

The loyalist: leveraging relationships with existing customers to increase ROI

Data analysis and best practices for email marketers looking to engage existing customers



An Experian white paper

**SHE IS EASY TO PLEASE.
CALL HER BY ANOTHER NAME AND
SHE'LL QUICKLY TURN TO ANOTHER.**



The loyalist

Why customer loyalty matters

It's no secret that a large percentage of a businesses revenue comes from existing customers and that new customers are expensive to secure. It will always be important to acquire new customers, but to promote up-sell and cross-sell opportunities, build brand advocacy, and maximize long-term sales, businesses today also need to leverage relationships with existing customers and focus on programs that encourage customer loyalty.

Surprisingly, in a recent Experian QAS study, only half of the respondents stated that their organization has a customer loyalty program. However, 63 percent of organizations were found to track the lifetime value of each customer, and 72 percent see the value of those customers increasing over time. Tap into this powerful revenue stream by creating effective email campaigns that empower customers to become vocal brand advocates and deliver a strong return on investment.

Gaining deep consumer insight and combining this knowledge with email trend data and best practices can significantly improve customer engagement through loyalty-based email marketing. This paper covers loyalty-based consumer trends, email benchmark information and data-driven tips for marketers across industries.

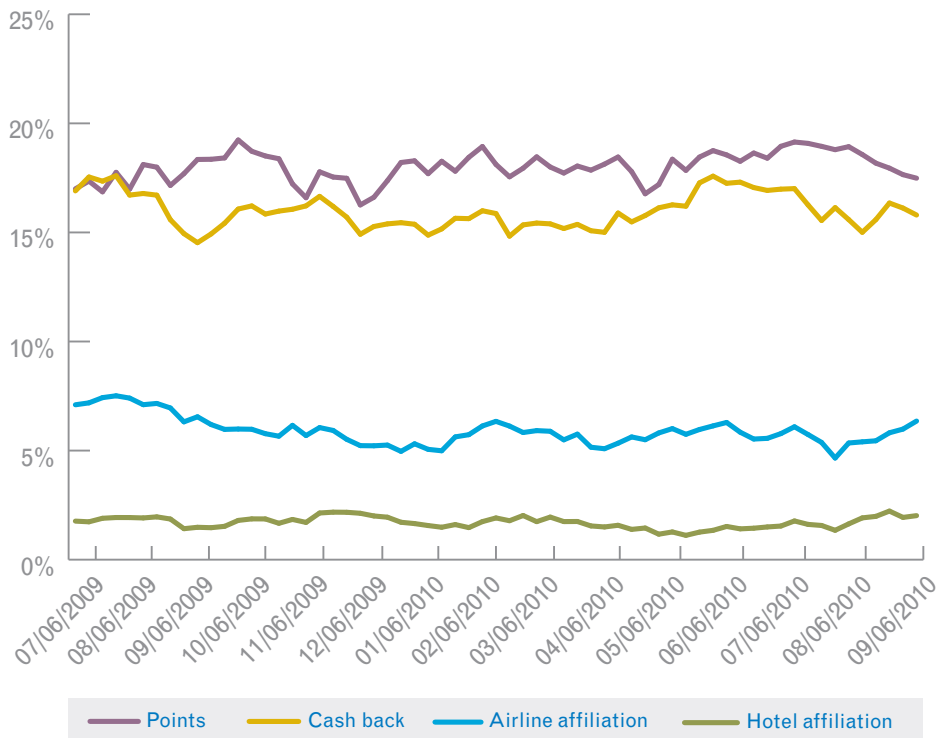
Most consumers today are not as brand-loyal as they were in the past

Recent changes in consumer buying attitudes have forced businesses to rethink targeted-marketing strategies over the past couple of years. Brand loyalty has diminished based on economic circumstances and the transparency of the Internet, making it easier to comparison shop. Given today's competitive environment where even the most loyal consumers are likely to stray — marketers must work smarter to develop points and rewards programs that motivate and encourage customers to remain.

Points remain more important for credit card users than airline or hotel affiliation

Points are actually a more attractive incentive to consumers than some marketers may expect. The most popular types of credit card affiliation among U.S. adults are for points (18 percent) and cash-back (16 percent), whereas airline (6 percent) and hotel (2 percent) affiliations are less prevalent.

Percent of U.S. adults by major credit card affiliation/sponsorship



Source: Experian Simmons

SHE IS PARTICULAR. SHE IS FAITHFUL. SHE DOESN'T LIKE CHANGE.
**STOP GIVING HER WHAT SHE WANTS,
AND SHE WILL QUICKLY TURN TO ANOTHER.**



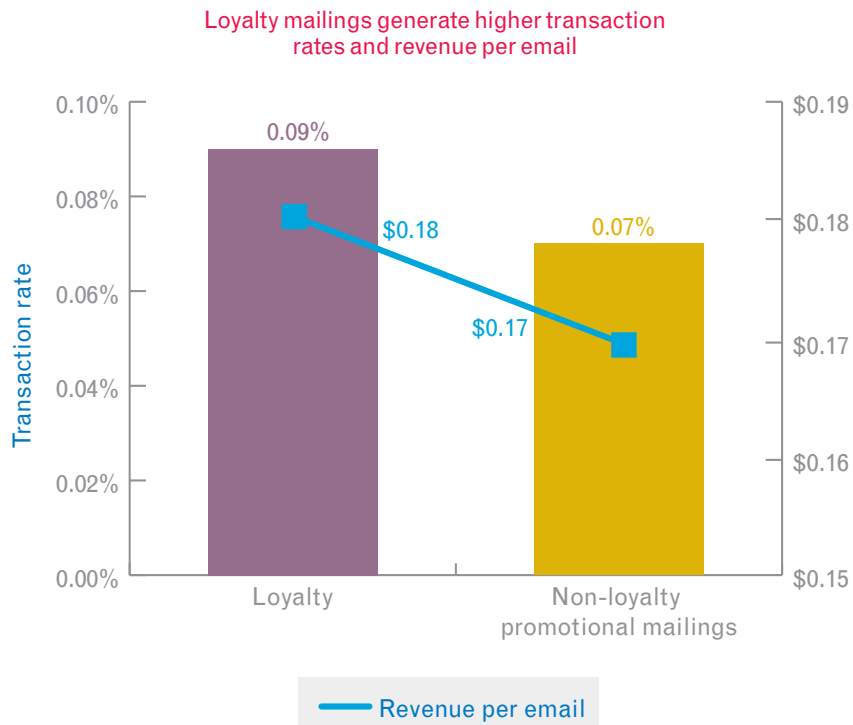
Email can play an important role in optimizing customer loyalty

By leveraging email to communicate with loyalty members, your business can benefit from extensive opportunities for enhanced customer relations and generate increased revenue.

Many loyalty-focused campaigns span the entire customer life cycle, from the initial entry to program renewal notifications and reminder messages. They also tend to perform better than standard promotional mailings in terms of customer response and revenue.

Emails targeted to current loyalty program members outperform bulk promotion mailings

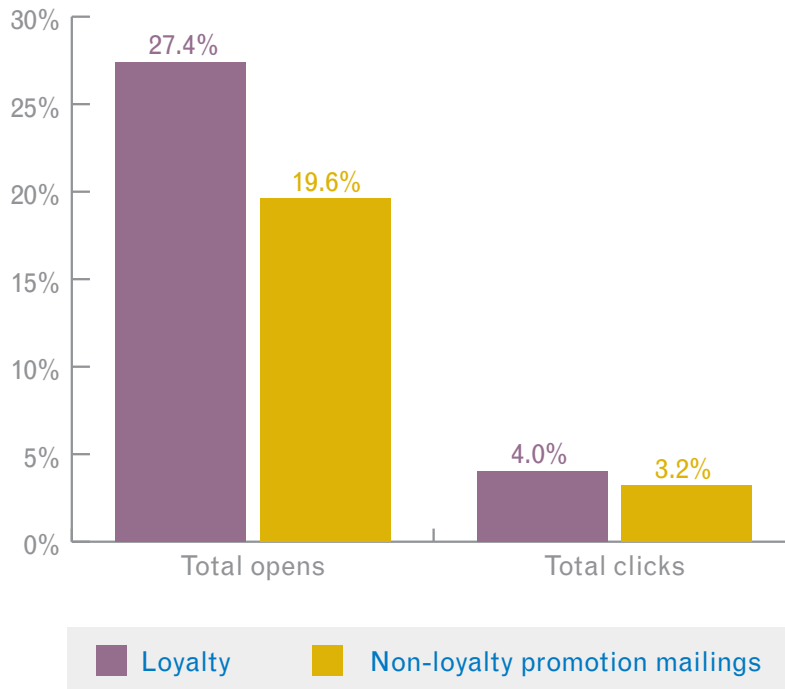
In comparison to bulk campaigns, emails targeted to current loyalty program members have 40 percent higher open rates; 22 percent higher click rates; and transaction rates and revenue per email that are 29 percent and 11 percent higher, correspondingly.



Source: Experian CheetahMail

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Loyalty mailings boost open rates by 40 percent and click rates by 22 percent

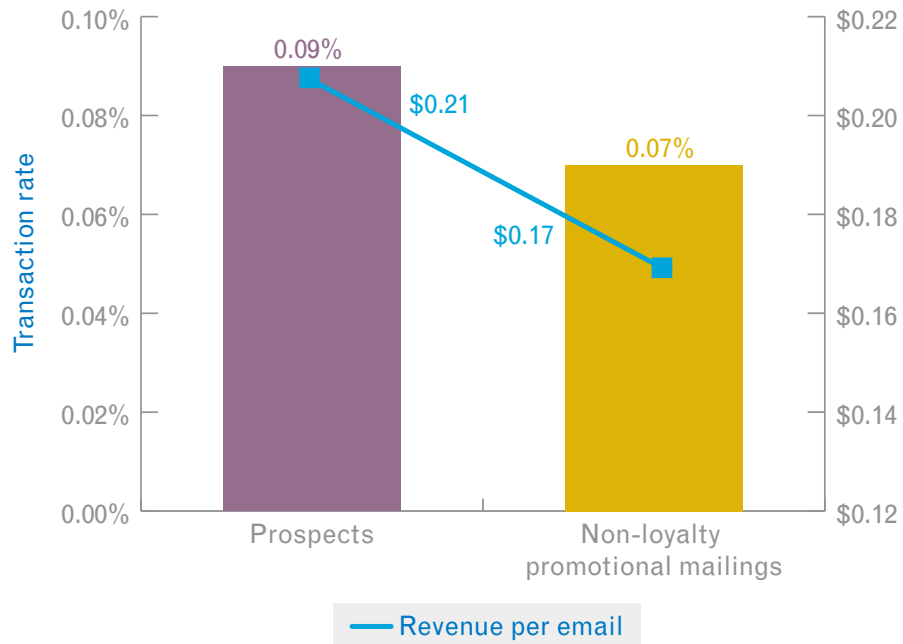


Source: Experian CheetahMail

Loyalty programs engage prospects

Mailings targeting prospects with an invitation to join a loyalty program tend to outperform the promotional mailings for the same businesses with a 28 percent lift in transaction rates and 25 percent higher revenue per email.

Sending loyalty mailings to prospects also boosts transaction rates and revenue per email



Source: Experian CheetahMail

Many types of loyalty programs perform well

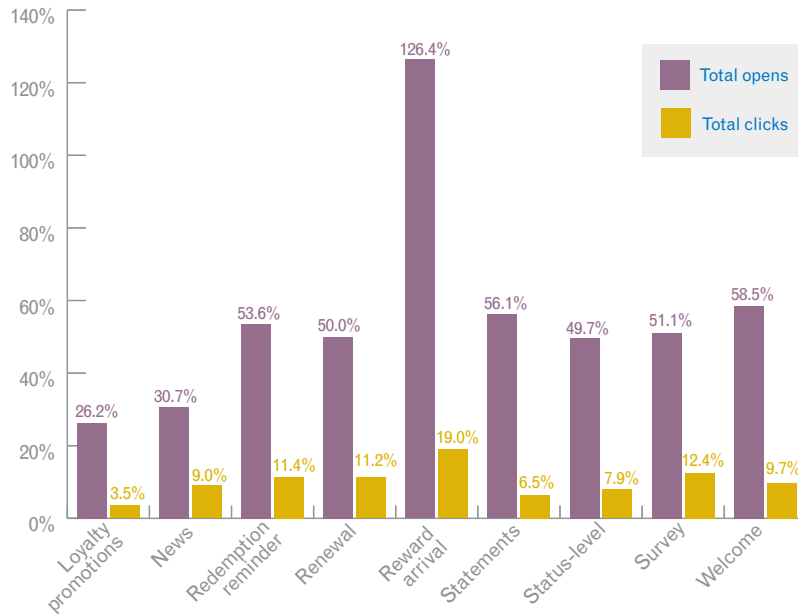
Loyalty programs provide a unique opportunity to have an ongoing dialogue with your most highly engaged customers and brand enthusiasts.

Today's savvy marketers leverage the low cost and effectiveness of email by deploying a variety of loyalty-based email communications.

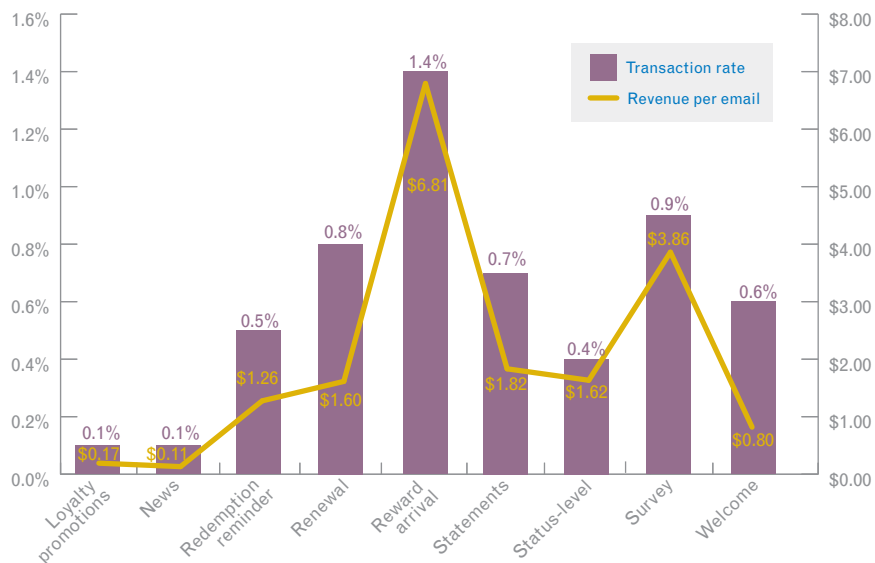
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Listed below are nine mailing types that collectively provide a platform for achieving high loyalty program results.

Many types of loyalty mailings have high open and click rates



Loyalty mailings provide opportunities for outstanding transaction rates and revenue per email



Source: Experian CheetahMail

HE IS DEVOTED. HE IS SHARP. HE PREFERS ROUTINE.
KEEP YOUR END OF THE BARGAIN,
AND HE'LL NEVER STRAY.



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Promotional Loyalty Mailings

Clean, simple designs with clear short messages work well for promotional mailings.

The image shows a promotional email from JCPenney. At the top, the JCPenney logo is displayed with the tagline "Every Day Matters". Below the logo is a navigation bar with links for women, men, teens, kids, baby, shoes, jewelry, home, outlet, and stores. There are also links for AMERICAN EXPRESS, SEPHORA, today's store ad, store locator, and gifts + registry. The main content area features a red banner that says "mark your calendar!" followed by the JCP rewards logo. Below this, it states "JCP Rewards members earn double points march 30 - april 4". A woman is shown sitting on a white sofa, wearing a colorful floral top and blue jeans. Another red banner says "it's our way of saying thanks — earn double points during our appreciation days event". Below this is a black banner with white and yellow text: "SNEAK PEEK TO APPRECIATION DAYS april 1-4" and "extra 15% off in-store only" with a "print in-store coupon" button. A blue banner at the bottom says "share this email with a friend". At the very bottom, there is a section for "Your JCPenney Account — Online!" with a link to "Click here to be the first to know!".

Website navigation

Clear rewards benefits

Online account information

Newsletters

Newsletters work as a means of providing offers, membership information and highlights of upcoming events.

Redemption reminders

With average revenue per email of \$1.26, redemption reminders are clearly worthwhile ways to remind members to redeem their miles or points, keep them informed of other offers and note other program benefits. Delta nicely highlights the benefits of redemption and includes partner offers as part of this email.

The image shows a screenshot of a Delta SkyMiles email. At the top, there is a navigation bar with the Delta logo and links for 'Share', 'Add to Address Book', and 'SkyMiles® #'. Below this is a menu with 'delta.com', 'Award Travel', 'Check in', 'Earn Miles', and 'Account History'. The main heading reads 'REDEEM FOR MILES AND EARN A BONUS'. The primary offer is 'Earn a 25 percent bonus when you redeem your e-Rewards Currency for miles.' with a 'Redeem Now' button. A personalized salutation 'Dear . .' is followed by the offer details. A list of redemption options is provided: 500 miles for 125 bonus miles, 1,000 miles for 250 bonus miles, and 2,000 miles for 500 bonus miles. A 'Redeem Now' button is repeated below the list. A secondary navigation bar includes 'Earn Miles with Partners', 'Car Rental', 'Credit Card', 'Hotel', 'Check Card', 'Retail & Dining', and 'Other'. Two partner offers are featured: 'Give A Spa Gift And Earn Miles With Spafinder.com' and 'Earn Up To 60,000 Bonus Miles With Marriott Rewards'. Callout boxes on the right side of the email point to various elements: 'Website navigation and links to account information' points to the top navigation; 'Redemption instructions and a second link to redeem' points to the main offer and the second 'Redeem Now' button; 'Extra benefits for redemption and a clear link to redeem' points to the list of redemption options and the second 'Redeem Now' button; and 'Related offers' points to the partner offers at the bottom.

Website navigation and links to account information

Redemption instructions and a second link to redeem

Extra benefits for redemption and a clear link to redeem

Related offers

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Statements

Statements can be the heart of a good loyalty program, with double the open rates and 10 times the revenue per email of loyalty promotional mailings. It is a best practice to provide clearly defined account information, reward or point value or certificates earned, as well as new offers to continue to engage your members.

Reward arrival

Members like receiving rewards. On average, emails announcing reward arrivals have the best performance of any loyalty mailing type, with five times the open rate and 15 times the transaction rate of loyalty promotional mailings.

The image shows an email from Aersoles VIP Rewards. The header includes the logo and a "start shopping now!" link. The body of the email congratulates the member on earning a reward certificate and provides instructions on how to redeem it. Below the email content is a \$10 reward certificate with a member number, coupon code, and catalog information. A callout box points to the "start shopping now!" link, and another callout box points to the reward certificate, stating that multichannel benefits can be redeemed in-store, online, or through the catalog.

AEROSOLE'S VIPREWARDS start shopping now! [Website link](#)

Dear Member,

Congratulations, you have earned your exclusive Aersoles VIP Rewards certificate(s)! Start shopping today and redeem your certificate(s) at any Aersoles Retail Store, Outlet, Aersoles.com or our Catalog call center 1-800-798-9478.

To redeem your certificate(s) in store, just print out this e-mail and bring your certificate(s) in to any Aersoles location. For online/catalog redemptions, please use the CERTIFICATE NUMBER(S) during checkout to redeem your Reward(s).

Thank you for being a valued Aersoles VIP Rewards member!

AEROSOLE'S VIPREWARDS Member

Member, you've earned a **\$10** reward certificate EXPIRES 9/30/09

CERTIFICATE NUMBER:
(for online & catalog redemption)

MEMBER# [Barcode]
COUPON CODE# [Barcode]
CATALOG [Barcode]

Use this certificate in any U.S. Aersoles retail store, outlet, aersoles.com or via the Aersoles call center. Use is subject to the Terms & Conditions of the Aersoles VIP Rewards Program. Rewards can only be redeemed by the member to whom they were issued. Each reward is valid for one use only. Maximum of 3 Rewards may be redeemed in the same transaction. There are no credits issued for Rewards. Not valid on Aersoles merchandise sold in other stores. Cannot be used towards previous purchases or gift cards. Reward(s) must be surrendered at the time of purchase. Employees of Aersoles are not eligible. Rewards may not be applied as payment to any account. Cash value 1/100 cent. Other restrictions may apply. Void if sold, duplicated, or reproduced and where prohibited.

Multichannel benefits: rewards can be redeemed in-store, online or through the catalog

Surveys

Loyalty members can be great resources for obtaining valuable customer feedback on products and services, as well as opinions on new products or proposed events. Surveys are second only to reward arrival mailings in performance, with double the open rate, three times the click rate and nine times the transaction rate of promotional loyalty mailings.

Following proven best practices can significantly deepen customer engagement through loyalty-based email marketing

Engage loyalty members throughout their life cycle

A good loyalty program is more than a simple sign-up and special offer. From the initial welcome campaign on, there are a number of triggers, such as redemption reminders, reward arrivals, status and renewals, related to loyalty activity when brands can engage with members. The loyalty messaging can also be incorporated dynamically into all other email communications, including promotional emails, newsletters, monthly statements and surveys to enhance member engagement with your brand.

Clearly present account information

Enhance your members' experience by prominently including account details and defining member benefits on statements, particularly the loyalty number. Account links can also be placed on other types of loyalty mailings to reinforce the benefits of your program.

Include offers

Account management emails do not need to be limited to text. Including HTML offers in mailing types such as statements, renewals and status changes can provide effective ways to increase brand awareness and generate transactions.

Clearly communicate program benefits

To remain active in your loyalty program, members need to understand, and be able to take advantage of, the benefits of the program. Make reward benefits clear in all of your loyalty communications as well as including reminders in your main email communications, so that your members perceive the special attention and reward values that will keep them committed to your brand.

Conclusion

Creating a successful customer loyalty campaign can be challenging, especially as consumers engage with new technology and competition stiffens across industries. To move marketing forward, overcome today's obstacles and build programs that are worthwhile to your customers as well as your business, and remember to strategically incorporate data analysis and key trends into your loyalty-based marketing strategies. Arming yourself with the right data and expertise will deepen customer engagement and increase ROI now and into the future.

Email data in this report was collected by Experian CheetahMail, based on the email campaign performance of 80 clients with loyalty email programs from January of 2009 through June of 2010. Over 5,600 transactional emails were compared to the bulk campaigns by client for the same time period.

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