

EPSILON™

EUROPE]

SIMPLICITY, TRUST, AND RECOGNITION

THE 3 PILLARS OF CUSTOMER LOYALTY

imrg



LOYALTY IS NOT A DESTINATION.



Elliott Clayton
SVP, Media UK

At Epsilon, we've found that loyalty members can spend up to 3x more with your brand than non-members. Customer loyalty should be the basis of retail marketing and, if you're not focusing on it, you're missing a trick.

Traditional marketing communications support the brand in a one-way push model. It uses broadcast channels to create a brand image and differentiation. Loyalty communications is a two-way dialogue with your customers.

It uses narrowcast channels and permission-based media to retain customers and encourage incremental value from them. Loyalty is much more than discounts; it is about creating an experience that keeps your members engaged, happy and coming back for more. We look at loyalty from two angles – the rational and the emotional. Rationally, customers want discounts and to be rewarded for buying from a brand.

It's conditional love. But online experience is such an abstract term that people don't necessarily

understand it until they feel it. And when they do, it's that emotional response that really creates long term loyalty and lifetime fans. The rational opportunity for points reinforces the subconscious emotional decision about a brand.

This can be achieved through a formal loyalty programme or just by putting loyalty at the heart of your activities. The key to success is in creating an ongoing dialogue and an easy, personalised and transparent value exchange with your customers over time.

Remember, loyalty is not a destination. Much like any relationship, you need to listen, remember and give an authentic response on an ongoing basis. Loyalty programmes allow you to do that in a controlled way, at scale, in a manner that creates predictable incremental growth.

EPSILON™

EUROPE

UNDERSTANDING THE CUSTOMER IS THE BASIS OF ALL RETAIL MARKETING

LAST YEAR WAS A TOUGH ONE FOR
RETAILERS GLOBALLY.

LOOSER



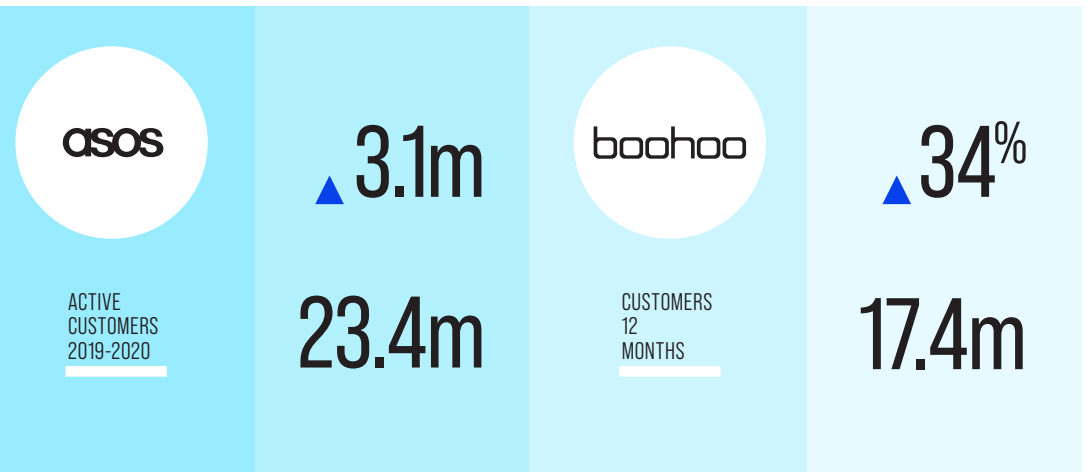
As coronavirus-enforced national and regional lockdowns were introduced, consumers moved away from the high street and towards online stores.

Almost overnight, many retailers' entire business models were flipped on their head.

The challenge for retailers in 2020 was to meet their customers where they were and continue to provide the service they expected, and many retailers did that admirably.

There was a high level of online customer acquisition over the year. The challenge for 2021 is to keep those customers – and drive long-term value from them, by using the data they have given you to provide great experiences.

WINNERS



Retailers such as **ASOS** and **Boohoo**, the new digitally-enabled giants of the fashion industry, added customers during the pandemic, swelled their databases, acquired several **Arcadia** brands out of administration (and in the case of **Boohoo**, **Debenhams** too), and grabbed more market share in the process. **ASOS** grew active customers by **3.1 million to 23.4 million** during its 2019-20 financial year, and **Boohoo** customer numbers in the **12 months** to 31 August 2020 jumped by **34% to 17.4 million**.

Smaller companies than those added customers too, particularly in growth areas of retail such as home and garden, electricals, and grocery. One example in fashion is **Cotton Traders**. With the majority of their customers falling into the 50+ bucket, they too saw an influx of new digital customers – people who may never have shopped online before.

SO, AS THE FOCUS SWITCHES FROM UNPRECEDENTED CUSTOMER ACQUISITION, TO THE TASK OF CUSTOMER RETENTION, WHAT ARE THE KEY FACTORS TO CONSIDER?

And how can traditional retailers take a leaf out of the new online pureplay customer retention guidebook?

Providing simplicity, building trust, and ensuring ongoing recognition of customers are the three pillars to customer retention and ongoing loyalty. Building on exclusive consumer research from IMRG and highlighting industry best practice, this report offers a comprehensive loyalty roadmap to help retailers navigate the unpredictable year ahead.

[Read on to hear about the three pillars of customer loyalty](#)

SIMPLICITY

To engender loyalty, retailers must ensure they understand the customers' entire buying journey, and they need to eliminate friction every step of the way.

In straightforward terms, simplicity pays. It helps drive user numbers, repeat visitors and incremental revenue growth.

Research from brand agency Siegel+Gale found 55% of consumers are willing to pay more for simpler experiences, and 64% are more likely to recommend a brand that delivers simple experiences.

The comprehensive 2018 study of 15,750 consumers across nine countries evaluated 800 brands against five dimensions of simplicity: ease of understanding what is communicated; transparency and honesty;

empathy with and fulfilment of relevant customer needs; innovation and freshness; and usefulness of the experience.

For Siegel+Gale, these are the components comprising simplicity in brands' consumer propositions. Companies faring well against those metrics include Amazon, ASOS, Boohoo and emerging womenswear retailer, Sosandar.

Hearing from these companies suggests simplicity does not come easily. It takes serious attention to detail, continued analysis, and a thoroughly modern approach to customer engagement to provide a simple-to-use proposition.

Sosandar, for example, publicly maps out detailed metrics every quarter, including customer conversion rates and the impact marketing spend has on revenue.

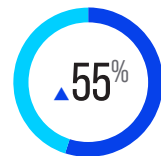
Its meticulous analysis of a long list of key performance indicators helped the company grow active customers by 111% to 131,811 over the last year, with repeat order rate by individual customers increasing by 2%.

Amazon, an early adopter of mobile retailing and one-click transaction functionality on its apps thanks to its capacity to remember customers' details, also stands out for its simple shopping experience. However, much of its success is wrapped up in driving millions of shoppers to its paid-for Prime membership service, which offers users a multitude of benefits including unlimited 'free delivery', and additional media channels.

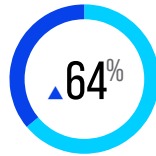
5 DIMENSIONS OF SIMPLICITY

- 01 EASE OF UNDERSTANDING WHAT IS COMMUNICATED
- 02 TRANSPARENCY AND HONESTY
- 03 EMPATHY WITH AND FULFILMENT OF RELEVANT CUSTOMER NEEDS
- 04 INNOVATION AND FRESHNESS
- 05 USEFULNESS OF THE EXPERIENCE

CONSUMERS ARE



WILLING TO PAY MORE FOR SIMPLER EXPERIENCES



MORE LIKELY TO RECOMMEND A BRAND THAT DELIVERS SIMPLE EXPERIENCES

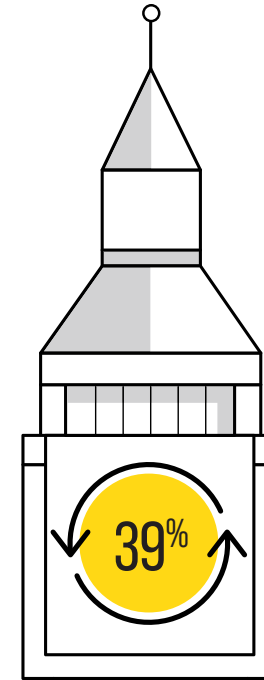
SUBSCRIPTION ECONOMY

Other retailers are identifying the benefits of subscriptions in terms of keeping customer relationships simple. **Majestic Wine, Hotel Chocolat, and Lush** have all ramped up their subscription channels in recent months, as Amazon's success – and a host of others such as Tails.com, Smol, and Virgin Wines – continue to gain traction in this space. Meanwhile, sandwich and drinks chain **Pret** launched its first subscription programme in 2020, offering unlimited coffee for a monthly £20 fee. Despite safety features such as permitting only one drink redemption every hour, the scheme is strong in its simplicity.



The subscription scheme drives recurring revenue and through digitisation allows for more regular and tailored customer communication. **Ciara Chellun**, global head of digital product at **Pret**, says the scheme has helped “*accelerate our customer loyalty strategy*”.

Cutting out the friction or avoiding any in the first place is quite simply a hygiene factor for customer loyalty.



amazon prime

MINTEL RETAIL RESEARCH, RELEASED IN OCTOBER 2020

SHOWS 39% OF UK SHOPPERS SIGNED UP FOR A PAID DELIVERY OR RETAIL SUBSCRIPTION PASS IN THE PREVIOUS YEAR - UP FROM 31% TWO YEARS BEFORE.

THE STUDY SUGGESTS SHOPPERS AGED 25-34 ARE THE MOST LIKELY DEMOGRAPHIC TO SIGN UP TO A SUBSCRIPTION, WITH AMAZON PRIME THE PREFERRED SERVICE ON THE MARKET.

E

“It has been shown that simple brands are winning in terms of customer loyalty. Look at your customer journey map to understand the whole experience of where a consumer happens to be, where are the moments that really matter, and fine tune them. This is not a one and done exercise – it should be a living and breathing document that's constantly changing and evolving, and you should be repeatedly looking at how you can improve experience.

“Can you identify areas where you can remove friction to make shopping with you as convenient as possible? Unprecedented times sometimes call for unprecedented approaches for your industry. An example of this is the subscription model, which gives companies the ability to provide a reliable service at a reliable price, perhaps allowing customers to develop new habits around how they shop with you and encouraging repeat purchases. Fashion retailers in particular can look at subscriptions for next

EPSILON POV

TRUST

While consumers are willing to provide their data in exchange for a more personalised experience with a retailer, there is an expectation it will be used respectfully, with privacy critical.

According to a 2020 Retail Week-Epsilon survey, nearly **68% of consumers are happy to provide personal information such as name, age, and contact details when they order to receive a more tailored shopping experience, or access discounts or offers.**

This figure stays north of 60% across every age group, underlining how people are generally willing to trust retailers and brands with their details in return for a better experience with that company.

Research last July by IAB UK and YouGov shows consumers are more attuned to how brands behave, in the wake of the pandemic, with **79% of people surveyed saying they are likely to favour brands that have behaved well during the crisis.**

Meanwhile, **80% say that they will be less likely to purchase products or services from companies perceived to have been insensitive or taken advantage of the health crisis situation.** Some 35% said they have paid more attention than usual to how companies have behaved, which suggests

consumers are looking for companies they can trust.

In addition, the rise in power of big tech over the last decade, and growing media coverage surrounding how Amazon, Facebook, Google et al are using people's personal data, means consumers are increasingly aware how valuable their personal information is to these businesses.

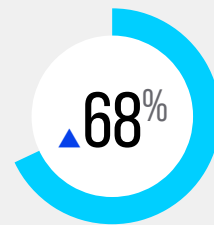
The topic of better regulating these technology companies remains high on the agenda, and the IAB lists this as one of six key trends for digital advertisers to look out for in 2021. Navigating changes to the regulatory environment will inevitably be crucial in maintaining consumer trust – and ultimately, their loyalty – in the months ahead.

TRUST AND LOYALTY SCHEMES

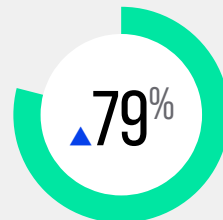
At an IMRG retail executive lunch on 16 December, it was agreed loyal customers and those on loyalty schemes have a higher lifetime value.

Elliott Clayton, Epsilon's vice president of media in the UK, who attended the virtual lunch event, spoke about loyalty programmes as a top method for customer retention.

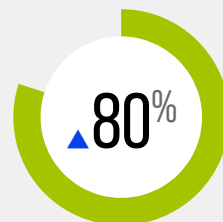
2020 Retail Week-Epsilon Survey



ARE HAPPY TO PROVIDE PERSONAL INFORMATION



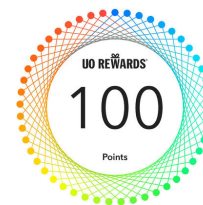
ARE LIKELY TO FAVOUR BRANDS THAT HAVE BEHAVED WELL DURING THE CRISIS



WILL BE LESS LIKELY TO PURCHASE PRODUCTS OR SERVICES FROM COMPANIES PERCEIVED TO HAVE BEEN INSENSITIVE

DEDICATED LOYALTY SCHEMES ARE "A SELF-FUNDING FIRST-PARTY DATA ASSET", HE EXPLAINED, ADDING THAT IN AN INCREASINGLY REGULATED ENVIRONMENT, THESE PROGRAMMES CREATE "ALL THE CONSENT YOU NEED" TO CONDUCT CONVERSATIONS WITH SHOPPERS.

Loyalty schemes worth talking about include Urban Outfitters' UO Rewards, which encourages users to engage with the fashion retailer in several different ways – including writing product reviews – to earn rewards and open up more desirable loyalty tiers.



Members can track their rewards and progress towards new tiers in their 'My Account' section of the Urban Outfitters website or via the dedicated UO app, each of which gives the retailer dedicated platforms on which to engage with shoppers.

The Vans Family, Nike Members and Hackett 65B schemes also stand out for their customer engagement success, but also



their potential to help those retailers get to know shoppers and market to them accordingly.

As Nike continues to accelerate its direct-to-consumer strategy in the hope of gaining brand control and developing closer relationships with its customers, **digital-led loyalty schemes are playing a key role.**

The sports equipment titan offers several member-exclusive apps, including the Nike Run Club app which is embedded with guided runs and wellness advice, and the Nike Training App which comes with over 160 guided workouts, in return for customer data.

This comprehensive platform of services allows Nike to better understand customers' lives. Such relationships can increase consumer trust of a brand, particularly if Nike uses the data it accrues to tailor product recommendations in suitable and relevant ways.

E

"Data, clearly, will play a key role in helping retailers encourage loyalty. And the good news is that consumers of all ages are generally happy to share data with retailers in order to receive a more individual, personal shopping experience."

"Additionally, because loyalty programmes are opt-in, consumers are voluntarily offering up their data in return for personalised content and special access to offers and promotions. But in 2021, with concerns around consumer data privacy becoming heightened, it's imperative the value exchange between customers and brands is actually valuable to the customer and that you instil trust – because they'll be expecting it. When you're collecting data on your customers, ensure that you only collect what you need, inform the customer why you need it, and put



THINKING ABOUT THE FASHION BRANDS YOU SHOP WITH, WHICH OF THESE STATEMENTS DO YOU MOST AGREE WITH



41.22%

They don't know me very well



29.25%

They sometimes make relevant product suggestions for me



22.22%

They often make relevant product suggestions for me



7.31%

They do an excellent job personalising my experience them

RECOGNITION

As the Retail Week-Epsilon research shows, it is crucial retailers use their data to personalise and improve the customer journey on an ongoing basis because it results in better sales.

So, if consumers are looking for personalised experiences, how do retailers today stack up in terms of their communication?

The answer is not particularly well. **IMRG consumer research found just 7% of respondents believe retailers do an excellent job of personalising the experience. Some 29% simply said they felt retailers did not know them at all.**

Two-fifths of those surveyed said retailers "sometimes" make relevant product suggestions to them, which although giving something to build on, highlights there is still much work to do on personalisation strategies.

However, traditional retailers are shifting their thinking, and change is on the horizon.

At **Cotton Traders**, listening to the customer is at the heart of the brand. It measures and monitors its customers' behaviour and use this data to create first-class shopping experiences and personalised communications. While the brand acquired many new digital customers in 2020, it also faced challenges with the likes

of shipments and deliveries, like many other retailers. The brand's ability to be agile and customer focused meant it quickly informed and assured their customers and as a result they received very few cancellations or complaints and, most importantly, secured that all important second purchase from many of its new customers.

At the other end of the fashion scale, luxury e-tailer **Net-a-Porter** rewards its high spending shoppers with an array of perks and benefits in recognition of their loyalty, via its Extremely Important People (EIP) programme.

Those who spend more than £55,000 a year can access their own personal shopper, worldwide delivery perks, priority access to new ranges, and invites to exclusive events. EIPs can also have up to 30 products delivered to their home for trying on – those items they don't want are picked up and returned and the retailer charges for the rest.

A typical mainstream retailer doesn't trigger order values of that size, but there are still lessons to learn. Successful growth and customer loyalty can come from rewarding highest-spending consumers because recognising their commitment and making them feel special has multiple business benefits.

MAJOR HEADWINDS AND TECH AS AN ENABLER

There are significant headwinds on the horizon regarding how retailers and brands will be able to develop 1-1 communication.

"We think it's going to be harder to maintain online retail growth this year ahead," Clayton said of the retail industry in 2021, predicting economic challenges instigated by the pandemic will reduce people's spending power.

Against that macroenvironment will be micro factors, including a planned phasing out of third-party online cookies (3PC). Clayton warned "the way the internet is working is going to change", with a cookie-less web changing how digital advertising takes place and making it more difficult to target individual consumers.

"You have to focus more on acquisition, which you have to spend more on. But because you can't track your own audience you can't measure it," Clayton cautioned, suggesting the growing importance of locked-in dedicated loyalty schemes.

The decline of 3PC means you can't identify or target as easily. You can use Google/ Facebook but you need to rely on them to tell you how you're performing, and they don't always give reliable metrics.

First-party data gives you a better view of your customer and allows you to measure performance properly. Loyalty programmes are perfect for collecting this data and creating actionable insights.

It also means recognising the best customers and maintaining these relationships will become essential, and Epsilon is advancing its technology to help loyalty marketers achieve this target. Machine intelligence is embedded into the Epsilon platform to ensure users can direct right offers or comms to the right shoppers at the right time.

Julie Smith, vice president of development for loyalty at Epsilon, told the Let's Talk Loyalty podcast: "We're turning our focus to empowering the loyalty marketer to be able to change and evolve their programme as they need to and get it into market as quickly as possible.

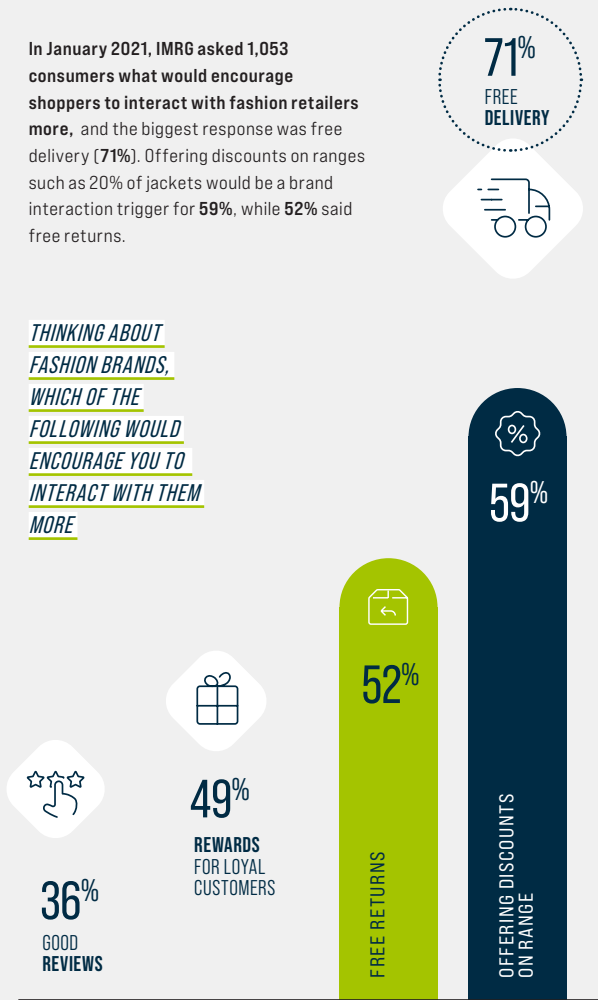
"Also, continuing to focus on letting them create experiences for their consumers that are delight and personalised to where they are on their journey with the brand and provide immediate return for your brand. Win, win, right?"

"Consumers want to be recognised. When a customer gives you their data, they expect you to use it. A big challenge that marketers face is around understanding the data they have. What does it mean? How does it impact share of wallet, share of heart, or share of time? Taking a scientific approach, it comes down to data attribution to an actual emotion within a moment. How can you use the information given to you to then inform your future offers, messages, or whatever it may be, to drive the incremental behaviour you're trying to drive?"

"It sounds overwhelming and may require upskilling or working with a partner to truly unlock the value of your data, but don't become so focused on being clever that you forget the simple but personal touches you can have with your customer. How many companies have you given your date of birth to? And how many of them actually email you on the day with an offer, experience or even just to say happy birthday? It's so simple, and so often overlooked."

In January 2021, IMRG asked 1,053 consumers what would encourage shoppers to interact with fashion retailers more, and the biggest response was free delivery (71%). Offering discounts on ranges such as 20% of jackets would be a brand interaction trigger for 59%, while 52% said free returns.

THINKING ABOUT FASHION BRANDS, WHICH OF THE FOLLOWING WOULD ENCOURAGE YOU TO INTERACT WITH THEM MORE



VIP EXPERIENCES

ACCORDING TO IMRG'S RESEARCH, 55% OF CONSUMERS SAID IF A FASHION BRAND OFFERED THEM A VIP EXPERIENCE PROGRAMME OR LOYALTY CLUB IT WOULD ENCOURAGE THEM TO PURCHASE FROM THAT COMPANY MORE FREQUENTLY.

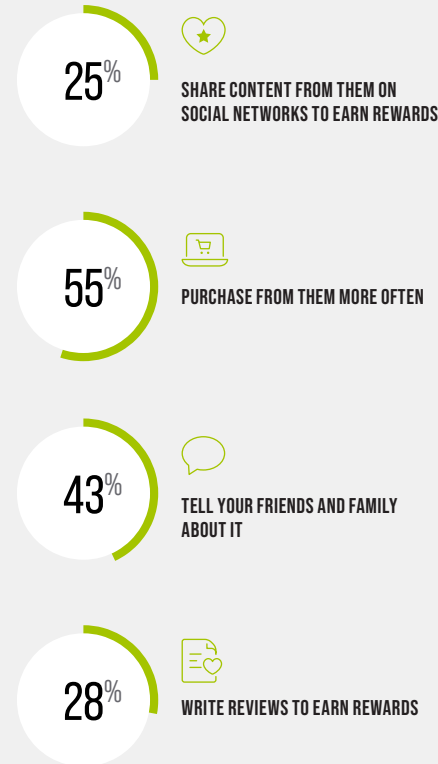
Some 43% said they would tell their friends and family about it, and 28% said it would encourage them to write reviews to earn rewards.

The need for a more personal approach and building trust through these means is crucial in a hugely competitive market, as 71% of consumers shop with a number of different retailers at once when they embark on their journey to buy clothes.

With 38% saying they specifically have three or four favourite retailers to purchase from when they begin clothes shopping, IMRG's data underlines the importance for retailers to be simple to shop with, and to make efforts to engage customers via personalisation.

At every step of the way, brands' shopping experiences are being compared to their competitors, so any blockers to a smooth shopping experience will not go unnoticed.

IF A FASHION BRAND OFFERED A VIP EXPERIENCE PROGRAMME OR LOYALTY CLUB TO ITS CUSTOMERS, WOULD IT ENCOURAGE YOU TO



E

"Tapping into your data, whether it be from your loyalty platform, CRM database or customer journey map, will allow you to future-proof your loyalty efforts and create both short-term gains and long-term improvements for your brand. If you don't currently have a robust CRM or CDP, I'd suggest starting with an email or loyalty marketing programme. Rather than investing in a large data project, the right partner will be able to work with the data you already have to build a programme that will promptly create value for your customers"

EPSILON POV

KEY TAKEAWAYS

SIMPLICITY ISN'T SIMPLE

Although consumers are looking for simplicity when engaging with a retailer or brand, it is far from easy to reach this position.

The companies deemed to have simple-to-use websites and services, and which are driving sales, are those putting the most work and investment into technology, analytics, and consumer research – and they never stand still.

MORE MODERN METHODS

In-demand subscription services and mobile or app-based loyalty schemes are helping the leading retail brands create two-way communication exchanges to build consumer relationships and drive loyalty.

CONSUMERS WANT TO KNOW BRANDS CARE

Whether it's by giving loyal shoppers access to exclusive products, better discounts or simply knowing which marketing message is suitable to an individual consumer, brands showing they understand their audience are those which thrive and become trusted.

A NEW LANDSCAPE AWAITS

In a post-GDPR landscape and as online cookie usage changes, one-to-one marketing success is increasingly based on a suitable loyalty scheme or, at the very least, a dedicated loyalty strategy.

Retailers need to stay on top of the regulatory environment and expand their first-party data assets.

THE PERSONALISATION GAP

Although retailers are talking a good game on personalisation, the reality is customers don't feel messaging is tailored enough to their individual needs. There's significant work to do to hook shoppers in with more timely and relevant communication.

EPSILON™

EUROPE]

CHOOSE A PARTNER, NOT A PLATFORM

IT'S RARE THAT YOU'LL FIND A PARTNER WITH THE WHEREWITHAL IN HOUSE TO MEET ALL YOUR BUSINESS REQUIREMENTS. YET THAT IS WHAT SEPARATES EPSILON FROM THE REST OF THE PACK.

As your single source for creative, agency services, strategy and analytics, we can ensure that your marketing plan can span every channel in an integrated way. Our industry-leading Epsilon PeopleCloud Loyalty solution has all the capabilities you need to deliver real-time, personalised rewards at scale. And while our platform speaks for itself, our ability to solve real business problems—and deliver real results for our clients—is the Epsilon difference.

Our success comes from the dedication of our people, the investment we make in your business and the deep-seated expertise we draw from all areas of our organisation. These are real advantages, and not the kind you can track in a spreadsheet.

imrg

IMRG provide unique insight into the online retail market, helping to inform your commercial and strategic decisions.

ENQUIRIES@IMRG.ORG
0203 696 0980

IMRG, 16 NEAL'S YARD LONDON, WC2H 9DP

DISCOVER THE LATEST REPORTS,
INSIGHTS & EVENTS FROM IMRG

IMRG.ORG

**TO LEARN MORE ABOUT EPSILON'S CAPABILITIES,
EMAIL HELLO@EPSILON.COM**



@EPSILONEMEA

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.