Retail Report
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LOYALTY PROGRAMS NEED MORE VALUE

Retail loyalty programs are back on the rise. Loyalty programs never really went anywhere; they became somewhat dull and often lacked a close connection to company planning. That is all starting to change. The practice of offering meaningful loyalty programs to develop a loyal custom core is making a resurgence. No longer relegating these programs to a mere subset of marketing promotions, successful retailers are embedding loyalty into the heart of their company strategy.

To better understand some of the new customer dynamics in retail loyalty offerings, and to uncover insights for retailers seeking to reinvigorate their loyalty programs, Radial and CFI Group surveyed 500 randomly selected retail shoppers on their attitudes and behaviors around these programs.

63%
say offering faster delivery influences signing up for loyalty membership

SAGGING LOYALTY ADOPTION

Loyalty programs have been a standard component in retail marketing for ages. In recent years, though, customer interest has softened. Our research shows that in 2016 and 2017, 83%-84% of retail customers said that they generally sign up for loyalty programs with retailers. In 2018 and 2019, that number slid to 58% and 62%, respectively.

We see two primary reasons for this consumer disinterest in loyalty programs. First, consumers have a growing concern about the use of their personal information. For those who do not join loyalty programs, 30% say the reason is that they just do not like giving out their personal information. They are wary of what companies might do with that information. Another 23% are specifically concerned that their identity could get stolen. Recent high-profile cases of stolen customer records reminds consumers to guard their personal data.

To address these data security concerns, retailers need to operationalize and promote their fraud protection services and security technology so consumers can be assured that their personal information will be protected.

The second reason for consumer lack of interest in loyalty programs is the simple fact that the programs offered are perceived to have little value. According to our study, 39% of those who don't sign up for loyalty programs simply say it's because it's not worth it. As the retail industry grows increasingly competitive, and retailers jostle for consumer attention, loyalty membership programs must be more compelling to break through the noise and acquire new members.

So, what do consumers consider "value" when considering loyalty programs? Our study shows that there are two popular draws across retail brands. The first is special promotions. A full 79% said that special promotions influence their decision to sign up for a

loyalty program. Sometimes, obvious ideas hide in broad daylight. Attractive limited-time-only discounts, special combinations, or cash back offers are needed to convince new members to join. Consumers today are aware of the value their information is to retailers, driving up the price of what is considered a valuable loyalty program.

The second draw is faster delivery. A surprising 63% said that the benefit of faster delivery influences choosing to sign up for loyalty membership. Retailers could do well, then, to make faster delivery a part of a special promotion for joining a loyalty program. Although Amazon is referenced too frequently when looking for online retail best practices, it is worth noting that free next-day shipping—or even same-day shipping for some products—is a central feature of Amazon Prime.

Loyalty members are **12%** more satisfied, **10%** more loyal, and **13%** more willing to recommend a retailer than other customers

THE VALUE OF LOYALTY

Loyalty members have higher overall value to the retailer than other customers. According to our study, loyalty members are 12% more satisfied, 10% more loyal, and 13% more willing to recommend the retailer than are those who are not members. And for those who have high satisfaction (9-10 on a 10-point scale) with the retailer, 37% make 10+ orders a year, and 42% spend more than $500 annually, compared to 22% and 25%, respectively, for other customers.

Customers who shop more frequently or spend more money with a retailer have different expectations and offer more value to the retailer than do those who purchase less frequently and spend less online. It's not clear that many retailers are effectively identifying their most valuable customer segments. For "High Spend" customers who spend more than $500 a year in online retail purchases annually, 69% said they sign up for loyalty programs, compared to just 55% for the "Low Spend" customers who spend under $500 or less a year. Yet, our study shows that the customer satisfaction score for both High Spend and Low Spend customers is 69 (using a 0-100 scale). Across the retail industry, High Spend customers are no more satisfied than Low Spend customers.

PERSONALIZED EXPERIENCE AND FLEXIBLE RETURNS

One approach retailers can take to boost satisfaction for the High Spend segment is to offer personalized customer service for loyalty members. Only 20% of Low Spend customers say that an offer of better customer service influences them to become a loyalty member, but that number jumps to 41% for High Spend customers. And for retail customers who are loyalty members, 62% expect to be recognized by the customer care agent, 59% say that the recognition is important, and 41% say that being recognized makes it much more likely that they will make more purchases in the future.

Using CFI Group's proprietary ACSI analysis, our study shows that agents equipped with customer loyalty data and decision-making authority have a remarkable impact on retail customer satisfaction. The impact of agents who are empowered to tailor solutions for customers is 2.5 times larger than the impact of agents who simply help customers successfully complete a transaction in a timely manner. An effectively completed transaction is good, but a custom, personal experience is great.

Another way to boost customer satisfaction of loyalty members is by offering fast and flexible returns and exchanges. When returning or exchanging online orders, only 30% of non-loyalty members expect the return to arrive within a couple of days, compared to 42% for loyalty members. And when the retailer provides multiple return options, 44% of non-loyalty customers say it makes them more likely to purchase products again from that retailer, compared to 55% for loyalty member customers.

Offering customized customer care and flexible return options requires sophisticated operational workflows, especially for High Spend customers. Smart retailers are able identify the most valuable customer segments and build out separate customer journeys around those segments to design and deliver personalized experiences that satisfy those customers. To deliver this level of customer engagement, retailers must provide agents with the tools and authority to recognize and serve loyalty members when they call.

About CFI Group (cfigroup.com)
Since 1988, CFI Group has delivered customer experience measurement and business insights from its Ann Arbor, Michigan headquarters and a network of global offices. As founding partner of the American Customer Satisfaction Index (ACSI), CFI Group is the only company within the United States licensed to apply customized ACSI methodology in both the private and public sectors.

About Radial (radial.com)
Radial Inc., a bpost company, is the leader in omnichannel commerce technology and operations. Premier brands around the world confidently partner with Radial to deliver their brand promises, anticipate and respond to industry disruption, and compete in a rapidly evolving market. Radial's innovative solutions connect retailers and customers through advanced omnichannel technologies, intelligent payments and fraud protection, efficient fulfillment, supply chain services, and insightful customer care services – especially where high-value customer experiences are critical. We are flexible, scalable, and focused on our clients' business objectives.

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Power of Commerce

Research Reveals Consumer Attitudes On Loyalty Programs & Returns

To better understand some of the new customer dynamics taking place in order to help retailers and brands determine insights for retailers seeking to optimize their loyalty programs, Radial and CFI Group surveyed 500 online consumers that shop at retailers on their attitudes and behaviors around these programs.

Our research revealed several key findings, including:

- Consumers are shopping online more frequently and spending more in the process
- Many consumers do and do not join loyalty programs
- The impact of loyalty programs on spending
- Consumers' preferences and expectations for returning orders

Read on for results of our study below for the insights you need to provide consumers with the convenient shopping experiences they desire so you can increase loyalty and improve profitability.

Online Orders

The vast majority of consumers placed multiple online orders and spent at least $100 with retailers over the past year

Order Frequency

Across All Retailers

54% of consumers purchased products more than once

34% made an online purchase between 2 and 5 times

10% made an online purchase 10+ times

With The Same Retailer

62% of consumers purchased products more than once

33% made an online purchase between 2 and 5 times

5% made an online purchase 10+ times

Order Amount

Across All Retail Sites Shopped

14% of consumers spend $100 or less online

38% spent between $100 and $500

38% spent more than $500

Order Amount With Same Retailer

28% of consumers spent $100 or less last year

42% spent between $100 and $500

30% spent more than $500

59% The number of consumers who made an online purchase **10+ times** with the same retailer increased **59%** from Q2 to Q3.

Loyalty Programs

Most consumers (42%) want to join retailers' loyalty programs, but their motivations for either receiving or refusing to become a member vary. When they do sign up, agents recognize significantly intuitive customer satisfaction needs.

Influences

59% of consumers are 2x very important or important when deciding about their loyalty membership.

Marketers should emphasize customer's pain points when promoting their loyalty programs, these are the top 5 reasons why they sign up:

79% for special promotions

63% for faster delivery

50% for better customer service/support

39% for preferred treatment

35% for a personalized experience

Top 3 reasons why consumers do not sign up for loyalty programs:

39% say it's not worth the effort to join and/or make

30% don't like providing personal information

23% are concerned about identity theft

62% of loyalty program members expect recognition

62% are eligibly recognized as loyalty program members

Being recognized as a loyalty program member impacts the spending habits of 41% of consumers:

41% of consumers are **more likely** to make a purchase

32% are **somewhat more** likely to make a purchase

27% do not change their spending habits

Returns

Online shoppers want to be able to choose the most convenient method for returning items. Most consumers expect their refunds completed in less than a week. As a result, retailers can expect to sell more products when they offer multiple return options.

Preferences

64% of consumers prefer to ship an order back

35% of consumers prefer to return an order to a store

27% always ship back

67% usually ship back

7% always return to a store

28% usually return to store

74%

The majority (74%) of online shoppers prefer returning items online using a retailer's prepaid shipping label

51% prefer to use an enclosed prepaid label and have the fee

38% prefer to print the prepaid label from the details and have the fee charged to their account

11% prefer to drop off the item later from their home and pay for shipping when they send it back

Expectations

81% of online shoppers expect their refunds to be completed in 5 days or less

38% expect refunds to take 1 to 2 days

40% expects refunds to take 3 to 5 days

17% expects refunds to take 5 to 10 days

2% expect refunds to take 10 or more days

79% of online shoppers are more likely to make a purchase when they can choose how to return an order

46% are **much more** likely to purchase

33% are **somewhat more** likely to purchase

21% do not change their spending habits

Fraud

False positives are transactions attempted by legitimate customers that are declined by a fraud prevention system because they are unexpectedly identified as fraudulent.

85% of consumers are less likely to buy products online from a retailer after an order is unexpectedly identified as fraudulent

46% will be hesitant to buy from the retailer in the future

26% won't buy from the retailer ever again

13% will only buy from the retailer if they know the transaction is legitimate

24% 24% of consumers have had an online order mistakenly identified as fraudulent

Visit Radial.com to see how our solutions can help you deliver on these consumer expectations.

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