

## Loyalty Program: ROI and Emotional Connection

Although loyalty programs do retain customers and seem essential for eCommerce business growth, it could be hard to project the return and calculate the actual impact of the program. There are two types of return for an eCommerce brand with a loyalty program: financial return and emotional return.

Acquiring a new customer is **5 to 25 times** more expensive than retaining an existing one.



## Financial Return

On the following pages, you'll find a simple calculator to start to quantify the financial return of your loyalty program.

First, fill in your current data: from Repeat Purchase Rate to Annual revenue.

Then, use our formulas to calculate the return from the Loyalty program based on benchmark rates (see below). Use the example below or our [Google Doc to see the exact formulas](#).

Rates	Benchmarks
Participation Rate	30%
Engagement Rate	20%
Repeat Purchase Rate	40%
AOV Increase	10%

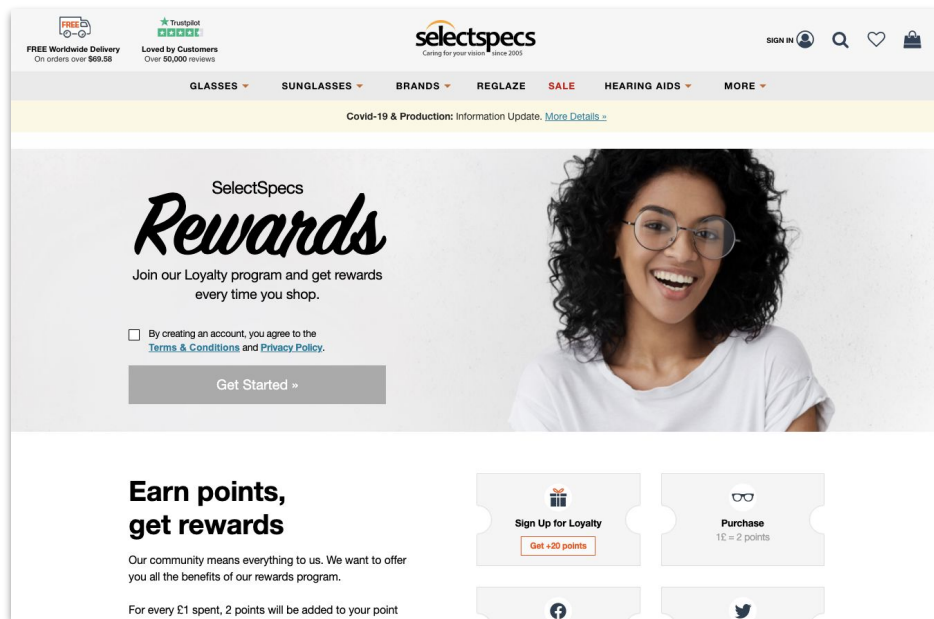
**Need help with the calculator? Reach out to our Loyalty Strategist specialist and get professional help for building your projections.**

**[Help Me With Program Projection](#)**

	Current Data	Projected 18 months	Formula
Annual Revenue			Annual revenue + (AOV of loyalty members * number of active loyalty members)
Transactions			Total current customers * the new average annual purchases per customer
Customers			Expected cust. growth field impacts this number
AOV			AOV + (AOV*AOV increase rate (10%))
Purchase Frequency			Current average annual purchases per customers * the increase in repeat purchase rate (10%)
Repeat Purchase Rate			(current RPR* # of customers NOT in the loyalty program) + (RPR of loyalty members) all divided by the total # of customers
Loyalty Membership			Current number of customers * expected participation rate (30%)
Active Members			Number of total current customers * the expected loyalty engagement rate of ALL customers (20%)

EXAMPLE	Current Data	Projected 18 months	Formula
Annual Revenue	\$118,486,800.00	\$126,749,577.60	Annual revenue + (AOV of loyalty members * number of active loyalty members)
Transactions	987,390	1,049,987	Total current customers * the new average annual purchases per customer
Customers	300,000	300,000	Expected cust. growth field impacts this number
AOV	\$120.00	\$132.00	AOV + (AOV*AOV increase rate (10%))
Purchase Frequency	3.29	3.48	Current average annual purchases per customers * the increase in repeat purchase rate (10%)
Repeat Purchase Rate	20%	21.20%	(current RPR* # of customers NOT in the loyalty program) + (RPR of loyalty members) all divided by the total # of customers
Loyalty Membership	0	90,000	Current number of customers * expected participation rate (30%)
Active Members	0	18,000	Number of total current customers * the expected loyalty engagement rate of ALL customers (20%)

## Emotional Return: establishing a connection with high-value customers



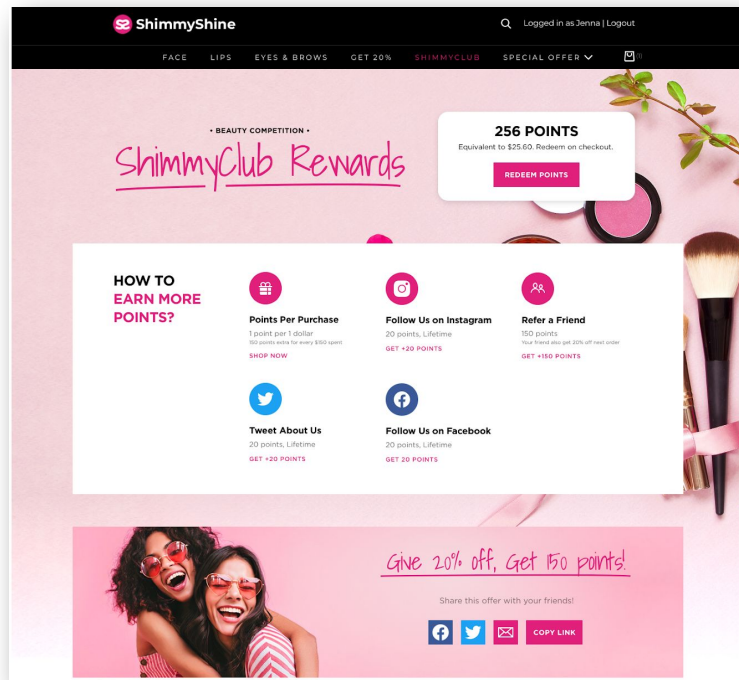
Loyalty programs also provide value that is hard to quantify. It's the emotional affection customers feel towards your brand, the place in their minds reserved for your products, and how they publicly speak about your brand.

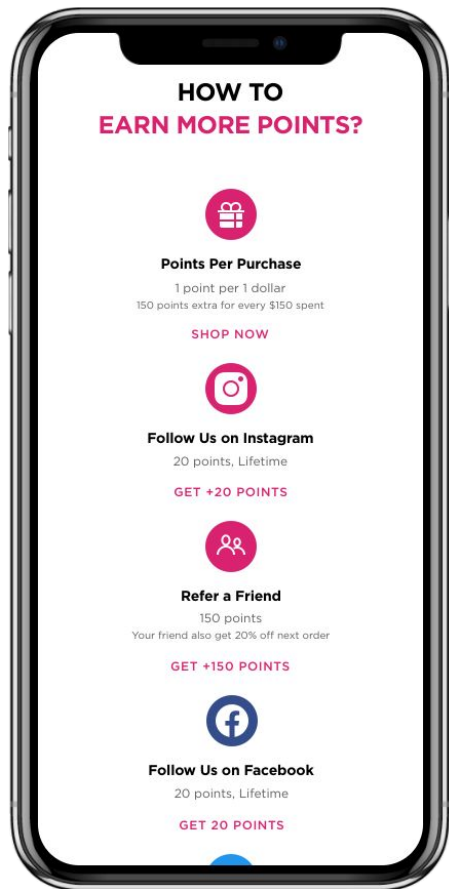
Trust us when we tell you, that this connection will eventually manifest itself into revenue: 70% of **emotionally engaged consumers spend up to two times or more** on brands they are loyal to, compared to less than half (49%) of consumers with low emotional engagement.

## Emotional connection > economic incentives.


When we put emotional connection at the core of the loyalty program, you'll begin to see more organic engagement and conversion. Building a program with your specific buyer in mind and finding ways to genuinely help them or to create value for them should be the ultimate goal. Offer emotional rewards and build emotional loyalty through:

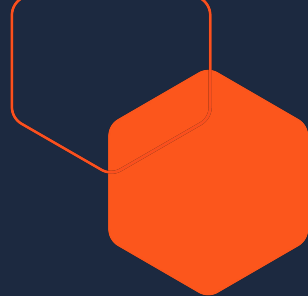
- Access to exclusive perks;
- building an identity around your brand;
- offering excellent customer service;
- suggesting relevant products;
- providing a sense of community.





In order to determine how to create value, the first step is getting to know your customers. Many of our clients will **first organize a survey and send it to high-value customers** to learn more about what makes them tick, how or why they were inspired by the brand, or what other motivators influence how they shop or buy. A survey like this can also uncover the emotion powering engagement or conversion and allow the brand to create a full experience based on those emotions. Tap into a sense of **confidence, wellbeing, thrill, freedom, belonging, security, success, being one's best self, being unique, or even protecting the environment.**

 **Hot Idea: Create experiences within loyalty programs, like on-demand classes, styling sessions, community get-togethers. It will provide tangible value for customers and set a strong emotional connection. Brands like Adidas, North Face, Sephora and Peloton successfully create events and experiences for their loyal customers.**



# Thanks for reading!

Need help in determining what drives value for your customers? Let our loyalty strategist help uncover that for you.

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Get in touch - we'd love to  
know how we can help:

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