Launching loyalty programs isn't easy, but it has its rewards
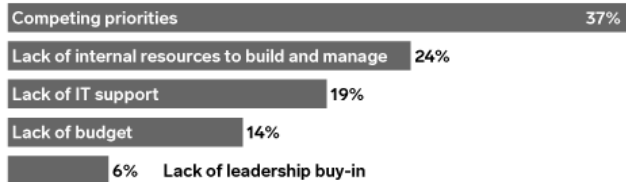
Article

Offering a loyalty program is an effective way for retailers to acquire new customers, but it also fosters relationships for years to come. Setting up the framework, however, can be challenging—especially if retailers decide to handle everything in-house.

In October 2020, Clarus Commerce polled 300 US marketing and loyalty professionals. Specifically, 70% of respondents were those who managed their loyalty programs in-house,

while the remaining 30% used a loyalty program vendor. So understandably, the responses skewed more toward the frustrations of working on loyalty programs from scratch. Still, across the board, even those who outsourced the work found setting up loyalty programs to be challenging.

Most Common Barriers to Launching a Loyalty Program Among US Marketing and Loyalty Professionals, Oct 2020
% of respondents

Competing priorities	37%
Lack of internal resources to build and manage	24%
Lack of IT support	19%
Lack of budget	14%
Lack of leadership buy-in	6%

Source: Clarus Commerce, "2021 Loyalty Industry Data Study," Jan 19, 2021
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The largest share of respondents said competing priorities was one of the biggest barriers to launching a loyalty program. At many companies, loyalty often falls under the larger marketing or customer experience silo, therefore it's possible that the development of a loyalty program could pull from the same budget and resources that may be used for other marketing efforts.

In addition to "competing priorities," nearly a quarter (24%) of respondents said they lacked the internal resources needed to build and manage their loyalty programs. And 19% of respondents said they lacked IT support.

Marketers may be struggling to get their loyalty initiatives up and running, but if there was ever a time to do so, it's now—especially when consumer shopping behavior is changing. A March 2020 survey from Valassis found that brand loyalty had shifted at the onset of the pandemic. Some 21% of US internet users said they were purchasing a mix of their usual brands, as well as new ones. Nearly as many (19%) cited feeling less "brand loyal" and were purchasing from whatever brand was available, while slightly fewer (13%) said they were using the pandemic as an opportunity to explore new brands.
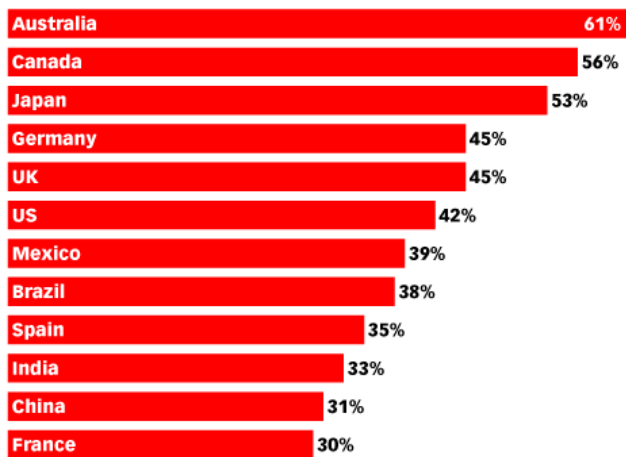
"Last year, brands quickly discovered that loyalty was shifting as a result of the pandemic, because customers were shopping differently and had different needs," said Jeremy Goldman, eMarketer principal analyst at Insider Intelligence. "This suggests that loyalty programs are

more important than ever, but they need to be omnichannel, especially as more people are switching to ecommerce from traditional retail."

When it comes to loyalty program usage, the US doesn't lead the pack compared with other countries. In fact, a survey from KPMG fielded in October 2019 found that the US sat somewhere in the middle, with 42% of internet users having used a loyalty program. Usage may have gone down since because of the pandemic, but the findings also point to the fact that there is a lot of room for improvement—and brands need to lean into loyalty programs and offer consumers the personalization they seek.

Internet Users Worldwide Who Use Loyalty Programs*, Oct 2019
% of respondents

Australia	61%
Canada	56%
Japan	53%
Germany	45%
UK	45%
US	42%
Mexico	39%
Brazil	38%
Spain	35%
India	33%
China	31%
France	30%

Note: *to make purchases that earn rewards several times a week
Source: KPMG, "The truth about customer loyalty" commissioned by Phronesis Partners, Nov 26, 2019

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"Ultimately, brands that provide a better customer experience have been proven to win in the market," Goldman said. "And loyalty programs have the potential to be a critical element of a standout customer experience."