From @ to $: Your Loyalty Program Success Guide
How to build a profitable customer loyalty program
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INTRODUCTION

Have you ever noticed how skeptical and tight-fisted new customers can be?

For online marketers, it’s a problem that comes with the territory. And the attitudes of new customers and prospects are perfectly understandable. After all, your business probably isn’t on the other side of town, it may be on the other side of the country — or of the world.

So each new customer wants to check you out. Test you. Make sure you provide value.

Find out if you’re one of their kind of people.

Long-time customers are so much easier to deal with. They know, like and trust you. They’re confident that if they pay you money, you return value.

But customer loyalty doesn’t happen overnight.

This is great news for you!

Why? Because many of your competitors lack the skills and the patience to cultivate solid customer relationships.

So by studying this guide and implementing the techniques, you can position your company miles ahead of the competition.

With this information you can:

- Set up an online customer loyalty program that’s a profit center, not a cost burden.
- Grow your marketing list with ideal customers who love to respond to your offers.
- Tweak your marketing program for maximum performance and profitability.
- And best of all, put the entire program on autopilot.

We cover all the basics and provide action steps along the way. In no-time your loyalty program can be in place and automated to serve your customers and prospects with minimum involvement from you.

So let’s get started …
How to build a profitable customer loyalty program

THE CUSTOMER LOYALTY STRATEGY

1. Customer loyalty marketing

Many marketers focus their efforts on activities that build brand awareness and visibility, reach new audiences, attract new customers, and acquire new leads — essential elements of every successful marketing strategy.

Yes, new website visitors and one-off purchases are great revenue-drivers. But the real value is in your current customers and people you have already made contact with. So in your marketing efforts, make customer loyalty a priority.

Brand experiences foster customer loyalty

Customer loyalty is an emotional bond with your brand. It can only be fostered by building long-term relationships based on positive and consistent brand experiences.

Let’s take a real-life example. Who are you more likely to trust: a friend you know quite well or a complete stranger? If you’re like most people, you’d be more comfortable with the friend.

But to every new prospect, you’re a stranger. By nature, new prospects aren’t open to dialogue with you and remain skeptical. What’s more, they are reluctant to recommend you to friends or family.

You must create and nurture customer relationships to gain trust.

Loyalty and rewards

Many believe that physical incentives and rewards help gain loyal customers. In some cases this approach can be successful, but for most it’s not enough.

A loyalty program is about giving your customers what they need AND making them feel noticed. It’s about listening to feedback AND nurturing relationships.

A positive attitude toward the brand arises based on rational thinking and emotional feelings: quality of the product, good price, great customer service and support, peer pressure, or simply fashion. So when establishing a customer loyalty program, make sure you know why customers bond with your brand, and use it to your advantage.

2. Building relationship with loyal customers

Loyal customers are a true asset to your brand, as they are the ones who are likely to make repeat purchases, recommend your products and services to others, and become brand advocates.

And it’s less expensive to retain customers than to acquire new ones. So investing in loyalty programs and relationship marketing is a smart move.

But like social relationships — business relationships don’t happen overnight. So take the time to plan, use a systematic approach, and be patient.
How to build a profitable customer loyalty program

STATISTIC: According to Inc., it costs a business about 5-10 times more to acquire a new customer than to sell to an existing one — and on average a current customer spends 67% more than a new one.

Loyalty Loop (McKinsey Model)

The traditional sales-funnel model only considers the customer’s pre-purchase decision process. Marketers need a different model.

In 2009 McKinsey published a new customer purchasing-behavior model called the Loyalty Loop, in which great post-purchase experiences drive repeat purchases and loyalty. In this model, customer retention and relationship programs are important elements of your marketing strategy.

To reduce future marketing costs and multiply your revenues, keep your customers out of the brand-consideration phase. Know where and how to reach out to your audience, so you can guide them to the final and most desired stage: advocacy.

Here are the stages of the McKinsey Model.

Awareness
To address a large and heterogeneous audience, you must integrate many marketing channels: blog, retargeting, online search, social buzz and others that expose your brand to new people.

This is the most-active stage for lead generation strategies. So present sign-up forms in retargeting ads, Facebook apps, on your sites, in exchange for downloads and coupons, and off-site at stores and trade shows. Make sure every new subscriber receives a welcome series to help move them to the next level.

Consideration
In this stage it’s the time to narrow-down the target and customize the communication with action-based campaigns based on email-opened or link-clicked. The content needs to be relevant and timely as interest can fade quickly.

This is also the right stage to provide detailed information about your offer. Content types that work best include alternative product versions, extra features, free trials, quality proofs, case studies, expert opinions, and demos.

Preference
In this phase customers like to compare brands, prices, and product features. So provide social proof — recommendations, testimonials, price guarantees and discounts — to help them make their choice.

Again, send automatic communications based on conditions met, in order to reach the right prospects with the most engaging offer on an (almost) one-on-one basis.
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Action
When the customer makes a purchase, your job isn't over. In addition to system notifications, offer cross-sells and up-sells, future-order discounts, transaction rewards, etc. This is the time to boost customer loyalty.

Loyalty
The ultimate result is a separate path for your most loyal customers: a loop from one transaction to the next without repeating the 3 initial stages (awareness, consideration and preference). This requires a customer bond based on trust, satisfaction and credibility.

At this stage you need to do more than offer a next logical product (NLP); you need to express your appreciation and build the relationship. So request product feedback and offer tips and tricks and tutorials to help them make the most of the product. This is the time to clearly define the benefits of loyalty to your brand.

Advocacy
Your best brand advocates are customers whose demands and expectations are 100-percent satisfied by your product or service. These brand advocates are key elements of your marketing strategy, so encourage feedback.

What's next?
Once your customers reach the loyalty stage, keep them in the “loyalty loop”. This means that when the funnel stages are completed, the customer need not go back to the “awareness” level. The path to the next sale should be a shortcut from the advocacy stage to the action stage.

Your job as marketer is to make sure the customer's experience at the consideration and preference levels is positive, interesting and valuable enough to build trust, satisfaction, confidence, and brand credibility.

Apply: Brainstorm about how your best customers interact with your business.

- Have you set up a separate communications loop for current customers?
- If not, how could you segment them for special attention?
- What kinds of communication do they NOT need to receive?
- What kind of gratitude emails could you add to your buying cycle?
- Get to know your customers with surveys.
- Study their responses to your communications and their buying habits.

Now you can say that you really know your customers and they really know you. So your communication should be personalized and customer-oriented. Make it easy for the customer to modify their preferences, access resources and support, connect with you on social media, and receive interesting updates about the offer — in a format that's easy to share.
LOYALTY PROGRAM SUCCESS GUIDE

1. Set up your program for success

Every business has different goals and different target markets, so a single recipe won’t work for every business. One size doesn’t fit all. For a brand to select the right approach, it’s key to have an in-depth knowledge of customer needs and preferences.

Plan your program with these steps in mind:

- Co-branded loyalty programs – partner with other brands for added value
- Customer delight – Encourage loyalty with excellent product quality, customer experience, and customer service — not special incentives or rewards.

Apply: When you start a relationship marketing program:

1. Establish clear business objectives.
2. Answer these questions:
   - Who do you want to add to your database?
   - How should you estimate the value of each contact?

3. Use these insights to create relevant communications.
4. Always measure the results and optimize your approach.

Popular loyalty program types

- Points system – award points to customers for every transaction
- Tiered loyalty system – reward customers who spend more or have longer tenure
- Loyalty cards – offer member exclusives
- Non-monetary loyalty programs – reward customers with benefits such as access to better facilities, exclusive content, and premium customer care.
2. Define and measure objectives

When you design a marketing program, establish clear expectations and well-defined objectives for key performance indicators (KPI). Define goals to help you determine the right strategies and tactics.

Useful metrics

**Return on investment (ROI)** – the single most important metric, ROI determines the profitability of your business and marketing efforts.

\[
\text{ATTRIBUTABLE REVENUE} - \text{CAMPAIGN INVESTMENT} \over \text{CAMPAIGN INVESTMENT} = \text{ROI}
\]

**Incremental sales** – This KPI is closely related to ROI and measures the impact of your marketing efforts on sales.

\[
\text{GENERATED REVENUE} - \text{BASELINE SALES}
\]

**Engagement** – This metric measures how effectively your online initiatives generate the response you aim for.

\[
\frac{\text{# OF LEADS GENERATED}}{\text{# OF CONTACT ATTEMPTS}}
\]

**Interactions** – measurement of how effectively your marketing efforts engage your audience.

\[
\text{# OF VALUABLE SOCIAL INTERACTION SUMMARIZED OVER X PERIOD}
\]

**Cost per lead or per acquisition** – This KPI measures how effectively your campaigns generate leads or sales for each dollar spent.

\[
\frac{\text{TOTAL COST OF CAMPAIGN}}{\text{# OF LEADS OR SALES GENERATED}}
\]

**Conversion** – This key measurement determines marketing campaign success.

\[
\frac{\text{# REACHED}}{\text{# OF LEADS PER CHANNEL}} \over \text{# OF WINS}
\]

**Sentiment** – This measures attitude towards your brand.

\[
\text{CAN BE MEASURED THROUGH QUALITATIVE OR QUANTITATIVE RESEARCH OR SOCIAL MEDIA LISTENING.}
\]

**Awareness** – This measures the overall awareness of your brand versus competitors. It can either be aided or top of mind. It’s essential to build brand awareness if you want to grow your brand.

\[
\text{CAN BE MEASURED THROUGH QUALITATIVE OR QUANTITATIVE RESEARCH}
\]

**Customer Lifetime Value** – This metric determines the value of your customer, a key measurement of relationship marketing.

\[
\text{# OF VALUABLE SOCIAL INTERACTION SUMMARIZED OVER X PERIOD}
\]
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3. Customer lifetime value (CLV)

All of the metrics listed above are crucial indicators. But customer value is what’s most-influenced by your loyalty program. Get to know this value before you define your initial budget.

Customer lifetime value (CLV) is a formula for calculating the long-term value of a customer — how much a customer is worth over a period of time. It’s very important to calculate CLV before you start any customer retention program or plan your acquisition spend.

CLV lets you determine how profitable your customer relationships can be and how much money to allocate to your loyalty program. Different customer groups have different values, so it’s very important to know the spend-potential of each of your customer groups.

Sample CLV calculation

Calculation: (average value of a sale) x (number of repeat transactions) x (average retention time in months or years for a typical customer)

Based on this calculation you can easily determine how much you can spend to acquire and retain each customer and still remain profitable.

STATISTIC: Compared to non-members, members of loyalty programs who respond to email had 40% higher open rates, 22% higher click rates, 29% higher transaction rates, and 11% more revenue generated per email.

Create a good first impression

It’s essential to deliver a positive brand image from the start, when customer attention is highest. This is the perfect stage to initiate ongoing communications.

Remember: Their original appreciation and “leap of trust” earn you credits for future interactions. 74.4% of consumers expect to receive a welcome email when they sign up (BlueHornet: 2013 Consumer Views of Email Marketing), but only 39% of brands send one (Ciceron: The First Impressions Email Marketing Study, 2013). If wasted – this potential can never be recovered.

Apply: 53% of marketers agree welcome messages best help them achieve their business goals (DMA: National Client Email Report, 2013). Use them as an opportunity to develop a steady, regular discourse with your audience:

- Thank and reward your prospects and customers for their interest in your brand.

Picture 4. Welcome message from RHYTHM Magazine
Let them learn more about you with an overview of company, product and team.

Build a sense of exclusivity and being “in the circle” from the start.

Raise expectations that you are able to meet.

Plan a welcome series that gradually delivers useful and interesting information about your company and offer and builds a coherent picture of your brand.
Be responsive

To build one-on-one relationships, you need to send the right offer at the right time. But it may be difficult to figure “what” and “when” to send. To anticipate audience expectations, you can track their online behavior and respond immediately and accurately. Or you can invite your audience to a dialogue that engages them.

Remember: If you reach out to your customers for opinions as a way to start a constructive discussion, remember to treat it seriously. Even negative feedback can bring positive results if you respond, compensate for loss and — most important – evolve and eliminate the potential problem sources.

Apply: Personalized, customized content helps your customers feel that you know them really well. More than 64% of U.S. and U.K. Internet users want marketers to demonstrate knowledge of the types of products, services and offers they like. (e-Dialog: Manifesto for E-mail Marketers: Consumer Demand Relevance, 2010).

➤ Ask your audience about their preferences early in your relationship and make it easy for them to update their info.

➤ Make every interaction count. Don’t leave contact attempts unanswered: comments on blogs and social walls, email replies to your newsletter, phone or live chat inquiries. Your response starts a dialogue and lets people feel an individual connection.

➤ Get personal. Let your customers get to know the people behind the answers. Use “human” email addresses, signatures and team photos and encourage customers to contact your reps whenever they need them.

Match your time settings to audience routines, and set up one-to-one action-based and event-based messages to address their interests.

React to behavior. With email automation it’s easy to show them you recognize their online actions — such as a purchase, download or click — to make customers feel individual and unique.

Listen when customers tell you what they want

Whether it’s behavioral data that triggers individualized responses, demographic info for razor-sharp segmentation, or survey stats that give you a bird’s eye view of expectations and brand perceptions – data collection is one of the most important elements of customized content and targeting strategies. This, in turn, can help you develop a closer and more personal relationship with your audience.
**Remember:** Segmented email campaigns produce 30% more opens and 50% more clicks than undifferentiated messages (Monetate: Intelligent Email Marketing that Drives Conversions, 2012). The effort is really worth it.

**Apply:** It’s not easy to listen to individual voices in a heterogeneous crowd. How can you get through and encourage constructive feedback?

- Start early by using web forms to collect demographic info.
- Offer a customer-managed preference center to give them control and ensure maximum relevance.
- Do your own market research: run surveys, and just customer satisfaction polls; overtly ask your customers what they need.
- Derive behavioral data from transactions, engagement stats, and goal tracking.
- Closely monitor the choices your customers make on the Web or in email, so you can follow up with customer-oriented content.

**Let customers get to know you**

Attempts to increase customer retention and customer lifetime value (CLV) depend for success on how they perceive your brand in the long run.

**Remember:** To really stand out in a highly competitive market, a great offer and excellent products need to be supported with a coherent company mission.

**Apply:** Use various communication channels to present different aspects of your brand and offer. 59% of respondents are more likely to trust brands that integrate social media —Mass Relevance:

**The Social Hunger: Why Your Audience Feasts on Social Integration (2012).**

- Run a blog or use social media profiles (or both) to give your brand an informal voice, get more direct contact with your customers, and create a genuine brand community.
- Don’t be just about offers and promos; tell your story and reveal the people behind the product.
- Gather a team of enthusiasts and experts to represent your brand, comment on industry trends, and create interesting content — labeled with your brand.
- Integrate your offline and online marketing. Your audience members constantly cross from one to another.

**Reward your customers**

From the customer’s point of view, loyalty to a brand means bonuses — rewards and incentives that standard customers don’t get. This reinforces the sense of exclusivity — one of the major motivators to stick with a brand.

**Remember:** 7 in 10 people say they used a coupon or discount from a marketing email in the prior week. (Blue Kangaroo Study, 2012). If you regularly reward customer loyalty, it increases your chances of generating new sales from existing customers.

**Apply:** Reward loyalty as a long-term strategy. Your customers need to feel that the longer they stay with you the more they can benefit.

- Create opportunities to offer rewards: anniversaries, birthdays, tiered levels to complete.
Define the rules for earning extra benefits at the start, so no one feels disappointed. This also motivates your customers to complete certain requirements.

Reward customers for purchases and encourage them to take action to gain more — actions such as referring your product.

Run contests and challenges that involve both participants and the audience.

In your communications provide amusing or interesting industry trends, events, stats, and trivia.

Collaborate with other brands to acquire new audiences and to gain a reputation for being friendly and industry-proactive.

Content creates an experience for your customers, too. Surround them with valuable information — it’s worth it: 72% of B2B buyers are most likely to share useful content via email. (Earnest Agency). So you gain two-fold.

Add value

Added value is the essential element of a loyalty program. So go beyond standard expectations and provide comprehensive support and assistance to your customers.

Remember: The added value needs to make your customers not only feel exclusive and special but also visibly distinguish your offer from competing offers.

Apply: Expert advice, educational programs, help line, demos and exclusive workshops are the best ways to ensure your customers that they’re in good hands:

Talk about the extra services that come with your product or service, such as quality certificates and product guarantees or dedicated assistance in emergencies.

Offer visual aids and expertise: demos, video tutorials, one-on-one consultation sessions, workshops.
Engage industry experts and gurus to test your products, give advice and describe their “success paths”.

Remember to say ‘Thank you’

Use every opportunity to tell your customers how much you value them. Nothing strengthens a bond more than appreciation. And it’s not just about saying “Thanks for the purchase”.

Remember: Spontaneous, neutral and disinterested gestures make your brand look more human and familiar.

Apply: In your “thank you” strategy, don’t overuse the phrase by squeezing it in whenever possible. Use your creativity to show your customers how much you value them.

Send out personalized, “promo-free” greetings on at least one important public holiday a year.

Reward your most loyal and engaged customer with giveaways.

Add a short “Thank you” to your transactional emails.

Run a “Thank you” campaign every couple of years, or to celebrate with your customers whenever you reach certain milestones in your company story.

5. The power of staying in touch

Automate to drive loyalty

Only 13% of B2B companies surveyed currently use marketing automation — and the main reason? They simply don’t know what it is (44%). - Buyer Zone “The State of B2B Lead Generation: 2012 Results” (2012).

And most companies are challenged with limitations on budgets, time and resources. Surprisingly, in the long run, email marketing automation is the solution to all these obstacles, as it can save money and time and let you build, rebuild, and reuse content based on customer demand.

Where to begin?

If you’re starting your email automation program from scratch, take small steps and test all the possibilities. Allow time to monitor constantly, track results quickly, and refine strategies.

Try these simple trigger-mechanisms:

- 3-part welcome series to present the spectrum of your services, practical info, and your brand story
- 2-step link-click offers: promo email with 2-3 clickable options, each with a link that triggers a message that contains a special offer or incentive
- Birthday coupon with a reminder to use it within a given timeframe
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These gradually unify the pieces into a coherent marketing program that reflects your audience routines, needs, interests and preferences.

At this stage it’s important to learn to identify and optimize the marketing-funnel stages. Loyalty marketing requires that you address their various and evolving needs at every stage with different types of content and offers. The funnel model gradually narrows your audience and grows their levels of engagement.

Email marketing automation can help you optimize your results at each stage of the customer path and provide them with the type of information that’s most desirable.

**Awareness** – time-based autoresponders help you stay in touch and maintain regular communications to help customers get to know you better.

- Welcome series
- Step-by-step programs
- Product-range showcase
- Inspirational newsletters
- News digest

**Consideration** – use action-based messages to provide the right content at the right time:

- Targeted information upon email-opened and link-clicked
- Testimonials and a product-opinions email when customer clicks a “Customer reviews” link
- Video email links to your YouTube channel
- Most-popular-resources list upon when resource section link is clicked
- “Got a question?” email with contact details for a support assistant

**Preference** – when your customer is close to making a decision, provide incentives to choose your offer.

- “Giveaway for first purchase” with a subsequent reminder
- Exclusive limited-time discount when subscriber opens initial offer
- Final CTA for sales and special offers
- Not just about sales: back up your offer with content that’s relevant, interesting and entertaining — such as expert opinions, product tips and tricks, and bestseller lists.

**Action** – don’t leave the customers on their own once the sale is complete. Show that their success is what really matters to you.
“Thank you” message upon completed transaction
Surprise discount or giveaway for future shopping
Up-sell ideas – recommendations on top add-ons, extra features, accessories

Loyalty – maintain frequent communication, not just right after a sale. Let your customers know you’re now “going steady”.

Offer free stuff exclusively for customers “in the circle”: subscriptions for time-based sequences, training programs, demos, one-on-one sessions, tips-and-tricks series.
Get more personal with birthday celebrations, anniversary purchases, holiday greetings and special offers.
Encourage use of the preference center and acknowledge changes with “custom field changed” messages.

Advocacy – actively seek customer support, involve them in discussions about your product, and express your appreciation.

Create a referral program and reward successful recommendations.
Engage your customers by inviting them to join the brand community. Then send regular updates about events, industry trends, and opportunities to connect offline.
Use action-based autoresponders to send feedback requests. Make them public on your website and send out info whenever a new review is available.

The combinations are limitless for time-, event-, and action-based messages. Use them as elements of unique seasonal campaigns or create a complete program.

Triggered emails saw an average CTR of 10.4%, more than double the general CTR for Q1 2012 (eMarketer: Email Marketing Benchmarks: Key Data, Trends and Metrics”, 2013). It’s a benchmark that simply can’t be ignored, if your aim is an unthreatened market-leading position.

**ACQUIRE LOYAL CUSTOMERS**

The value of every successful loyalty program is in the quality and size of your email marketing database. A successful loyalty program gives you the ability to evaluate potential leads, build strong, lasting relationships with clients, and constantly grow your client base.

If you build a list of subscribers who trust you, believe in the same values as you, and actively participate in the dialogue with your brand, your performance results and response rates improve continually.

**1. Top customer-acquisition tactics**

It’s just as important to increase the size of your database as it is to manage your existing list. To develop your business and increase your reach, you need to grow your list in a reliable and responsible way. Just make sure you don’t squander your marketing budget on low-quality leads with no transactional potential that can only lower your ROI.
Here are the most popular, reliable techniques you can use to grow your marketing list.

**Sign-up forms**

Sign-up forms should be easily accessible on every page of your website, blog and social network. To make sure they’re effective, make them visible and easy to complete. When you attempt to persuade prospective clients to subscribe, you should be clear and honest and address privacy concerns.

**Landing Pages**

A squeeze page is a special landing page typically designed only to build your email list. It should clearly outline the promised benefits in a compelling and convincing way. And it should specify the expected user action. The human touch is generally a helpful way to persuade prospects to sign up, so include testimonials when you optimize landing pages.

**Partnerships**

Other newsletter publishers and vendors with complementing products or services tend to be reliable sources when you want to generate new leads. Reach out to (carefully selected) owners of larger databases to build your client base, increase brand awareness, and enhance your brand image. Loyal customers need to be reassured that your brand shares the same values as they do, and associates with similar, respected brands.

**Other content-distribution channels**

Companies can promote their loyalty program through content distribution channels other than email marketing. If your company has a mailing list from an offline business, you can contact the clients and give a special reward if they subscribe to your online newsletter.

*Picture 11. DMA “National Client Email Report” (2013)*

**Apply:** It’s easy to be overwhelmed by the number of ways you can build your subscriber list from where you are to where you want to be. But if you use this section as a checklist and tackle the techniques one at a time, you can create an expansion system to ensure growth.
2. Grow a profitable subscriber list

Evaluate your existing email database with goals in mind. Think of ways to optimize your email marketing campaigns and maximize lead generation. Typically, such an evaluation includes these steps:

- Set up automatic list hygiene
- Specify the subscriber profile
- Measure the performance potential
- Identify the stages of communication with current customers

**Automatic email list hygiene**

Internet service providers (ISP), also called mailbox providers, tend to act unfavorably toward companies that don’t carry out list-cleaning activities on a regular basis. So list hygiene is one of the most important practices to optimize email deliverability. For companies that run email marketing campaigns, poor list hygiene may result in lower deliverability. This is because newsletters can be filtered to the spam folder instead of the inbox and cause plummeting statistics for conversion, sales, and ROI.

List hygiene management should include attention to these elements:

- Bounces (remove invalid email addresses)
- Complaints (remove subscribers who mark emails as spam)
- Inactive contacts (remove those with no activity in the last 90+ days)

**Apply:** Be selective. Would you rather add one subscriber who loves your business and buys everything you sell or one thousand customers who care nothing about you and keep their credit card safely tucked away when they visit your site?

Email marketing is a numbers game... but not really. A large subscriber count may gratify you, but only tells half the story. Even more important is each subscriber’s loyalty to you and your business — and their spending habits.

Your goal is to build a large, responsive and loyal customer base that generates revenue and profits.

**CUSTOMER DATABASE SEGMENTATION**

1. How subscriber profiles work

The idea behind loyalty programs is to locate and reward clients who are the most active and loyal to your brand. So it’s essential to evaluate leads to target the right audience and maximize the ROI.

Database profiles let you segment subscribers into groups based on their behavior toward products, services, and offers, so they can be targeted more effectively. The goal is to recognize different client needs and behavioral patterns, so you can prepare content tailored to match the preferences of each group.
Examples of subscriber profiles:

- Loyal customers who make repeat purchases
- Subscribers who have not made a purchase
- Subscribers who made a purchase in the past and have returned
- All other groups that align with the company’s business model

2. Identify the stages of communication

When you profile your customers, it’s essential to identify their current communication stage in the sales funnel. Depending on the stage, you should adjust content and tone to focus on the individual goals that you set for each stage.

Each step in the McKenzie Loyalty Loop model requires different tools and points of focus:

1. Awareness
2. Consideration
3. Preference
4. Action
5. Loyalty
6. Advocacy

To maximize the effectiveness of your customer loyalty program, you need to distinguish between these stages and verify whether it is the right time to issue a call-to-action (i.e. make a purchase) or first convince them that they have a need that remains unsatisfied.

3. Database segmentation tactics

Subscribers are individuals with different demographics, preferences, and behaviors. Segmentation is an email marketing best practice that can influence the success of your newsletters. After you have identified different customer profiles and communication stages, it’s essential to introduce effective segmentation tactics to increase conversion rates. Use a different approach and content for each audience to increase conversion. Below are 7 savvy segmentation tactics to make your communication more relevant and engaging:

**Psychographics**

While demographic information such as age, gender, and career field is helpful, psychographics help you target customers based on likely behaviors.

Think of psychographics as the flip-side of demographics. Psychographic data includes lifestyle, attitude, and behavior information. If your list includes people who enjoy hiking, you can target those with that specific interest.

Use psychographics in conjunction with demographics to pinpoint your audience.

**Purchase history**

Use purchase history to your advantage in two ways. First, offer similar items that might interest them. Second, upsell complementing products or services in a follow-up email campaign.
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**Referrers**

An important part of your customer base is people who regularly refer business to you. Your behavioral segmentation strategy should include ways to show that you value customers who brag on your business. Popular methods include discounts, loyalty programs, and affiliate programs.

**Geography**

The advantages of geographic targeting may vary depending on your business. If some products or services are offered only locally, you don’t need to email information to people who are too far away to take advantage.

**Status**

Segment subscribers by status so you can send targeted offers to each:

- **Active subscribers** (those who frequently open your emails and click-thru to the promoted websites and landing pages)
- **Inactive subscribers** (those who have not opened any email for at least 90 days and did not click any link)

Target based on products and services purchased

- a. Customers
- b. Non-customers
- c. Customers who bought more than once
- d. Prospects who abandoned the registration form

**Avoid over-segmentation**

As you devise segmentation methods, it’s possible to do too much of a good thing. Your goal is to personalize outreach efforts and still create interest among your customers. You can’t do that well if your campaigns are too specific. A ballpark goal of 10 segments is a good place to start.

Keep track of your efforts and regularly evaluate which methods work. In your effort to personalize campaigns don’t limit the size of your campaign before the emails are even sent. Ideally, find market segments that can be best served by emails targeted to them as you continue to offer them products or services that might interest them.

**Apply**: Automation really pays off when it comes to segmentation.

For example, if one of your segments is people who haven’t made a purchase in the past 90 days, your automated rule looks at your list every day and adds to the segment those who have crossed the line into 90-day territory, and drops from the segment those who responded to a special offer and made a purchase.

So let’s say you send your 90-day segment an offer for blue widgets that’s just too good to pass up. Those who buy the blue widgets can be automatically moved to a list of people who have bought blue widgets, where you can tempt them with an offer for red widgets.

Set up properly, your subscribers continually move themselves up the loyalty ladder by responding to your offers.

The section of this book on automation covers this in more detail. For now, devise criteria for segmenting your audience, so you can serve up content and offers they want to receive.
CUSTOMER RETENTION TOOLS

The key to success of every loyalty program is to stay in touch with your customers. Email is the most effective tool for staying connected.

**STATISTIC:** “Email surpassed any other channel for repeat sales with 30% of transactions by repeat customers starting with an email from the retailer.” — Forrester: “The Purchase Path of Online Buyers 2012”

1. **Email: key retention tool — by Kath Pay**

Email Marketing has finally come into its own with Forrester research reporting that email marketing spend grows 10% year over year. Since its creation email marketing as a channel, has always been effective, however, the fact that it has been seen as being a ‘cheap’ channel has actually hindered its positioning in the marketing mix, more than helped it. Because of its cheap status and strangely enough, because it is an effective channel (with very little effort being invested into it), brands have previously been reluctant to invest money into developing email into being the robust, necessary channel that it is today. Recently the Small and Midsize Business email Marketing Survey found that 56% of businesses say they plan to increase their use of email marketing in 2013.

Econsultancy’s Email Marketing Census 2013 found that 43% of marketers cited a lack of strategy as a key problem, followed by lack of time (41%) and poor segmentation (39%). All of these can be rectified with increased budget, and it seems that 2013 is the year we see this come into fruition.

Email Marketing has always delivered excellent ROI. Econsultancy’s Email Marketing Census has, for the last 4 years, recorded Email Marketing as having delivered either the best or second best ROI out of all the digital channels, with 70% of digital marketers rate email as the top medium for ROI in 2013.

Consumers are also warmly embracing email marketing, to the point where 44% of email recipients made at least one purchase last year based on a promotional email (Source: Convince and Convert) and other research revealed that consumers who receive email marketing spend 83% more when shopping. Not only that, but their orders are 44% larger, and they order 28% more often. Litmus found that 82% of consumers open emails from businesses and another study reported a staggering 77% of consumers said they prefer to receive permission-based marketing through email!

This of course, brings us to one of email marketing’s many strengths – retention marketing. Admittedly, retention marketing isn’t as sexy as acquisition marketing and often gets forgotten or de-prioritised when budgets and strategies are allocated and planned – but let’s face it – this is where a lot of the low hanging fruit is. Not only that, but we all know that it costs far less to keep a customer than it does to acquire a customer. Retention marketing is where it is comparatively easy to upsell and cross-sell using email to drive more revenue. This is where relationship marketing steps in and email marketing shines.

We all love being rewarded, we all love being made to feel special, being made to feel as though we matter – and email is a perfect tool to do this with your customers. However, if the truth be known, as email marketers, we don’t do it enough. We don’t offer email exclusive offers, we don’t say ‘thank you and here’s a treat for you,’ we don’t surprise and delight our customers as often as we should or could. And that’s often driven by our often self-imposed concept that we should send less email.
This is when testing comes in. Email is a perfect channel to test, improve and optimise – not only for our email marketing campaigns – but also to leverage the results throughout our digital marketing campaigns as a whole. Consider this, you know your best customers, you can identify them and can track what they like, how often they want to hear from you, what subject lines they react to, what CTA’s inspire them to click, what offers, creative and customer journey works for them.

Take this knowledge and apply it to your other digital channels. Test whether the green or orange CTA button works best for this select segment of your best customers, and then apply that to your website. You can also test which image works best for your audience and then use that in other channels, both offline and online - it’s a lot cheaper than hiring expensive test panels or doing focus groups. Moreover, apply these learnings to your acquisition campaigns, so you can start to attract more of your best customers.

Email Marketing has been cited by many online experts as being, not only the backbone of digital marketing, but also of customer engagement. Email is at the heart of everything we as consumers, do. Whether we want to gain access to a forum, purchase a product online or set up a social networking account – the email address is the key to you being able to do these tasks.

Which, in a nutshell is why email marketing is such a valuable channel. It is our access into our customers and prospects world. Not just simply access into their inbox – but access into what they like and dislike and what they consume – whether it be groceries, hardware or news articles.

As email marketers we have an enormous amount of technology and metrics available to us, which are all applicable to an email address – a real identity – not just a nameless cookie.

It is by leveraging this data and maximising the customer touch points along their journey that we start to really make email marketing work. By identifying these key touch points we can then create triggered campaigns throughout the customer’s lifecycle according to their actions or indeed, their inactions.

A recent study showed that open rates for triggered email were 60.8% higher than emails sent on a schedule. This is generally because these messages are anticipated, requested and/or timely. And we, as marketers, as making the most of these wonderful opportunities by sending these automated, triggered sequences – albeit, the customer is unknowingly the director in his own personalised journey.

So, to all email marketers I recommend a change in mind-set of two main factors. Firstly, consider email to be a cost-effective channel and not a cheap channel. This can open the gates and let the budget flow into the channel.

Secondly, I recommend that every permission-based email should be viewed as being a customer service message not a marketing email. Yes, you may be selling them something – but at the end of the day they are on your list because they want to be – so provide a valuable customer service to them and don’t be apologetic for doing so – be proud!

— Kath Pay
2. Integrate email with other channels

In the complex digital world, users have preferences and online habits that constantly evolve. The average consumer browses dozens of websites, blogs and forums each day, gets knowledge from comparison sites, connects with friends on various social channels, and keeps up to date thanks to newsletters and news sites. Your ideal prospects probably don’t congregate in a single online place where they are guaranteed to be found.

So rather than force your audience to consume content on your terms, simply show up wherever they are. Whatever keep-in-touch communication tools you choose, and whatever your contact strategy, remember to create a consistent message across all online channels.

Although email is the most effective communication channel for retention, it can’t be a silo. To use it to its full potential, integrate with other online marketing channels and as part of a broader communication plan. If implemented correctly, it can have a huge positive impact and increase the reach and the efficiency of your communication channels outside subscriber inboxes.

Email and website

The most common cross-channel integration is: email marketing and your website.

Simply place a sign-up button on your website to help you grow your email database. Then your emails can be the perfect way to drive additional traffic to your website.

Email and social media

The online world has become social. Brands leverage the power of Facebook, Twitter, Pinterest, Linked in and many other social channels to stay in touch with their audience.

Social channels can become a great subscriber-acquisition tool, and your email database is the most common way to integrate all social channels; emails can be sent to your audience to promote your social media channels and drive traffic and engagement.

![Email Marketing Benchmark Survey 2013](image1)

![Pottery Barn newsletter](image2)
Social sharing buttons in your emails can be used to spread your message. An analysis of GetResponse data revealed that the number of users who include social sharing buttons in their emails increased from 18.3% to 29.4% in 2012. What’s even more striking is the exceptionally high performance results for newsletters that included social sharing buttons. Those emails had an average click-through-rate (CTR) 158% higher than emails that didn’t include social sharing.

With so many other great ways to integrate email with other channels, it’s worth it to evaluate each one and develop a fully integrated approach. It definitely drives efficiency and multiplies your message online.

3. Measure subscriber-database performance

Companies need reliable metrics in order to run effective loyalty programs, maximize ROI, and optimize activities. Below are examples of key performance metrics used in email marketing:

- Delivery rate
- Open rate
- Click rate
- Bounce rate
- Conversion rate
- Revenue per email sent

Two of the great privileges of email marketing are: to actually see how your newsletters look before you hit the SEND button and to measure its performance afterward.

Email marketing is considered the most reliable channel of communication because of its direct reach. It is also no place for slipups and mistakes. That’s why you should test and measure your campaigns.

How to perform tests

A/B tests

A common, well-known way to test is to compare the performance of different versions of your newsletters with various elements and customizations.
You can test unlimited scenarios, but the most popular elements are:

a) Subject line  
b) Graphical content  
c) Elements of personalization  

So anytime you have second thoughts about which image or text works better, test them. It's a quick and reliable process that delivers important information to help you decide upon the final content.

**Design-rendering test**

The purpose of design-rendering tests is to make sure your newsletters look perfect in every email client, whether your subscriber opens the message on a mobile device, desktop email client, or web-based email client. You rest easier when you know that each reader sees what you want them to see, exactly as you created it.

You can check different email clients, such as Microsoft Outlook and Apple Mail, and online inboxes, such as AOL, Yahoo!, Gmail, etc.

According to industry research from Return Path (2012), users this year are more likely to open emails on mobile devices than on laptops and PCs. So we also recommend that you optimize and test design-rendering on iPhone, iPad, Android devices, etc.

**Test message**

An alternative to design-rendering rests is to send test messages to your own email address. This allows you to quickly send a preview for final approval of design and content or confirm that each part of the message displays as you intend.

This is also a good way to check inbox placement. We recommend that you send a test message to email addresses you own, addresses hosted by as many ISPs as possible, e.g. AOL, Yahoo!, Gmail, Outlook, etc. You get quick the information about deliverability and design rendering and find out whether the newsletter needs work on optimization, IP reputation or IP condition.

**Spam tests**

It's important to know your IP performance and condition. Luckily, this information is easy to access. Thanks to SpamScore check, your messages can be scanned for spam-filter risks. It is integrated with SpamAssassin, so you can count on the most relevant data and evaluation of your design, content, from field, links, etc. as the SpamAssassin database is updated constantly.

We recommend that you perform these tests for every message to see if anything needs to be optimized before you hit the “Send” button.

**Measure your performance**

The foundation of effective campaign planning is to analyze key factors, goals and performance. Knowledge of what works well and what needs more attention is the most important asset of every email marketer.

The factors we recommend you to analyze are:

**Open rate**

Open rate is one of the most essential metrics for email marketing success. In practice, open rate represents the number of emails opened as a ratio of emails successfully delivered (not sent).
According to the “2013 Email Marketing Benchmark Study”, the average email open rate in 2012 was estimated at 19.7% industry-wide.

Bear in mind that open-rate tracking is available only in HTML emails. An open is counted when the subscriber clicks the “Display images” button and downloads the tracking pixel along with other images.

**Click-thru rate (CTR)**

CTR is the most precise metric in email marketing. Unlike open rate, it is 100-percent accurate and doesn’t involve any extra task from the subscriber, such as the download of a tracking pixel.

CTR is the number of times a link is clicked in a newsletter versus the number of emails successfully delivered (not sent).

According to “2013 Email Marketing Benchmark Study”, the average email click-thru rate in 2012 was estimated at 5.4% industry-wide.

We recommend that when you test calls-to-action, try hyperlinked text versus CTA buttons and graphics to analyze audience preferences. Email users are most likely to click a visual representation of the offer promoted in the email. However, Industry studies indicate that specific target groups (teachers and B2B marketers) are more likely to read the entire email content then click a text link.

**Subscription rate**

With the latest tools, you can measure your list-acquisition channels. It is helpful to know the sources of subscribers when you plan and optimize campaigns. Identify the most successful sources for subscribers to create an effective loyalty program.

**Apply:** When you first start your email marketing program, statistics may not seem very important. But after you develop some history to use as a baseline, your stats can paint a clear picture of what works and what you need to tweak.

And when you first start and your subscriber count is low, a slight improvement in performance hardly seems worth all the effort of testing. But when your subscriber base grows to a substantial size, a small improvement in performance rates can translate to a large increase in actual income and profits.

So even if you’re new to email marketing, check your statistics frequently and look for opportunities to improve your performance metrics.

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**AUTOMATE YOUR LOYALTY PROGRAM**

1. How email marketing automation works

Ever wondered how companies stay in touch with and audience that grows constantly, maintain consistent email communication, provide unique, relevant and engaging content — all on what seems like a one-on-one basis? That’s the magic of email automation. And the potential of modern autoresponders is almost unlimited:

- A customer subscribes – the system follows up with a welcome series.
- A recipient clicks the video link – the system offers access to a video library.
How to build a profitable customer loyalty program

- A customer completes a transaction – the system responds with a thank you email or next logical product (NLP) offer.

And that’s just a sample of the unlimited portfolio of marketing scenarios.

Email marketing automation lets you personalize your message, mimic one-on-one interactions, respond to subscriber actions, customize and target the offer, and nurture relationships with consistent, regular communications. It allows you to automate all the processes, address large heterogeneous audience, and cater to their needs and expectations on a timely, individualized basis:

- Get personal
- React to what they do
- Provide what they need
- Listen and respond
- Keep in touch on a regular basis
- Encourage retention
- Express appreciation

Companies that implement a complete email marketing automation program — everything from cart abandonment programs to birthday emails — have seen conversion rates as high as 50%, with average CTR for triggered emails at 10.4%.
—eMarketer “Email Marketing Benchmarks: Key Data, Trends and Metrics” (2013).

Email automation can do it all. It can provide genuine customer experiences that help build true relationships, increase retention and boost customer lifetime value (CLV).

In the modern digital marketing ecosystem, email automation is a tool that can help you build a great brand experience for your customers, open a dialogue, and truly respond to their needs and expectations.

Untargeted email programs are as much as 3.6 times more costly than targeted programs. — Relevancy Group “Realizing the Value of Email Marketing” (2010)

The best alternative to such inefficient budget management is a complete email marketing automation program.

Marketing Automation

- Increased Relevance
- Higher Engagement and Response
- Reduced Costs and Higher ROI

Picture 16. Email Marketing automation scheme

2. Smart email tactics for loyalty marketers

Welcome emails (event-based autoresponder)

Effective communication requires more than standard newsletters sent at regular intervals (time-based autoresponder messages.)

The highest rates of performance (based on opens, clicks) are earned by event-based autoresponder messages. Delivery is triggered by an action of the recipient, not when the sender clicks the “Send” button. Actions can be triggered when customer
buys a product, completes the subscription process, or abandons the shopping cart without finalizing the transaction.

According to 2010 research by eMarketer.com, welcome messages (triggered when someone subscribes to a mailing list) have open rates almost four times higher than standard promotional emailings. And click-through rates are more than five times higher.

Here are some of the benefits of initial communication campaigns:

- Develops a relationship with the customer from the start with a welcome message for each subscriber
- Improves the deliverability of your emails
- Increases repeat traffic to the website (through incentive coupons for purchases, included in the welcome email)

These messages are fully automated and do not require the reader to click the “Send” button or any manual actions. What’s more, they go out as soon as the user confirms subscription; (the sooner the welcome email is sent, the greater its effectiveness.)

**Newsletter updates**

Another main pillar of email marketing is a periodic newsletter that focuses on current offers and promotions available from your brand.

An analysis of current emailing practices by many brands shows that companies send their newsletters daily or several times per week.

Multiple messages per day is not a generally-accepted best practice of email marketing. Too-frequent messages can lead to “database fatigue.” We recommend that you send no more than one newsletter per week — a general newsletter to the entire database or targeted newsletters to specific database segments.

Marketers also need to make a clear distinction between newsletters (sales emails) and autoresponders (education, information emails.) Simply design dedicated layouts for each type of message. Subscribers begin to recognize the types of marketing messages they receive. In the long run, this procedure reduces the brand’s unsubscribe and churn rate.

According to a research by MarketingLive, weekly emails are the safest and most preferred frequency for commercial email campaigns. When researchers asked how often subjects would like to receive promotional emails from a brand they want to communicate with, the most popular answer was: once a week.
Another breed of emails we recommend you implement is automated autoresponders built around educational content. This can bring a significant improvement in ROI from email marketing and increase the overall effectiveness of email campaigns.

Autoresponder messages are sent automatically and do not require the marketer to click the “Send” button. The message sequence is built based on various action scenarios then activated inside the account. This creates dialogue and builds better relationships with the subscriber. It’s friendlier to keep in touch that to email only when it’s time to sell something.

**Educational content**

**Automation**

Balance is an important principle of email marketing. To generate high conversions, the marketer must strike the right balance between pure sales and pure content. The difference is that pure content is useful and valuable to the recipient and does not present a call-to-action to make a purchase.

A good proportion is:

- 60% pure sales messages, distributed through a weekly newsletter
- 40% pure content, focused on customer education, useful information, surveys, etc.

Email marketing automation is a one-time investment of time and resources to prepare the design and content. After that, the emails are sent based on the specific actions of each individual subscriber — with little or no involvement by the sender.

This investment of time and resources can pay off in customer loyalty and higher sales for years to come.

**Birthday emails**

To create a memorable impression and build relationships with the members of a certain loyalty program, marketers can leverage the power of birthday emails delivered to email subscribers. Birthday emails should be fully automated, and their deployment usually doesn’t have to be handled by the marketer. These triggered emails are highly effective for email programs and reduce the marketer’s effort to the minimum.
Email service providers (ESP) allow marketers to create even more trigger emails based around certain dates. These could be:

- **Birthday emails**
- **Anniversary emails** (e.g., one year of participation in the loyalty program)
- **Date of last purchase**
- **Date when the coupon was last redeemed**

Date-driven trigger emails could be used simply as reminders (e.g., redeem your code) or as birthday messages that both drive loyalty and sales with a discount code or free shipping on their special day.

**CONCLUSIONS**

**Overwhelmed?** Sorry about that. Our goal was to convince you of the value of creating a loyalty program. We hope we succeeded.

As you can see, there are countless ways to set up a loyalty program. Your imagination is the only limit.

**Now what?** The best way to combat the feeling of being overwhelmed is to take some action.

Here’s the good news: the building blocks of a customer loyalty are modular, stackable and expandable.
So it’s OK to start small and expand. OK to build just one component and find out how well it works in your market. And OK to build the next component and stack it on top of the first, knowing that these modular components can be adjusted and rearranged at any time.

To get started, spend some time on each of the major areas — testing, measuring, and tweaking as you go.

1. Begin by setting goals and deciding how to measure progress.
2. Develop solid new-customer acquisition strategies.
3. Use segmentation and list hygiene to keep your list responsive.
4. Integrate your communication channels to create a consistent marketing message.
5. Automate each component of your loyalty process.

Your work pays off in a more loyal customer base. You spend less time chasing new customers and more time serving the ones you already have. This makes it more likely that your loyal clients will refer you to other ideal clients.

Your business grows organically from within. Customers enjoy how you help them. And your business is more fun for you too.

GetResponse is designed to support all of the techniques described in this guide — and more. So remember: when you need help, we’re ready to give you a hand. Let us hear from you!

Good luck with your customer loyalty program.

GetResponse Team.
CONTRIBUTING AUTHORS

Mac Ossowski
Director of Market Expansion
GetResponse

Mack Górski
Product Education Manager
GetResponse

Michael Leszczyński
Content Marketing Expert
GetResponse

Magdalena Pietras
Enterprise Marketing Manager
GetResponse

Hanna Andrzejewska
Marketing Manager
GetResponse

Kath Pay
Digital Marketing Speaker, Consultant & Trainer
Plan to Engage

How to build a profitable customer loyalty program
Questions? Get in touch!

We are always here to inspire and help, so don't hesitate to contact us if you run into any problems or have any questions along the way of your Email Marketing Success.

experts@getresponse.com

facebook.com/GetResponse
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