

THE REAL VALUE OF VALUE EXCHANGE IN LOYALTY

THE AGE OF SHIFTING LOYALTIES

Imagine this: You return from a trip and discover your spouse has gone on vacation. Your best friend doesn't want to hang out. Your dog responds to someone else's call. You only left for a week, but the people in your life don't care. It sounds like a Netflix series. But to a savvy marketer like you, it also evokes an inconvenient truth about today's market—

Consumers are less loyal than ever.

According to a survey conducted by PwC, more than 25% of consumers stopped using or buying from a business in the past year, and the pandemic has only expedited that erosion. Compelled to change their shopping behavior and try new brands, consumers have tasted experimentation—and they can't get enough of it.

So, where does that leave loyalty programs?

25%+

of consumers stopped using or buying from a business in the past year

A NEW POWER IN LOYALTY MARKETING

In the age of shifting loyalties, loyalty marketing is the ace up the CMO's sleeve. When done right, loyalty programs deepen consumer trust because it shows you're listening to what people want. In a post-COVID world, consumer trust is marketing gold.

But the loyalty paradigm is evolving. To continue to succeed, brands need to be agile and focus on nurturing 1:1 relationships. And with third-party cookies on the way out, brands will have less data to create those authentic connections.

Here's where the shift to collect first-party data comes in: We found that 62% of marketers are doubling down on their first-party data strategies in order to mitigate the impact of third-party cookie (3PC) deprecation.

It's a good plan—but there's a catch.

62%

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WHY SHOULD PEOPLE SHARE THEIR DATA? VALUE.

A strong first-party data strategy depends on people actively giving you information about themselves. We know that consumers are more likely to share personal information and shopping preferences if a brand gives them something in return—but do brands create deep value from loyalty programs?

The Loyalty Academy's 2022 Digital Consumer Trends Index notes that 67% of consumers who frequently buy from the same brand say they're not necessarily loyal to that company—it's more habit than loyalty. This can happen because many brands equate loyalty with attractive point programs or cashback offers. What they should be focusing on is creating emotional connections with personalized experiences that go beyond the reward.

It's time to stop viewing consumers as part of a segment, instead of as individuals, and expecting sales and referrals in return. Loyalty marketers must start creating a true value exchange to get the data they need.

But before we explore that, why do we have such a lopsided reliance on points and cashback offers to create value?

The answer may lie in incentive bias.

67%

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THE EXTRINSIC INCENTIVES BIAS

A Stanford Professor asked a group of employees at Citibank to rank the motivations of customer representatives. They placed "amount of pay" and "fringe benefits" on top, and "learning new things" and "doing something worthwhile" down the list. However, customer reps placed "learning new things" and "doing something worthwhile" on top, and "amount of pay" and "fringe benefits" lower on the list.

The survey respondents were swayed by what consultant Chip Heath calls the "extrinsic incentives bias." When weighing the motives of others, we attribute more to extrinsic incentives (such as monetary rewards) than to intrinsic incentives (such as learning a new skill).

Odd, isn't it?

It's probably why points are the go-to loyalty approach. Points are valuable. But when your program is rooted only in extrinsic incentives, those incentives reduce loyalty to a cold, one-size-fits-all transaction.

Loyalty marketers have an opportunity:
Create emotive, personalized, win-win programs based on extrinsic and intrinsic rewards that treat users as individuals. It's about a stronger value exchange between you and your customer.

THE SCIENCE OF THE EXCHANGE

Like the classic Rembrandts song says, “I’ll be there for you, because you’re there for me too.” We’ve discussed why strong partnerships need a value exchange. Loyalty marketing is no different.

Mary Pilecki, VP Analyst, Forrester, has said, "Many customers want value in exchange for sharing their personal information. Loyalty programs support this by offering some sort of currency, such as points, miles or experiential rewards like personalized offers or early access to new products."

Pilecki also found that 68% of consumers think it’s worth sharing personal information in exchange for relevant offers, recommendations and discounts.

So, what do consumers value? Maybe this is a better question to ask: Can we give each customer what they value and get something valuable in return?

Yes, we can.

64%

of consumers were happy for a company to collect info on shopping behaviors and personal preferences in return for “relevant and timely offers.”

76%

were very reluctant to hand over data without a “proper loyalty program in place.”

VALUE-LED LOYALTY AT SCALE

Relevant, profitable value exchange is possible. It begins with our 3 Loyalty Truths.

Truth #1: Every customer has potential value for your brand.

One customer may visit your business regularly. Another may be sporadic but generates big spend. Another may spend very little but refers all their friends. Whatever their engagement with your brand, each one brings their own potential to your future relationship.

Truth #2: Every customer wants additional value from your brand.

It could be rational or emotional. Rational drivers include savings, benefits and perks. Emotional drivers include excitement, compassion, exclusivity and recognition. Each customer needs both.

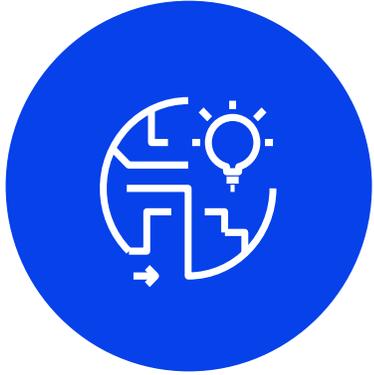
Truth #3: The role of today's loyalty program is to facilitate this exchange.

When you personalize your loyalty program at scale, you'll increase your sales, retention and advocacy. And consumers will fulfill their rational and emotional needs through offers and experiences.

Epsilon facilitates the value exchange with [Epsilon PeopleCloud Loyalty](#).

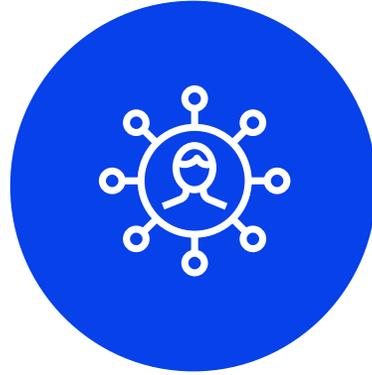
Over time, value-led loyalty helps brands acquire, engage and retain consumers. If that sounds like brand building, that's because it is. In the age of shifting loyalties, value-led loyalty evolves from a CRM function into a brand advocacy program.

HOW DOES IT COME TO LIFE?



ANTICIPATE

consumer needs
based on insight



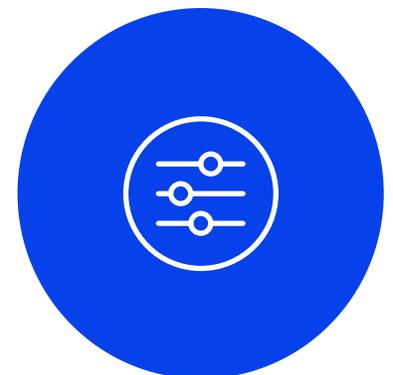
ACTIVATE

omnichannel programs on
tech platforms



PROVE

it works with
accessible evidence



OPTIMIZE

the program based on
that evidence

Let's see how it could work with Anita, a retail customer and loyalty program member.



Meet Anita. She's part of your apparel brand's loyalty program. She's a regular spender, but her response to your points has been lukewarm.

What can value-led loyalty do differently?



Step 1: Anticipate what Anita wants

Know Anita better through data and research that goes beyond her brand behavior. What lever of value exchange will resonate with her?

Traditional loyalty

Treat Anita as another member of the loyalty program

Broad profile:
35, female, HR manager

Target her with points & cashback offers

No objective or value assigned

Epsilon value-led loyalty

Segment Anita per share of wallet: A “Best Customer” who will respond to emotional engagement

Rich profile:
35, female, HR manager
\$70,000 salary
Likes literature & classical music
Has a 7-year old
In the market for kids’ shoes

Plan to reach her with the levers of “Exclusivity” and “Encouragement”

Set an objective with a revenue value



Step 2: Activate programs to meet Anita in the moments that matter

Now that we know Anita better, we can design relevant offerings and engage her across channels at at significant moments in her brand journey.

Traditional loyalty

Anita's birthday is coming up. Wish her a happy birthday on SMS and/or offer 10% off on her next meal.

Anita has been looking for kids' shoes but hasn't pulled the trigger.

We lose Anita when she doesn't check her email.

Our loyalty activities don't speak to one another.

Epsilon value-led loyalty

Anita's birthday is coming up. She's a "Best Customer." She likes literature, Send her tickets to the Times Lit Fest.

Anita has been looking for kids' shoes. Now is the time to show her relevant offers. Also, can we cross-sell kids' socks?

We seamlessly track Anita as she switches from email to social media to open web and send her relevant offers.

We have an integrated loyalty experience keeping Anita in the middle, no matter the channel.



Step 3: Prove it's working for Anita and keep upping the game

Measure the value delivered to Anita and the brand, and refine the approach with insights.

Traditional loyalty

We've spent \$5,000 on Anita this month, and we think it may have worked.

We've been using the same means to target Anita all these years.

We think Anita may be happy.

Epsilon value-led loyalty

We've spent \$5,000 on Anita this month, and we know it worked because she attended the Times Lit Fest, tagged 6 friends and her ticket size went up to 20%.

This year, we expanded our profile of Anita. We know she doesn't respond to email so we target her mostly on Facebook.

Anita's NPS score went up by 8% this month.



Step 4: Optimize

Optimize performance, surpass program KPIs and enrich Anita's profile for future activations.

Traditional loyalty

Let's review this at our next biannual program review.

Our program did not perform as expected.

Epsilon value-led loyalty

We see a spike this week; we're exceeding our goals. How do we leverage this further?

We hit targets across our segments and got an overall increase in revenue. But we've also identified improvement areas when engaging our "new member" segment.

BUT WILL ALL THIS CHANGE MY BOTTOM LINE?

Yes. As it activates relevant programs for thousands of consumers like Anita, value-led loyalty unlocks significant financial and marketing value when done right. It will let you:

Be specific about marketing goals

Traditional loyalty programs use a one-size-fits-all approach. As a result, they have one-size-fits-all expectations. In value-led loyalty, you deploy data and technology to be highly specific about the value you expect from members, at the segment level. You can:

- Identify target segments like "Best," "Consistent," "New," "Switcher" and "Lapsed" based on analytics—and create different strokes for different folks!
- Decide the value opportunity from each segment based on share of wallet: higher spend, repeat purchases, more retention and more advocacy.
- Define objectives by segment

Quantify and measure value from those goals

There's an old saying: "Half my marketing money is wasted; I just don't know which half."

With value-led loyalty, say goodbye to such efficacy questions. Now you can quantify the expected value from Anita's segment. Say, three million dollars. You can measure it to see how you're doing and optimize programs and returns to get closer to your financial goals.

As a result, marketers get specific, substantial and measurable financial returns.

APPROACH EACH CUSTOMER DIFFERENTLY

Define Target Segments

Epsilon PeopleCloud Loyalty segments
Analytics
Stakeholder discovery

Define Value Opportunity

Brand & Program Strategy
Known customer data
Share of wallet data

Set Specific Objectives

Epsilon PeopleCloud Loyalty goals & alerts
Analytics

Quantify Expected Value

Analytics Finance

	BEST	CONSISTENT	NEW	SWITCHER	LAPSED
					
OPPORTUNITY					
Acquisition	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Frequency	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Spend	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Retention	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Advocacy	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reactivation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
OBJECTIVES	Extend Best customer retention by 5%	Increase average spend for 10% of segment by 10%	Grow the program to 2M active members	Convert 10% of Switchers to Consistent	Reactivate 5% of lapsed customers
VALUE	\$3M	\$5M	\$3M	\$12M	\$1M

VALUE-LED LOYALTY IN ACTION

The challenge

A B2B2C brand needed to find a way to build relationships directly with their consumers so they could improve brand perception and directly reach consumers for their new online store.

Our solution

First, we got the house in order. We helped bring 51 data sources into one customer data platform (CDP) and used strategic services to build a data model on consumers. Then we used rich first-party data to grow their database to 32+ million consumers. Our client is enjoying fantastic success with their online shopping platform, with a **12% increase in basket size in just 18 months.**



VALUE-LED LOYALTY IN ACTION

The challenge

A retail client was supporting their loyalty program using an internal, homegrown solution that was inflexible and difficult to update. Due to the pandemic, they were seeing rapid growth and a major shift in the digitization of their business. They were looking for new and exciting ways to engage with their customers using personalized, cross-channel experiences.

They needed a highly flexible and configurable loyalty solution that was easy to use and could support points, tiers and personalized experiences.

Our solution

We integrated the retailer's solution into internal and third-party systems and provided an easy engagement engine so they could launch and test significant new functionality. Their enhanced loyalty program was launched with Epsilon PeopleCloud Loyalty in just four months. **It converted 20 million active customers** and provided immediate support for enhanced experiences across points, tiers and soft benefits.

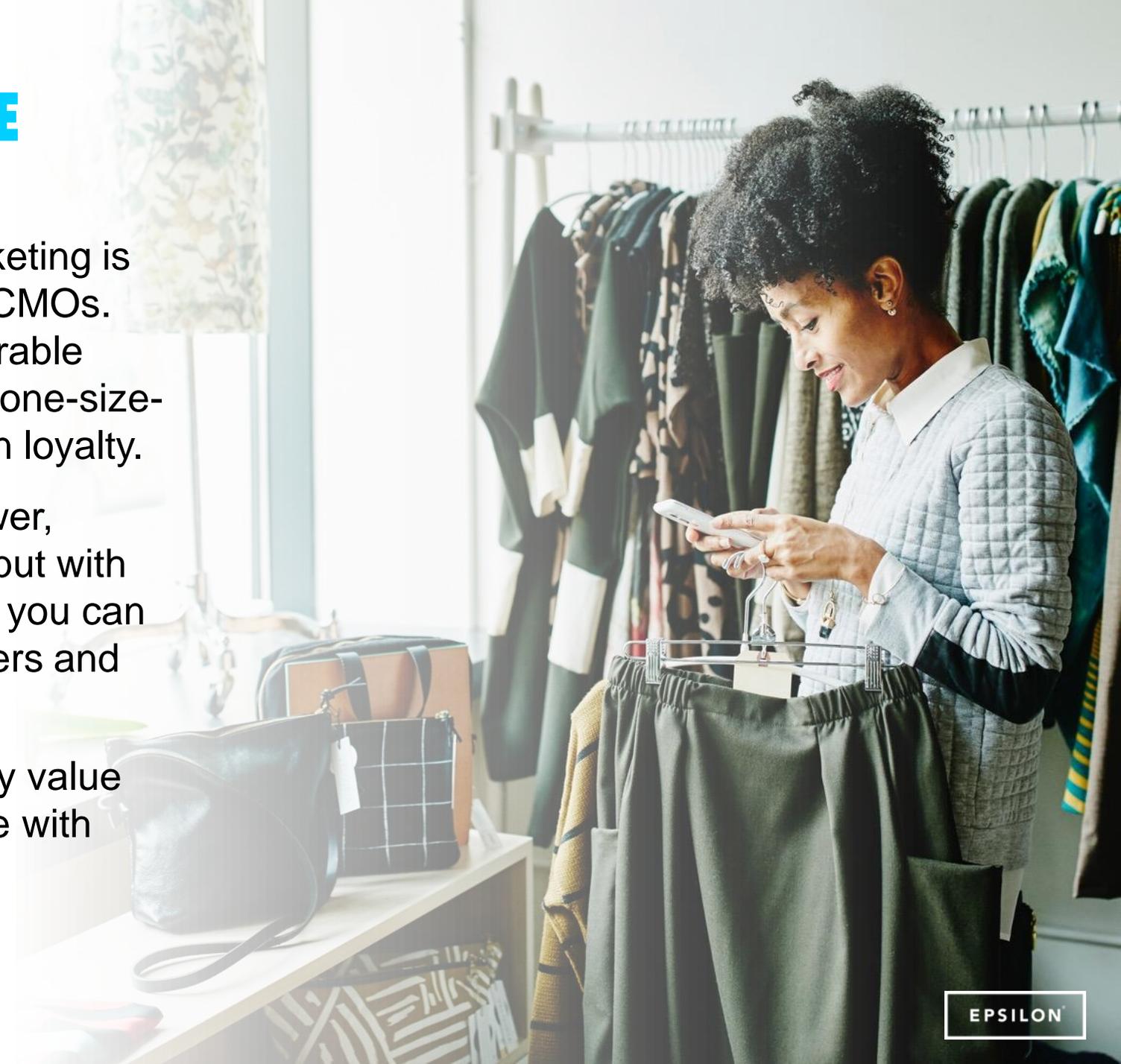


LET'S REIMAGINE LOYALTY THROUGH VALUE EXCHANGE

In the age of shifting loyalties, loyalty marketing is emerging as a competitive advantage for CMOs. There are specific, substantial and measurable gains for marketers willing to look beyond one-size-fits-all programs and embrace value-driven loyalty.

Of course, it'll take data diversity, tech power, strategic acumen and creative dexterity—but with the right partner to help you orchestrate it, you can build a program that delights your customers and scales your base.

Let's tap into the science behind the loyalty value exchange and make consumers fall in love with your brand again.



ABOUT EPSILON

Epsilon is a global advertising and marketing technology company positioned at the center of Publicis Groupe. We connect advertisers with consumers to drive performance while respecting and protecting consumer privacy and client data. Epsilon accelerates clients' ability to harness the power of their first-party data in order to enhance, activate and measure campaigns with confidence. We believe in an open, privacy-first advertising ecosystem. Over decades, we've built the industry's most comprehensive identity graph to give brands, agencies and publishers the ability to reach real consumers across all channels and the open web. For more information, visit epsilon.com.