

# ALONG THE CONTINUUM TO LOYALTY:

## WHAT EVERY BRAND SHOULD KNOW

### WHITE PAPER

# INTRODUCTION

In today's increasingly competitive retail landscape, marketers are continually searching for the most effective way to attract and retain customers. But standing out and being noticed on the shelves, in the aisles and along e-pathways is getting harder and harder. Consumers are bombarded by generic offers and deals, and now tend to tune out the cacophony. Led by millennials, they expect brands to engage them in ways that show a true understanding of their needs – and offer more value in order to ensure their time, money and loyalty.

Loyal, repeat customers are the foundation on which profitable businesses are built, but in order to cultivate such loyalty, brands have to create mutually beneficial relationships that inspire customers to advance from an initial transaction (the sale of a product or service) towards regular interaction. Along this loyalty continuum, three key components play important roles in a brand's efforts to cultivate long-term allegiance<sup>1</sup>: **Promotions, Continuity Initiatives, and Loyalty Programs**. In order to help our brand and agency partners better understand these core elements and their particular strengths and weaknesses, we've put together a marketer's guide to the Promotion-to-Loyalty Continuum.



## PROMOTIONS

Promotions are limited time offers (“for this week only!”) that are designed to boost sales, reduce inventory, and introduce customers to new products and services. Examples include ‘Buy One Get One Free’ tactics, sweepstakes and instant-win offers, but price-based promotions are by far the most common types — according to the Promotion Marketing Association, **over 76% of shoppers use discount coupons or promo codes** when they shop.<sup>2</sup> But although they’re easy to implement, these promotions are difficult to do right.



## Why They Work

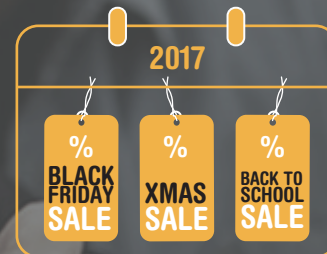
### Quick and Easy Way to Drive Sales

**80%** of shoppers would **switch stores or brands** if offered a compelling promotion.<sup>3</sup>



This is why price-based promotions are so often used – and for good reason. They drive short-term sales by triggering a sense of urgency, and since everybody does it, consumers have come to expect them.

### Flexible to Execute During Key Periods



These promotions are often tied to specific promotional windows or retailer promotional periods during which time consumers are accustomed to being presented with new and exciting offers. Brands can take advantage of interested audiences to introduce them to new products or to participate in new engagement programs.

### Cost Less to Implement

These kinds of promotions are simple and cost-effective to get up and running, and since they’re short-term in nature, require minimal planning and supervision as compared to longer term initiatives.



Cost-effective



Short-term



Low Supervision

# Why They Don't Always Work

## Price Promotions Make Consumers Offer-Oriented

PREFERRED BRAND



DIFFERENT BRAND RUNNING A PROMOTION

Discount-based promotions condition consumers to buy only during sales, and to buy in bulk at those times. **Product differentiators become less important than cost**, making consumers much more likely to switch between brands just to get a good price.<sup>4</sup>

## Fleeting Promotional Effects

PREFERRED BRAND

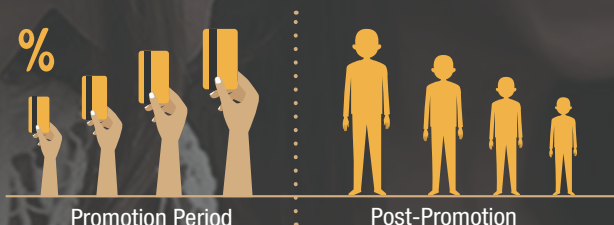


PROMOTION ENDED

**Most promotions have only fleeting effects**, with customers quickly returning to their old spending habits and patterns after the promo period. Sales ultimately drop back to normal levels.<sup>5</sup>

## Limited Consumer Brand Affinity

%



**Low prices** may stimulate more sales transactions for the short-term, but with the limited engagement that these promotions allow, they **have little effect on overall brand loyalty**.<sup>6</sup>

## Limited Customer Data Capture



The effectiveness of these promotions on building brand relationships in any way is hard to measure since they capture little data, and marketers can't draw insightful conclusions. For example, **a steep price discount would increase sales, but may not reflect high-value consumers, or differentiate between new and loyal ones.**

## Race to the Bottom

**Short-term promotional strategies can ultimately create more loss than gain**, creating a focus on beating rival offers instead of adding value to customers. In a typical supermarket, as many as half of the items sold are the subject of a promotional campaign, most of which lose money. A Nielsen study in 2015 found that 67% of trade promotions don't break even.<sup>7</sup>



**67%**  
of trade  
promotions  
don't break even



# The Bottom Line: When to Implement

Promotions are ideal tools for brands when the objective is to:



To drive short-term basket increases



Reduce the barrier to entry for consumers



Encourage direct trials of products



Test new program/ reward configurations

## Case Example

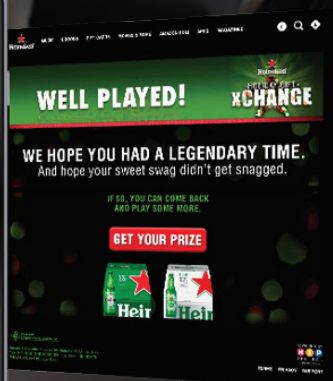
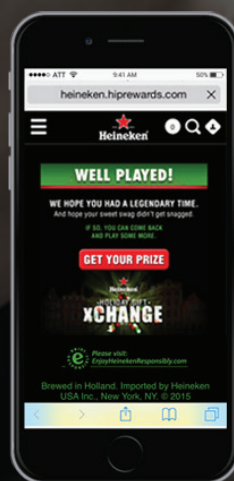


**BUY** at least (1) qualifying product  
**SNAP** a pic of your receipt  
**WIN** and share prizes



Heineken launched a short-term reward-based promotion on Snipp's **SnippCheck** and **SnippRewards** platform to generate shopper excitement around gifting and engaging with friends and family around the holiday season.

Consumers who purchased at least one qualifying product could, by submitting a picture of their receipt via text, receive a Gameplay Code and link for a chance to win a number of prizes.





# CONTINUITY INITIATIVES

Continuity initiatives refer to the kinds of frequency purchase programs and activities that could span up to 6 months, with the goal of driving a more interactive and data-driven customer relationship through repetitive contact.

Examples include purchase punch cards (Buy X Units, Get X Credits), purchase thresholds (Spend \$X, Get X Credits) and purchase points with a catalog (Earn 1 point for every \$1 spent within the program period.)



## Why They Work

Encourage More Consumer Interaction with a Brand for Extended Sales Lift

Allow Brands to Test Out Loyalty

Incentivize purchase for the fourth time

59% chance they'll return again.



By taking people on a journey from a very light touch interaction all the way through to a frequency purchase-based engagement, these initiatives create a more sophisticated path to purchase. The main underpinning of these programs is to encourage the second sale of a branded product or service, which makes it increasingly possible to then create a long-time customer. According to research, by the time a brand has incentivized a consumer to purchase for the fourth time, there's a 59% chance they'll return again.<sup>8</sup>



Continuity initiatives can be a lower-cost way for brands to experiment with loyalty strategies, before taking the investment leap to a full evergreen loyalty programs. Such interim initiatives can be experimental and innovative in their structure to assess the effectiveness of program variables - locations, times of year, amounts or product baskets - on customer behavior. By actively seeking out customer input and feedback, brands can also learn which rewards and benefits are most valued, equipping all future loyalty plans with valuable information from the outset.



## Collect Customer Data for Better Consumer Insights & Engagement Opportunities

By boosting customer engagement over a longer term, **continuity initiatives allow more customer data to be collected** – which allows for more personalized offers or incentives to be made available.

Mobile punch cards, for example, can have built-in data analytics and location sensing tools, which allow marketers more opportunities to engage customers beyond the punch. With location based geo-targeting, for example, a customer in range of the punch card brand location could receive a real-time special promotional offer on a complementary product, encouraging wider sampling within the brand. Such initiatives can expand a customer's experience of the brand, and also encourage entry into loyalty programs down the line, driving higher participation and value over time.



## Why They Don't Always Work

### Delayed Rewards and Gratification



Unlike the immediate gratification from a promotion, the **rewards from such initiatives have to be accrued over time, which requires a level of patience and dedication on the part of the consumer**. And unlike loyalty programs, where long-term participation is encouraged through high-value reward offerings, continuity initiatives are not backed by similar levels of investment for incentives. While many customers may increase their purchase frequency and maintain their motivation for the initiative, it is also possible that loyalty may be short-lived among other customers for whom neither the time frame nor reward offering may be sufficiently enticing.

### Longer Term Maintenance & Supervision



These programs are longer term by nature, and can extend over months. **Maintaining the program takes more effort than a short-term promotion**, requiring appropriate staffing and resources to track customer progress and remind them to continue their participation.



## Data Capture is Greater – But Not Differentiated



Frequency purchase programs tend to have limited differentiation between products within the program – customers receive points, or punches, for a variety of small or large value products. **This doesn't provide the level of information that marketers ideally need, such as granular customer preferences, complementary purchases made, etc.** Receipt processing data does address this information gap, but by nature is short-lived and captures only a moment in a customer's life.

## Consumers May Take Advantage of the System



Such programs are open to **customers trying to increase their points by purchasing low cost options at greater frequency** – allowing them to reach the reward offers faster, but providing little gains for the brand in terms of higher volume sales, or valuable information on the customer. Starbucks recently revamped its points program to try and combat this outcome.

## The Bottom Line: When to Implement

Brand objectives are to:



Start building consumer profiles and gather insights about consumers (though not as deep as loyalty programs)



Experiment with reward types and offers



Encourage trial of new products



## Case Example

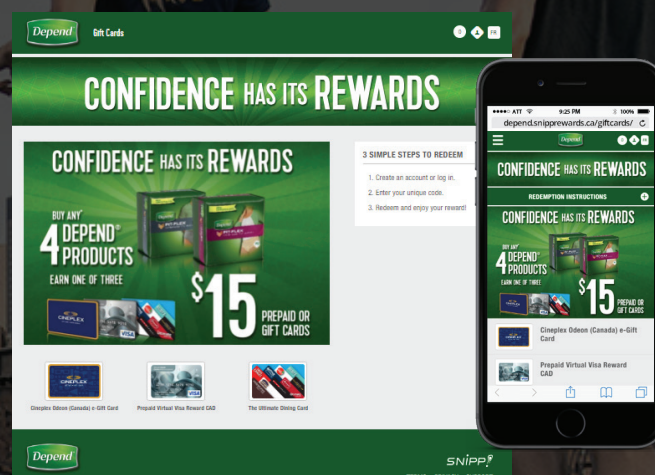


CONFIDENCE HAS ITS REWARDS



Kimberly Clark wanted to run a promotion for its adult brand Depend, incentivizing consumers to choose it over less expensive competitors. With the goal of improving frequency of purchase, a 6-month 'Confidence has its Rewards' punch card promotion was put into play. With the understanding that bladder leakage is a confidence killer, the campaign was built around the theme of getting people back to 'doing what they always did'.

Consumers who bought 4 qualifying products over the six-month period, would receive a code to redeem gift cards on a custom-branded SnippRewards site, along with an entry into a monthly sweepstake to win a Fitbit. Rewards were centered around a confidence building theme, encouraging users to get out and about with movie tickets and restaurant cards amongst other reward options.



## LOYALTY PROGRAMS

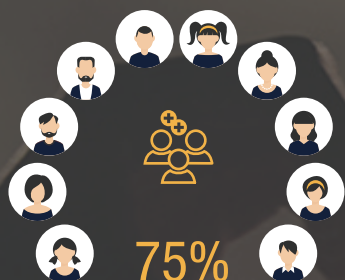
Loyalty programs are **long-term relationship-building strategies which can support short-term promotions as well as continuity initiatives**. All promotional offers within a loyalty program would serve an overarching goal of gaining deep customer insights, in order to more effectively engage members and encourage lasting brand loyalty. While short-term promotions focus on lowering the barrier to entry for new customers, loyalty programs work to retain existing customers and build a much better brand to consumer relationship.





## Why They Work

Loyalty Programs are the “New Normal”



75% say loyalty programs are part of their relationship with brands

76% of consumers have come to expect loyalty programs as a standard feature when interacting with brands<sup>9</sup>, and three-quarters of consumers say **loyalty programs are not only part of their relationship with brands, but that they are more likely to recommend brands with good loyalty programs.**<sup>10</sup>

Loyalty Programs Extract BIG Data for BIG Customer Insights



Data platforms from sophisticated loyalty programs capture and generate customer insights that can truly make a difference. Such data platforms and applications can create a single, comprehensive view of an individual based on information tracked across multiple brand sources, such as web/mobile based transaction and browsing histories, customer service interactions, product usages and social media engagement.<sup>11</sup> **This unified picture helps brands not only react to customers along their shopping journey, but, by sending them timely, highly personalized offers, can make each consumer feel individually special, coaxing them to spend more, spend more often, and spend on higher margin products.**<sup>12</sup>

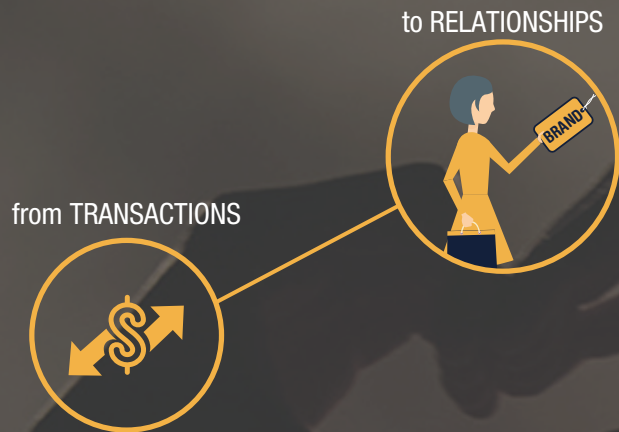
## Personalized Offers Encourage Higher Spending

Members of loyalty programs generate between 12% and 18% more revenue for a brand than do customers who are not members, according to new research from Accenture Interactive. **‘Highly relevant and timely offers’** were the broad appeal of loyalty programs by 64% of consumers surveyed recently by GI Insight, who felt that such personalization was worth the data collected on their spending habits.





## Deeper Connection with Customers



Customers expect brands to not only care about them, but also to share their values. Millennials in particular show their loyalty to brands that are loyal to their causes, and a key way for brands to gain their trust is via loyalty programs that show this understanding. Successful programs offer points and rewards for participation in social causes, which prompts **deeper connections with members that go way beyond mere transactions.**

## Analytics Improve Targeting and Spending



The data and analytics offered by loyalty programs can be extremely valuable to a brand's bottom line; it allows for the identification of high value customers, locations and product bundles, thereby enabling brands to segment and tier their promotions and rewards, optimize bundled offers, streamline their inventory and supply chains, and to make pricing **decisions that reduce costs and maximize profits.**<sup>13</sup>

## Loyalty Programs Can Make Brand Loyalty a Habit

More than 45% of consumers recently surveyed by Maritz<sup>14</sup> say the opportunity to earn rewards is a primary driver for purchasing from a brand. By **encouraging frequent and regular participation** through relevant and personalized offers, a good loyalty program can become a routine part of its member's lives, making brand loyalty an ingrained behavioral shift. Reaching such a level of habitual 'always-on' engagement, however, requires the loyalty program to consistently deliver an excellent experience to its members, across all channels.

**45%+** say rewards is a primary driver for brand purchase





# Why They Don't Always Work

Heavier Investment of  
Time & Resources Required



Loyalty programs are often viewed as too expensive and time-intensive to launch for many brands because they require long-term allocation of resources for their ongoing support which runs counter to the quarterly planning cycles of brands. As a result, many CFOs balk at the time taken to achieve measurable returns on investment.

Loyalty Customers Expect Loyalty Too



Brands have to be in sync with their customers on the concept of loyalty itself. Many loyalty programs have suffered for not understanding how to cultivate loyalty through their offerings. They may incentivize new users with sign-up promotions that are far better deals than what loyal, long-time customers receive, even with reward points. Marketers have to be careful about maintaining the prestige and value of a loyalty program - which can be derailed by making it all about signing new customers via coupons or deep discount promotions, making the program simply a commodity to be weighed in comparison with other, perhaps momentarily, better deals.

## Digital and Technology Requirements Can Prove Challenging

Now more than ever, loyalty programs (or really, any customer-facing service initiative) need to be cross-device and omnichannel, providing marketing teams with a single customer view. Customers expect to have a uniformly high-quality experience, regardless of where, how, and through which medium they interact with a brand. For brands, this means that the connection between their in-store and online presence has to be seamless.<sup>15</sup> But many brands lack the capacity for managing digital and other technological requirements.

However, new technologies are arising to create more efficiency for brands looking to develop loyalty programs. Receipt processing technologies are enabling purchase validation without the need to integrate with retail POS, and turn-key, white-labelled microsites create dynamic, omni-channel platforms and touch points for members to engage with.

Top loyalty program challenges cited in a recent Accenture survey include:



**40%** - Keeping up with the underlying technology or investing enough in technology



**33%** - Keeping up with competing loyalty programs



**33%** - Managing the liability and financial complexity of the program



**30%** - Having enough people and the right talent required for today's loyalty programs<sup>16</sup>



## The Bottom Line: When to Implement

Brand objectives are to increase



Every customer's lifetime value

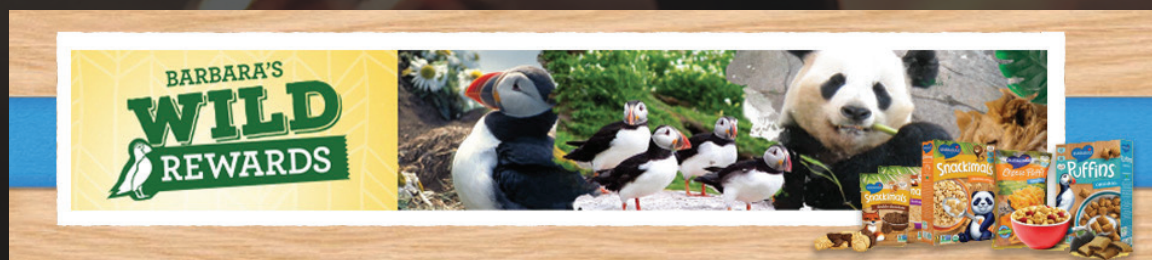
AND



Their engagement & brand advocacy

by taking a deep dive into data and pulling insights that shape marketing plans.

## Case Example



Barbara's wanted to create a simple and engaging new program to drive sales and build loyalty, by highlighting the company's support for endangered animals. Snipp is running a kid-friendly, animal-themed loyalty program powered by the SnippLoyalty platform, in which shoppers earn points for purchase (buy products and text/submit their receipts) and non-purchase behaviors (watch videos, play games).



The goal is to educate and entertain families, while also promoting learning about endangered animals. Reward points earned can be redeemed for unusual prizes such as the adoption of an endangered animal (like a Puffin) from the National Wildlife Foundation, plush animal toys, and animal-themed activity books.



## CONCLUDING THOUGHTS

### Better Analytics Lead to Better Everything



While promotions – primarily price-based promotions – are king in the retail aisles, it's getting harder and harder to generate good returns on investment across categories. Fewer, smaller, better promotions, rather than the glut that we currently experience, will deliver better returns. For that, knowing which categories to focus on, or which outlets are the most profitable, or even how much/how long of a discount to provide is vital. Analytics are the key.<sup>17</sup> Whether it be a short-term promotion, a continuity initiative, or a formal loyalty program, brands need to invest in data capture across all mediums. **Only with some level of customer insights in hand can marketing teams execute programs that are relevant to customers' wants and needs, with the right prices, at the right time, and over the right channel.**

### Analytics & Loyalty Aren't Only for Big Businesses



Customer loyalty programs don't have to drain a small business' budget. While some corporations spill millions of dollars into loyalty programs, small businesses don't have to follow the same tactic to achieve promising results. **In today's mobile era, cost-effective digital rewards programs via loyalty-in-a-box service providers can be just as fruitful as the ones put in place by bigger players who create customized programs.** Service providers in the loyalty realm can ensure that the gains from such programs – increased incremental revenue from program members – can be accessed easily and quickly.



## Loyalty is an Evolving Concept



How we measure customer loyalty, or identify a customer's worth, is undergoing a profound change in today's world. A high value customer may not be one who purchases at a higher volume. In fact, purchase transactions don't necessarily represent a customer's overall profitability. With the reign of social media, there are far more variable ways to measure value to a brand, which explains the growth of brand 'influencers' who abound across platforms such as Instagram and Twitter. In this world, a Tweet or a Snapchat can create more value than mere dollar transactions. In order to win over these potential brand ambassadors, marketers have to work hard to create an experience around a brand – points are not what they're looking for. **At the center of this new world order is the fact that consumers expect brands to show loyalty to them as well. They're willing to allow their data to be captured only if they're shown the value of their participation, through personalized, meaningful promotions that are tailored to their lifestyles.**<sup>18</sup>

## Keep it Simple and Seamless



Participation in promotions or loyalty programs in many instances are still (in 2016!) too painful and time-intensive for consumers. In many cases, they still have to fill out a form, or write down their phone number on the bottom of a receipt, or wait while a cashier manually enters their information at the POS. The process for redeeming rewards or points is no better in these cases. Ultimately, consumers will forgo potential rewards (churn rates in loyalty programs have been wept over) if there is a lack of ease or simplicity to the interaction.<sup>19</sup> **At Snipp, we've found that a simple and seamless choice for brands can begin and end with the humble purchase receipt. Participation in promotions, continuity initiatives and even loyalty programs can start by simply having a customer text in a picture of their receipt. The texted images of shopper receipts are usually processed and analyzed through Optical Character Recognition (OCR) tools in order to extract individual shopper data, without the need to coordinate with retailers or integrate with their POS systems.** Analyzing the data collected from shopper receipts allows brands to customize their promotions and rewards programs, and bring a high level of personalization to their offerings for shoppers. In addition to being convenient to customers, this is an inexpensive, highly scalable way to create effective purchase promotions, while also accessing a great deal of data directly from shoppers.



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Snipp is a global loyalty and promotions company with a singular focus: to develop disruptive engagement platforms that generate insights and drive sales. Our solutions include shopper marketing promotions, loyalty, rewards, rebates and data analytics, all of which are seamlessly integrated to provide a one-stop marketing technology platform. We also provide the services and expertise to design, execute and promote client programs. SnippCheck, our receipt processing engine, is the market leader for receipt-based purchase validation; SnippLoyalty is the only unified loyalty solution in the market for CPG brands. Snipp has powered hundreds of programs for Fortune 1000 brands and world-class agencies and partners.

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