



EBOOK

Win at B2C Loyalty: Top Strategies to Get Ahead of Customers' Expectations with Artificial Intelligence and Machine Learning

The AI/ML Competitive Advantage

Restaurants, convenience stores, retailers, and many more industries in the B2C environment have experienced significant marketplace disruptors and dwindling customer attention spans that have challenged their successfulness at fostering important brand loyalty.

Yet the oft-cited statistics in support of focusing on loyalty haven't changed as they demonstrate that acquiring a new customer can cost up to 5x more than retaining an existing one, increasing customer retention by 5% can increase profits from 25%-95% and the success of converting an existing customer is 60%-70% versus 5%-20% for a new customer. Marketers simply cannot ignore these numbers.

That's why for over a decade, brands have been trying to build the type of customer loyalty they need to survive by utilizing data to make better-informed decisions. Many companies have gotten good at collecting data from multiple sources such as their mobile app, POS system, online ordering/ecommerce channels and social media review sites. Yet, they are still falling short in making good use of the information as a 2018 BCG report notes that only one in five brands is using the data comprehensively.

Fast-forward to today's market and into the future where in order to successfully thrive companies need to move toward automated, decision-making processes powered by artificial intelligence (AI) and machine learning (ML). Businesses that simply collect data will be left behind, while brands that build early leads in advanced predictive analytics will positively redefine customer interactions and the customer journey.

Leading marketers that move quickly and make the investment into AI technology will gain the ability to process large quantities of data in an unbiased manner, helping their businesses identify trends and insights that promote faster decisions and that position them to be competitive in real-time.

AI and ML Basics



Artificial intelligence (AI) is a broad term that relates to any type of computer software that works and reacts like humans, including engaging in activities like learning, planning, and problem solving.



Machine learning (ML) is a common type of AI that businesses implement to process large amounts of data quickly. It is a self-adaptive algorithm that appears to “learn” over time and get better with experience and/or with newly added data.

The Role of AI in Delivering Loyalty

At the heart of every company are its customers. Being able to connect with them on a deeper level through forward-thinking analytics offers companies one of the best business advantages they could ask for – customer loyalty.

Yet customer retention and loyalty has become a struggle as companies deal with online and offline discrepancies in relation to customer engagement that leaves them scrabbling to deliver the necessary personalization customers expect today. For example, according to Virtual Incentives findings—only two out of every five customers have received a personalized incentive yet, of those, over half said it increased their consideration of the brand.

What AI/ML offer businesses is a comprehensive way to view and understand their customers. This starts by pulling data from their POS systems, online-ordering/ecommerce channels, social, offline, and other applications to gain insights and spot trends in real-time. Establishing a data foundation allows for loyalty benchmarking, which can be easily viewed in a dashboard and shared with every store's locations and marketing teams.

The AI side is then initiated, recognizing any patterns and detecting certain changes that provides companies with the overall abilities to predict marketing ROI, customer churn and customer lifetime value (CLV).



Reliable data quality is critical for delivering accurate insights, building trust and reducing bias. Data readiness must be a top concern for all AI projects.

— Jim Hare, research vice president at Gartner

This gives leading marketers the power to more efficiently target all three aspects of CLV including, frequency, recency and spend through the micro-segmentation of customers and the automated delivery of multiple campaigns and personalized offers that drive relevant one-to-one connections.

Brands can no longer expect customers to constantly be searching on their devices for what they need. Now brands must know the right information to deliver to the right customer, at the right time, over the right channel.

3 billion

loyalty cards will operate as mobile-only or be integrated into mobile apps by 2020, up from 1.4 billion in 2015

(Juniper)

\$340 billion

could be saved annually by 2022 from retailers who implement AI

(Capgemini)

Optimizing for Loyalty

Brands understand that in order to set themselves apart from the competition they need a true 360-degree view of their customers to deliver the type of sophisticated personalization that builds meaningful relationships.

Today, this requires having the capabilities to track customer behavior at an individual level. Companies that capitalize on AI/ML technology will uncover the hidden meaning behind all the data and leveraging it to outperform the competition.

AI/ML Enhances Top 3 Omnichannel Loyalty Strategies



Customer Engagement & Satisfaction

Forrester shows that emotion is one of the strongest and most unique drivers of loyalty. And as marketers know, emotion is often found in reviews. Brands need measurement frameworks that help them better understand and quantify what actions and emotions their customers are displaying across different interaction points to have a more comprehensive view of customer satisfaction.

Brands that can identify broad (across the brand) and narrow (by location) reasons for satisfaction or dissatisfaction down to each customer level can take action that decreases churn and increases frequency and check lift.



Customer Lifetime Value

Uncovering customer opportunities and risks through initial identity resolution and behavior tracking and then pairing that with modeling and churn algorithms to recognize patterns in behaviors allows companies to predict CLV at the individual customer level from 30 to 60 to 90 days out. This knowledge can be used to inform a marketing team's strategy and day-to-day tactics to convert consumers into brand loyalists.



Campaign & Offer Personalization

Brands that recognize the same customer across all touchpoints and dynamically micro-segment each customer based on a range of criteria such as order spend, visit frequency, etc. will have the ability to deliver sophisticated personalization with a real-time offer and a tailored marketing message on the preferred device and over the preferred channel to each of their customers.

Only **20%** of loyalty members say they are very satisfied with the level of personalization they get from their loyalty programs

(The Loyalty Report)

Only **24%** of loyalty members say programs keep their preferences up to date

(The Loyalty Report)

Case Study: National QSR brand generates over 20X higher offer redemption rate

Background

The growing QSR brand has been actively marketing its customers through mass email campaigns to their entire database with generic promotions.

Their loyalty strategy was leading to consumer email fatigue, causing customers to opt-out of campaigns and reducing the future chance of redemption and spend. The average redemption rate for many campaigns was less than 0.4%.



Challenge

Overreliance on mass email campaigns to their entire customer database with generic promotions.



Objective

To target smaller customer segments through an A/B test of Punchh AI technology and achieve similar and/or better results as previous database campaigns, eliminating customer fatigue and reducing marketing costs.

Solution

Leveraging Punchh AI algorithms to determine the most likely customers who would redeem the standard offer, two data-driven segment groups were created to test redemption rates against the remaining majority of customers (i.e., Control Group).

Results

The smaller, AI targeted groups outperformed the Control Group, yielding at least a 22.6X higher redemption rate, indicating the value, cost savings and efficiency of AI customer segmentation. The brand gained valuable insights into their data and with the advantage of AI is able to provide a reduction in customer fatigue and the potential loss of future spend to better optimize their marketing efforts.

AI

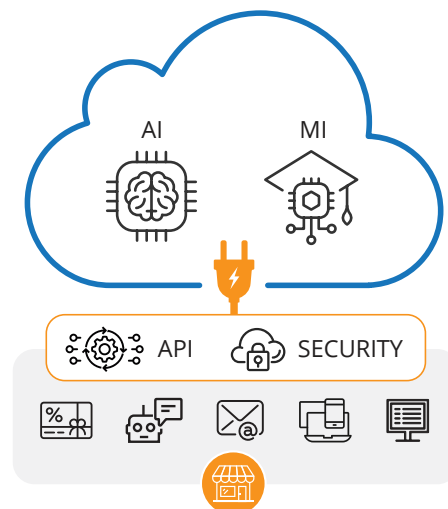
is able to provide a reduction in customer fatigue and the potential loss of future spend to better optimize their marketing efforts.

Platform Technology Offers Key Integrations for AI/ML

Many companies in B2C industries are in the unique position of needing to provide highly relevant offline and online experiences to meet customers current expectations. Brands need a flexible and scalable digital platform that provides all the tools their marketers need to identify customers, collect and process engagement data, predict future behaviors, and automate the generating and sending of personalized offers.

Businesses that invest in cloud technology to further deliver on the development and deployment of an AI/ML strategy have the potential to continually innovate and be at the forefront of loyalty engagement. That's the promise of predictive analytics -- it offers companies the best approach to successfully optimize their marketing performance and work at peak efficiency now and into the future.

Prioritizing a single platform for customer acquisition, marketing and loyalty that delivers AI/ML through cloud technology, quick integration via APIs, and multi-layer security positions a company to maximize its current efforts and launch new capabilities quickly. That's the AI/ML advantage — keeping brands competitive today and reimagining what is possible for tomorrow.



AI-powered Loyalty Model

Punchh Marketing Cloud

The Punchh Marketing Cloud provides digital marketing products for physical retailers, combining AI and machine learning technologies, mobile-first expertise, and omnichannel communications designed to dramatically increase lifetime customer value.



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About Punchh

Headquartered in San Mateo, CA, Punchh is the world leader in innovative digital marketing products for physical retailers, combining AI and machine learning technologies, mobile-first expertise, and omnichannel communications designed to dramatically increase customer lifetime value. Leading global chains in the restaurant, convenience store, and retail sectors rely on Punchh to grow revenue by building customer relationships at every stage, from anonymous to loyalists.