Exchange Solutions
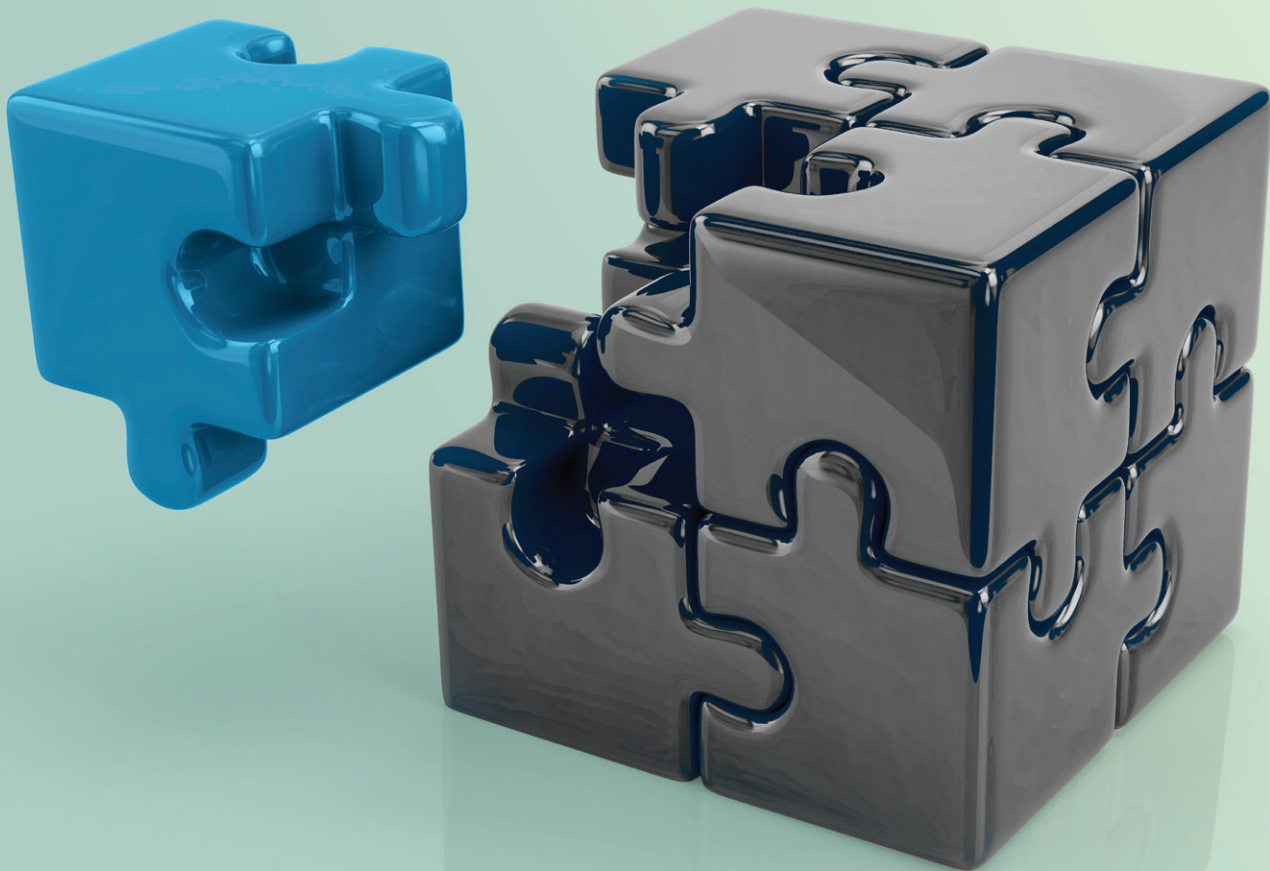
Revolutionizing Customer Loyalty: The Emergence of Modular Loyalty Technology

How To Enhance Loyalty Program Performance, Without A Rip and Replace of Your Platform

If you have a loyalty program, how is it doing?

USING MODULAR LOYALTY AS A PLUG & PLAY, LOW-RISK ENHANCEMENT TO YOUR PROGRAM

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the wise marketer

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Do your members love it? Are you and your executive team happy with the financial and operational performance? Odds are things could be better...but fixing current issues may seem impossible to overcome due to the lack of quick-to-market solutions loyalty marketers currently know of.

This eBook will educate the reader that a re-platform or "rip-and-replace" project shouldn't be the first or only option to consider. Modular loyalty solutions that take a fraction of the time, resources and cost to implement are available to leverage, just not well known...yet. But don't just take our word for it. Forrester says
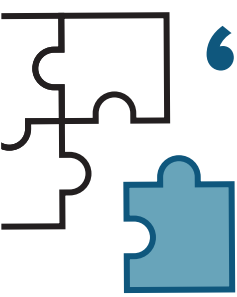
> **Due to economic pressures and capability overlap with broader martech stacks, brands are seeking more modular loyalty tech.**

Forrester flags this as the current top disruptor in the loyalty technology market[1]. Take advantage of the information below to get ahead of the learning curve.

> The dilemma is this — there's an "urban myth" in loyalty technology that for retailers to advance their solution capabilities and keep pace with customer demands, their first, maybe only, option is to "rip and replace" their entire loyalty platform in order to accomplish their goals. This way of thinking is foolish and no longer applies, as a broader set of options are available to extend capabilities and meet consumer expectations.

Bill Hanifin
CEO,
The Wise Marketer

(1) — Mary Pilecki and Cole Walsh; The Loyalty Technology Solutions Landscape, Q4 2022.

Common Struggles for Loyalty Marketers

As loyalty program management systems have evolved, so too has their complexity. The amount of information and functionality that goes into and is produced by a loyalty program today is quite simply overwhelming. Basic maintenance for features and functions within a platform has become hefty work, automatically reducing the available resources to remain innovative and up to speed on market needs. In turn, personalized member experiences at scale suffer or simply don't exist, while the IT backlog and costs associated to the use of redundant marketing technologies remain high.

Add in that loyalty marketers believe that their only option to fix these issues is to completely rip and replace their entire platform — a process that more than likely includes a lengthy and expensive RFP process, procurement team assessment, a huge amount of IT resources, layers of executive approval, unexpected scope creep and many delays along the way — and you're left with a near impossible hole to dig out of. Struggles like these have created an environment where most loyalty marketers learn to "live with it" when it comes to how their loyalty program operates...and ultimately performs.

Plainly stated, this is no way to run a business strategy – brand organizations should be pushing for and choosing more focused, less expensive, faster to market loyalty technology options that meet their needs and the needs of their consumers, without needing to wait years to see the results come to life.

Defining Modular Loyalty: An Alternative to the Traditional Approach

WHAT IS MODULAR LOYALTY?

The introduction of the term "Modular Loyalty" to the market happened quite a while ago but little has been published about it to date, leaving loyalty marketers wondering what this buzzword is all about. With current mindsets as they are, loyalty solutions that take a fraction of the time a full replacement does, while only using minimal resources to execute, ultimately leaves loyalty marketers with one question — is this for real, or too good to be true? Our answer is this: A Modular Loyalty technology approach is a real opportunity and can provide material improvement to your program engagement and bottom line. Let's break things down to help understand what's at play.

Mod•u•lar Loy•al•ty

Modular Loyalty refers to a component-style — or microservice — implementation approach to a technology product or service, rather than the overall loyalty platform. This technology plugs into an existing loyalty platform and works with existing marketing technology without needing to replace the complicated pieces of the current infrastructure. The new technology enhances only the underperforming components, such as personalized offers and experiences, gamification or reporting.

> **To help relate to the definition of modular loyalty technology, think of it like building a house out of lego. To build the house, you need many bricks. Each brick can be different shapes, different colors and have a different purpose to support the overall structure. Think of modular loyalty technology solutions as the bricks — each has a function and purpose but represent different pieces of the platform that meet consumer expectations.**

Andreanne Rondeau
Loyalty Specialist
and Founder,
stratLX

Recommended Application Approach

A modular loyalty approach to program innovation selects bite-sized pieces of performance to improve, but which ones are most important for you to focus on? Each journey is different and will be based on different needs. Use this framework — probably with help from an expert — to identify which modules are most important for your organization:
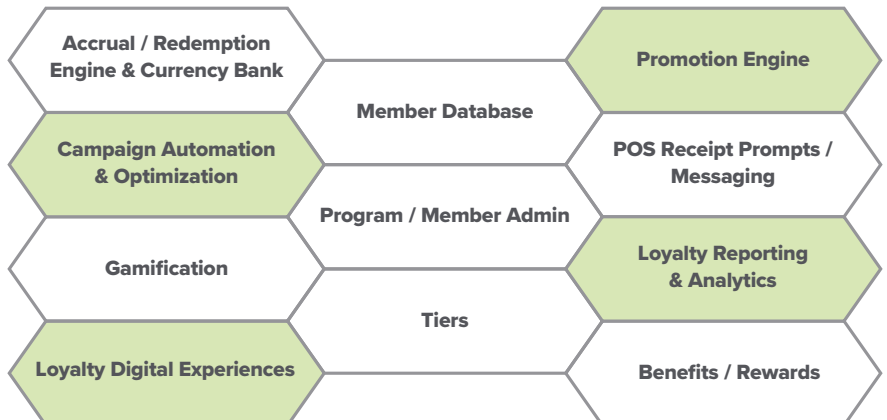
1 | **Identify performance issues**
Isolate which metrics are underperforming and draft a business case to predict the impact of making a change.

2 | **Determine which loyalty modules to enhance**
Select the modules that will best address your business problems. Those highlighted in green below are common modules in need of improvement which can make a material difference to program performance if enhanced.

Accrual / Redemption Engine & Currency Bank		Promotion Engine
Campaign Automation & Optimization	Member Database	POS Receipt Prompts / Messaging
Gamification	Program / Member Admin	Loyalty Reporting & Analytics
Loyalty Digital Experiences	Tiers	Benefits / Rewards

3 Select an ideal integration approach

Most businesses have an ideal set of criteria for integration needs that include speed to market, flexibility, and limited resources required. Based on your capabilities, there are several options that are available to choose from for a modular implementation.

Batch feeds with a set data template

Real time API

DataSharing through your existing data cloud partners such as Snowflake

Webtags that deliver an improved customer experience without involving the digital team or agency

4 Create project "phases" so you can launch quickly and scale for the longer term

Focus on becoming agile. Launch small changes and grow over time, test and learn, building momentum along the way.

5 Measure immediately and apply learning to future phases

Set new KPIs specific to the modular change and ensure each module added is materially addressing improvement to performance issues.

> " If everything is working fine with the platform you have but not producing as it should be, the concept of modular loyalty or modular capabilities could definitely be a win for both the business and for the customer. Make sure what's implemented supports a clear need, is easy to configure and integrate, becomes seamless to the customer in terms of the experience and is measurable in terms of its effect. "

David Slavick
Co-Founder and Partner,
Ascendant Loyalty Marketing

Why This New Concept is Worthy of Consideration

With brand loyalty in flux in many retail industry sectors, the ability to improve loyalty program performance through innovation at the speed of retail has never been more important. Applying a modular technology approach to program improvement really could be the key to amping up program performance.

Solve a business problem, don't just spend more on technology

Truly become agile — test and learn more freely

Apply improvements in smaller increments under a low-cost, low-risk model

Fund these improvements through OPEX, not CAPEX. This approach really is a marketing solution!

Case Study Application:
Luxury Men's Fashion Retailer

In 2021, a luxury men's fashion retailer approached Exchange Solutions to ask for help solving an engagement issue with their loyalty program. "We love our loyalty program and our customers do too, but we need a few things to be better. We strive to provide a personalized experience for our customers during every interaction, but we can't offer our program members personalized offers in an efficient, scalable way. We think our current loyalty platform capabilities are getting in our way, but we don't have the resources to replace our platform right now and need to act quickly. Can you help us?" they asked.

Before our team answered, we applied our recommended approach to dig into what individual challenges were fueling the issue. During discovery conversations, the retailer identified that they ran their loyalty program through administrative capabilities available with their POS provider. This particular POS provider did not provide the capability to issue any offers to program members, let alone personalized ones. We also discovered that while the retailer needed to make the improvement they asked for, they did not have internal IT resources available to help with project work such as real-time integration.

Based on the information gathered during discovery conversations, we recommended that the retailer leverage our **Promo Enhance** by **ES Loyalty™** product. This product satisfied the modular solution they were looking for and could manage: Targeted Promotions.
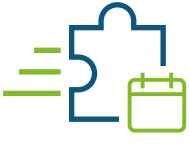
The solution did not require their existing loyalty program management platform to be replaced

The solution had a simple implementation with a low burden on internal resources

The solution was easy to use, with a SaaS-based administration tool a marketing resource could use effectively with little training

The solution could be implemented quickly – ideally in weeks

Developing a solution like this stems from thoughtful effort during the planning process. In our experience, ensuring both the solution provider and the retailer are aligned on the needs, capabilities and options available throughout the process generally results in a more successful outcome. In this case, the results speak for themselves.

The solution leveraged data generated and managed by the existing loyalty program management platform. No part of the existing platform was changed.

Implementation for the retailer consisted of 1) providing batch files with specific data included on a regular basis and 2) placing a tag on a page within their existing website
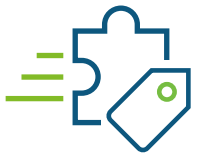
The retailers' team resources were able to easily use the SaaS based console provided, creating targeted offers that could be configured and launched in minutes

The new member experience and offer capability did launch in less than 3 months; producing measurable results in days

Overall outcomes included both operational and financial wins:

☑ More than a **10X** increase in efficiency of team resources during promotion planning and execution

☑ Targeted offers generated for members increased member engagement significantly

50%
increase in transaction size

40%
of all captured sales were incremental

> The console enables our team to move quicker than traditional promotional processes or tools previously let us. I can be in a review and planning meeting at 10am and by 10:15 I've launched relevant, personalized offers that easily get communicated to our members in the right channels.

Director CRM & Loyalty:
Men's Luxury Fashion Retailer

Case Study Application:
National Pharmacy Retailer

During the pandemic, a national pharmacy retailer worked with Exchange Solutions to enhance their program capabilities. While their ask was similar to the men's luxury fashion retailer, their needs were very different based on their business model. "Our loyalty program is working well and growing, and while we have many priorities on our list, our top priority is the individual health and wellness of every customer. As a high-frequency retailer, we can't manage to personalize our offers at scale, mainly due to the sheer volume of weekly offers we have at our disposal. How do you recommend we develop a personalized offers distribution plan for our members?"

Again, our team collaborated with the retailer to develop a plan that would work best for both them and their members. During discovery conversations, the retailer revealed that their biggest challenges alongside their scalability issues were understanding how to unlock value for their members using the vast amount of data they had in their program platform alongside the thousands of weekly offers available. They also had a desire to optimize offer budgets through vendor funding. A challenge they did not have was a lack of technical resources, as this was considered top priority to execute.

Based on the information we learned, we recommended a different modular solution compared to the men's luxury fashion retailer: Automated Personalized Offers
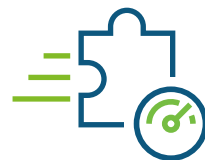
The solution did not require their existing loyalty program platform to be replaced

The solution was able to seamlessly operate alongside the existing loyalty platform

The solution was easy to use, with a SaaS-based administration tool a marketing resource could use effectively with little training

The solution could be implemented with no impact to system and platform performance

With extra requirements, thousands of potential offers each week and a need to match the right offer with the right person at the right time at scale, careful consideration of the set up and roll out plan was needed. The data used from both offer pools and the loyalty platform was organized well up front, which was also key in preparation. Results for this real-time offer automation roll-out were and continue to be very promising.

2X
Offer engagement has increased by 2X

36%
Offer costs have reduced by 36%

50%
Operational efficiency at scale has increased by 50%

Under What Circumstances Could Modular Loyalty Fit Your Needs?

If you have a platform, it's working fine operationally, but program engagement doesn't meet expectations, take a step back and look at your member experience. Members have said time and time again that they want to engage with brands that develop more ways to create personalized experiences for them, treating them like a person rather than a number. How personalized is your member experience? According to the latest State of Personalization 2023 report published by Twilio Segment[2], odds are that it's not meeting the mark yet.

Fast-tracking a more personalized experience can happen leveraging a modular loyalty approach. Remember to ask yourself some key questions to get going on a solution:

1/
How is my program performing?

2/
Can I afford to keep my platform running the way it is?

3/
Are my members happy with their experience?

If your answers aren't ideal, make sure to think about current barriers holding you back. If those barriers should be solved quickly, seriously consider a modular loyalty technology solution. Your members deserve the best opportunity to engage in a relationship with your brand. Deciding to "live with" what you have will never get you there successfully.

(2) – Twilio Segment; The State of Personalization 2023.

About Exchange Solutions

Exchange Solutions is a cloud-based marketing technology company that delivers personalized loyalty solutions to retailers enabling them to build deeper and more profitable engagement with their consumers. With more than 25 years of experience in the industry, Exchange Solutions transforms loyalty programs and promotions from being costly applications to productive and profitable capabilities for clients across various verticals in the US and Canada. Current clients include Esso™ and Mobil™, Sobeys Inc., McKesson, Petro Canada, INDOCHINO, and White Cap.

To learn more:
exchangesolutions.com
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Exchange Solutions wishes to thank key contributors to the subject matter included in this eBook. We are fortunate to have been able to collaborate with you throughout the process and value your partnership. Your passion and expertise in the loyalty market is very much appreciated and we look forward to continuing to challenge new, innovative ways of thinking about consumer engagement and loyalty!

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