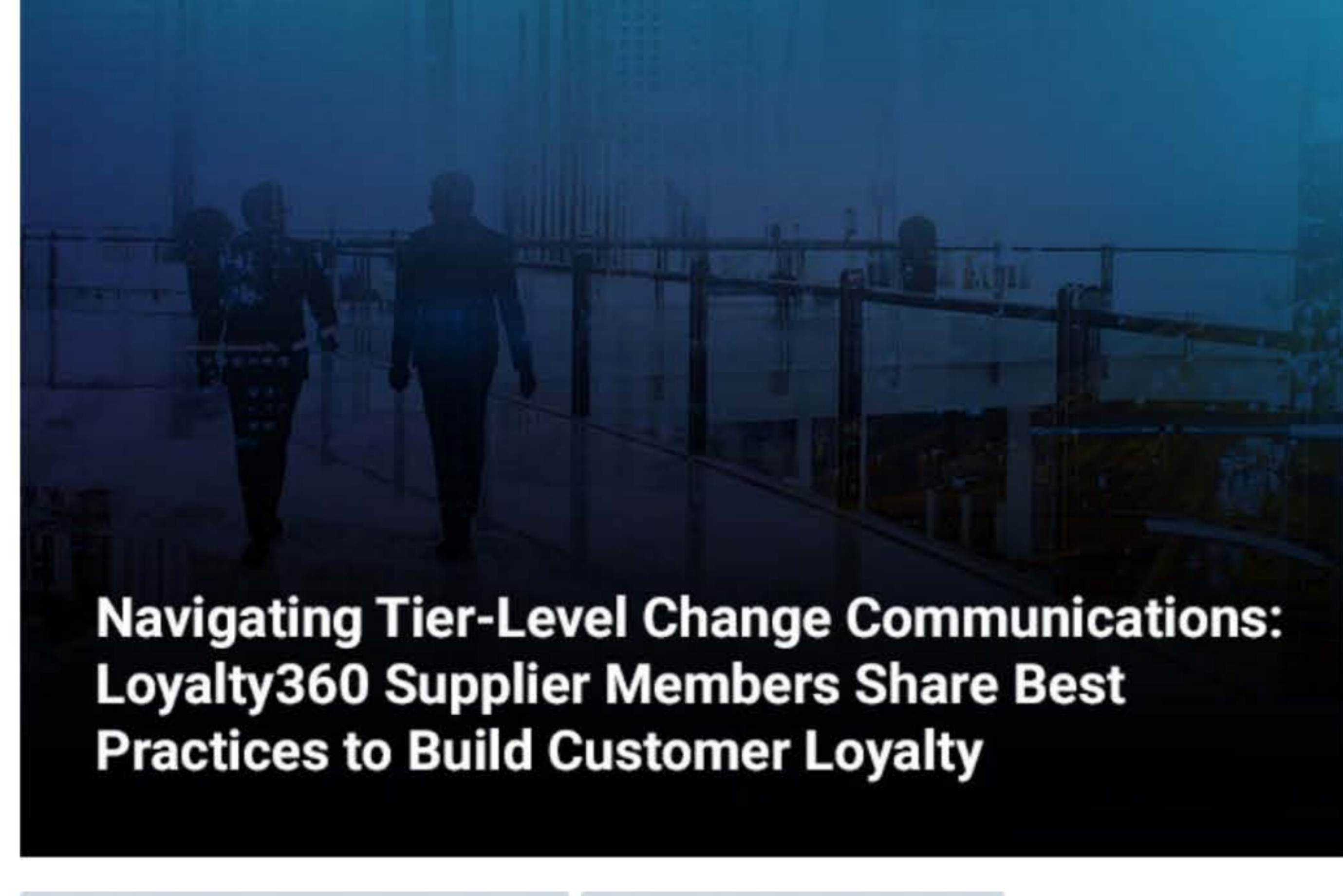


DAILY NEWS

Navigating Tier-Level Change Communications: Loyalty360 Supplier Members Share Best Practices to Build Customer Loyalty

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Tier-based loyalty programs are a way for brands to drive higher engagement with their most loyal customers by providing more discounts, promotions, experiences, events, or other exclusive benefits for members who meet certain transactional and/or engagement goals. To build customer loyalty, rising through levels can and should be an exciting experience for members.

On the other side, when members do not meet the tier requirements, they don't get the perks. While the experience of reaching a new level is exciting, not earning – or downgrading – tiers can be disheartening for members. These instances require brands to encourage members to retain their loyalty and keep them engaged with the program.

Celebrating and encouraging members through tier changes is a vital aspect of building customer loyalty. However, navigating the best ways to communicate those changes is often complicated, with brands missing opportunities to build relationships with their customers through the transition.

Loyalty360 spoke with Cassie Preston, Client Services Director CRM & Loyalty of Baesman, Chris Galloway, EVP, Strategy and Design of Brandmovers, Cara Panosian, Marketing Associate of Brandmovers, and Tom Pfaff, VP, Strategy of Brierley, about their perspectives on communicating tier level changes to members, how they impact customer behavior and engagement, and how to retain customer loyalty when members downgrade.

Communicating Tier Increases

A goal of any tier-based loyalty program should be to have members progress through the levels. Doing so increases engagement with the brand, collects more actionable customer data, and helps drive sales and revenue growth.

With this goal in mind, brands should be actively communicating tier increases, to both celebrate the achievement and encourage members to take advantage of their new benefits. This is a moment in the customer loyalty journey that presents an ideal time for brands to strengthen the customer relationship.

"Tier changes are moments in the customer journey that benefit from clear and action-focused marketing that gives your loyal members the opportunity to take the actions you want them to take," says Preston.

As brands stay on top of customer data, they can track and predict when members are expected to increase in tiers. As members approach the next tier level, the brand should use this time to communicate the benefits that members will receive upon upgrading and what they can do to meet the new level.

"Tier upgrade should be communicated immediately – both to celebrate the upgrade and to inform members of any new tier-based benefits," says Pfaff.

Preston continues, "When close to an upgrade, integrate brand offers and talk about the future tier's value proposition."

Prompt communication is only effective if it also reaches members in their preferred channels. Using zero-party preference data is a great way to collect this information and then rely on it to deliver the right message at the right time.

"Email tends to work best and should be personalized to the individual's situation to the degree possible to maximize open rates and engagement," says Galloway. "With that said, all communications channels that are available to members should be used if the change is significant."

Pfaff adds, "A personal thank you and congratulations from an associate the next time the member is in the store or at the counter is also a nice touch."

Communicating Tier Decreases

On the other side, there are instances where members do not meet the requirements for their current tier. As a result, members are downgraded to the next tier – or multiple tiers in some cases.

While disappointing, loss of benefits through tier downgrades does not have to result in reduced customer loyalty. Through effective communication, brands can recover loyalty and keep building into customer relationships.

The first step in maintaining the customer relationship is to use customer data to preemptively warn members of a potential downgrade and provide encouragement to maintain their level.

Pfaff says, "Tier-level downgrades shouldn't be a surprise to members. Brands should be regularly communicating with members about tier status – including current tier expiration, progress toward requalification, and progress toward the next higher tier."

Preston continues, "Messaging should happen throughout the customer journey, not only right before downgrade eligibility is near."

Communicating potential downgrades does provide an opportunity to build into the customer relationship. This is a time to focus on members' engagement with the brand and the loyalty program.

"Take the opportunity to acknowledge members' investment in the relationship," says Galloway. "Appreciate them for the value that they are. When a member is on the verge of downgrading, brands need to recognize their own role in that circumstance."

"Messaging should align with your brand tone and voice but also be very clear," adds Preston. Avoid gimmicky statements and focus on the specific action the member needs to take to maintain their status."

Next, brands need to provide clear and personalized communication to members experiencing a downgrade. Fully explaining the changes helps answer member questions before they're asked, helping to avoid frustration and confusion through the tier transition.

"In downgrade communications, it's best to keep the message focused on the member's current benefits," says Preston. "There will be other opportunities in the customer journey to encourage status upgrade. If margin allows, offer something to encourage repurchase and remind customers of the benefits that are available to them at the new tier."

"You should offer them alternatives and incentives that can keep them engaged with the brand during and after this transition," adds Panosian. "Keep the communication personalized to make sure the customer feels valued and that the brand is still invested in their business."

Making Exceptions to Tier Changes

In some cases, brands can make exceptions for members at risk of a tier downgrade. During the COVID pandemic, for example, many brands eliminated tier downgrading in the face of widespread job loss, supply chain disruptions, and stay-at-home orders.

Now that the pandemic shutdowns have ended, brands are starting to return their loyalty programs to normal – or a new version of normal. This presents a new kind of tier communication, where brands are communicating to members that the pauses in tier changes are coming to an end.

"When making this transition back to being 'normal,' communication should be very clear regarding what the changes are, how they will affect the members' statuses, and when they will be implemented," says Panosian. "Give members enough time in between, making them aware of these changes and implementing them to allow time for them to determine what these 'normal' requirements and expiration dates mean to their accounts."

"Don't belabor the change. Give your members ample opportunities to engage with the brand at their current tier level before you do any kind of 'clean up' downgrade," adds Preston."

This transition of "normal" in a post-COVID world also presents brands with an opportunity to reevaluate the value proposition their loyalty programs offer. These kinds of changes can encourage members to engage with the program, even if they haven't needed to since COVID.

Finally, when it comes to regular transitions in tiers, rewarding loyalty can sometimes involve making exceptions for members at risk of losing their current tier status. These exceptions can be difficult to navigate, with the potential of frustrating members who did not receive them and ensuring members understand the exception does not fully replace meeting their tier requirements.

"Brands should absolutely look for ways for members to retain their status," says Pfaff. "These are customers that earned it in the past. They have demonstrated a level of engagement that most customers will not reach. Although members lose their status for any number of reasons, extending it is always a way to reciprocate the brand's loyalty to the customer and to potentially reignite that customer's engagement with the brand."

Galloway adds, "Recognizing that individual situations are going to happen, it is important to have an exceptions policy including a grace period for tier status and point redemptions."

Preston continues, "Regardless, it's always a good idea to acknowledge any exceptions and let members know if you're giving them more time or – even better – access to additional or better benefits."

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