

PLAY 02

Lock in LTV

Creating repetition and loyalty from returning customers



Approach

Customer lifetime value (LTV) is the single most important factor in predicting the health of a business. But regular purchasing behaviors have been disrupted by the COVID-19 crisis, creating unprecedented uncertainty for brick and mortar retailers. It's not enough to get customers — new or old — to visit your business once. To Emerge Stronger, retailers need to grow LTV, a much harder task after a “reset.” **These early repeat interactions offer a unique opportunity to identify and reward loyalty** — brands who succeed have the opportunity to achieve higher LTVs than before.

Prior to the COVID-19 disruption, just 20% of customers drove as much as 80% of revenue. In the period to come, we expect even greater revenue concentration as consumers seek “familiar” and “safe” shopping experiences, resulting in a reduction in “trial,” even from customers with a long-term relationship with your brand. The first experience — and your ability to personally compel repeat purchasing thereafter — will directly impact the speed of your recovery.

It starts with nailing the in-store experience. So, while these playbooks are mostly focused on marketing, we will begin by taking a look at how operations may need to change as you reopen. From there, your focus should turn to data capture and ultimately, personalized “lifecycle marketing” in order to double down on the customers most likely to return. In short, this strategy requires **high-touch personalized outreach after every single purchase**, most of which can be fully automated.

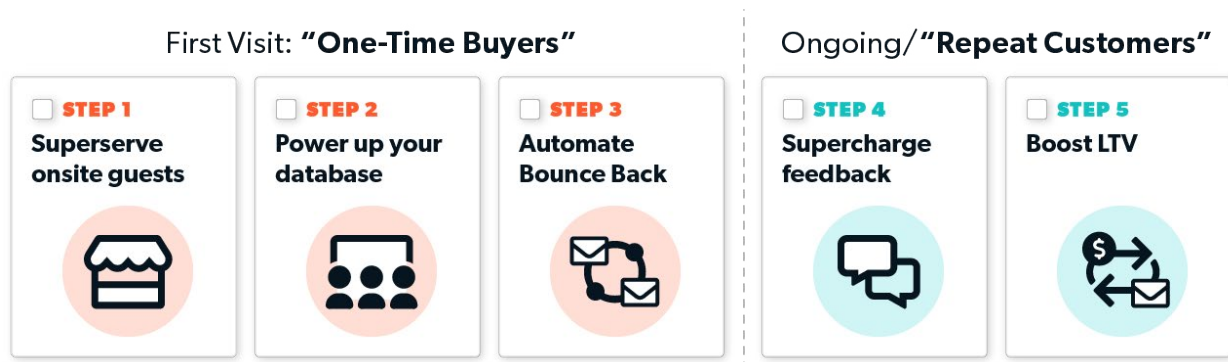
PRO TIP: Customer lifetime value is the projected amount of revenue a customer will generate over their lifetime at your business. The formula:

LTV = (# Purchases / Yr) x (\$ Average Check Size) x (Years Before Churning)

Maximizing lifetime value focuses on building your existing customer base by selling more to them, rather than attempting to acquire new, one-time buyers.

Implementation

In [Play #1](#), we laid out a marketing plan for reattracting customers. In Play #2, we'll focus on what to do next. Spoiler alert, it's all about increasing LTV through lifecycle marketing. To make it easy, we broke it down into a few simple steps.

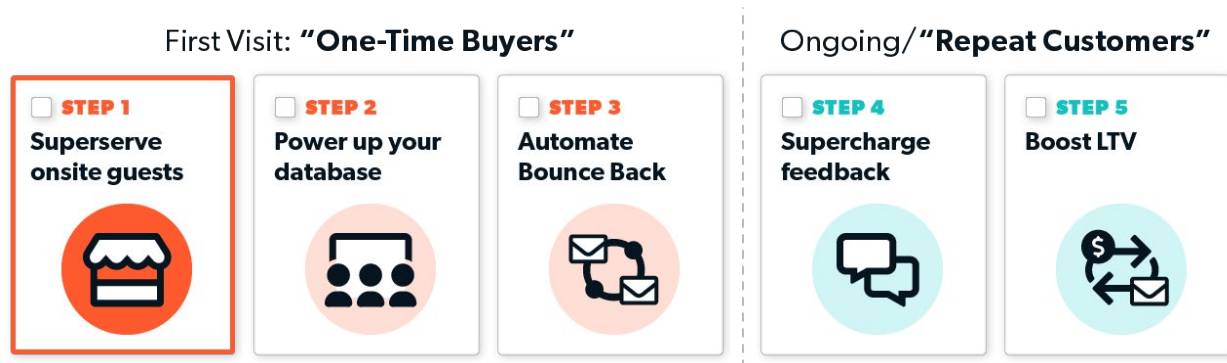


Steps to "Lock in LTV":

1. Super serve onsite guests
2. Power up your database
3. Turn one-time buyers into repeat customers
4. Supercharge feedback responsiveness
5. Boost customer lifetime value (LTV)

STEP 1.

Super serve onsite guests



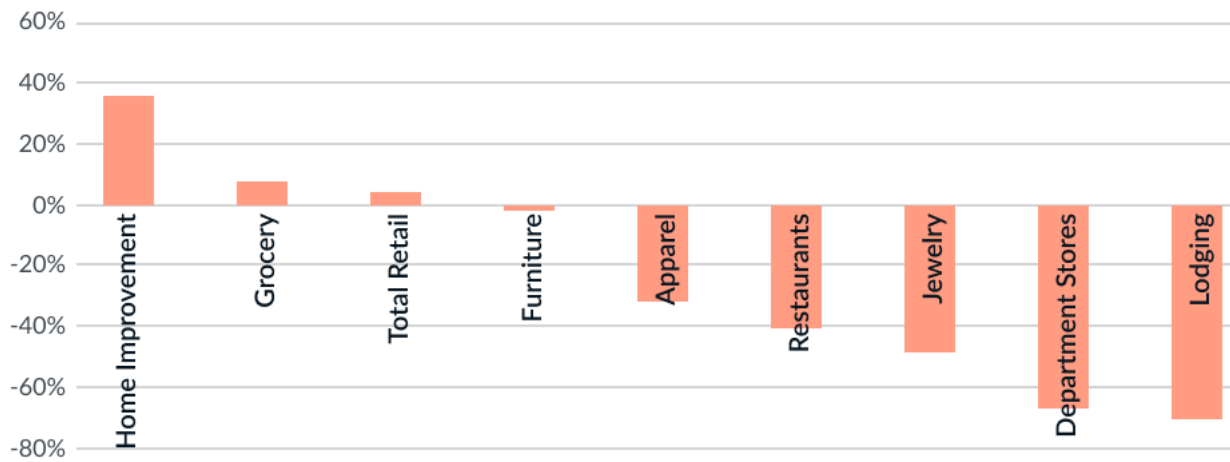
The decision to reopen is not just a financial one; it must be made in alignment with your brand principles and with consumer expectations in mind. Those consumer expectations have seemingly changed overnight, from heightened focus on safety and sanitation to increased demand for clear communication and even new technologies to support dining at a safe distance. So, how should a business think through this? Let's break it down.

Living Up to Your Customers' Expectations

According to an early May 2020 poll, the majority of Americans have major hesitations about businesses reopening. The most significant opposition is to reopening movie theaters, with 82% of Americans saying they should not be allowed to open in their state. There is also broad opposition to reopening gyms (78% opposed), dine-in restaurants and nail salons (both with 74 % opposed), barbershops and hair salons (69% opposed) and retail shops such as clothing stores (66% opposed) and golf courses (59% opposed). And, even if you get the first visit, customers' comfort with that experience will play a huge factor in your odds of seeing them again.

Sector Sales Growth Week Ending May 16th

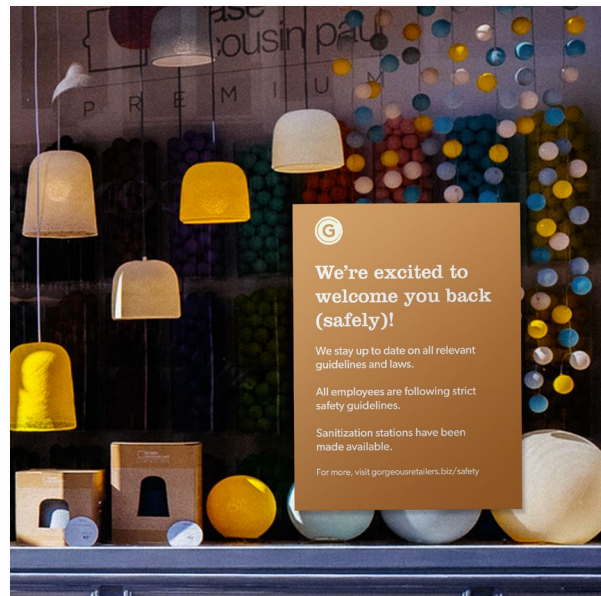
(Sales 7-day average Y/Y% Change)



Source: SpendingPulse Covid-19 Report, Mastercard, May 2020.

To respond to those with heightened concerns, you must be highly transparent and overly communicative. Customers expect to easily understand how your business is adhering to (or going beyond) government regulations and what specific precautions you've established to keep them and your staff healthy.

As stores reopen, consumers will also expect businesses to implement new safety and sanitation protocols, including employee health monitoring and clear reinforcement of social distancing. We recommend referring to the latest restaurant and retail [FDA guidelines](#) for specific (and constantly evolving) guidance when developing your operational reopening plans.



Technology

The right new technology deployed on premises can reduce the need for person-to-person contact (with both staff and other guests) and reduce crowding in waiting areas. A few key technologies your business should consider implementing:

- Mobile apps or other digital solutions can facilitate touchless interactions including pre-purchase and/or reward redemption (this is certainly no time for punch cards).
- At the least, contactless payment options (such as ApplePay) help staff and guests minimize handoffs (cash, signing credit card receipts, etc.).
- A virtual waitlist with SMS functionality can minimize the time people might spend crowded around a store front.



Zips Car Wash App

Of course, it goes without saying, there continues to be a need for technology to engage guests outside the physical location as well. Additional technologies you should consider offering include:

- Streamlined, contactless e-commerce solutions, with delivery and curbside options, make it easy for customers to complete the purchase off-premises.
- Full visibility into the guest experience across both in-store and e-commerce systems.
- Segmentation of customers to craft tailored marketing messages, offerings and promotions.

- Multi-channel automation (email, push notifications, SMS) to drive engagement through personalization.
- Reviews connected seamlessly to the guest profiles that help you monitor and react to customer sentiment and tailor future interactions.
- Advanced campaign tracking to measure the ROI of your campaigns.

Extra Love

Despite the seemingly endless list of to-dos, the crisis has presented a big time opportunity for businesses. Consumers' attention to safety, customer service, and quality is at a level never before seen. Paired with reduced in-store traffic, retailers have the opportunity to stand out and make a lasting impression. In short, every single visit is an opportunity to **super serve and delight guests**. The challenge and opportunity is to deliver an exceptional experience that locks the customer into a connection with your brand that previously, may have taken multiple visits to achieve. Now is the time to capitalize on this opportunity and deliver a delightful, “wow” experience that keeps them coming back.

Ideas to delight shoppers:

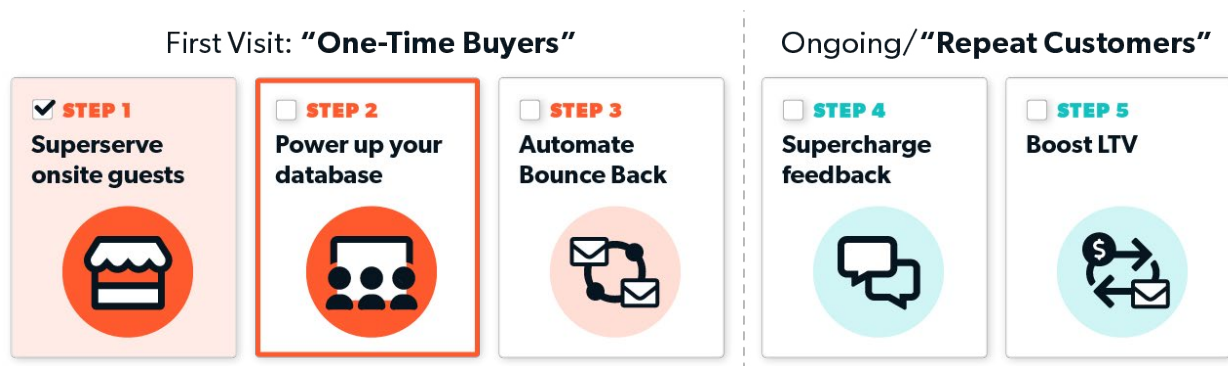
- Ask managers to personally welcome and thank every single shopper for coming in during this time (from a distance, of course).
- If you use a reservation or pre-purchase system, identify VIPs upon arrival and offer a personal touch during their experience.
- Make every visit memorable by including a free item with their purchase, for example, an item of apparel (i.e. a branded face covering) or put a heartfelt note in their shopping bag.
- Let your brand shine by updating your product offerings to reflect customer's needs during this challenging time (i.e. “Interior Sanitation Special” for car washes or branded self-care or relaxation kits).

- Dedicate staff and a separate physical location for the facilitation of pick-ups and deliveries so guests' interactions with staff are limited.
- Consider fun ways to really go above and beyond for your most valued customers. (i.e. consider a contest with the chance to name a limited time item targeted at VIPs who shop during your reopening weekend).

Regardless of how you approach delighting guests after you reopen, it's worth noting the retail business of the future has changed fundamentally. Now is a great time to rethink how you communicate with customers before, during and after every visit.

STEP 2.

Power up your database



Most loyalty programs capture fewer than 10% of total customers and struggle to keep even half of those enrollments active. For a business that sees 100K unique consumers per year, only 10K will have ever signed up for loyalty and only 5K (5%) are actively sharing purchase data that can be used for marketing. Even if the program is doing its job, the overall magnitude of impact is severely limited. Now is the time to focus on amplifying those numbers — even if it costs money. It's worth spending \$10 to acquire six more \$40 visits (\$240) this year.

Category leaders prioritize loyalty: Starbucks captures 44% of all purchases through their loyalty program and has more than 19M rewards members¹; Sephora's Beauty Insider program has more than 25M loyalty members². To compete with these leaders, you too must prioritize loyalty capture. Not only does loyalty/CRM empower your team to better understand guest behavior, it enables your lowest-cost, most effective marketing channel. That's because engaging repeat customers is cheaper and more effective than acquiring new customers. Said differently, the bigger your customer database, the greater the impact of your marketing.

Loyalty benefits:



Loyalty programs allow you to track customer behavior so you can better understand your guests (for instance, to know for sure if they do or do not return). You can use that data to send highly personalized messages that go beyond opens and clicks to measure actual spend.



Loyalty programs allow you to create more unique and engaging ways for guests to interact with your brand that drive brand affinity.



In the periods before and after redeeming a reward, customers purchase more than usual (higher frequency and higher spend per purchase).

The best way to enroll members is to promote consistently in the store and through existing digital channels (e.g. website, email). Obviously, when a guest is in your store they're likely easier to persuade. There's a reason CVS has one of the largest loyalty databases in the country — they prompt consumers at every purchase. With the right promotional tactics in place, you can drive higher enrollment, increased engagement and motivate ongoing participation.

¹ [Starbucks Corp \(SBUX\) Q2 2020 Earnings Call Transcript](#): SBUX earnings call for the period ending March 29, 2020.

² [How to Make a Great Loyalty Program Even Better](#): Forbes, January 2020.

Staff engagement is the #1 driver of in-store sign-ups and will be more important than ever when reopening your doors. In our experience at Thanx, “text to sign-up” is a low-friction ask from staff members and is easy to promote on point of purchase signage.



T-shirt promoting loyalty program



Flyer promoting easy ways to join program

The more awareness a customer has of the benefits of joining, the more likely they are to participate.

For businesses who were able to retain staff, for the first time in a long time, while in-store traffic has been limited, you have the time to train on the importance of loyalty enrollment. For retailers rehiring furloughed or laid off workers, it's an opportunity to uniformly reeducate on easy ways to push signups. The messaging doesn't have to be complicated; **loyalty members leave higher tips and higher**

customer satisfaction scores. Some of the verbal cues we've seen work incredibly well:

- “Can I add a free item to your purchase?”
- “Would you like a free item on your next visit?”
- “Do you have any rewards to redeem today?”

All of these can be followed by instructions to a) text to signup, b) download an app, or c) visit an enrollment webpage on their phone. No physical interaction necessary.

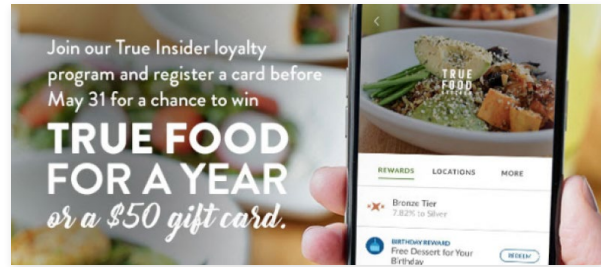
PRO TIP: When redeeming a reward, reminding customers that referrals earn them progress is a great way to leverage your loyals' networks to boost signups. If you're offering a birthday reward, when you're notified of a patron's birthday, encourage enrollment so you can issue them their deserved birthday treat!

Additional staff engagement tips include:

- Make loyalty program training a core component to your existing onboarding process for every person you hire and operationalize refreshers every 6 months.
- Ensure staff members are equipped with proper promotional language and example scripts.
- Empower General Managers and/or location managers to track and test for compliance.
- If consistent with your policies, use your staff's networks to spread the word. They, too, can earn program perks from friends and family referrals, once a sign-up and transaction has been made.
- Leverage unique sign-up keywords per location and/or offer a compelling reward or contest for staff members. Reward top-performing locations

monthly to encourage sustained performance. Share best practices from high-performing locations across the organization.

- The fun doesn't have to be limited to internal staff. Create a competition for guests. For example, any member who enrolls in June gets entered in a drawing to win free food for a year.



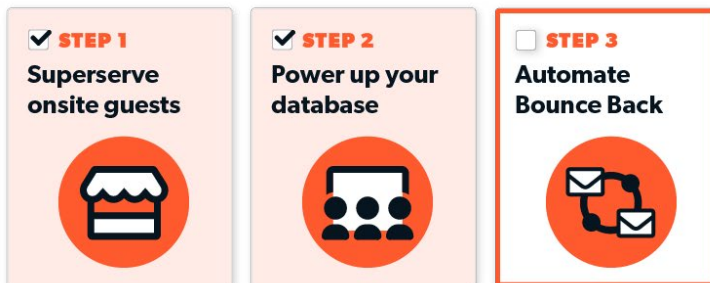
Source: True Food Kitchen email campaign.

PRO TIP: If you use a reservation system or a WiFi marketing program, these can also be great channels to capture guest data. While future purchases won't be automatically tracked, you can at least communicate with those customers and encourage them to opt-in to your loyalty program in the future.

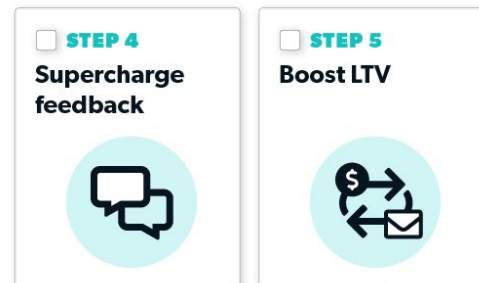
STEP 3.

Turn one-time buyers into repeat customers

First Visit: "One-Time Buyers"



Ongoing/"Repeat Customers"

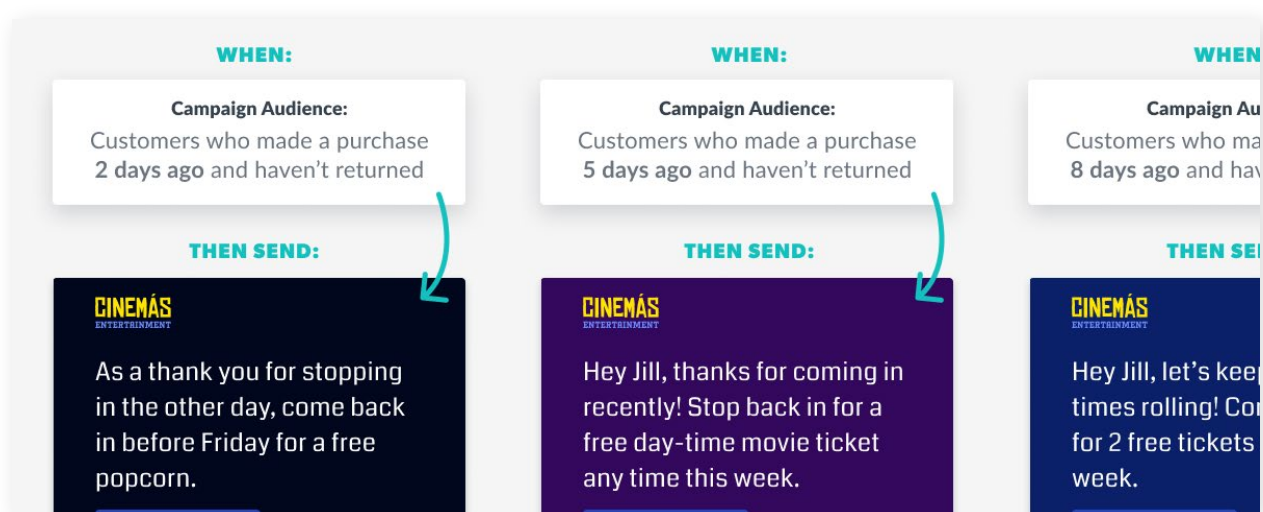


This is why you invest in getting customers into your CRM — because now you can actually engage with them personally and measure your repeat purchase rates. Traffic is going to remain challenged for a while after stores reopen; even with government constraints, most businesses are not anticipating “at capacity” stores. Since any guest who visits your store in these first few months has a higher-than-average likelihood to return, a Bounce Back campaign can play a powerful role in motivating repetition.

A Bounce Back campaign is a multi-channel communication sent shortly after a customer’s first purchase (in this case, their first purchase after the COVID-19 crisis), intended to prompt an additional purchase by the customer. Bounce Back campaigns often include information about related menu items, as well as incentives that take effect after repeat purchases. In Expert Mode, Bounce Back campaigns can be set up with progressively escalating incentives to reduce cost while maximizing impact.

Why focus your LTV marketing on Bounce Back campaigns?

- Immediately after a purchase, your brand is more relevant and top-of-mind than other brands competing for that guest’s attention, which means messages have higher impact and are more cost-effective.



- Better yet, if you delivered a great experience (a 9 or 10 on the Net Promoter System scale), the customer is already positively predisposed to your brand — but that doesn't mean they will necessarily return. You don't have to convince them of the benefit, they already know — but you do need to remain top-of-mind.
- Because Bounce Back campaigns can be fully automated, you can drive revenue without having to put in a lot of work. Neat!

HEADS UP: Bounce Back campaigns in Thanx are set up as Automated Campaigns. Schedule the follow-up to occur no more than 24 hours after the purchase when your brand is still top-of-mind for the guest. **Set up Bounce Back campaigns prior to reopening to ensure that none of your valued guests who've returned post-crisis get lost in the mix!**

HOW TO GUIDE:
Create an automated campaign

YOU CAN CLICK THESE 

(PLEASE NOTE: YOU MUST BE LOGGED IN TO THE
THANX DASHBOARD TO VIEW HELP ARTICLES)

EXPERT MODE

Like with any campaign, the more relevant and personalized the message and the incentive, the better. Not only does personalization increase engagement, it can also significantly lower cost. For Bounce Back campaigns, we recommend, at a minimum, personalizing your outreach to your VIPs.

“VIP - Made a Purchase” – VIP customers who have come back to your store at least once since your reopening.

Why?

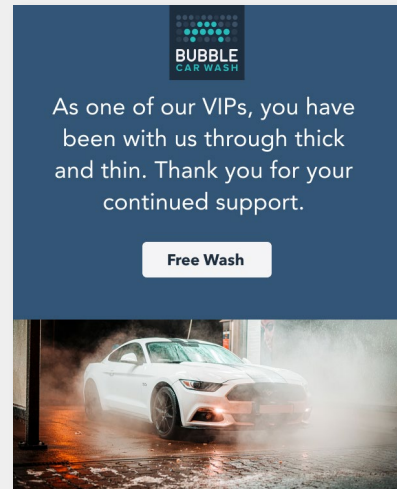
High Value: Your VIPs contribute the majority of your revenue. Now that they have shown willingness to purchase post-crisis, it’s critical that you maximize the value of every single one.

Incentive:

Large: VIPs who return to their historical spending will justify the extra love in no time.

Message:

Tailor your message to recognize that they are your most important customers.



“As one of our VIPs, you have been with us through thick and thin. Thank you for your continued support.”

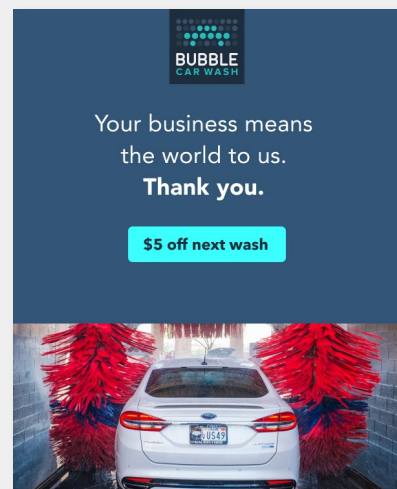
“Non-VIP - Made a Purchase” – Customers who have come back to your store at least once since your reopening.

Why?

High Propensity: These individuals have shown a willingness to purchase post-crisis, capitalize on that.

Incentive:

Medium: While these aren’t your VIPs, they have demonstrated willingness to come in during this time. Give them a reason to come back!



“Your business means the world to us. Thank you.”

Message:

Thank them for their support in such a turbulent period; express gratitude with a medium incentive to return.

For your VIPs, we also recommend considering ways to make these individuals feel special above and beyond what you might normally offer. For example:

- Considering having a member of your executive team call your top 100 customers thanking them for coming in and to let them know that their next car wash, movie ticket, or a special promotional item is on you.
- Send a personal email inviting your top guests to a special digital event, for example, an exclusive with the director paired with a 50% off movie tickets or a VIP exclusive digital trunk show with prizes.
- Send a personalized note from the CEO thanking them for their purchase.

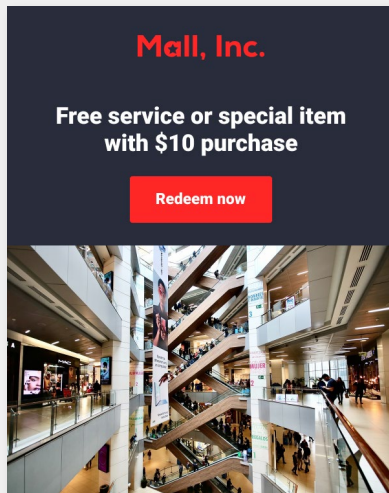
While this might go without saying, follow up with VIPs who don't make a repeat purchase, ideally at least three follow-ups (for example: the day after, 7 days after, 30 days after). Automate these additional follow-ups with different or progressively larger incentives.

HOW TO GUIDE:
[Create a follow-up campaign](#)

For your non-VIPs, which will make up the majority of your customers, we recommend iterative testing to find the right approach. Because this is a large group (much larger than your VIPs), you have a larger sample size to really hone in on what works and what doesn't work. We suggest at least a three week A/B testing program with a different approach in each iteration (different subject line, different creative, different message, different incentive). Here's an example of how you might A/B test different incentives:

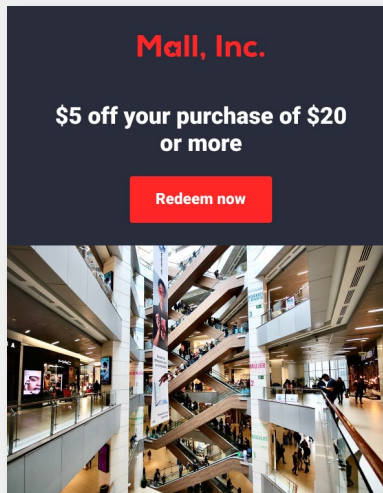
Test A:

Free service or special item with \$10 purchase



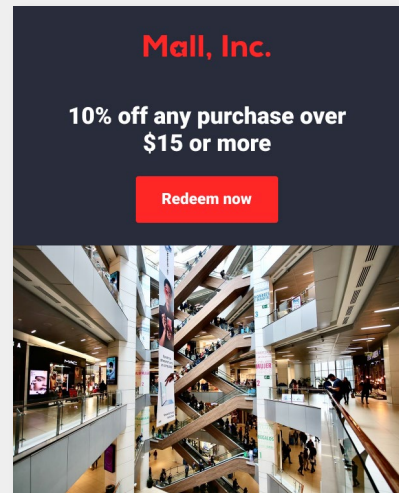
Test B:

\$5 off your purchase of \$20 or more



Test C:

10% off any purchase over \$15 or more

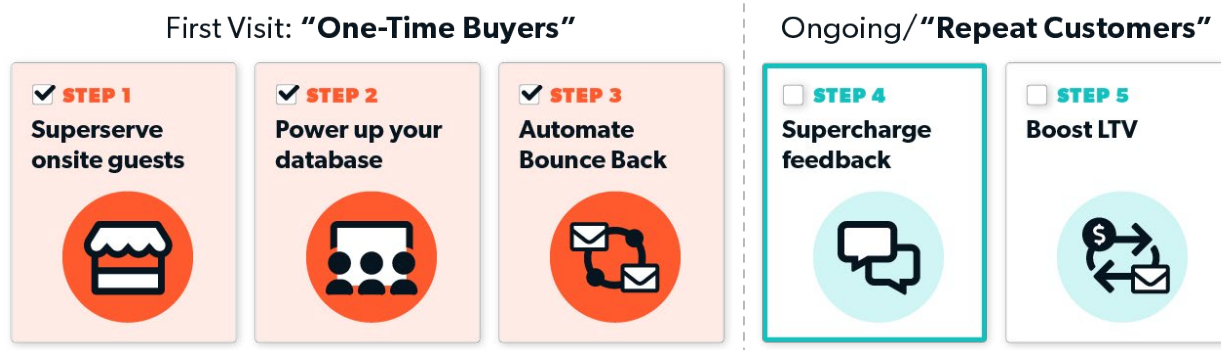


Once you have run the three week testing program, determine which approach converts at the highest rate and then automate that campaign to non-VIPs after the first purchase.

HOW TO GUIDE:
Create an automated campaign

STEP 4.

Supercharge feedback responsiveness



There's a reason best-in-class companies train staff to ask "how was your experience today" at the register — you value the feedback and opportunity to "make it right" when service has gone sideways. And your customers value it too.

7%
**MORE LIKELY
 TO RETURN**

When asked for feedback, consumers are **7% more likely to return** (independent of whether their feedback was positive or negative — though obviously higher for positive sentiments)

14%
**MORE LIKELY
 TO RETURN**

When consumers receive a personalized response to feedback, they are **14% more likely to return**

23%
**HIGHER RATE
 OF RETURN**

When the response is accompanied by an incentive, consumers **return 23% more often** (independent of the size of the incentive)

With so much uncertainty, it's more important than ever to **listen & learn** from your customers and **respond personally**.

Listen & learn

Reviewing feedback and guest sentiment can help you understand your guests' perspective and how their attitudes have changed since the crisis started. One of the simplest ways to measure sentiment is by measuring net promoter score (NPS).

WHAT IS NPS?

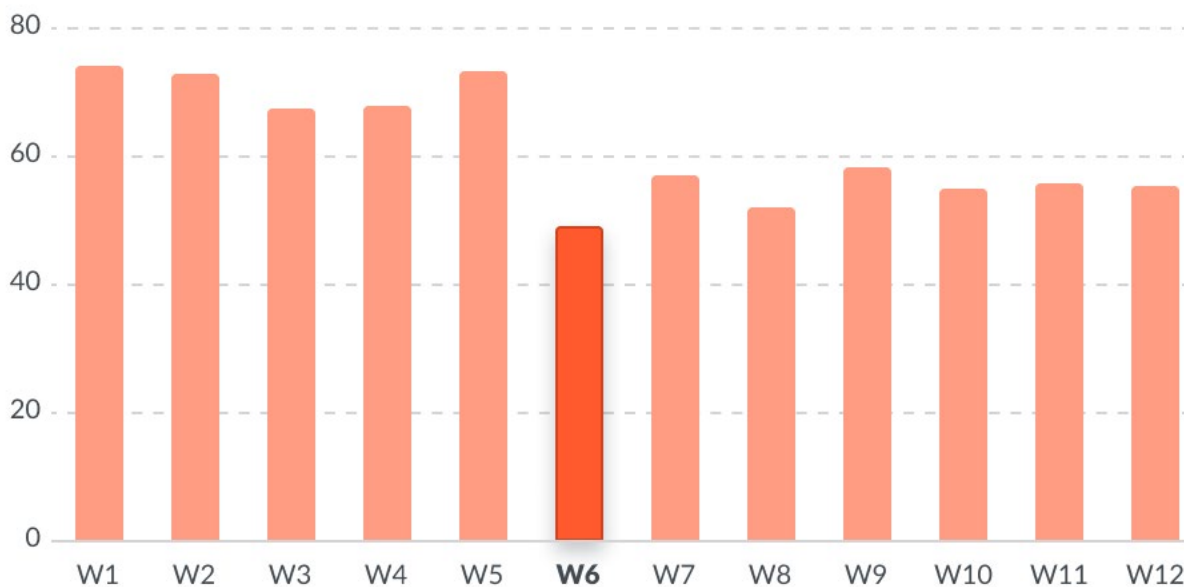
Net Promoter Score (NPS) is a metric for measuring customer satisfaction. Across a wide variety of industries, businesses with higher NPS consistently outperform their competitors. The score is calculated by asking your customers just one question: "How likely are you to recommend us to a friend?" Top ratings represent promoters while bottom ratings represent detractors. Your ultimate score is the percentage of responses who are promoters minus the percentage of responses that are detractors: $\% \text{ promoters} - \% \text{ detractors} = \text{NPS}$. [Learn more](#).

Net Promoter Scores, can measure trends by location to understand top performing and low performing locations. NPS can also be tracked over time to understand pre-crisis consumer brand perception before and after their return.

Example NPS trend by week

Week 6 represents the start of the crisis

HOW TO GUIDE:
Review your NPS score



Another easy way to understand consumer trends, and to get a sense for what consumers are focusing on during the crisis, is to analyze trends in keywords. Try searching for common COVID-19 crisis related words such as “safe,” “safety,” “clean,” “cleaning,” and even keywords mentioning new initiatives such as “contactless,” “pickup,” and “curbside” to get a sense for how new processes and technologies are performing.

safe			Q
10	Erin	Dedication of being open, in a safe way, durin	
10	Macy	Social distancing and safety were prominent :	
10	Sam	Safe minimal contact pickup!	

HOW TO GUIDE:
Review feedback by keyword

Respond

In ordinary times, reading and responding to every review and piece of feedback is grueling and perhaps unrealistic depending on your resourcing — for the next several months, it could be the difference between winning or losing repeat customers.

We recommend prioritizing your feedback as follows:

- Focus on your detractors first, these are people at risk of not coming back.
- Follow up with your passive customers to learn what you can do better.
- Don't forget about your promoters, reach out to let them know how much you appreciate their feedback.

HEADS UP: Thanx merchants can identify critical feedback by selecting the “Critical/ Important” feedback checkbox in the feedback portion of the Thanx dashboard to filter on feedback that is negative or represents a significant change in consumer sentiment.

The screenshot shows a 'Feedback' section with a customer profile for Aaron N. (VIP). It displays a 'Negative Ranking' where the score has dropped from 10 (Previous) to 3 (Today). A warning icon and text state: 'Critical: This is a valuable customer who has historically given you positive reviews until this negative one. A sincere apology now can make a difference.' A 'QUICK REPLY' button is also visible.

HOW TO GUIDE:
Use critical/important feedback filters

Respond personally to every customer who has shared feedback, not just the negative ratings. Let them know you value the time it took them to reply and the impact of their visit on your business.

- For those customers with a negative experience, especially those who have

high lifetime spend, high frequency, and who have been promoters in the past, we recommend granting a full reward.

- Guests with average spend or frequency, who have been promoters in the past with a recent negative rating, should receive partial progress towards a reward.
- Everyone else who provides written feedback should receive a response, though a reward is not necessary.

HOW TO GUIDE:
Respond to customer feedback

HEADS UP: Thanx merchants can add a link to a standard survey in your response to collect even deeper information about how you can improve the experience.

John's message to you

Curbside pickup in the parking lot worked great.

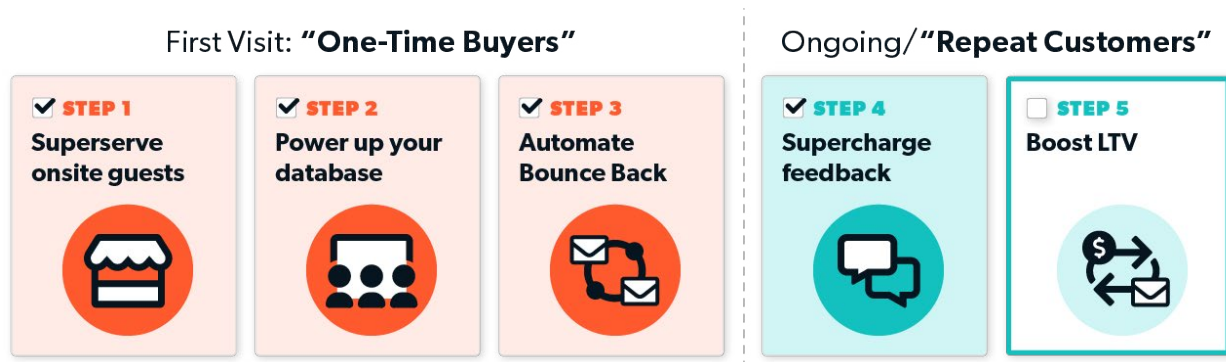
Your reply

Thank you John, so glad you enjoyed it! I'd love to learn more about your experience. Would you be willing to take this brief survey?

<https://www.surveymonkey.com/r/CJQQBDX>

EXPERT MODE

For businesses looking to go beyond NPS and written feedback, there are a number of in-depth feedback tools available on the market. We suggest looking into tools such as [Merchant Centric](#) and [Delighted](#).

STEP 5.**Boost customer lifetime value (LTV)**

Once you have automated first visit follow-up outreach, now the fun can really begin! Fostering customers who keep coming back time and time again should be a top priority for any business, crisis or not. But you can't continue to offer an incentive for every single purchase and run a sustainable business. That's why, after the second visit, we recommend additional automated programs that encourage the long-term engagement of your repeat customers. Let's dive in!

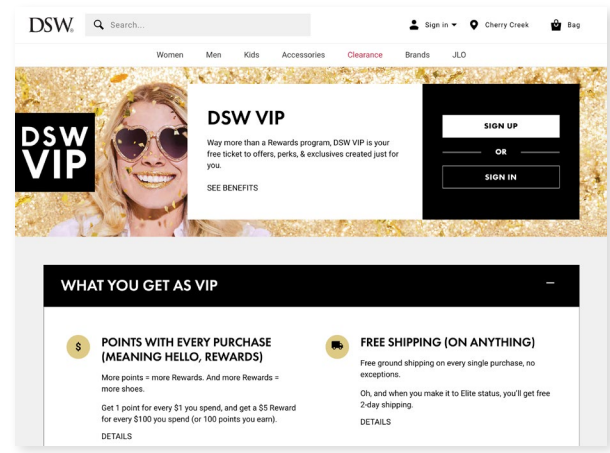
Go beyond Bounce Back campaigns

As noted in [Step #3](#), Bounce Back campaigns encourage customers who have made a first purchase to come back and make a second one. Like Bounce Back campaigns, you can set-up Automated Campaigns based on the specific behavior that you want to incentivize beyond that first visit. With these Automated Campaigns focused on long-term engagement, you can encourage any cohort of customers to take a specific action. For example:

- Reward customers who have come back more than 5 times and have spent over \$500, with a free item on the house.
- Reward customers who make a second purchase with a bogo deal, i.e. buy 4 car washes in the next 90 days, get your 5th car wash for free.

- Reward any customer who has made at least two purchases since the COVID-19 crisis who reaches \$150 in spend with \$25 off their next visit.

These kinds of programs encourage customers to keep making purchases in order to reach new rewards and can be customized to drive a specific behavior. These programs are particularly effective because they are hyper-personalized and relevant—a far cry from other generic marketing emails sitting in most customers' inboxes.



Source: [DSW VIP Program](#)

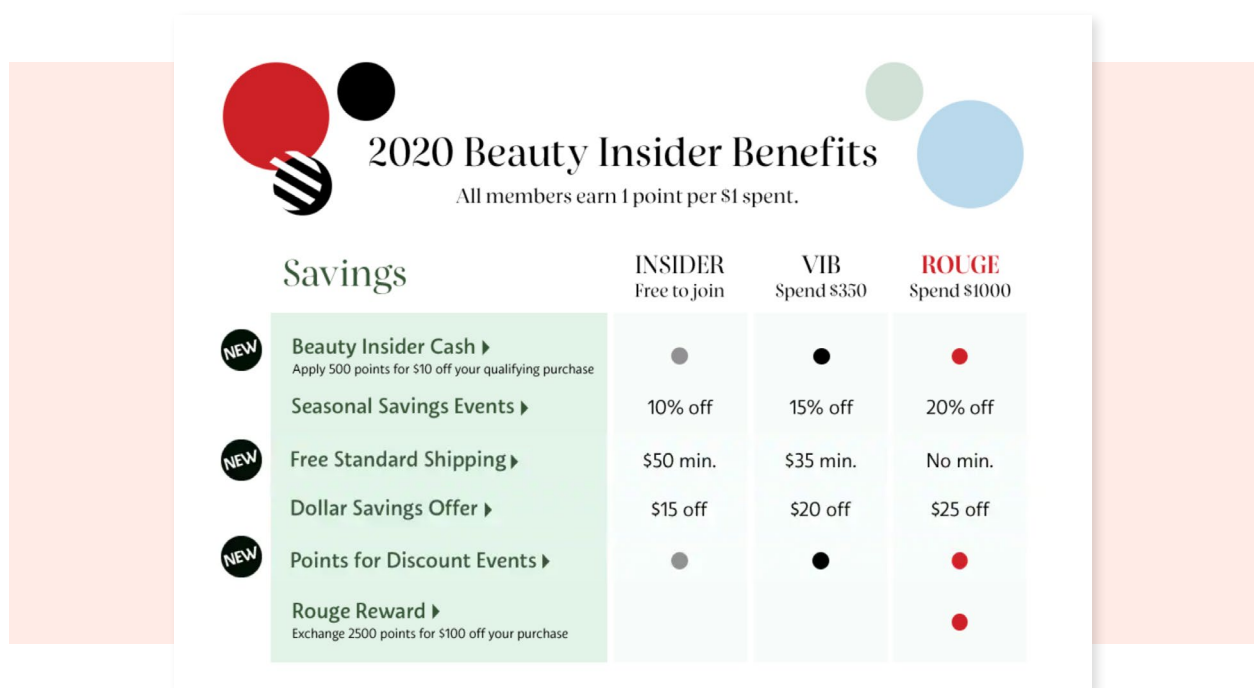
Benefits:

- Because these campaigns are fully automated as customers meet specific criteria, the implementation process is quick and easy.
- These programs are easy to budget because you can ensure qualifying purchase price to guarantee you're making a minimum profit.
- These campaigns are highly flexible to drive the specific activity desired from a subset of customers.

HOW TO GUIDE:
Create an automated campaign

Consider a Tiers-based Program:

A tiered loyalty program is a type of membership program where customers enjoy permanent benefits based upon their annual spend. Tiers programs focus on rewarding regular customers who have a long lifetime engagement with the goal of increasing their spend. Tiers can create stronger brand affinity by making guests feel special, like they are “part of the family.” Tiers also offer the opportunity to enable earnable incentives that go beyond what can be bought; Experiential rewards, such as access to special events, skip the line, or exclusive swag, are worthwhile incentives to consider when creating your tiers program.



Savings		INSIDER Free to join	VIB Spend \$350	ROUGE Spend \$1000
NEW	Beauty Insider Cash ▶ Apply 500 points for \$10 off your qualifying purchase	●	●	●
	Seasonal Savings Events ▶	10% off	15% off	20% off
NEW	Free Standard Shipping ▶	\$50 min.	\$35 min.	No min.
	Dollar Savings Offer ▶	\$15 off	\$20 off	\$25 off
NEW	Points for Discount Events ▶	●	●	●
	Rouge Reward ▶ Exchange 2500 points for \$100 off your purchase			●

Source: [Sephora Beauty Insider Program](#)

Tiers have the following benefits:

- Tiers engage repeat customers and give the brand an opportunity to shine. Retailers can offer unique names for reward levels and use a new layer of color scheme and imagery to engage guests in a fun way.

- By attaching exclusive benefits, like special events or free delivery, to certain tier levels, guests will favor you over the competition, as they receive additional perks for purchases.
- By reviewing the activity and aspiration of members by rank, companies can better understand and market to them.
- Because not all of the benefits are monetary, tiers can be a cost effective way to drive additional visits from repeat customers.

Use tiers as an opportunity to differentiate your brand and drive increased spend. Be sure to promote the benefits your customers can reach. Each status should have a minimum of 2-3 privileges, in addition to your core program membership tier, so that members who obtain a higher rank will push their way even higher to achieve more rewards and get an even better status.

HOW TO GUIDE:
Set-up tiers

Surprise and Delight

An unexpected treat can make a customer's day, leading to an emotional connection with your brand. The element of surprise, paired with the delight of the reward, leads to stronger relationships with your repeat customers.

Surprise and Delight campaigns work as you might expect – they allow you to surprise and delight customers, unexpectedly rewarding them with incentives of your choosing. The reward that is offered can be anything that you choose: a free product or service, 25% off, or \$5 off purchase of \$25. You can use the rewards to introduce customers to new products and service items, try out a new store, or come by at a different time of day – it's flexible marketing designed to drive targeted results.

Benefits:

- Surprise and delight initiatives can help build brand awareness by offering benefits that customers want to tell family and friends about.
- These initiatives also have a longer-lasting impact because the customer is far more likely to remember and share their experience.
- Unlike other types of loyalty programs, customers don't expect to get a specific reward, which means that you can fine-tune the program until you find the most delightful experience.
- Delighting your best customers serves the business by improving customer retention and therefore avoiding high churn rates.
- Happy customers lead to increased word-of-mouth promotion which lowers customer acquisition costs, including the cost of advertising.

It's a win-win for customers, who love the surprises, and for you because you can adjust the program in order to maximize results. And best of all, the rewards don't need to be expensive to be highly effective. It's the surprise that delights customers, not the actual benefit.

HOW TO GUIDE:
Create an automated campaign

Reduce costs by reviewing outstanding discounts and rewards programs

Budgets are inevitably tight at the moment. Now, is the time to make sure your loyalty program is working for you and not against you. Consider reviewing your programs to date to ensure they're delivering the results you want. Here are six common mistakes to avoid to save you money during this time of restraint:

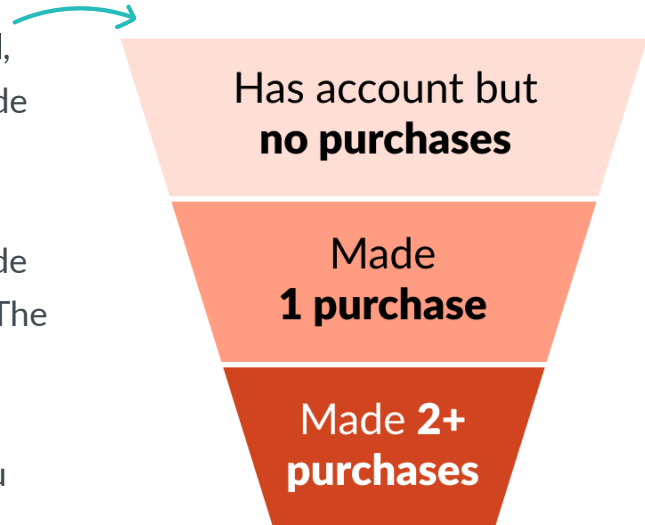
- 01** Review your intro offer and ensure a purchase is required for redemption. This will discourage discount seekers who only sign-up for freebies.
- 02** Stop offering blanket discounts for everyone (i.e. coupons on your website)! These indiscriminate incentives create “discount customers” and negatively impact your brand.
- 03** Test incentives on VIPs (your most engaged customers) first. If an incentive doesn’t drive a change in behavior with your VIPs, chances are, it won’t work with less engaged guests.
- 04** Offer iterative rewards. Start by offering smaller discounts and only offer larger incentives once you can prove the smaller incentive won’t drive the change in behavior you are seeking.
- 05** Be sure to put redemption limits on new offers to limit outstanding liabilities which may limit future endeavors.
- 06** Align your rewards strategy with your customer data capture strategy. Without membership, you won’t be able to set up customer segments and effectively A/B test your campaigns - meaning your efforts won’t yield tangible knowledge or save you money in the future (see [Step #2](#)).

Measure your success

Since your repeat customers drive the majority of revenue for your business, measuring your ability to drive repeat additional visits and increase LTV is arguably **the most important measurement your marketing team should focus on**. And while measuring customer LTV can feel complicated, it’s actually not too hard if you take it step-by-step.

Let's start with your customer funnel. Your customer funnel is made up of customers whose purchase data you can track and customers whose purchase data isn't available. For the purpose of this section, we'll focus on loyalty members, whose purchase data can be tracked.

Within your **loyalty membership funnel**, you have members who have never made a purchase, members who have made a single purchase (one-time or "trial" customers) and members who have made multiple purchases (repeat customers). The more you can convert one-time buyers to repeat customers and keep repeat customers active, the more revenue you can drive for your business.



The lifetime value (LTV) of a one-time buyer is typically 3-5x the LTV of your repeat customers, for obvious reasons (more visits = more spend). But, often surprisingly for many marketers, the majority of known customers never make a second purchase. The logic then follows that, for every one-time buyer you can convert into a repeat customer, the incremental return on investment grows by orders of magnitude.

Let's consider an example:

To make it simple, let's assume that every week, 100 customers sign-up for your loyalty program. Over the course of the next few weeks, you measure the number of those customers who never make a purchase, make a single purchase ("one-time buyers") and who make two or more purchases ("repeat customers"). Let's say 40% of those customers (40 individuals) never make a purchase, 40% (40 individuals) make a single purchase, and 20% (20 individuals) make multiple purchases.

Week #1 sign-up cohort				
	Percentage	Qty	\$/customer	30 day spend
No purchases	40%	40	\$0	\$0
1 purchase	40%	40	\$30	\$1,200
2+ purchases	20%	20	\$100	\$2,000
Total signups		100		\$3,200
			Per customer:	\$32

You can see in the example above that total spend from one-time buyers is \$1,200 while total spend from repeat customers is \$2,000 for a total of \$3,200 and a per customer revenue of \$32. Not bad for your first week!

Now, let's say you run a marketing program the following week targeted at new members who have made just one purchase. The campaign works and as a result, you see ten additional customers make additional purchases. This time the same 40% (40 individuals) never make a purchase, but now 30% (30 individuals) make multiple purchases. In other words, 10 additional customers make two or more purchases.

Week #2 sign-up cohort				
	Percentage	Qty	\$/customer	30 day spend
No purchases	40%	40	\$0	\$0
1 purchase	↓ 30%	30	\$30	\$900
2+ purchases	↑ 30%	30	\$100	\$3,000
Total signups		100		\$3,900
			Per customer:	\$39

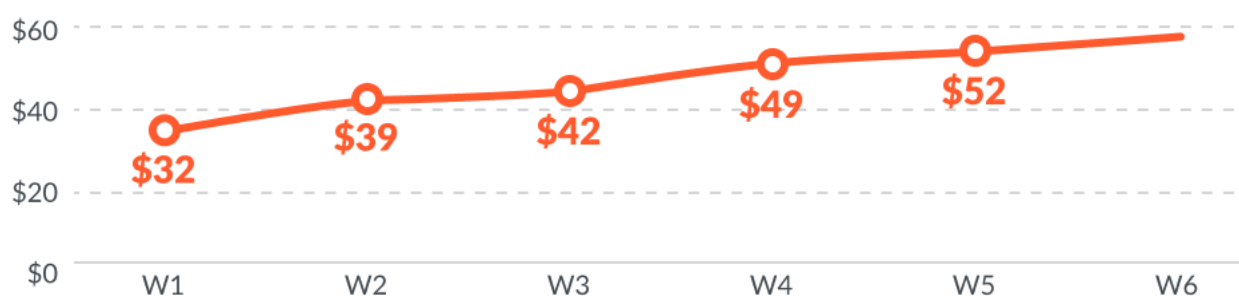
The result is an increase in overall revenue and, most importantly, in the average revenue per customer. Total spend from your one-time buyers is slightly less (\$900) but total spend from repeat customers more than makes up for it, with

\$3,000, for a total of \$3,900. That's a 22% incremental revenue lift and an increase in average revenue per customer from \$32 to \$39!

Finally, let's say in week three, you run a marketing program targeted at the new members who have never made a purchase. This time, 40% of your customers make a purchase, a 10% increase in first-visits.

Week #3 sign-up cohort				
	Percentage	Qty	\$/customer	30 day spend
No purchases	↓ 30%	30	\$0	\$0
1 purchase	↑ 40%	40	\$30	\$1,200
2+ purchases	30%	30	\$100	\$3,000
Total signups		100		\$4,200
Per customer:				\$42
Total revenue:				\$1,000

In this scenario, total spend from your one-time buyers goes up to \$1,200 and total spend of repeat customers stays the same, at \$3,000, for a total of \$4,200. That's a 31% incremental revenue lift from week one and now your per customer revenue has gone up from \$32 to \$42!



As you run marketing programs, track how your per customer revenue changes over time so that you can start to determine how efficiently your new members convert into repeat customers and where the opportunities might be to drive additional revenue.