

2023 Loyalty Program Analysis & Strategy

Data Source: Loyalty + Referral Platform

Overall Loyalty Performance - 2023

- 5% Participation Rate
 - 473 Redeeming Customers
- Avg # of Purchases / Avg Revenue
 - Redeemers: **2.55 / \$491**
 - Non-Redeemers: **1.23 / \$252**
- Repeat Purchase Rate
 - Redeemers: **70%**
 - Non-Redeemers: **17%**

Key Takeaways:

With a 5% participation rate, there is a large opportunity for improved performance of Company A's loyalty program. A higher participation rate will likely result in increased CLV & AOV.

Redeemers, on average, have a 94% increase in revenue compared to non-redeemers.

Loyalty Tiers Performance - 2023



Loyalty Tiers Performance - 2023

- AOV Increase
 - No tier > Bronze: **8% Increase** (\$180 to \$195)
 - No > Silver: **19% Increase** (\$195 to \$232)
 - No tier > Gold: **148% Increase** (\$180 to \$446)
 - Bronze > Silver: **19% Increase** (\$195 to \$232)
 - Silver > Gold: **92% Increase** (\$232 to \$446)
- Average Purchases Increase
 - No tier > Bronze: **30% Increase** (1.0 to 1.3)
 - No tier > Silver: **40% Increase** (1.0 to 1.4)
 - No tier > Gold: **140% Increase** (1.0 to 2.4)
 - Bronze > Silver: **8% Increase** (1.2 to 1.3)
 - Silver > Gold: **85% Increase** (1.2 to 2.4)

Key Takeaways:

Encouraging customers to enroll in Company A's loyalty program correlates positively with both the number of orders and the average order value (AOV).

By strategically directing customers toward the next tier through targeted marketing communications and a thoughtfully designed program, there is a strong likelihood of elevating both the AOV and customer lifetime value (CLV).

Current Loyalty Tiers

Bronze Everyone	Silver (VIP) Spend \$600	Gold (VIP) Spend \$1,000
1x Point Per \$1 Spent	1.25x Point Per \$1 Spent	1.5x Point Per \$1 Spent
100 Birthday Points	200 Birthday Points	400 Birthday Points
	50 Points Upon Entry	100 Points Upon Entry
	Exclusive Offers & Discounts	Exclusive Offers & Discounts
	VIP Early Access	VIP Early Access

There is not enough perceived value in upgrading tiers. Company A has not delivered on 'Exclusive Offers & Discounts' to Silver & Gold Members. Additionally, there is not a significant difference between Silver & Gold tiers.

Loyalty Program & Reaching 2024 Revenue Goals

2024 Goal: 20% Revenue Increase (+\$460k, Total: \$2.75M)

- Pushing bronze tiered customers to silver would help increase AOV, requiring less customer acquisition (more expensive than retention) to reach a 20% revenue increase.
 - AOV by Tier & # of Members
 - Bronze AOV: **\$195** / 49,272 Customers
 - Silver AOV: **\$232** / 1,100 Customers
 - Gold: **\$446** / 497 Customers
- How do we nudge customers to silver & gold tiers?
 - Incorporate rewards promotions into marketing plan
 - 2x Points, etc. *(More on next page)*
 - Educate customers & boost awareness of Company A's loyalty program.
 - Educational Email + SMS Campaigns & Automations/Flows
 - Flyers in packaging

Loyalty Program Plans

- **Promotion Ideas**

- 1 giveaway entry per \$x spent (High value giveaway)
- Time sensitive offer: Get x bonus points when you order x product.
- Time sensitive offer: Get x bonus points on orders over \$x.
- **Rewards points shop**
 - Get products for a 'discounted' price
 - Get a product x for 1,250 Points (\$62.50)(\$12.50 OFF)
- VIP Exclusive Sale (give more incentive to becoming a VIP member)
- Customer survey for x amount of points
- Faster shipping for VIP members

- **Website Changes**

- Refresh rewards page
- Add more information about the program

- **Implementation**

- Replace some sale opportunities with reward incentive campaigns
 - Improves value of rewards program & sales promotions (fewer sales)
 - Could be good for minor holidays (Plant Appreciation Day, Earth Day, etc.)
- Email campaigns, social media content, flyers in packaging, paid ads, etc.
- **Formal plan should be added to Company A's 2024 calendar.**

Rewards Shop Proposal & Implementation

Reward Point Shop - Chipotle



CHIPOTLE REWARDS

ITEM	POINTS	\$ VALUE	VALUE
Tortilla	85	\$0.50	AVERAGE
Chips	350	\$1.85	POOR
Fountain Drink	400	\$3.40	GREAT
Chips & Salsa	450	\$2.30	POOR
Queso Blanco	500	\$2.75	AVERAGE
Guacamole	500	\$2.75	AVERAGE
Double Protein	700	\$5.50	GREAT
Bottled Drink	700	\$3.25	POOR
Chips & Guacamole	825	\$4.60	AVERAGE
Chips & Queso Blanco	825	\$4.60	AVERAGE
Kids Meal	1050	\$5.70	AVERAGE
Entree	1625	\$11.25	GREAT
Quesadilla	1650	\$11.80	GREAT
\$10 Chipotle Goods	2500	\$10.00	POOR
\$20 Chipotle Goods	5000	\$20.00	POOR
\$35 Chipotle Goods	8750	\$35.00	POOR

Key Takeaways:

Chipotle built one of the fastest growing loyalty programs in history, with over 28.7M lifetime reward redemptions. Gale, the organization tasked with building the program, reported a 724% ROI (1).

With data-backed success, Chipotle provides a great example for Company A's loyalty program.

Chipotle incentivizes customers to spend more for greater rewards, offering less favorable incentives for cheaper items.

1. Chipotle case study | gale partners. (n.d.). <https://www.gale.agency/case-studies/chipotle>

Application of Chipotle's Methodology to Company A

COMPANY A REWARDS

ITEM	POINTS	\$ VALUE	VALUE
PRODUCT A	50	\$1.00	POOR
\$5 OFF	100	\$5.00	AVERAGE
\$10 OFF	200	\$10.00	AVERAGE
PRODUCT B	350	\$17.50	GREAT
PRODUCT C	400	\$20.00	AVERAGE
\$25 OFF	500	\$25.00	AVERAGE
PRODUCT D	550	\$30.00	GREAT
PRODUCT E	850	\$45.00	GREAT
\$50 OFF	1000	\$50.00	AVERAGE
 PRODUCT F GOLD MEMBERS ONLY	1250	\$75.00	GREAT
PRODUCT G	1680	\$84.00	AVERAGE
 PRODUCT H GOLD MEMBERS ONLY	2750	\$150.00	GREAT




Key Takeaways:

Redeeming points for discounts on their orders can significantly affect profitability, particularly when applied to low-margin items.

Encouraging customers to use their points on items with lower costs of goods sold (COGS) by offering more value will establish a loyalty program with reduced profitability risks.

The \$40 OFF redemption option has been discontinued, and the \$20 discount option has been updated to provide \$25 OFF instead. This change is expected to enhance the value of items priced in the \$25 and \$50 and nudge customers to use their points for products.

Increasing Value of Upgrading Tiers - New Format

	 BRONZE EVERYONE	 SILVER SPEND \$600	 GOLD SPEND \$1000
POINTS PER \$1 SPENT	1x	1.25x	1.5x
BIRTHDAY POINTS	100 POINTS	200 POINTS	400 POINTS
POINTS UPON ENTRY	✗	50 POINTS	100 POINTS
POINTS FOR \$\$ OFF	✓	✓	✓
POINTS SHOP	LIMITED ACCESS	LIMITED ACCESS	FULL ACCESS
EXCLUSIVE DISCOUNTS & OFFERS	✗	✓	✓
VIP EARLY ACCESS	✗	✓	✓

Full access to the points shop will be limited to Gold members. All members will continue to have access to points for \$ off.

**Green denotes a new feature/change*