AiTrillion

The complete guide to reinventing loyalty programs (examples and templates included)

According to [research](), the eCommerce market is expected to reach a whopping USD 16,215.6 billion by 2027, at a CAGR of 22.9% in the time span of 2020 to 2027. While the numbers definitely indicate new and increased opportunities for businesses, they also translate to an increase in competition when it comes to customer acquisition and retention.

As per Shopify's [Future of Commerce Report](), the only way for businesses to grow sustainably is to focus on customer retention from day one.

The one tactic that has proven to work for eCommerce businesses for years when it comes to customer retention, is a customer loyalty program. But with everyone implementing the same strategy, how do you make sure yours actually works?

In this blog, we're going to talk all about eCommerce loyalty programs for the new-age consumer.

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What is a **customer loyalty program?**

An eCommerce loyalty program is a customer retention strategy or tactic that is focused on keeping existing customers of a business engaged.

The goal of a loyalty program is essentially to stay on top of a consumer's mind, nudging them to keep the interaction with your brand going in different ways – be it leaving a review on a product they left behind, creating a wishlist of items they'd like to buy in the future, reordering an item they purchased or buying from your new collection.

What are the different types of **customer loyalty programs?**

There are four key types of customer loyalty programs that businesses tailor as per their retention strategies:

❯ Points program

In this type of customer loyalty program, a consumer typically gets to earn loyalty points from the brand for different actions. It could be making a purchase, setting up an account or other interactions they make on the storefront. These points then get accumulated and redeemed based on the other rules set by the brand in the program, like a threshold.

❯ Cash back program

This loyalty program type focuses on offering cash back instead of points or store credits. Brands usually use this type of program to appeal to the monetary side of consumers that sees a win-win in spending and earning back the money.

❯ Tiered loyalty program

A gamified approach to loyalty programs, these are focused on creating milestones for consumers who sign up for them. It progresses the member through different tiers based on their interaction with the brand, offering them tailored rewards to give a sense of accomplishment.

❯ Premium loyalty program

This is a loyalty program that focuses on giving exclusive deals and offers to members. It is based on the logic of offering exclusivity to entice customers into engaging with the brand proactively.

What are the benefits of a **loyalty program?**

1. Drive repeat sales	6. Increase conversion rate
2. Increase AOV	7. Influence product selection
3. Lower customer acquisition cost	8. Build rich user profiles
4. Improve stickiness against competition	9. Increase UGC
5. Reduce discounts to customers	10. Increase social participation & content

Now that you know what the strategy is, let's quickly look at why we need customer loyalty:

❯ You can stop competing on product pricing

A typical online shopper gets to choose from at least ten online stores when making a purchase. No matter how big a deal you're running on your products, there's always someone who is offering a bigger discount on the same or similar items. Then there are also big retail players like Amazon, Walmart, Store99 and others. If you keep competing with prices, you're going to be left with no profit margins on the sales you make.

Studies suggest that 90% of online shoppers make a purchase when a product or offer appeals to their emotions. Since customer loyalty programs are focused on offering benefits and value in turn for a purchase already made, the surprise and delight appeals to consumer emotions.

❯ You can reduce your customer acquisition costs

An online shopper experiences upto 5000 ads per day, introducing them to new products from different brands. Statistics have found that only 1 in 5 people are able to remember the name of the store they made a purchase from, one week after they bought an item. Due to this, the costs of acquiring new customers are increasing by the day.

Studies have found that loyal customers stand an 8x more chance to convert on your new campaigns. They also have shown to spend 67% more on average as compared to new consumers. Now when you do the math, setting up a loyalty program to get an existing customer to buy from you again, is much cheaper and highly profitable for your business.

❯ You can increase your customer lifetime value

The benefit of a loyalty program is that you willingly get a consumer to share more information about themselves.

Every interaction they make with you is a stepping stone towards understanding their needs, preferences and expectations from your brand; it's also a good way to gauge what exactly is it that motivates them to make a purchase.

The data helps you tailor the buying experience you offer to these customers on a personalized level. In times when 80% of consumers choose to engage with businesses that offer personalized experiences, loyalty programs are sure to help you increase your customer lifetime value by enabling it.

You can also use a loyalty program to reward and encourage your customers at every milestone of the customer journey.

❯ You can build long-lasting relationships

There's a reason why we still choose to buy from H&M every time we're planning a vacation – their loyalty program has become a part of the shopping experience they offer, which has led to building a really strong relationship with their customers

The continual emotional connect that a loyalty program enables, helps your brand build a lasting relationship with customers. Add to that the ability to tailor their shopping journeys and purchase motivations, and you know exactly who is going to win hearts!

❯ You can scale word of mouth marketing

When consumers stick to your brand for a longer period of time, it becomes a part and parcel of their life, and also their conversations. This in turn, results in them talking about your brand much more proactively in their network.

In fact, studies have found that 81% of consumers who are emotionally invested in a business, are willing to not just spend more, but also spread the word. Considering how 72% of consumers trust recommendations from friends and family over advertisements.

But despite the many benefits of a loyalty program, many businesses are not able to reap them. The biggest reason being that their loyalty programs are built on age-old logics and fundamentals.

Why is your loyalty program not working?

As per a study by Research Gate, about 65% of businesses have a customer loyalty set up. But only a mere 13% tend to see success with them.

One of the reasons highlighted include how customer loyalty programs have not evolved with time to match consumer expectations and purchase behavior. Based on our internal surveys, here are some statistics we found:

- **60% of businesses offer loyalty rewards only on purchases**
- **45% of businesses see their loyalty program subscribers drop-off within the first year of sign up**
- **31% of businesses struggle to bring back loyalty program members to make another purchase**
- **57% of businesses are seeing a drop in their customer lifetime value despite a loyalty program**

The problem is not that loyalty programs don't work any more. Just as how the approach to marketing has evolved over time, your loyalty program needs a fresh outlook. It's time to rethink your strategy!

What needs to change about **new-age customer loyalty programs?**

❯ **Customers expect you to care about them**

A study by Deloitte found that the traditional customer loyalty programs are no longer effective due to the changed consumer behavior post-pandemic. Consumers engage with programs that care about their changed patterns and preferences, showing the business truly cares about them.

Here's the framework Deloitte recommends following to ditch orthodoxies around loyalty programs:

Drive specific customer behavior/ action that corresponds to a well-defined value to the business

- Has your most valuable target customer segment changed post-pandemic?
- What are the differentiating parameters from your previous loyal customers?
- What new behaviors have you noticed from this new segment?

Deliver a portfolio of compelling interactions and benefits

- Do your current offerings, benefits, and experiences still entice the target customer segment?
- Have their wants and needs changed post-pandemic?
- How will you change your benefits/ rewards to cater to their changed needs?

Engage the customer throughout their active journey to increase their customer lifecycle

- What new physical and digital channels can you leverage to establish more customer touchpoints?
- How can you rebuild a sense of belonging and community?
- Which channels can you leverage to proactive communicate with customers?

Effectively engage your employees and partners

- How can you enable your team to deliver the desired experience on your loyalty program?
- What partners will you need to engage to deliver the new benefits/ rewards?

Be delivered in a design-led, ongoing, and evolving model

- How can we leverage an iterative test-and-learn approach to evolve our loyalty program?

- How can we adapt to the changing trends and patterns using data from loyal customers?

❯ Customers expect to save money and redeem benefits immediately

Gone are the times when a consumer was willing to wait on accumulating enough points to be able to redeem them. The traditional loyalty programs focused on setting a threshold for the points or rewards earned before they could be redeemed or used in any way.

As per Total Retail, 79% of consumers say they don't want to wait and collect loyalty points anymore. They expect a loyalty program to provide immediate benefits instead so that they can proactively engage with the brand.

At the same time, the study also shows that post-pandemic, customer loyalty programs are no longer just associated with 'added benefits'. Consumers expect to also save money from the same, as that holds more value to them in these uncertain and changing times.

❯ Customers expect to feel special and valued

Loyalty programs have always been driven by a logic similar to discounting. But in the post-pandemic world, we're seeing consumers move beyond discounts as a reason to sign up for loyalty programs. They want to feel special when they connect with a brand.

The study by Total Retail also shows that 90% of consumers say they're likely to choose a retailer that offers a premium loyalty program, over another that may offer a lower price as a reward. This typically includes the ability to redeem offers instantly, leverage non-discount benefits like fast shipping, faster customer support and more.

We're also seeing a rise in tiered loyalty rewards based on customer journeys, similar to how the credit card industry has operated for years; wherein a consumer is rewarded by a certain tier based on the number of interactions they have made.

The same study also highlights how 73% of premium loyalty members shopped more with their favorite brands during the pandemic.

❯ Customers want to choose their own rewards

If your loyalty program has been following the age-old approach to rewards – buy and earn points, you're destined for failure. The consumers want to be able to choose who they earn rewards from and this requires you to rethink how you can engage them on multiple fronts and use micro-actions to build to your bigger goal.

For example, at AiTrillion, we found that consumers were more willing to actively participate in a Shopify rewards program when it consists of activity-based rewards.

⊘ Make a purchase	⊘ Purchase code
⊘ Create an account	⊘ Follow on Instagram
⊘ Refer a Friend	⊘ Follow on Twitter
⊘ Visit store	⊘ Follow on Facebook
⊘ Buy $X get Y points	⊘ Follow on Pinterest
⊘ On X Orders get Y points	⊘ Facebook share
⊘ Happy Birthday	⊘ Facebook share on thank you
⊘ Leave a review	⊘ Allow push notification

❯ Customers expect a seamless experience

From the ease of signing up on the loyalty program to understanding the rewards and earning them, consumers expect brands to make the experience more seamless and integrated with the overall shopping experience.

This will nudge brands to look into incorporating practices such as social sign up on their loyalty programs, onboarding, creating rules and policies around rewards and setting up a defined workflow that walks consumers through the different stages of the program they've signed up on.

It's time that brands focused on their loyalty program UI and UX as much as they do for their storefront experience.

❯ Customers expect to experience an emotional connect

McKinsey found that the name of your loyalty program has a bigger impact on the performance of it than you imagined. From the traditional approach of naming loyalty programs in the format of 'brand name-loyalty', businesses will need to spend some time on naming the program to evoke an emotional connection between the customer and the brand.

Some of the tips that eCommerce experts recommend following include:

- **Use an emotion at the base of your loyalty program's name – The name should be able to influence what a customer perceives of the program. For example, if you have a health and wellness brand, the name 'health club' has a more positive effect than the name 'health loyalty program'; the former brings a sense of community to it.**

- **Keep it simple – You want to ensure that the name of your program is easy to remember and can become a part of conversations naturally. Strike a balance between memorable and fun!**

- **Create your own rewards nomenclature – Aligning your reward names to your program name and overall brand has a bigger impact on the consumer psychology. For example, you have a travel merchandise brand; naming 'rewards' as 'treasure' brings a sense of adventure to them that these consumers are seeking.**

- **Make it aspirational – You want to nudge consumers to 'achieve' the rewards while keeping them easy to earn. Just as how Louis Vuitton drives their marketing on consumer aspirations.**

➤ Customers expect your loyalty program to support a cause

In the post-pandemic studies on consumer behavior, it was found that online shoppers interact more proactively with businesses that support a cause they believe in or want to actively contribute towards.

Forbes states that consumers are four to six times more likely to purchase, protect and champion purpose-driven companies. But this may also require brands to retrospect what they'd like to support on a long term basis, and how they can communicate the same in their loyalty programs to nudge more participation.

This could include simple tactics like giving the ability to earn rewards on contributing to a cause on every purchase a consumer makes. Alternatively, giving consumers the ability to spend those rewards on contribution to a cause you support is also a great way to meet expectations.

➤ Customers expect proactive and multi-channel communication

About 87% of consumers expect brands to proactively reach out to them with contextual messages. But the traditional approach to loyalty programs simply focuses on informing the consumer of rewards earned and spent during and after a purchase.

Brands will need to incorporate proactive communication in their loyalty programs. They need to create an omnichannel strategy to touch base with loyalty program members on channels of their preference – web push notifications, SMS, WhatsApp, Messenger, email and other platforms.

Proactively communicating with your customers about their rewards, the value they offer and how to use them, is also a great way to reinforce the benefits. This in turn increases the participation rate as well.

➤ Customers expect you to experiment with rewards

Now that consumers have moved past their siloed need for discounts and deals, brands are expected to catch up with trends and incorporate them into their loyalty programs.

For example, NFTs. Luxury brands can now be seen using the technology and trend in their marketing campaigns; but primarily focusing on using them for customer retention. The shift in approach here shows how brands should actively experiment with their rewards.

Some of them being:

- **Loyalty points**
- **Store credits**
- **Cashbacks**
- **Store cash**
- **NFTs (if applicable and possible)**
- **Discounts and deals**
- **Exclusive accesses**
- **Early accesses**
- **Shipping and delivery benefits**

❯ Customers expect to become a part of a community

Consumers no longer just want to sign up on a loyalty program for the benefits it has to offer. They want to feel more involved with the brand, and that's where communities are integrating with the traditional loyalty programs.

As a study by Harvard Business Review states, true loyalty is emotional and irrational and leads to customers feeling like they're part of an exclusive membership group which leads to active participation.

Customer **loyalty program examples** to inspire yours

Let's take a look at some of the best-performing Shopify loyalty reward programs to inspire your strategy:
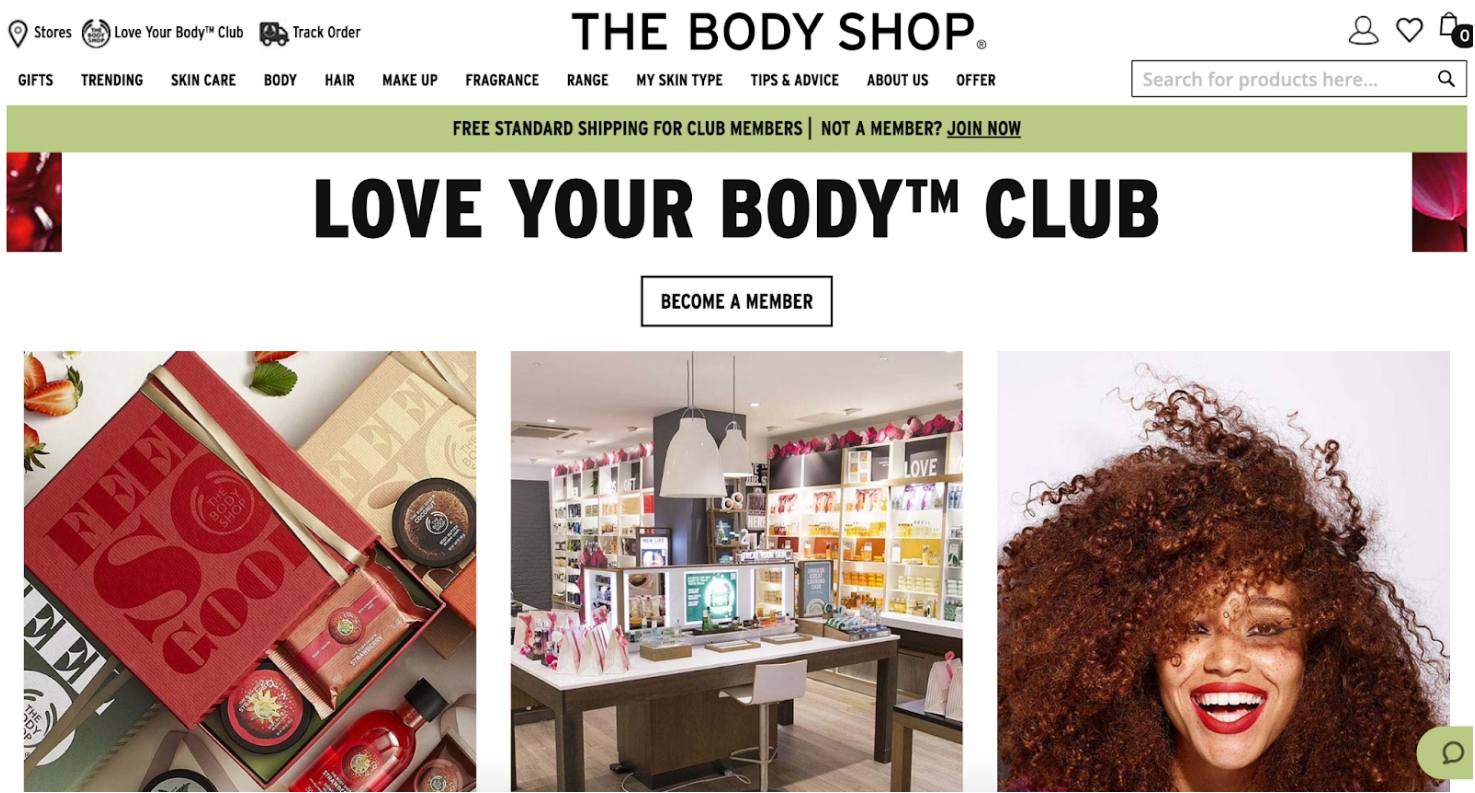
❯ Sephora's Beauty Insider

An extremely popular example of a loyalty program that integrates both in-store and online shopping is that of Sephora, a global cosmetics brand.
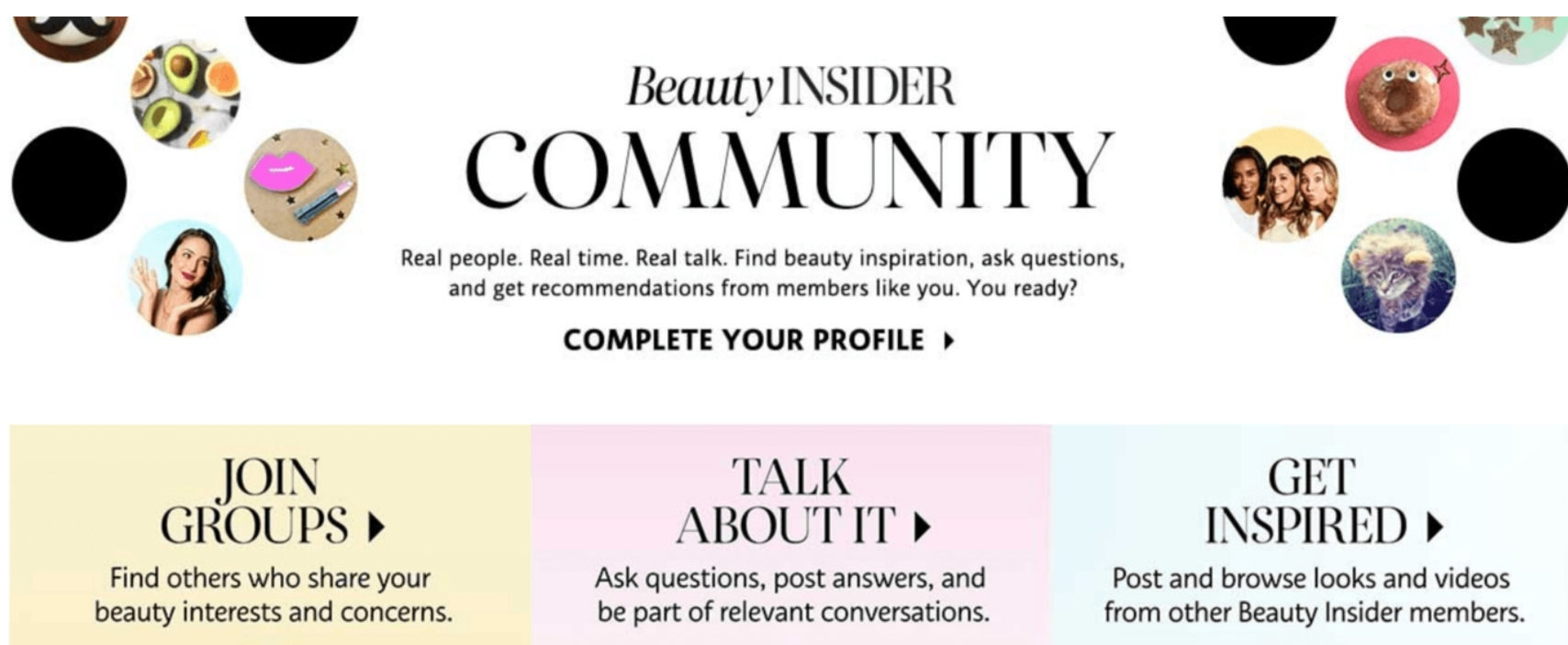
➤ The Body Shop

The popular health, beauty, cosmetics and wellness brand integrates community building into their loyalty program to boost involvement.


➤ Mirenesse

A beauty and cosmetics brand, Mirenesse has integrated a tiered approach to their customer loyalty rewards. This encourages their members to 'upgrade' and get more involved with the brand to receive bigger and better rewards.
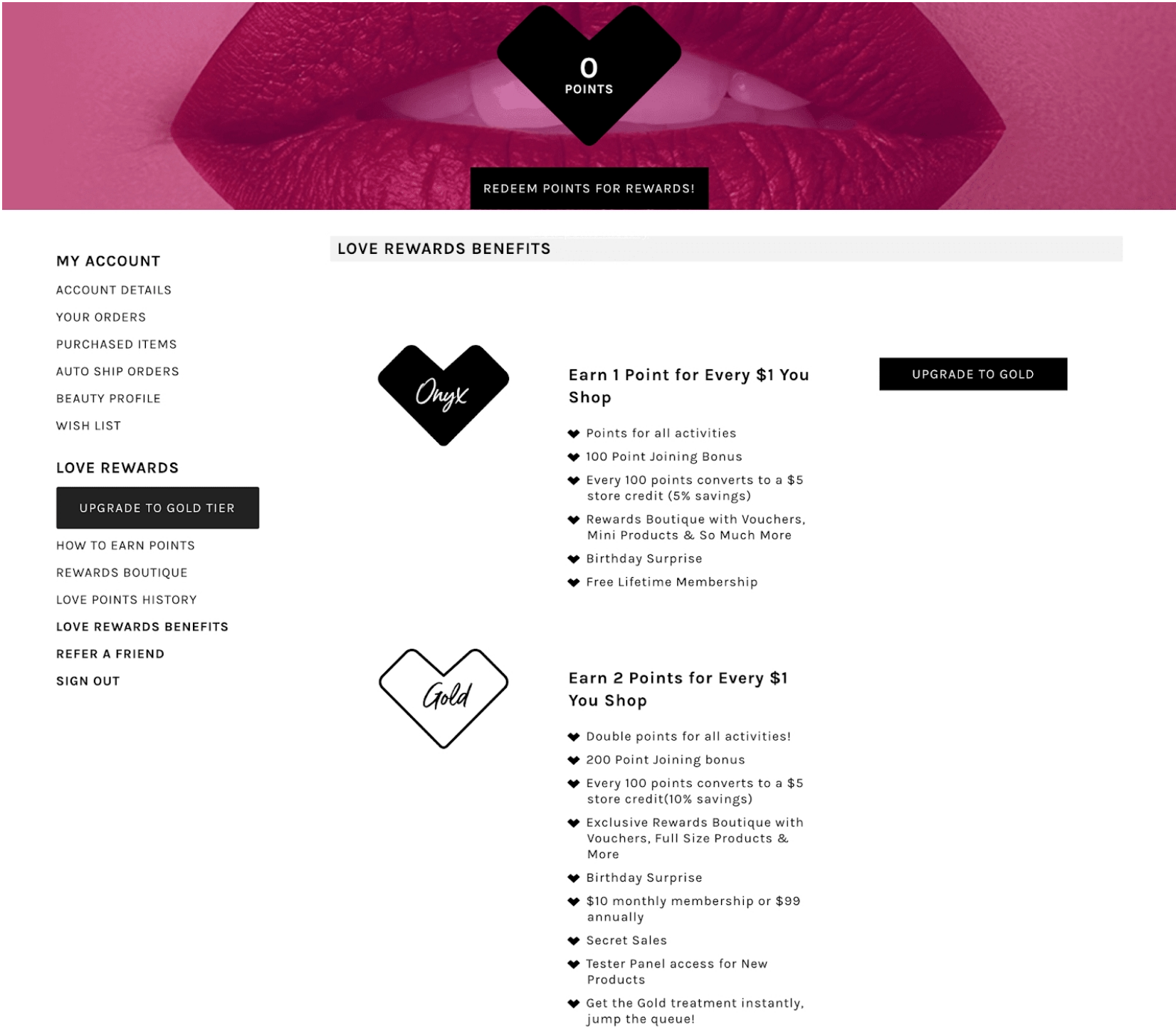
➤ BlckVapour

An e-liquids and hardware online store, BlckVapour has created a customer loyalty program that makes it easy for their customer segment to not just earn but also redeem rewards. If you notice, their rewards are tailored to meet their target audience demographics and are easy to achieve.
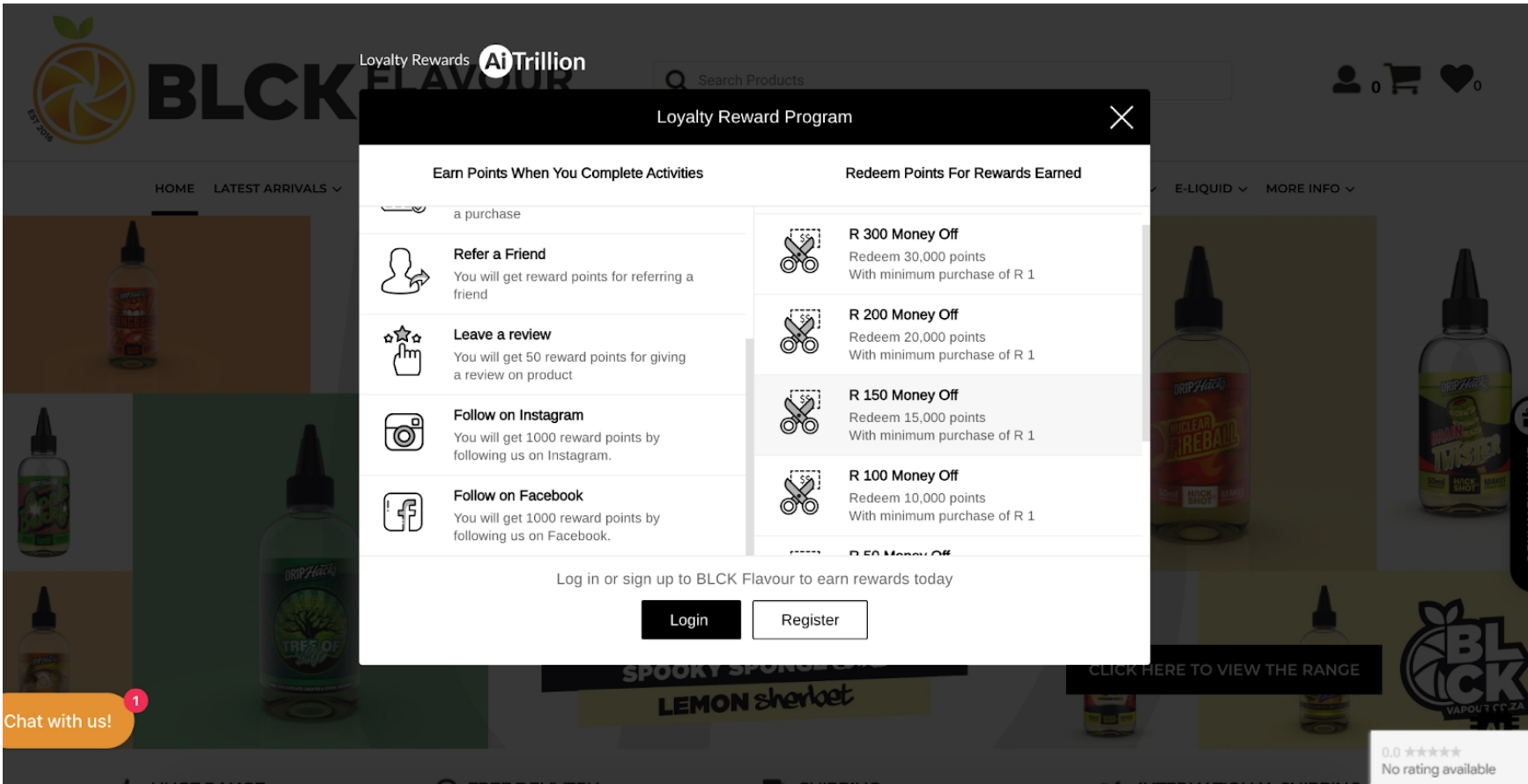
➤ 100% Pure

Another good example of a tired customer loyalty program is this beauty and cosmetics brand that segments the members based on their level of participation.

Purist Perks

We've dreamed up some wonderful ways to reward you for shopping at 100% PURE®, and signing up is easy! Discover the amazing benefits that come with each step of our 3-Level rewards system!

Purist Perks Levels

● PURE ENTHUSIAST*	$0 - $749
● PURE ACTIVIST*	$750 - $1125
● PURE REVOLUTIONIST*	$1125+

The Benefits

|			
Redeemable Vouchers	●	●	●
Exclusive Promotional Offers	●	●	●
Exclusive New Product Previews	●	●	●
Toll-Free Priority Customer Service		●	●
Early Access to Newly Launched Products		●	●
Free Upgraded Shipping (United States Only) on All Orders			●

❯ Portfashion

As a fashion and apparel brand, Portfashion knows how competitive the market is for consumer attention. They hook the consumer's interest while browsing, displaying the clear benefits of their rewards program.
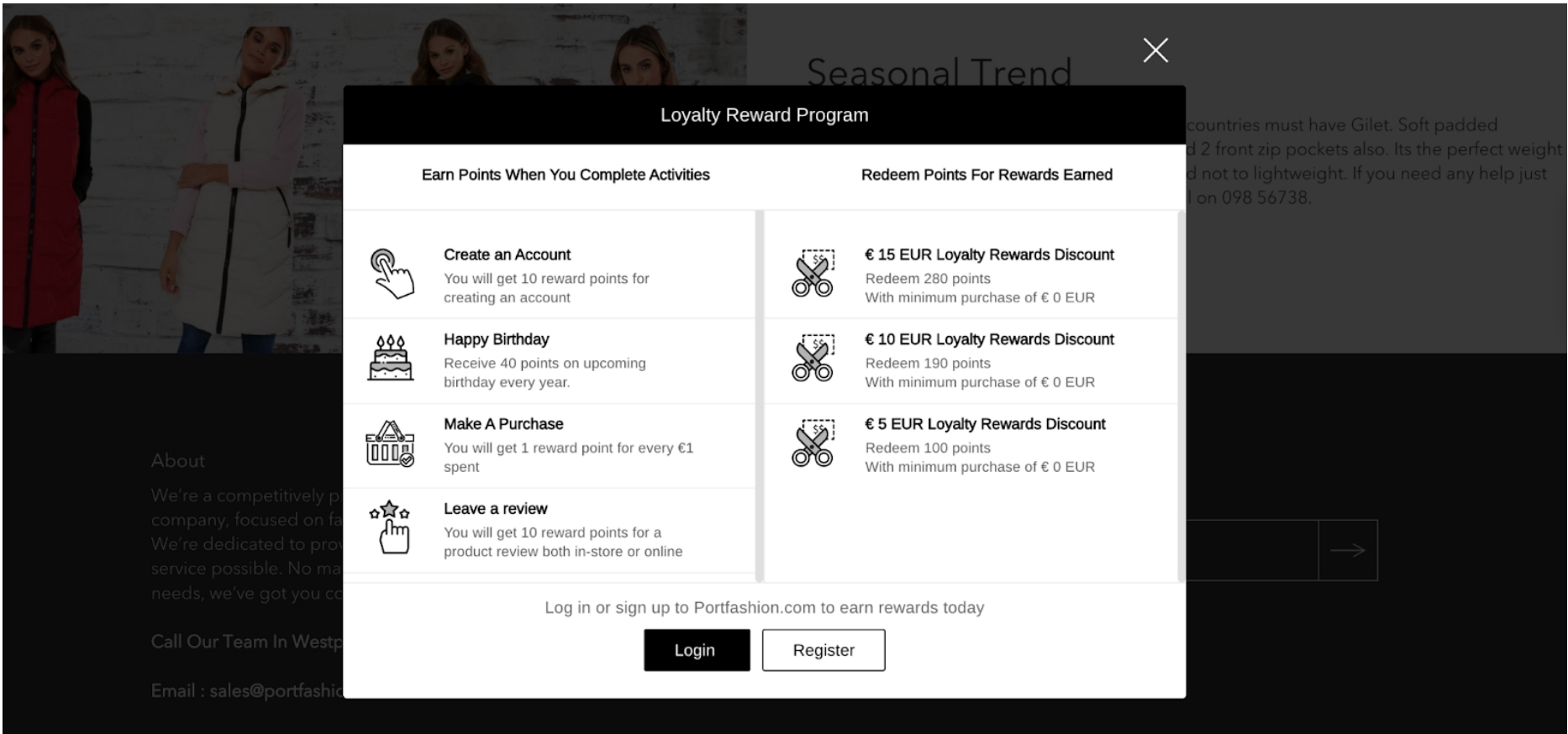
❯ Imbue Natural

Imbue Natural, a health and wellness brand approaches its customer loyalty program with an engagement strategy. They have set up multiple actions and milestones that a customer can earn rewards on.

See a customer loyalty program example that you'd like to set up on your store, or have an idea that you need help with? Reach out to AiTrillion for a demo today.
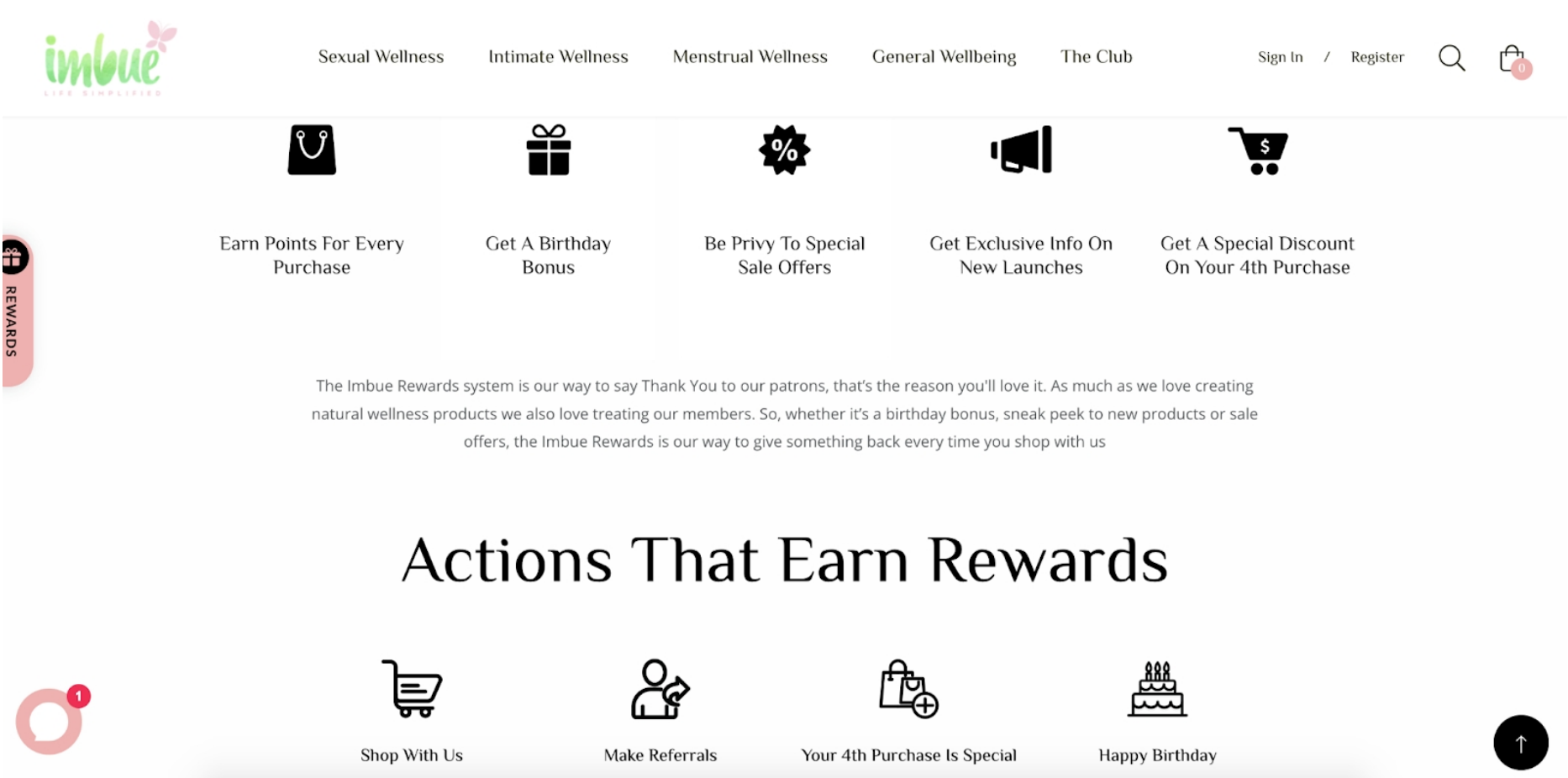
How to set up a **customer loyalty program on your store?**

Steps to create a customer loyalty program

❯ **Study your current customers**

Look into your analytics and store data to take note of how your existing customers are interacting with your brand. Some key aspects to look into here are the number of repeat visitors, repeat sales and the reason behind the repeat sales (reorders or other motivations like discounts). It's also a good idea to seek customer feedback to understand what they'd like in your eCommerce loyalty program.

❯ **Determine the purpose of your loyalty program**

Next, identify the metric you're trying to improve with the help of a loyalty program. For gathering more customer information, driving repeat purchases, improving customer lifetime value, increasing referrals and similar. List down all your goals clearly - this will help you define what you want to offer rewards on.

❯ **Choose your program rewards**

Once your goal is defined, decide what you'd like to offer as rewards to members. This could be loyalty points, store credits, shipping benefits, early access to deals, exclusive deals, etc. Ensure that you decide on rewards that actually appeal to your target audience.

❯ **Choose a loyalty program type**

As you can see in the examples above, you can choose the type of loyalty program you set up. The options you have include point programs, spend-based loyalty programs, tiered programs, VIP member clubs, value-based programs, partnered programs, gamified programs and hybrid loyalty programs. Make sure you have a complete understanding of how loyalty programs work. To learn more about loyalty programs, subscribe to our blog.

❯ **Set a budget for rewards**

As a business, you need to allocate your budgets towards acquiring new customers, improving your storefront experience, running marketing and advertising campaigns as well. So make sure you set an upper limit to the budget you're setting aside for customer rewards.

❯ **Choose the right loyalty program app**

When you have all the requirements clearly defined, look for a loyalty app that will help you set up the program with ease. The right app will equip you with all the features you need to enable earning and spending of rewards. They should also be willing to offer support during set up to help you create the right strategy and interface for success.

Now that you understand the key elements of setting up a Shopify loyalty program with this crisp step-by-step guide..

For instance, AiTrillion is a Shopify app trusted by thousands of online stores for setting up customer loyalty programs. You can explore its capabilities here

Free template to create your **customer loyalty program**

Not sure where to begin?

Here's a customer loyalty program template you can use to make sure you cover all the steps mentioned above before setting one up!
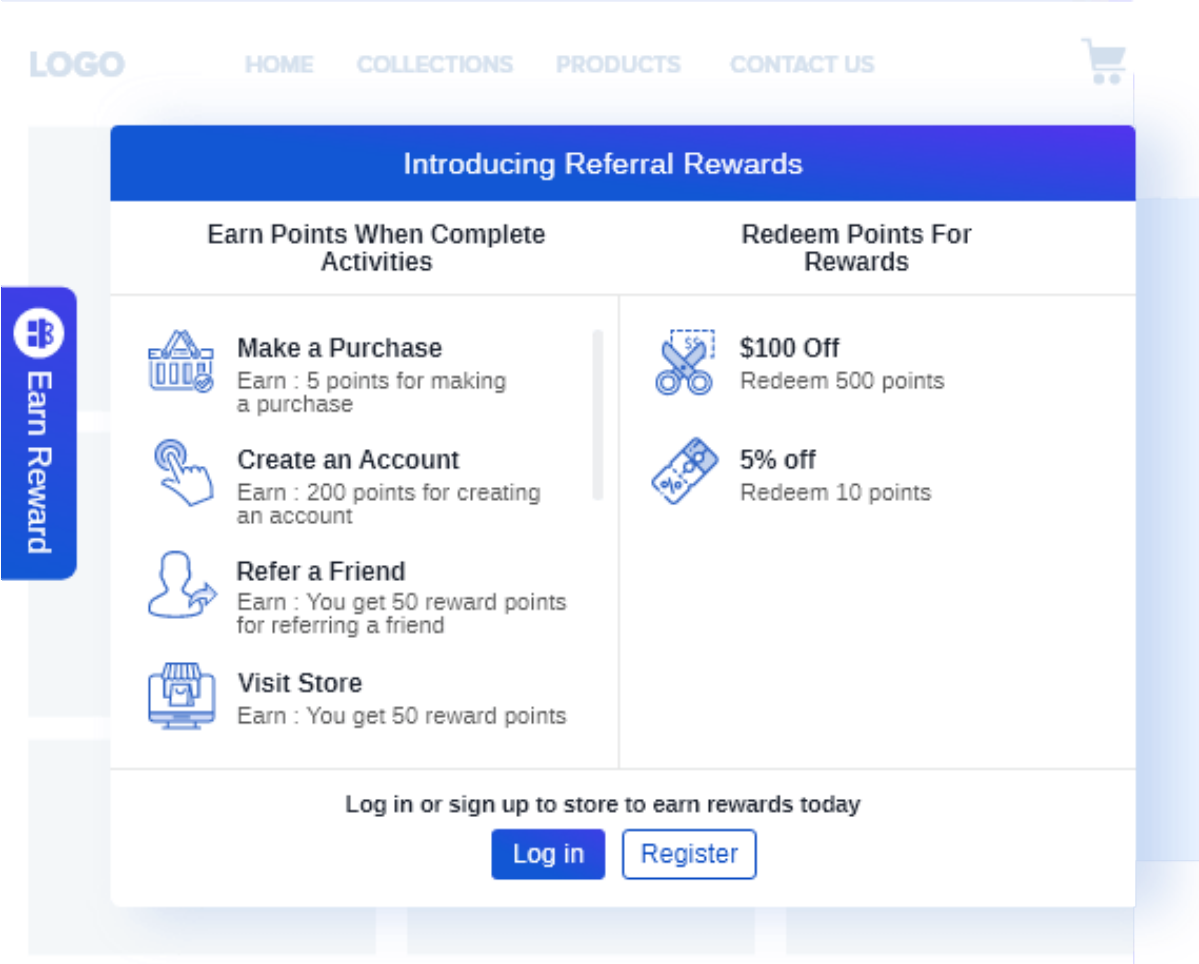
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Customer loyalty program framework (template)

Understanding consumer demand

Customer data on Shopify	Google analytics and search console insights	Customer feedback campaign	Performance of existing customer loyalty program	

Competitor analysis

List of competitors with the same audience	Customer loyalty program type used	Loyalty program rewards being offered	Popularity of the competitor programs	List of things missing in your loyalty program

Choosing your loyalty program type

Understand the different types	Identify the rewards under each type	Identify the program that adds value to your existing customers	Take note of the infrastructure your storefront will need	List of things missing in your loyalty program

Finalize your rewards

Define your loyalty program goal	Identify the key actions and milestones in a customer's journey	Identify the type of rewards you can offer at each action/ milestone	Finalize the overall budget for your loyalty rewards	Define how rewards can be earned and spent

Set up your loyalty program

Find a customer loyalty app AiTrillion	Give your loyalty program a name	Customize the look and feel of your loyalty program	Set up automations for sign up, confirmation and updates	Explore loyalty cards (if required)

Market your loyalty program

Announce it on your store	Add it to the main navigation	Add it to the footer of your store	Promote it on social media	Run targeted ads on your existing customers
Send out emails to your subscribers	Promote the program through web push	Notify customers of the program on SMS	Send program benefits and sign up on WhatsApp	Promote it through Facebook Messenger

Use your live chat and FAQ automation to promote the program	Request existing members for referrals		

Optimize your loyalty program

Measure the performance of your program	Seek further customer feedback	Note opportunities and leaks in your program	Make changes in your loyalty program	Repeat!

How to measure the **success of a customer loyalty program?**

Customer loyalty metrics go beyond repeat purchases. Here are some of the numbers you need to watch closely:

❯ Customer retention rate (CRR)

This loyalty metric refers to the difference in number of customers you had at the start of a defined period and at the end of it. It is a calculation of how many customers from the total you've been able to retain in that period of time.

CUSTOMER RETENTION RATE (CRR)

$$= \frac{\text{Number of customers (end of period) - Number of acquired customers (through period)}}{\text{Number of customers (beginning of period)}}$$

DIVIDED BY

❯ Redemption rate (RR)

A simple metric to tell you whether your rewards hold value to your customers or not is the redemption rate. It refers to the number of rewards you have issued versus the number of rewards that got redeemed.

REDEMPTION RATE (RR)

$$= \frac{\text{Number of points redeemed}}{\text{Number of points issues}}$$

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➤ Participation rate (PR)

This loyalty metric represents how enticing your loyalty program is to a consumer. It is a measure of the number of people who signed up for the program vs the total number of customers your store got over a period of time.

PARTICIPATION RATE (PR) $=$ $\dfrac{\text{Number of program members}}{\text{Total number of customers}}$

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➤ Repeat purchase rate (RPR)

This metric refers to the number of customers who bought more than once from your store in 365 days, tallied to the total number of customers you got in the same period of time.

REPEAT PURCHASE RATE (RPR) $=$ $\dfrac{\text{Number of customer who bought more than once (365days)}}{\text{Total number of customers}}$

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➤ Loyal customer rate (LCR)

Loyal customer rate refers to the number of customers who have made a purchase from you at least four times in the last 365 days, divided by the total number of unique customers in the same period of time.

LOYAL CUSTOMER RATE (LCR) $=$ $\dfrac{\text{Number of customer who purchased 4+ times (365days)}}{\text{Number of uniquecustomers (365 days)}}$

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➤ Active engagement rate

This loyalty metric tells you how many customers are actively engaging with your loyalty program from the total numbers of consumers who signed up on it.
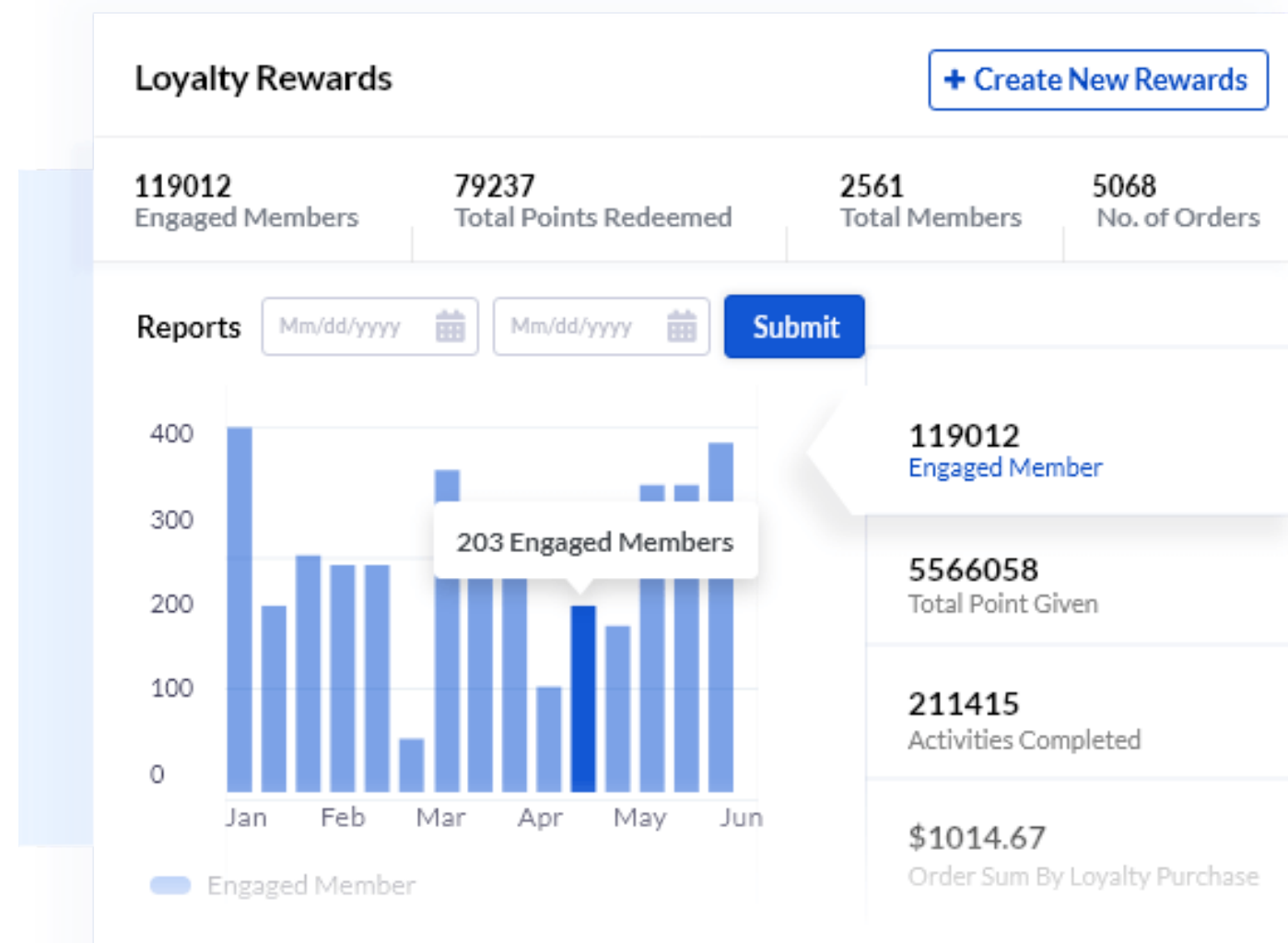
ACTIVE ENGAGEMENT RATE $=$ $\dfrac{\text{Number of customer who engaged}}{\text{Total number of customers}}$

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When you leverage a customer loyalty app like [AiTrillion](#), you're able to monitor these metrics and more on a granular level. The insights dashboard gives you a detailed view of how your loyalty program is performing:

How to boost engagement on **loyalty programs**

❯ Send out proactive reminders

Ensure that you have created a thorough strategy on communicating with your customer loyalty program members. Leverage channels like email, SMS, web push, Facebook Messenger and even web push to send them reminders on the available rewards and how they can redeem them.

❯ Make your program visible

Keep your loyalty program clearly visible on your website for both new and existing customers. Adding it to your main navigation, customer account page and across all pages for logged in customers is a great way to ensure active participation.

❯ Increase the ability to earn rewards

Create micro-actions that let customers earn rewards with ease. Align these micro-actions to your overall goals to see how little things can add up to the bigger picture. For example, offer loyalty rewards on sign up, product reviews, creating wishlists, following you on social media and so on - simple and easy to complete actions.

❯ Give easier ways to spend rewards

Let customers also use their rewards more easily and immediately. If they have to wait too long to redeem their benefits, they will lose interest in what your loyalty program has to offer and churn out of it.

➤ Make sure your rewards match your audience

Continually monitor the response of your audience towards the rewards you offer. Take note of the actions they take to earn the rewards and how they redeem them; the insights will keep you abreast with changing consumer behavior. It's important to offer rewards that add value to the target segment.

➤ Integrate with your physical store

If you have a brick and mortar store as well, make sure your loyalty program works seamlessly for those who shop in-store as well. Shopify POS loyalty programs ensure that your offline customers also actively engage with your online storefront. With apps like [AiTrillion](#), this POS integration is easy to set up.

You can also offer a loyalty card that customers can make use of for in-store shopping to accumulate or redeem rewards on purchases.

It's your turn to **step up!**

Succeeding at setting up a customer loyalty program should not be a one-time approach. If you want to drive higher customer retention, you need to continually monitor how people respond to your loyalty program and how you can optimize it for better experience and response.

This is where having a robust solution to power your loyalty program comes in.

Learn more about high-impact customer loyalty programs from these success stories:

- **[CDE Jewelry Egypt Assigned 170K+ Loyalty Points to Engage Customers and Reduce Churn](#)**

- **[iHair Doubled Conversions in a Short Span by Assigning 16.1M+ Loyalty Points](#)**

- **[Blck Vapour Tracked 648K+ Audience and Assigned 75.3 M+ Loyalty Points to Grow Sales](#)**

Ready to set up a customer loyalty program for the new-age consumer?

BOOK A DEMO OF AITRILLION TODAY