

Reimagining Retail: Loyalty in the age of economic uncertainty, and the top 4 under-the- radar loyalty programs

Audio

On today's episode, in our "Retail Me This, Retail Me That" segment, we discuss why people don't take advantage of loyalty, how to keep consumers engaged in membership programs, and how to make sure customers have a seamless experience with all the right loyalty touchpoints. Then for "Pop-Up Rankings," we rank the top four under-the-radar loyalty programs and consider the one thing that makes them great. Join our analyst Sara Lebow as she hosts analysts Sky Canaves and Suzy Davidkhanian.



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EPISODE TRANSCRIPT:

Sara Lebow:

Hello listeners. Today is Wednesday, February 15th. Welcome to Behind the Numbers: Reimagining Retail, an e-Marketer podcast. This is the show where we talk about how retail collides with every part of our lives. I'm your host, Sara Lebow. Today's episode topic is loyalty during economic uncertainty. Joining me for today's episode, we have two of our analysts. First up is Sky Canaves. Welcome back Sky.

Sky Canaves:

Hi Sara, it's good to be back.

Sara Lebow:

And also back with us today is Suzy Davidkhanian. Hey Suzy.

Suzy Davidkhanian:

Hey Sara.

Sara Lebow:

Let's jump into our first segment, news and reviews where I give the news and our guests tell me their reviews. Today's story is a February 8th Bloomberg story titled The Shopping Tech That Helps Influencers Make Money. The tech in question is LTK, which connects social media influencers with business partners. LTK is succeeding where other platforms have stumbled, writes Alex Barinka, but TikTok's rise could threaten the platform. Sky, your review of this story about LTK in 60 seconds is?

Sky Canaves:

I think this story really underscores kind of that tension with the platforms where they just haven't been giving creators enough of a share of advertising revenues to make it worth their while. I think TikTok has had some stumbles here. Some of the creators have been frustrated or find the amounts that they're getting from these revenue sharing arrangements to be really insufficient. So they're turning to outside parties to help them connect with brands, which is where they really make the money. And I thought one of the really interesting statistics in here was that the report cites Linktree Data, that's a social media and marketing and analytics

company that says that "Of the 4.2 billion people who use social media worldwide, there are half a billion trying to make money from it, but only around 60,000 of them earn more than \$50,000 a year." So there is really a lot of opportunity for creators still to be monetized, whether that's by the platforms or by third parties, is still a developing story.

Sara Lebow:

Yeah. Sliding in with those smaller influencers who maybe it's not their full-time job.

Sky Canaves:

And in some places, like in China, \$50,000 a year from being a creator would be an astronomical sum of money. It would be a lot. So there are a lot of places I think where a creator could make a lot less than \$50,000 and make a living from being a creator.

Sara Lebow:

Sure. Suzy, your review of this headline about LTK in 60 seconds is?

Suzy Davidkhanian:

So when I think about influencer marketing, I really think about the gig economy and like Sky said, there are so many people that are trying to be creators. So when we think about a company like LTK, it's almost like we've taken these individual gig economy people, turned them into small entrepreneurs who some of them even employ others. So now they're not only just entrepreneurs, but they're small businesses that need a middleman like this technology or a broker to help them connect with brands.

And so for me what that means from a retail brand perspective is you should be cautious about how you're using your influencer marketing folks because the whole point was that it was a smaller group, smaller scope, more impact, it's more authentic, it's closer to your actual community that you're trying to reach. So at some point if these influencers scale up too much then you might be losing that. And as a side note, as we know from TikTok, it happens often. You get these viral sort of buy this product that are going through this influencer economy and then all of a sudden you don't have enough inventory and you're causing a lot of chaos with your consumers. So just some things to watch, the bigger it gets, the more potential pitfalls there could be.

Sara Lebow:

Absolutely. Turning influencer marketing from something that's really inexpensive to essentially hiring like a micro advertising firm. Okay, well it's time for our next segment. Retail me this, retail me that, where we discuss an interesting retail topic. Today's topic is loyalty in the age of economic uncertainty. Let's get started with defining what it is we're talking about. So Suzy, how do you differentiate loyalty programs from membership and subscription programs?

Suzy Davidkhanian:

So this is a really good question and a great way for us to start because I think we often confuse this idea of loyalty top line, being loyal to a company, a brand, a service, and then loyalty programs that are just an inherent part of doing business with a brand that originally when I was growing up, it was like those subway cards. Remember those where you buy six half subways and you get one free sort of loyalty program that is zero skin in the game as a consumer to Amazon Prime and Costco for example, that are now paid memberships that because you're spending money to get something back from the brand, there is sort of this inherent, I want to make sure that I'm getting my money's worth and so now I'm going to keep going to that particular place to buy whatever I need versus to go to whoever sells it.

Sky Canaves:

Yeah. I think of loyalty programs as the free program that just rewards a customer for spending more with a brand or retailer while then you have the paid membership and subscription range of programs that foster loyalty by giving you something that you want to keep getting and that you want to keep paying for. Whether that's value of Amazon Prime, you get fast and free shipping and free returns and a huge selection of products. Or it could be those Costco savings in bulk that you have to be a Costco member and the private label products as well, that people want to be a member to get those products or you get some discount like with subscription box programs where you continue to buy, you kind of subscribe and save.

Suzy Davidkhanian:

Well, and I think here the most important thing to remember is that there was a time where loyalty was just assumed. Brands could assume that they had a great product and people would just come to them because of that product. And now we're telling brands, they probably already realize they have to earn that loyalty and they have to think of different

clever ways to get consumers to keep choosing them versus to go somewhere else. There are so many brands now, the brand landscape is kind of cluttered and now we're adding this cost conscious consumer into the mix. And so it's no surprise that there was a study that said that more than half of consumers are no longer as loyal to brands because they're trying to be cost conscious and they're making different decisions. So I think this is how we should be thinking about loyalty programs and building and earning that loyalty.

Sara Lebow:

So speaking of that cost conscious consumer, has a recent high inflation persistent inflation led to a rise in loyalty signups do we know?

Sky Canaves:

Yes. I think we've seen that consumers say now that loyalty programs are becoming more important to them and they're signing up for more loyalty programs and they also cite value or discounts and free stuff as the top benefits that they're seeking from loyalty programs. And here I'm really talking about those free loyalty programs where the consumer is rewarded for spending more with a particular brand or retailer.

Suzy Davidkhanian:

So we know from a recent study that Bond did that loyalty programs really do influence decisions as to where consumers are going to shop and it's 78% are influenced by the program.

Sara Lebow:

That's a lot. So we're talking right now about the consumer influence for joining a loyalty program, it's to save money. What are the main purposes for a brand or a retailer for having a loyalty program? What are the goals?

Sky Canaves:

I think first you want to drive repeat purchasing by rewarding that purchase behavior and creating some incentives for people to come back and purchase if they're banking rewards or points for example. Another big one for retailers now and brands is data collection. As it becomes harder to track consumers across apps and online, we're going to see more emphasis on collecting first party and zero party data from consumers. Where consumers,

you're not only tracking their purchasing behavior, but they're also giving you information about themselves firsthand by telling you, you can do quizzes or surveys, games where you answer some questions or play a game and get rewards for that within a loyalty program.

Suzy Davidkhanian:

Yeah totally right? In addition to being more sticky and getting the consumer to keep thinking about you and you're at the top of their consideration set, you're also helping bridge that online in-store gap through the loyalty program, because if you have them and put their number or scan a QR code from their app, then you know what they're doing in the store and what they're doing online so you can really personalize your messaging to them. I also think in some instances as retailers are thinking or brands, maybe not even retailers, just brands are thinking about how do you create more rewards that bring people into your fold? You could potentially be exposing consumers to a completely different product range or sort of different what you would call a revenue stream, but I know that's not customer facing. But I'm thinking about the Disney example where Disney plus the streaming service is thinking about having sort of the potential of creating a membership program that includes parks and their retail stores and merchandise, and how do you get them further into your ecosystem if you are a brand that sells many different types of products.

Sara Lebow:

In terms of the first party data collection, I feel like this is where loyalty programs that involve an app are really strong. So the ones that come to mind for me are like McDonald's, Starbucks, where you wouldn't have really any reason to have those apps on your phone unless they're driving rewards in some way.

Sky Canaves:

Right. They drive rewards, they also drive the ordering because now mobile ordering has gotten so big, it's so easy and convenient. I know with Starbucks I always want to order through the app. I think they've said half of their orders come in through the app. And I think this is because a company like Starbucks, you might want to personalize your drink. I sometimes feel a little embarrassed about telling that to a barista. Exactly I want two pumps of skinny syrup and cinnamon powder on top, and you can do that in the app and reduce the friction of ordering.

Sara Lebow:

Yeah. There is something to be said good or bad about taking that person out of it, but it can be easier.

Suzy Davidkhanian:

Well, I will tell you, speaking of easier, I think it's the app, but I think the most important thing I would encourage retailers to think about is how do you make it super easy for your customer, your shopper? How do you make sure that they can benefit from your reward program with little effort? So those cards with the buy five cups of coffee, get the six month free, those are kind of friction filled. You have to remember to bring your card so that if you happen to go to that coffee shop, whereas now there are a lot of programs that are either yes through the app or you scan your QR code so they know who you are, through your phone number some places, through you remember at the grocery store, they would give us those little QR code sort of like scannable, but they weren't QR codes like these little scannable SKU sort of SKU kind of things like all that stuff is gone now. We need different ways to be identified as a person that makes it really easy for us.

Sara Lebow:

I still use my SKU card at the grocery store.

Suzy Davidkhanian:

Do you?

Sara Lebow:

It is frictionless for me as a person who always has my keys on me. I think if it were any bigger it would be a little friction filled. It would probably be even more frictionless if it was on my phone. But yeah, I still use my SKU card at the grocery store.

Suzy Davidkhanian:

My brother, they go to a local store and when you input your phone number, and I'm sure there's a card, but they don't take the card with them, you get a discount. And so I feel like you're always incentivized to tell them who you are, but I'm not sure if they would participate quite as wholeheartedly because they have so much random stuff with them all the time with three kids.

Sara Lebow:

I want to talk more about keeping consumers engaged in loyalty programs. What is I guess the secret sauce to keeping consumers engaged in a free loyalty program, sky?

Sky Canaves:

I think it's offering relevant rewards and making it really easy to redeem them and understand how to redeem them. So for example, McDonald's. I have recently joined the McDonald's loyalty program through its app purely because my daughter's school is around the corner from a McDonald's and we have a weekly ritual of stopping there because we have some time to kill before her gymnastics class once a week. And the app just makes it so easy. There's always an offer of \$1 for large fries in there. So that's something relevant to us because we want fries and an ice cream cone. So we are frequently redeeming that and I think maybe because we're redeeming that offer, we continue to get it.

Suzy Davidkhanian:

I think so.

Sky Canaves:

Yeah.

Suzy Davidkhanian:

I love that. Right. Really good personalized, targeted offers that get you to buy and keep going.

Sky Canaves:

Yeah. And rewards being not worth it was the top reason that people leave loyalty programs. That was according to a LendingTree survey from July, 2022, more than half of the respondents cited that. So if the rewards aren't worth it, people might not even have to leave if it's a free program, but they certainly won't use it.

Suzy Davidkhanian:

Yeah, I think that's a good distinction, right? Because if it's a free program and it's like no skin off your nose to be part of it, so it just might not get you to keep coming back. And so understanding the extra rewards and now I think gone are the days of like, "Oh, it's your birthday, here's a 10% coupon." Those types of rewards, that's like free shipping now sort of in

e-commerce. So it's thinking about different ways to add value and in today's economy that value is really around cost savings.

Sara Lebow:

The keeping coming back really stands out to me. This is something in last week's episode, our colleague Andrew Lipsman was talking with Jared Schrieber about is the importance of heavy buyers and return customers. And I feel like loyalty programs really are a push for that. So we've talked about free loyalty programs, how do you get customers to buy into a paid loyalty program?

Suzy Davidkhanian:

This is the one where you have to sort of do the math I think as a retailer and see what am I offering? What would it cost if the person had to get each of those components individually? Am I offering enough variety in the membership program? And of course there are different kinds of paid membership programs, but I think what you have to decide as a retailer is the value that you're stacking up for the member to want to choose to be part of this. And so if you think about Prime, which is what Walmart is trying to do now, they offer all kinds of things. Video, music, photo storing, free shipping, easy returns, the amount of "benefits" that probably doesn't cost them that much to give you feels like a lot. And so that's I think probably the biggest equation that paid versus unpaid does for a retailer.

Sara Lebow:

Sure. So Amazon's always offered a lot of extra benefits. Walmart is trying to copy that sort of model now and so is Disney a little with what we talked about before.

Sky Canaves:

Right. There's that loyalty membership bundle that more and more companies are offering, whether they're a media company like Disney or a retailer like Walmart where there's increasingly more overlap between what they offer or the extended value they're trying to offer to get consumers to buy in.

Sara Lebow:

Yeah, we talked about this a few weeks ago on our Walmart episode, so check that out if you haven't. That's all we have time for in the first half. So we're going to go to a quick break and

then we're going to talk about some under the radar good loyalty program features.

AD READ

Join us on Friday, March 3rd for our next virtual summit. Attention: Seizing the Retail Media Opportunity. The half day virtual event kicks off with an exciting keynote from our principal analyst, Andrew Lipsman on Retail Media's growth, featuring a very special guest from Walmart Connect. The summit continues with deep discussions on topics like connected TV advertising, social advertising and first party data featuring insider intelligence analysts and guests from brands like Ghirardelli Chocolate, e.l.f. Beauty, M&T Bank and more. It all wraps up with an interactive ask the analysts panel and a live production of Behind the Numbers: Reimagining Retail. Visit insiderintelligence.com/events and register today.

Sara Lebow:

Welcome back from the break. Now it's time for pop up rankings where we take a look at specific examples and we rank them. This week Suzy and Sky are ranking the top four under the radar loyalty programs and one thing that makes each of them great. Skye, why don't you kick it off.

Sky Canaves:

So I'm going to start with a women's running wear brand called Oiselle, which is a play on the French word for bird. And this is one I'm familiar with because I was a member a couple years ago and there are others in this class as well. So this is a loyalty program that's paid, but it really is tapping into community. Their paid membership program is all about community and building up women's running. So the price right now is \$120 a year and that includes some retail related perks like free shipping, early access to sales and new merchandise and even a \$40 gift card that can be redeemed in their team store. But I think the real drivers of this program are the access to a women's running community special event and supporting women's running, whether their own sponsored athletes or charitable programs like one that provides sports bras for young women. So it's really innovative in the sense of loyalty is built around that community that already exists. And I know there are a couple of other niche running brands like Rabbit and Tracksmith that have done something similar where it's a paid membership program, but it's tapping into the running community and this big influx of interest that we have in running and tying that to sales of apparel.

Sara Lebow:

Yeah, I don't run at all, but I feel like I've seen that in other niche communities like knitting. Is that embarrassing to bring up? I also don't knit. I'm more likely to knit than I am to run.

Sky Canaves:

The opposite of running. But no, that's...

Suzy Davidkhanian:

That's awesome.

Sara Lebow:

The behind the scenes fun is that I'm actively holding some yarn right now for some reason. All right, so we have Tracksmith, the running company. Suzy, give us another under the radar loyalty program that has impressed you.

Suzy Davidkhanian:

So there is a coffee shop health store called [inaudible 00:19:09]. I didn't know too much about it. It is Japanese inspired. It is really about sustainability. They have cafes, they have a subscription service, they have different sort of health and wellness offerings I guess maybe depending on the cafe you go to. And they also sell snacks. And I saw it, I went in, it's very inviting and they're like, "Do you want to join the program?" And I was like, "Sure, how do I do that?" And they were like, "It's super easy, we just do it with your credit card." So now every time I go, which is more often than I should admit to, I get leaves, they text me my leaf points so that once I like most traditional non-paid subscription programs, once I have gathered enough leaves in this case, then I get something for free at a certain value. And it's very exciting because I love getting the text after I've made a purchase that I have three more leaves in my account. So very basic, very simple, but really a fun play on words or marketing sort of tactics around the leaf collection. And it's just a happy place. And when I can buy my snacks there or coffees and teas, why wouldn't I?

Sara Lebow:

You also have that seamless aspect, right? It's attached to your credit card. Once you hit the number of leaves that make a tree, you'll be able to cash in on those rewards seamlessly.

Suzy Davidkhanian:

Absolutely. There's also like a craft beer slash coffee place around the corner for my house that does the same, but they don't have the clever sort of texting, which maybe some people find annoying, but I love getting it where there it's truly surprise and delight because every once in a blue moon they're like, "You get a beer for free." And I'm like, "Awesome. I get free stuff for going to you because I would've gone to you anyways."

Sara Lebow:

Well, I do think the texting could leave to text message brand messaging fatigue the same way getting emails from a brand has. I think that getting a bunch of text messages from the brand is the new email fatigue.

Suzy Davidkhanian:

I totally agree. This one happens to have nothing but the points I've accumulated, the leaves. I bet if I had "Click here to buy more X", then I would be annoyed.

Sara Lebow:

How many leaves do you have?

Suzy Davidkhanian:

You know what? That's a really good question. I don't actually know the answer. The last time, not the last time. Maybe two times ago I was like, "How am I doing?" He's like "You still need a couple more."

Sara Lebow:

We'll keep a Suzie's leaf watch over on her Instagram.

Suzy Davidkhanian:

Oh yeah. I'll send you a picture, the store is beautiful and it's woman founded. I feel like we should support them. And there's a couple of locations in New York City, at least.

Sara Lebow:

Sky. Can you give us another under the radar loyalty program and why it's impressed you?

Sky Canaves:

Sure. This one's also doing a great job of marketing with fun and humor and it's the canned water brand Liquid Death, but has really built up a cult following and tapped into that. So unlike running where there's a preexisting community of runners who are women in the case of Oiselle that the brand can then tap into, this is a brand that's kind of built a community from scratch. It didn't exist before apart from the brand. So this is a loyalty program that a lot of it takes place across social media activity because they reward consumers or fans not just for buying their products, but for spreading the word about the product on social media. And they've been really creative with tying their loyalty to more than just the product in that sense. So promoting the brand and then the rewards are not so much more Liquid Death water, but access to exclusive merchandise. So it's really interesting. They have a free program, they also have a paid tier. So for \$50 you can join the Liquid Death Country Club or as they like to call it, sell your soul to them. And that gives you access to more exclusive merchandise and events. And really it has this very community driven feel. I think some of the biggest brand fans I've seen have even got Liquid Death logos tattooed on their bodies.

Sara Lebow:

Well, their CEO did that. So I saw one of Liquid Death's marketing leads speak at a conference and he was talking about how a man on TikTok was drinking a liquid death every day for some amount of time, which to be clear is a can of water. So it's perfectly fine for you to drink and to celebrate that man, their CEO got his likeness, I believe tattooed on his body. We'll have to fact check me on this one, but I'm pretty sure that that happened. And the marketing lead was talking about going into the CEO's office and saying, "Hey, would you be willing to get one of our fans tattooed on your body?" They're definitely a risk taking brand and it's definitely paid off.

Suzy Davidkhanian:

Wow.

Sara Lebow:

Yeah. And they also talked about writing on social writing for a character like Liquid Death as a character, which I thought was really interesting. I did not know about their paid loyalty tier though.

Sky Canaves:

Yes, you can sell your Soul.

Sara Lebow:

Do you know if that Country Club came before or after the Bored Ape Yacht Club crypto community?

Sky Canaves:

I think it may have been after. I want to say it was the paid tier has been a more recent addition.

Sara Lebow:

It seems like a play.

Sky Canaves:

They've also experimented with NFTs as well. Last year they did the Murder Head Death Club, so they released 6,666 NFTs. And I think that was also pretty popular at the height of the NFT hype wave.

Sara Lebow:

Yeah, they're big into risk taking and it's paid off with a cult following. Suzy, can you top that loyalty program with our last under the radar loyalty program?

Suzy Davidkhanian:

I cannot.

Sara Lebow:

Can you give us one anyway?

Suzy Davidkhanian:

But I can certainly try. So I also was thinking about a paid membership, so it's a little bit like a subscription and that is another way to get you to come back to them over and over again once you've bought into something. And what do people really think about when they're trying to cut costs is their coffee. So the one that I wanted to talk about was Pret. It's a relatively large chain that is mostly for quick service lunch sort of breakfast. And they have

now launched, I think probably through covid when they were realizing they just weren't getting enough traffic, a monthly subscription fee, which is obviously much cheaper than buying coffee every day there if you bought coffee every day, even probably if you did the math, if you went to work every day, it would still be cheaper to do the monthly subscription. And what I like about it is that it's through the app, it's super easy. It's easy to understand the value you're getting from them, and they are in enough locations that you can feel like you're really taking advantage of it.

Sara Lebow:

Panera's done this type of coffee subscription too, right?

Suzy Davidkhanian:

Yeah. I feel like once someone starts, then everybody else starts. I think probably the newer innovation in that quick service and subscription sort of loyalty, but back to our original conversation, where is it just a subscription program versus a loyalty play? P.F. Chang's is doing one where you pay a certain fee per month to get free delivery. So they're sort of trying to displace the door dashes of the world, right? By trying to get that business directly versus through an intermediary. So I think there's lots of ways of thinking about building loyalty, whether it's through paid sort of programming like these ones or whether it's through leaves.

Sara Lebow:

Panera is interesting too because it sort of reminds me of the Liquid Death conversation we're having. Panera last week released a bag to carry a baguette in, like a little purse with the Panera branding on it that got a lot of play online, sort of that fun fan merchandise.

Sky Canaves:

Yeah, that's just another way of showing your loyalty to a particular brand or retailer to the world through their branded merch. Especially in, I think it's kind of fun in this unexpected areas like Panera or other quick service restaurants where you wouldn't necessarily see a lot of people wearing that.

Sara Lebow:

Sure. That's all we have time for today. If you're a pro subscriber, check out the report Sky wrote on this called Retail Loyalty Programs at insiderintelligence.com. Thank you, Suzy.

Suzy Davidkhanian:

Thanks for having me.

Sara Lebow:

And thanks Sky.

Sky Canaves:

Thanks Sara.

Sara Lebow:

Please give us a rating and review wherever you listen to podcasts and follow us on Instagram @behindthenumbers_podcast. Thank you listeners, and to our producer Victoria, who is always loyal. We'll be back next Wednesday with another episode of Re-Imagining Retail, an e-Marketer Podcast. And tune in tomorrow as Marcus brings you another episode of the Behind the Numbers Daily.