

# Customer Loyalty in Retail: The Future of Loyalty in the Post-COVID Era

Retail customers switch brands more easily than ever before, and a brand loyalty shake-up continues to take place. Winning and retaining customers requires retailers to reimagine their loyalty & customer engagement strategies in the post-COVID era. We talked to loyalty experts Mary Pilecki and our own Nicolas Pelletier after a webinar about how customer loyalty in retail is changing, and where Mary was invited as a guest speaker. Diebold Nixdorf asked both experts five questions about how loyalty in retail is transitioning due to changes in customer behavior and with the introduction of new technologies.



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## WHAT WILL BE THE IMPACT OF AI AND MACHINE LEARNING (ML) ON LOYALTY PROGRAMS?

AI and ML have already had a big impact on predicting customer behavior, and now it's all about relevant personalization. Specifically, some brands are measuring emotional loyalty and combining that measure with behavioral loyalty to really understand the customer, and they are using AI for real-time offer management—sending the right offer to the right customer at the right time—and modifying that offer before the customer opens it if the context has changed.

Loyalty programs enable marketers to collect all kinds of data from their best customers. Using the mass of transaction data to analyze and identify proper buying patterns is key to true personalization. By investing in AI technologies and computing power, retailers are able to forge 1-to-1 relationships with customers in a scalable and cost-effective way. Turning big data into smart data through AI and ML tools, retailers can then provide frictionless, personalized shopping experiences to each individual customer.

## WHAT IS THE IMPACT OF PRIVACY LAWS SUCH AS GDPR ON PERSONALIZED LOYALTY CAMPAIGNS?

Loyalty programs are a gift to marketers who are dealing with the challenges of data deprecation—cookies are disappearing, Apple's IOS is enabling ad tracking opt-outs, and privacy laws are hampering the collection of information. Even with laws like GDPR, brands can ask customers directly for "zero-party data" and they'll usually give that information willingly in exchange for some value (points, offers, etc.) But brands must use the data appropriately: deliver relevance, build resonance and show restraint.

Handing over personal data in exchange for specific benefits always involves a proper level of trust. If customers decide to participate in a loyalty program, they must be sure their data is collected and treated in a responsible, reliable and secure way, and only used for the purposes they agreed to. GDPR and other privacy laws provide a necessary framework for this, and our software solutions fully comply with and support these privacy regulations.

## WHAT KEY CAPABILITIES SHOULD RETAILERS CONSIDER WHEN EVALUATING LOYALTY TECHNOLOGY SOLUTIONS?

The traditional loyalty tech capabilities—data and loyalty management, loyalty marketing, and measurement and analytics—are table stakes. Retailers should start with their loyalty strategy and determine what capabilities they need now, identify anything special, and anticipate future needs. What do their customers want? Look for solutions with a thoughtful innovation roadmap and ensure there are leaders behind the solution that want to "future-proof" the offerings for scale and for modernization.

Solutions should meet a retailer's prime objectives to design their own loyalty programs in the first place: boosting brand affinity, increasing sales and ensuring (the right) customer retention, all in a highly cost-efficient manner. As customer journeys are constantly changing, this requires loyalty solutions that are highly flexible, scalable and moreover, open to the outside world. Therefore, these solutions need to be modular and based on open APIs, so they can easily fit into the existing and future technology landscape and can be extended quickly with new capabilities to meet changes in customer behavior.

## DO YOU THINK RETAILERS ARE READY TO EMBRACE ADVANCED LOYALTY TECHNOLOGY?

Absolutely! Consumer behavior changes accelerated due to the pandemic, and the ability to track behavior is vital. Many retailers lost contact with customers while others gained new clients through online sales. Reengaging former customers and keeping the new ones interested is crucial. Advanced loyalty technologies offer new descriptive and predictive analytics, abilities to improve experiences, and can enable new kinds of payments and rewards. But retailers must have a strategy first that will drive the technology they need.

Yes. Even more so due to Covid-19, retailers have experienced that loyalty is a key building block in their growth strategy. Due to the boost in e-commerce, and the growth in new online-to-offline shopping journeys such as BOPIS, BORIS and BOPAC, customers are now switching brands more easily than ever before. This requires advanced loyalty solutions that support a consistent, uniform and personalized consumer experience across all channels and touchpoints—and of course, in real time.

## LOOKING AT RECENT TRENDS IN RETAIL, WHAT DO YOU FORESEE FOR THE FUTURE OF LOYALTY?

Loyalty has become the heart of new customer experiences. Retailers are embracing the values that many consumers have—sustainability, social justice, treating their employees well, and others. And they're connecting with those customers through their strategies: enabling the use of points to donate to aligned non-profits, offering new options for sustainable shipping and returns, and focusing on employee experience which ultimately improves CX. Consumers will, in turn, be loyal to the brands that enable values-based experiences.

The future is all about frictionless experiences. Customers are looking for a memorable experience rather than just a product or service. Hence, retailers will continue to introduce new types of journeys, new store concepts and new ways to engage with consumers. Plus, in this digital era, these experiences are shared easily via social media platforms. This makes it more important than ever to build trusted relationships with customers—relationships that are personal, relevant and consistent. Loyalty programs will be pivotal, by connecting experiences and brands together in a meaningful way.

### THE TAKEAWAY

Retailers are at a critical reflection point; reimagine customer loyalty strategies to win and retain customers, or risk being outperformed by more agile retailers. We encourage retailers to do an assessment across their business & IT teams how to update customer loyalty strategies in order to meet post-COVID changes in customer behavior while smartly leveraging new loyalty technologies.