

GUIDE

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# PERSONALIZING THE LOYALTY EXPERIENCE

The 6 key components to building  
stronger customer connections

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## WHY READ THIS GUIDE?

### Personalization is marketing's holy grail.

Customers expect nothing less than personal, purposeful brand experiences with every interaction. In fact, [80% of people](#) are more likely to do business with a company that offers personalized experiences. Why? It builds trust and shows customers that you value them.

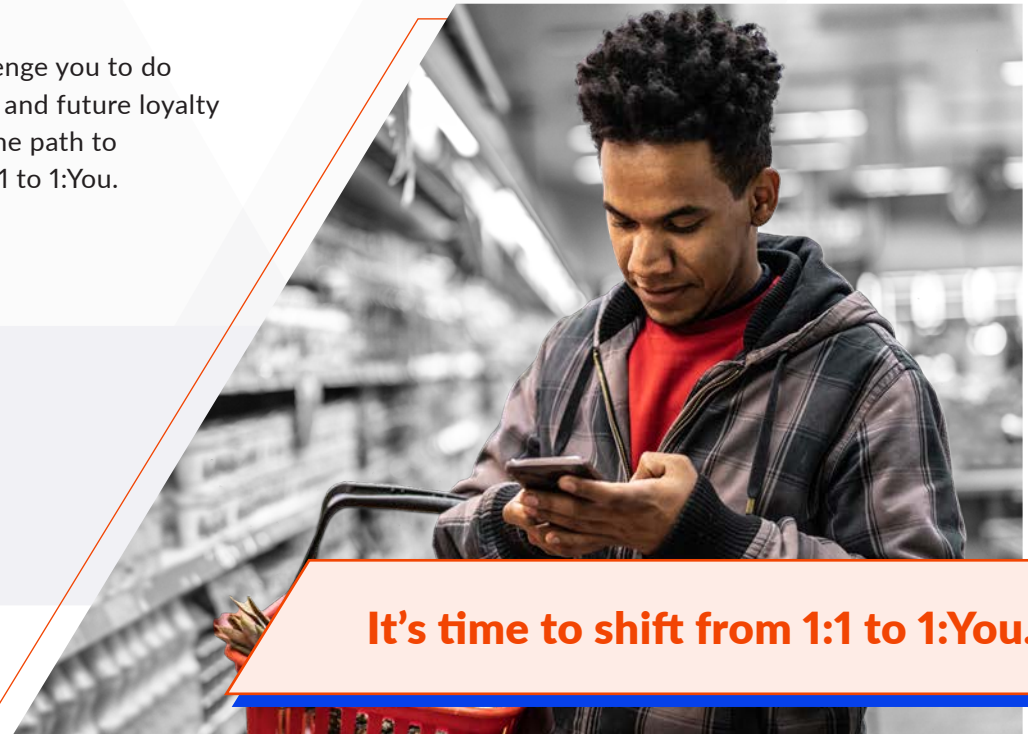
Personalization should be integrated into the entire customer experience—including your loyalty program. Loyalty marketing isn't just about rewards and offers. It should be about 1:You—the ability to have conversations and deliver powerful, human experiences. Brands must anticipate customers' needs and encourage their feedback. To do this, you need the right strategy and data to guide you, an aligned org structure to support you, robust technology to capture and deliver interactions and employees who are trained to respond.

It may not feel attainable—but it is with our help. This guide will challenge you to do some housekeeping and reconsider how you think about your current and future loyalty personalization efforts. It covers **six key components** to put you on the path to personalizing the entire customer experience. It's time to shift from 1:1 to 1:You.

**80%** of people

are more likely to do business with a company that offers personalized services.

Epsilon has seen a shift **from 1:1**, a “generically personalized” messaging strategy with promotional offers, **to 1:You**, a holistic customer experience strategy personalized with the best choices for individuals across all points of interaction.



**It's time to shift from 1:1 to 1:You.**

## SETTING THE RIGHT GOALS

**Before you assess your loyalty program from the top-down, it's important to level-set:  
What are you *actually* trying to achieve by building customer loyalty?**

### Balancing hard and soft benefits

The first thing you should consider is how your loyalty program creates **customer value**. At its simplest, marketers define customer value as how much customers perceive your products or services to be worth. It's imperative that your customers think your products or services hold greater value than their price—or no one will buy (or use) your service.

A well-known formula for measuring customer value is:

**CV = (perceived customer benefits – total customer cost).**

Why does it matter? Simply put, the more value you can provide your customers, the more successful you'll be. This extends past the product itself to how the product *makes customers feel*, the status it may provide them, and the time and energy they are willing to put into your brand.

We know loyalty members often spend 3x as much as non-members. So creating strong customer value is imperative to the health of your brand, especially for those loyalty members who are essential to overall growth and profits.

Savvy loyalty marketers recognize that loyalty is more than how much a customer spends—it's a two-way value exchange. The perfect loyalty program value proposition is a blend of hard and soft benefits that provide both tangible and emotional value to customers with a purchase.

#### HARD BENEFITS

- Tangible
- Provide economic value
- Consist of promotional currency (e.g., earning points or miles, special offers, discounts)

VS

#### SOFT BENEFITS

- Intangible
- Provide emotional value
- Relationship building (e.g., special status, privileges, exclusive access to products, services, experiences)

**Loyalty is more than how much a customer spends—it's a two-way value exchange.**

## SETTING THE RIGHT GOALS

Ultimately, loyalty is all about finding the right balance with your customers. The first goal for your loyalty program should be to harmonize hard and soft benefits, as it will result in a loyalty program value proposition that keeps customers engaged for the long-term. But there's more—let's keep going.

**Balance. Here's how to achieve it:**



### **Balance programs & connections**

Many brands have loyalty programs, but you need to think beyond the program and capturing share of wallet. Work to create lasting connections with your members to win their share of love and share of life that goes beyond spend to increase engagement and retention.



### **Balance transactions & behaviors**

Members are giving you their data in exchange for personalized experiences, so it's important to capture the right data and then use it to drive that personalized relationship with them. Look beyond what they spend and notice who they are, so you can relate to them DURING and even AFTER they earn the rewards.



### **Balance rewards & experiences**

While loyalty rewards, points, and discounts *could be* important aspects of your relationship with your members, you need the emotional connections with *experiences* that they can't get anywhere else. These experiences are the reason they stay engaged and excited.



### **Balance the journey & the destination**

Each interaction is an opportunity to build lasting connections, which is a fluid process of anticipating member needs to activate across their journey and prove outcomes. People spend more when they have an incentive. Be everywhere they are—across all channels.



## ASSESSMENT

### Take an honest look at your loyalty personalization against your goals.

How does your brand stack up in creating personalized loyalty experiences? Have you ever assessed your strategy and tactics?

If not, now's the time to make this an ongoing part of your loyalty strategy and planning, and develop personalization objectives. [According to Evergage/Researchscape](#), only 12% of marketers are extremely or very satisfied with their personalization efforts.

### Get going on your loyalty personalization assessment.

Conducting a thorough loyalty personalization assessment can be complicated. To dive in, we recommend working with a loyalty strategy partner that can identify areas of strength and opportunity, and make recommendations for further investigation and strategic improvements.

#### Some criteria to examine:



#### Data sophistication

How accurate is your identity? Are you looking at your customers as individuals? How sophisticated is your data? Do you have target personas? Defined journey maps? Actionable segmentation? Insights for a deep understanding of your customers?



#### Governance/ organizational alignment

Where does loyalty lie in your company? And are these departments (marketing, customer service, sales, technology, etc.) aligned with personalization objectives and execution? Do you have cross-functional CX teams and tools?



#### Tech stack

Are you in DIY or Frankentech mode, with disparate products and systems cobbled together? Or do you have an integrated suite of tools and solutions?



#### Messaging approach

Are you batching and blasting? Or can you offer flexible rewards and offers in real time? Are you delivering messages, experiences and rewards that create meaningful connections with your brand (the 1:You)?



#### Measurement maturity

How advanced is your measurement? Are you looking at aggregated results? Can you measure outcomes based on life cycle? Do you have multi-level reporting and attribution?

## ASSESSMENT

### Frequency

The frequency of the assessment depends on what works best for your brand. Whether you assess once a year or quarterly, it'll help you compare your brand's status and progress against your strategic vision.

### Outcomes & learnings

Clients often ask us about the typical outcomes of the assessment. Usually, we see a need for better customer segmentation, and we find opportunities to use that segmentation to create more effective marketing playbooks or to add additional tiers to the loyalty program.

It's critical to understand the needs and behaviors of each customer segment, because program tiering increases member aspiration.

### Retail case study

One of Epsilon's retail clients assumed that free shipping was essential to all their members.

But after value proposition research, they learned that higher-tier members didn't care about free shipping. Those members were more interested in benefits such as early access, members-only experiences and free alterations. They valued quality and service and were willing to pay for shipping (and returns, too).

The client modified the benefits for each tier and personalized each tier's communications accordingly.



## LOYALTY DIAGNOSTIC: MEASURING PROGRAM IMPACT

Epsilon's 360° Loyalty Diagnostic examines every aspect of a client's loyalty program, including personalization. It measures program performance and uncovers areas for opportunity, such as weaknesses you can address or strengths you can exploit.

### Epsilon's 360° Loyalty Diagnostic

provides a fuller picture of clients' loyalty programs.



## STRATEGY DEVELOPMENT

### Create a strategy that supports your brand and program goals.

As you develop your personalization strategy, you must do so at both the brand and program level. It's important to understand your brand-level loyalty: the passion, dedication, feelings and trust people have for your brand that move them through the customer lifecycle and motivate them toward lifetime loyalty.

Program-level loyalty is comprised of the fundamental components that support **brand-level** loyalty, like what rewards your members earn and how they redeem them. Transitioning from program to brand occurs in three stages:

1

#### Operational and transactional

During this first stage of maturity, brands don't have extensive programs to retain customers. There's nothing "purposeful" keeping them connected, such as messaging and campaigns that are personalized using 360-degree customer views. Brands rely on discounts, sales and non-targeted communications to win customers back.

2

#### Customer-centricity

During this stage, brands develop an explicit loyalty program or an implicit behind-the-scenes best-customer strategy, and use data capture to get a fuller picture of their customers. They may implement institutional tactics to entice customers to come back. CRM and loyalty programs are actively in use here, and personalization strategies are in play.

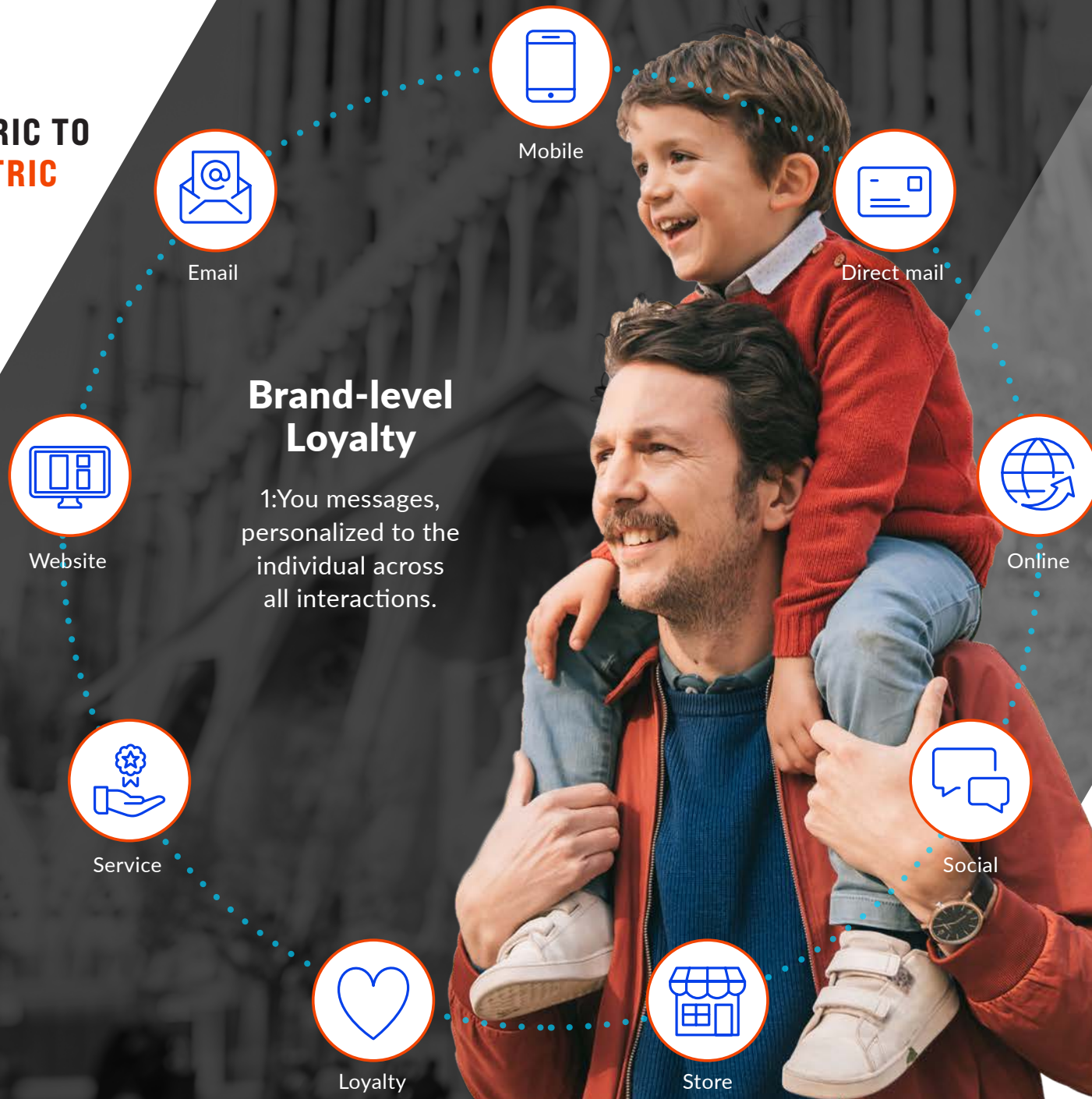
3

#### Enculturation

Here's where brands go above and beyond the traditional loyalty program. Loyalty is enculturated. During this stage, brands build customer-centricity into their DNA and culture, creating *experiences* that draw customers back. It's here where marketers can communicate with 1:You messages—a holistic customer experience that's personalized to the *individual* across all interactions.



# SHIFTING FROM PROGRAM-CENTRIC TO **CUSTOMER-CENTRIC** LOYALTY



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## DATA CAPTURE & SELECTION

Incorporate the *right* data into your program to ensure relevance.

It all starts with data. Are you capturing the right data at the right times?

**Create a data-capture strategy** that's realistic and fits your marketing goals. Integrate your online and offline data with the technologies that fulfill your strategy.

**Use preference centers** to gather data during enrollment (and ongoing), which helps you better understand how to interact with your customers.

**Use "client-telling" technology**, so that front-line employees can augment customer profiles (and have access to relevant info to better serve them).

**Collect cross-channel data with data lakes**, and then perform identity mapping to understand who's who (in a manner that protects personally identifiable information, of course).

**Know how to activate the data** at scale to use for marketing purposes in a personalized way.

The proliferation of access to first-party data (from website visits, emails, mobile apps and social interactions) allows marketers to know their customers better. This data should be augmented with third-party data for true 360° customer views and more robust profiles. Third-party data (typically coming from multiple outside sources) includes people's interests (sports teams, preferred travel locations, hobbies, even names of pets) and basic demographics you can segment, profile and analyze with first-party data to enhance your customer views.



**Know your customer.** Think of all the ways your customers interact with your brand to ensure you've optimized all the available data sources. Eventually you'll achieve a fuller view that will enable 1:You connections.

## EPSILON CAN HELP YOU DO MORE WITH YOUR DATA TO **DRIVE BETTER OUTCOMES**

We've spent decades building our data assets and making strategic acquisitions to strengthen our offerings. We manage the industry's top-ranked consumer database, with coverage of every marketable U.S. household. And we continue to optimize our customer analytics offerings through ongoing curation and development.

**#1** ranked  
consumer database

**3,000** clients  
across industries

**50** years  
of experience



### **Transactional data to drive performance**

We have more transactional data for marketing purposes than any other company, with intelligence on 60 billion purchases and \$3.5 trillion in consumer spend.



### **Proprietary best-in-class data assets**

We manage the first and largest cooperative database in the U.S. and the largest survey database in North America, with unique, opt-in data direct from consumers.



### **Activation across all channels**

Our customer data can be activated across all channels and with all top digital platforms.



### **Client success assured**

Because we consistently exceed our clients' response and ROI targets, we maintain a 95% client renewal rate.

## ACTIONABLE INSIGHTS

### Now, transform your data into useful customer insights.

Do your massive amounts of data help you discover “deep truths” about your customers’ motivations, expectations, needs and desires? [Gartner notes](#) by 2024, artificial intelligence identification of emotions will influence more than half of the online advertisements you see. And as soon as 2022, 25% of marketing departments will have a dedicated behavioral scientist or ethnographer as part of their full-time staff.

In the past, marketers had to plow through hundreds of data points to try and understand their customers. Today, predictive analytics and machine learning empower you to churn data rapidly and draw insights about your current customers and future ones.

Machine learning technology lets you create more granular segments.

#### Machine learning helps you:



**Understand  
consumer behavior**



**Deliver relevant  
content (both online  
and offline)**



**Curate  
personalized  
messages at scale**

In the context of a loyalty program, your understanding of members’ behavior strengthens when you have access to hundreds of data points about them. This helps you deliver 1:You content that creates emotional connections.

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**Machine learning is powerful.** Maximize the power of machine learning to transform your data into useful customer insights.

## ACTIONABLE INSIGHTS

### Case study: L'Occitane

Luxury beauty brand L'Occitane wanted to reactivate lapsed customers who had not purchased from them in the past 13 months. In order to win back these customers, they decided to lean into personalization. Using AI models, L'Occitane determined which customers were most likely to purchase again. Then, they sent each customer a personalized display ad urging them to come back with relevant offers, copy and creative. Aspects of the ad were customized to appeal to a particular customer.

#### AI-fueled results:

**5.6M**

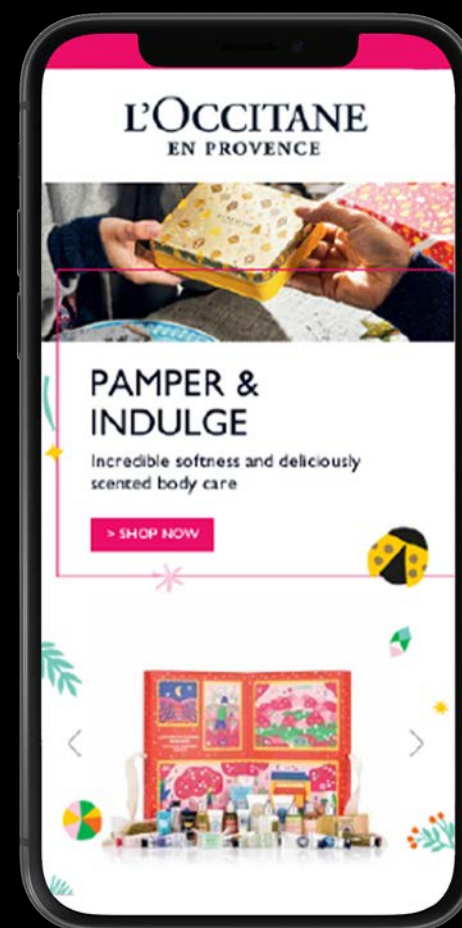
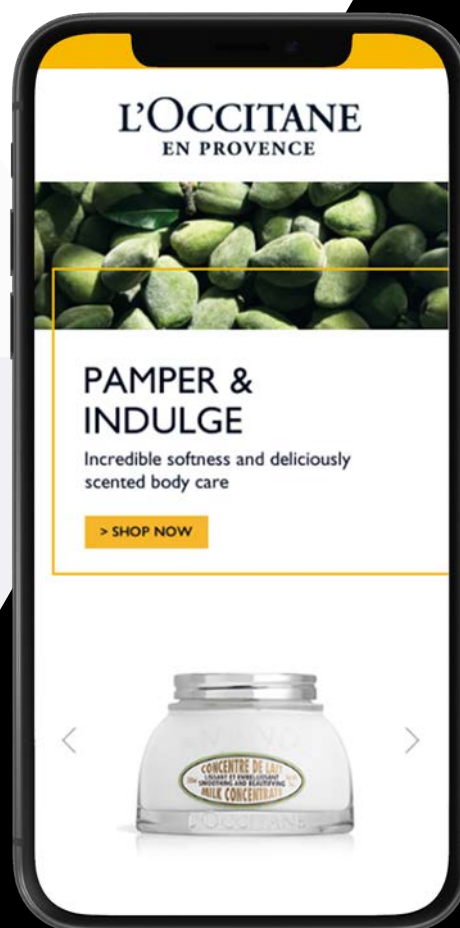
**lapsed  
customers  
reached**

**\$3M**

**in messaged  
revenue**

**46K**

**customers  
activated**



## VAP (VALUE, ATTRITION & POTENTIAL)

Epsilon uses VAP, a proprietary customer segmentation model designed specifically for loyalty programs. VAP provides a basis for optimizing the alignment of loyalty marketing investments and developing personalized communication. It also analyzes members' purchase history and automatically generates segments (e.g., new, convert, maintain, engage, win back, grow, protect) that can be used as decisioning criteria in Epsilon PeopleCloud Loyalty, Epsilon's industry-leading loyalty platform.





## TECHNOLOGY INTEGRATION

### Integrate a technology solution that aligns with your strategic vision and can activate insights gleaned from strong data.

Creating more personal, human experiences for your loyalty program requires smart technology that will put your data to use. [Gartner found](#) that while personalization comprises 14% of the marketing budget, more than one in four marketing leaders cite technology as a major hurdle to personalization.

But selecting the right loyalty technology to integrate with your tech stack is no simple task. The choices seem endless and overwhelming—not to mention, [the global loyalty management market](#) is actually expected to grow from USD 6.54 billion in 2019 and to reach USD 25.26 billion by 2027.

But your customers don't care about back-end technology—they care about their experience. When evaluating tech infrastructure, keep in mind how well it can help you treat people as individuals, engage them in purposeful conversations and deliver on ever-increasing expectations in real time. If you don't, you're likely to drive people to hit “unsubscribe” and “unfollow” and lose them forever.



## TECHNOLOGY INTEGRATION

### Loyalty technology selection checklist

When selecting the right technology to fit your needs, ask yourself these questions:

- ✓ **Data management**  
Can this loyalty technology manage your desired data model to create the most comprehensive customer views? Does it enable “client-telling” for front-line employees?
- ✓ **Scalability**  
Will it be able to manage your volume of interactions across all intended touchpoints? Are personalized offers available at scale?
- ✓ **Real-time engagement**  
Does it allow for real-time customer engagement and experiences across all channels and devices?
- ✓ **Flexibility**  
Does it offer flexible rewards and offers capable of supporting your Big L Loyalty strategy?
- ✓ **Security**  
Does it provide the utmost level of privacy and security to protect your members’ data? Is it GDPR- and CCPA-compliant?
- ✓ **Integration**  
Does it provide the solution depth you need? Can it integrate with other internal and partner systems easily?
- ✓ **Advanced capabilities**  
Does it offer advanced capabilities like gamification, fraud prevention, AI and machine learning?



**Don't let Frankentech solutions and DIY approaches risk your competitive edge.** Choose a connected suite of loyalty technology and services that allow you to build meaningful, human connections that drive real business outcomes and optimize every interaction, every time.

**EPSILON PeopleCloud | Loyalty**

**WE DELIVER 1:YOU LOYALTY  
BY CREATING POWERFUL HUMAN  
EXPERIENCES THAT MATTER.**

Personalize and reward customer behavior in the moment, across any channel and any device, to create meaningful loyalty experiences that build lifetime connections with your customers.



## CONCLUSION

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Embarking on the 1:You journey takes some time. We recommend a crawl-walk-run approach, with frequent testing, measurement and feedback. Remember, your loyalty program is permission-based—your customers' trust is at stake and you need to meet their expectations. They've chosen to take part in a relationship with your brand.

- **Continue to evolve your strategy** to make loyalty experiences more human.
- **Optimize your marketing** across channels.
- **Tell people a connected story** everywhere they go, anywhere you want to reach them.
- **Make the most of technological advances** to provide personal, cohesive interactions that make people feel recognized.
- **Anticipate your customers' needs**, activate on them, and you'll prove real results and succeed in delivering true 1:You experiences that drive value every step of the way.

▶▶▶ **Looking for the right partner to accelerate your journey to 1:You?**  
**Contact us at 800 309 0505 or visit [epsilon.com/loyalty](https://epsilon.com/loyalty).**

Epsilon is the leader in outcome-based marketing. We enable marketing that's built on proof, not promises™. Through Epsilon PeopleCloud, the marketing platform for personalizing consumer journeys with performance transparency, Epsilon helps marketers anticipate, activate and prove measurable business outcomes. Powered by CORE ID®, the most accurate and stable identity management platform representing 200+ million people, Epsilon's award-winning data and technology is rooted in privacy by design and underpinned by powerful AI. With more than 50 years of experience in personalization and performance working with the world's top brands, agencies and publishers, Epsilon is a trusted partner leading CRM, digital media, loyalty and email programs. Positioned at the core of Publicis Groupe, Epsilon is a global company with over 8,000 employees in over 40 offices around the world. For more information, visit [epsilon.com](https://epsilon.com). Follow us on Twitter at [@EpsilonMktg](https://twitter.com/EpsilonMktg).

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