co-op members a sneak peek at the upcoming Anniversary Sale, accompanied with exclusive coupons.

4. The Temple Principle

Every community must have a gathering place of sorts, otherwise known as a **temple.** Temples are important to communities because it is where like-minded members can talk to each other and share their values.

For e-commerce-only brands, this gathering place could be an online forum or chat room. For retailers with a physical storefront, they can encourage their customers to visit a nearby location to view new inventory or attend an exclusive event.

But let's say your brand is a restaurant, like the email sent below from fast-casual chain Bahama Breeze.

Typically, Bahama Breeze offers an Island Insiders loyalty program for new customers, in exchange for a coupon on their next dine-in visit. However, with the restrictions placed on restaurants and other brick-and-mortar businesses during the COVID-19 outbreak, brands need to evolve and adapt.

It may seem impossible to encourage customers to gather at a physical location while also complying with government social distancing guidelines. But one way to fulfill the temple principle would be to offer extra perks and rewards to loyalty program members who pick up products via curbside instead of utilizing a delivery service.

Fast-casual dining chain Bahama Breeze emails an exclusive coupon to its Island Insiders to use towards their next dine-in visit.

5. The Inner Rings Principle

Last but not least, a thriving brand community needs to have an **inner ring**, which are the tiers or levels in a loyalty or rewards program. Without an inner ring, members won't know how to progress their relationship with the community, or get rewarded for their status.

In the case of candy retailer Sugarfina, they define a set of points between 0-500 that a rewards member can achieve within the year.

As a rewards member collects more points, the type of rewards they receive changes. For instance, Sugarfina states above that a customer needs at least 100 points or more to start receiving invitations to exclusive events.

According to Charles Vogl, having an inner ring as part of your brand community is essential because:

> **"We all aspire to belong to prestigious inner rings, perhaps not just for authority and respect but for new ways to participate and contribute."**

Now that we have established five principles that your brand may choose to include in their loyalty or rewards programs let's talk about ways to enhance those principles with cross-channel messaging strategies.

Candy retailer Sugarfina uses email to notify a rewards member of their current points status so far this year.

Three Ways to Enhance Your Loyalty and Rewards Program Using Cross-Channel Messaging

When we at Iterable think about using cross-channel messaging to enhance a brand's loyalty or rewards campaign, we have to ask ourselves the question:

> **What is the customer missing out on that warrants a message beyond their email inbox?**

While it could be as simple as sending similar messaging on a different medium, some loyalty or rewards programs simply work better on a mobile device.

Here are a three examples.

1. Text messaging (SMS)

For brick-and-mortar businesses, like a local frozen yogurt shop, they may want to track how often each customer comes in for a visit, but don't feel email would adequately serve their needs.

Instead, they can ask customers to join their loyalty or rewards program by adding a phone number to their database and use text messaging (SMS) to remind them to come back.

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Swirl Frozen Yogurt**Welcome back! Get DOUBLE stamps this week! +Check out http://j.mp/swirl121 for a free birthday froyo, special offers, and more. Exp Jan14

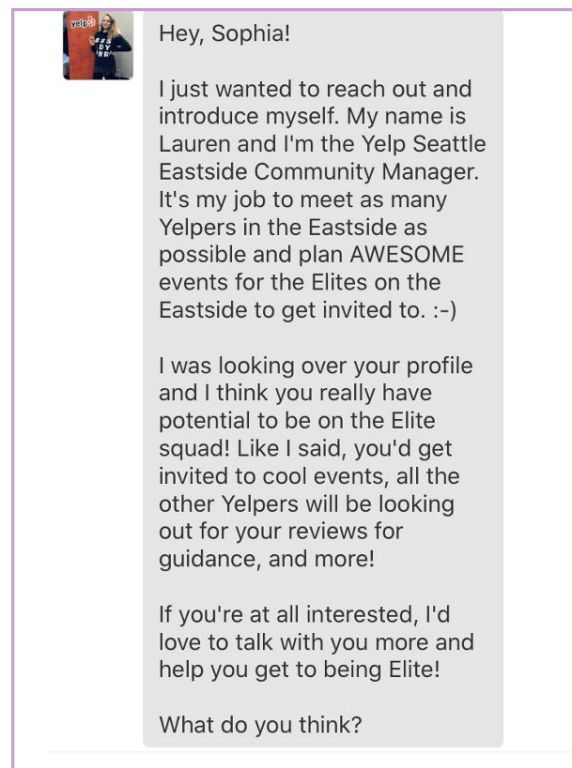*Swirl Frozen Yogurt, based in Lake Forest Park, WA, uses text messaging (SMS) to remind customers to come back with a special offer.*

Only 20% of brands use SMS to connect with customers, making text messaging a highly underutilized mobile marketing strategy. Marketers, especially those at brands with physical locations, could benefit from utilizing this channel for their loyalty and rewards program.

2. In-app messaging

Sometimes the best members of a brand community are customers you discover and curate. For instance, Yelp is a community that anyone can join and post reviews of local businesses. However, it also offers an Elite program, where the top reviewers get access to exclusive events and other perks.

While anyone can apply to be part of their local Yelp Elite Squad, below is an example of an in-app message sent to invite a long-time reviewer.

Hey, Sophia!

I just wanted to reach out and introduce myself. My name is Lauren and I'm the Yelp Seattle Eastside Community Manager. It's my job to meet as many Yelpers in the Eastside as possible and plan AWESOME events for the Elites on the Eastside to get invited to. :-)

I was looking over your profile and I think you really have potential to be on the Elite squad! Like I said, you'd get invited to cool events, all the other Yelpers will be looking out for your reviews for guidance, and more!

If you're at all interested, I'd love to talk with you more and help you get to being Elite!

What do you think?

Local business community Yelp personalizes an in-app message inviting a reviewer to join its Elite squad.

Instead of just relying on a voluntary application process, Yelp community managers keep track of who's writing high-quality reviews in their designated areas. Targeting specific reviewers and inviting them personally to join the Elite squad increases the community's exclusiveness.

3. Mobile push notifications

Some brands integrate their loyalty or rewards program through a mobile app so that marketers can message their customers using push notifications.

For example, Target lovers can join the Circle program, which gives customers 1% back on all of their purchases. However, anyone who integrates their Circle membership with the Target mobile app receives a higher level of personalization.
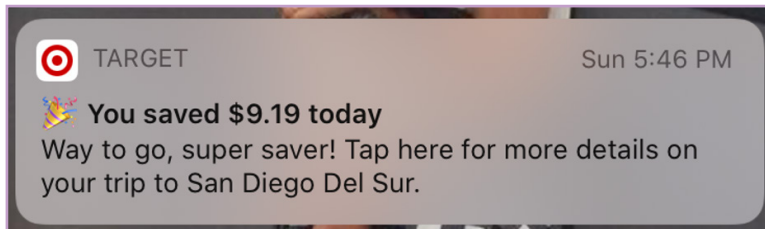
*Big-box retailer Target uses mobile push to engage
and reward its Circle program members.*

In this case, the above mobile push message rewards the customer for their visit to their local Target store and showcases the amount of money saved from their trip. Customers can then use the app to view their rewards balance, check out upcoming deals, or schedule a curbside pickup.

While Target has a strong e-commerce presence, their mobile app is designed to entice custom-ers to come in-store to do their shopping. Brands with physical locations can utilize mobile push the same way by offering exclusive perks and rewards for visiting a location or making it easy to order and pick up items curbside.
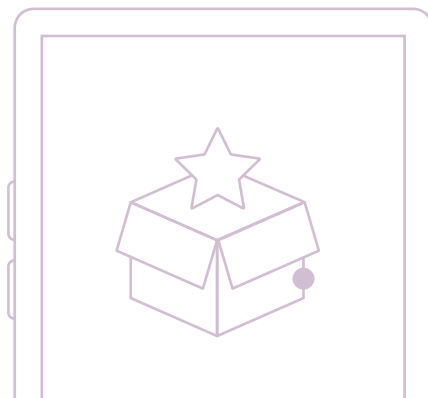
To Sum It All Up

Setting up a loyalty or rewards program for your best customers is a no brainer for any marketer.

However, it's more than just tracking what they spend or giving an exclusive discount— it's creating a brand community.

We at Iterable recommend using some or all of Charles Vogl's Principles of Belonging when creating your loyalty program and marketing campaigns.

The principles are:

1. The Boundary Principle
2. The Initiation Principle
3. The Rituals Principle
4. The Temple Principle
5. The Inner Rings Principle

And if your brand has a mobile app or wants to experiment with other cross-channel mediums, marketers can also utilize:

- **Text messaging (SMS)**
- **In-app messaging**
- **Mobile push notifications**

Now that you have the skills and knowledge to create an engaging loyalty and rewards campaign, what are you going to do to make sure your best customers aren't taken for granted?

About Iterable

Iterable is the growth marketing platform that enables brands to create, execute and optimize cross-channel campaigns with unparalleled data flexibility.

Leading brands, like Zillow, SeatGeek and Box, choose Iterable to power world-class customer engagement throughout the entire lifecycle.

Data Flexibility at Your Fingertips

Access real-time user, behavioral and event data to trigger personalized messaging at virtually unlimited scale. Support an audience of millions while appealing to each subscriber's unique preferences.

Unified Brand Experience

Orchestrate seamless customer engagement across email, mobile push, SMS, in-app, web push, direct mail and more throughout every lifecycle stage, from activation to re-engagement.
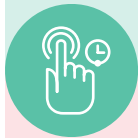
Agile Iteration & Optimization

Launch, measure and fine-tune campaigns with ease to deliver more relevant messaging faster than the competition. Experiment and iterate on-demand to determine the right content, channel and cadence for each user.

Customer Journey Mapping

Visualize the entire customer journey and build sophisticated, cross-channel segments and campaigns with Iterable's intuitive, drag-and-drop Workflow Studio.

If you want to learn more about Iterable, please request a demo:

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