



eBook

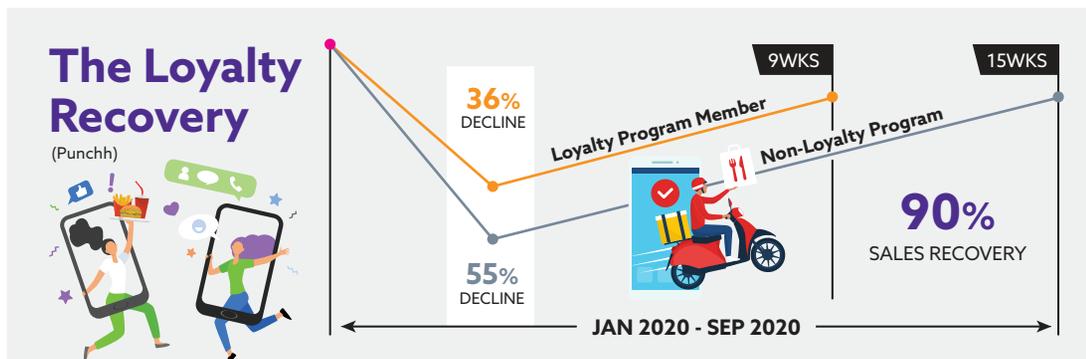
punchh®

**Drive Customer
Loyalty and Higher
Lifetime Value with
Marketing AI**

Why do Retail and Restaurant Brands Need AI to Optimize Customer Loyalty Programs?

Creating lasting customer loyalty has been a priority for brands across every industry for ages and ages. With leaner marketing teams trending as the norm, brands need artificial intelligence (AI) to extend their capabilities and optimize their customer loyalty strategies.

Now more than ever, the value of customer loyalty is imperative to a brand's success. Loyalty statistics have reflected this significance, demonstrating that loyal customers buy more, visit more frequently, recommend a brand more, and are less expensive to market to than new customers. More recently, Punchh data from January 2020 through September 2020 demonstrates with more clarity how retailers with a loyalty program are recovering faster from the pandemic. Loyalty sales compared to non-loyalty sales remained 19% greater at their lowest point and reached pre-COVID levels six weeks quicker.

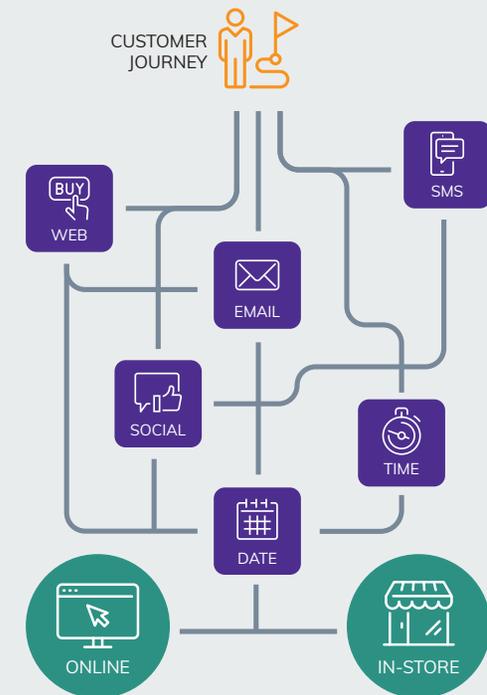


Years ago, getting to know and engage customers was much easier as fewer interactions occurred and were centered around only a couple distinct channels compared to today. The customer journey has become much more complex as people interact with brands in multiple ways, including in-store and online, over multiple channels such as, email, SMS, social and online ordering, and at multiple times, often in the same day.

Brands no longer have the luxury of relying on a single channel to gather comprehensive insights into everything customers are thinking and doing. And as more channels have been added to



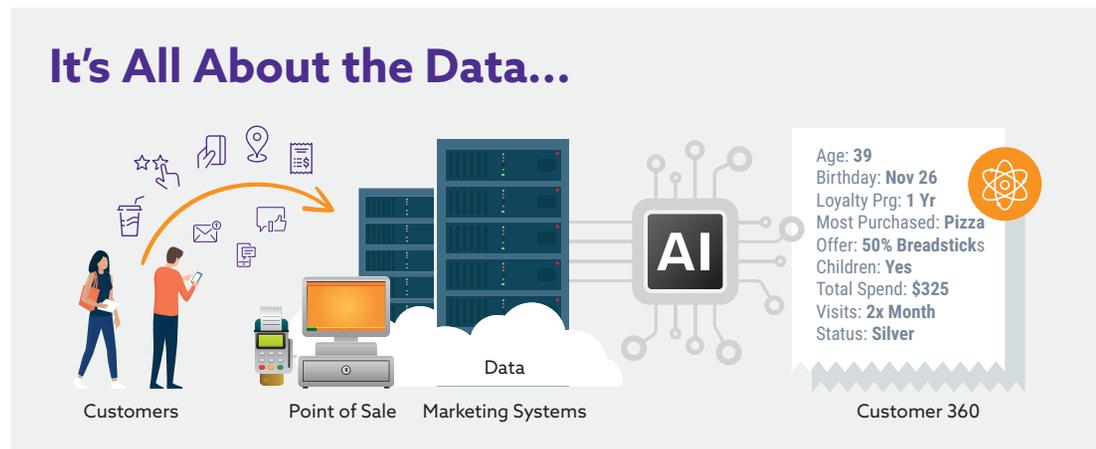
Customer Interactions



the marketing stack, more disparate forms of data collection are happening across systems and throughout departments in an organization. Marketers are left challenged to find the tools that can integrate various data sources and formats and perform the processes to connect and analyze the data to turn it into actionable customer insights.

Brands need to capitalize on advancements in technology to complement their loyalty and engagement strategies and make their practices around data and analytics fluid and seamless. Artificial intelligence is the key technology that can deliver everything from integration to insights and deliver it to scale.

How Do Brands Prepare to Implement AI Marketing Technology?



Initial AI business discussions need to begin with the understanding that data is at the core of a successful AI strategy. Artificial intelligence simply doesn't happen without it and the more data the better. Brands need the ability to gather and unify data from their marketing, communication, POS and payment systems. Brands that have these systems integrated into a single platform have larger and more accurate data sets to work with and can take a unified approach to data analysis, gaining a clear advantage over their competition.



Brands need to capitalize on advancements in technology to complement their loyalty and engagement strategies and make their practices around data and analytics fluid and automated.

“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 Gartner¹

A brand’s goal is to use data from purchase behaviors, such as SKUs, day of week, and day part along with channel preference, and prior marketing campaign analytics to provide the context for growing customer relationships. Marketers can then develop 1:1 connections that acknowledge their customers’ preferences at a given moment and also make adjustments as those preferences change over time.

However, for a data-driven strategy to work, marketers can’t spend valuable time locating and analyzing all the data that’s been acquired throughout their organizations. They need AI assistance to quickly generate meaningful customer insights that can be optimized through intelligent customer segmentation and intelligent offer recommendations that deliver lifetime value and return on investment.

A recent CSP article looked at the ways which brands are evolving their loyalty programs and noted how AI is playing a role in delivering a more modern customer experience. According to article insights shared by Sastry Penumarthy, Co-Founder and VP of Strategy at Punchh, brands need to go beyond just noticing that customer shopping habits have changed and use data mining and AI to understand new behavior patterns that can lead to enhanced targeting and differentiation.

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Sastry Penumarthy, Co-Founder and VP of Strategy at Punchh in CSP



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Jim Hare
Research Vice President at Gartner

1. Gartner Survey Reveals Leading Organizations Expect to Double the Number of AI Projects In Place Within the Next Year, Press Release 2019.

How Can AI help Improve Customer Loyalty Program Strategies?

AI delivers return on investment to customer marketing and loyalty program strategies through machine learning (ML) algorithms that “learn” from data by spotting customer behavior trends and patterns and adapting in real-time as they’re exposed to more data. The algorithms receive and examine the data flowing through the system and update how they make decisions based on how previous decisions worked. The algorithms can continually deliver better outcomes to marketers through their ability to improve their decision-making as they operate.

In today’s dynamic retail and restaurant marketplaces, it is a constant battle for retailers to build effective loyalty campaigns that deliver value for their guests as these industries have seen some of the most epic changes in customer behavior than ever before. While brands initially struggled to simply access data, it has also become increasingly difficult to make sense of the data in a timely manner. It is now imperative to have real-time data collection and analysis to turn the data into actionable customer insights that inform a brand’s customer loyalty strategies and marketing campaign execution.

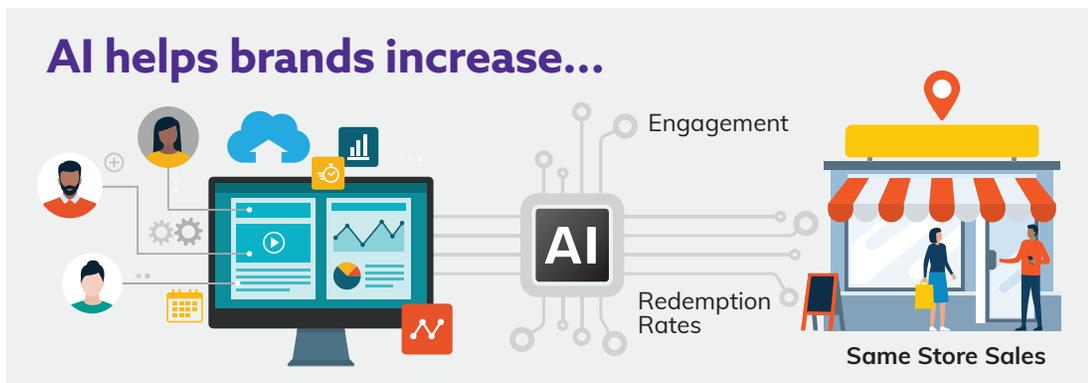
Artificial intelligence is becoming the backbone of successful loyalty strategies, helping brands increase engagement, redemption rates, and same store sales through rich, real-time data-based insights. Many brands note that artificial intelligence is proving its worth as a recent Deloitte survey of 1,100 U.S. executives from companies considered to be early AI adopters found 82% reported a positive return on their investment for their AI initiatives.



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(Deloitte)



How Is AI Reshaping Marketing?

Artificial intelligence as a marketing technology utilizes machines to handle some of the manual, critical-thinking skills required of today's marketers. A marketer often has many day-to-day tasks such as campaign development, lead generation, content creation, metric reporting, etc. AI has the potential to alleviate some of the tediousness of this manual work, and also save them from the potential errors that are inherent to humans.

Artificial intelligence helps marketers:



Develop a 360° Customer View

Implementing AI technology helps marketers create an integrated and unified approach to bringing together disparate sources of data from multiple systems. Data from ecommerce channels, marketing channels, and customer service channels yield valuable information that when centralized and connected through AI delivers a comprehensive view of the customer at the individual level.

In order for brands to drive the type of sophisticated personalization that builds meaningful customer relationships, they need to take this optimized data to present customers with unique incentives, over their preferred channels and at preferred times to drive engagement that grows loyalty.



Make Faster, Smarter Decisions

Changing customer behaviors and new market disruptors have created a fast-paced environment that necessitates frequent and quick decision-making. Marketers need the ability to replace all the spreadsheets and reports that often take days, weeks and months to review with real-time marketing intelligence driven by AI.

This strategy allows more immediate results and metrics to be communicated to the C-suite, including relevant KPIs and drivers of fluctuations in performance, which can become actionable opportunities for increasing frequency, recency and spend. With AI assistance, marketers are in a better position to understand performance in real-time and recognize what is happening and why.



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How does AI Improve Digital Marketing Performance?

5 Top Artificial Intelligence Strategies for Digital Optimization of the Customer Journey

1 Use Predictive Analytics within AI Marketing

CLV is one of the most important metrics for marketers to understand in terms of how their customers can be converted into super fans. Forecasting CLV requires leveraging machine learning algorithms across past behaviors around frequency, recency and spend at the individual customer level to predict CLV 30, 60 and 90 days out. This helps brands become more agile at identifying and addressing the needs of potential lapsing customers.

2 Drive 1:1 Personalization with AI tools

Enhancing customer analytics with AI allows marketers to optimize individual experiences at scale. Based on past purchasing history, marketing campaign redemption behaviors, and individual preferences, brands can begin to personalize future experiences for their customers that will add value for their loyal fans. Personalization is all about delivering a customer the right offer, over the right channel, at the right time.

3 Deliver Next-level Customer Segmentation

With AI marketers have the ability to hone in on more precise groups of customers who share specific behaviors and preferences. This allows for the personalization of campaigns to engage customers based on their past purchasing history.

4 Give Customized Recommendations

As a next step, marketers can look to AI to deliver smart offer recommendations. Artificial intelligence uses customers' past offer redemptions and other data points to recommend future promotions. AI has the power to provide brands with the best offer to drive engagement and support their campaign goals.

5 Optimize Channel and Time Engagement

To keep up with the constantly changing habits of customers, brands need to optimize campaign channel and delivery time by continually learning and adapting to the behavior of each customer. Maximizing marketing campaign efficiency helps minimize channel fatigue and enhance engagement by knowing the right channel and the right time to deliver a customer's personalized incentive.

While marketing budgets continue increasing, so is the level of accountability being placed on CMOs. By leveraging AI, brands have the ability to meet both customer and stakeholder expectations.

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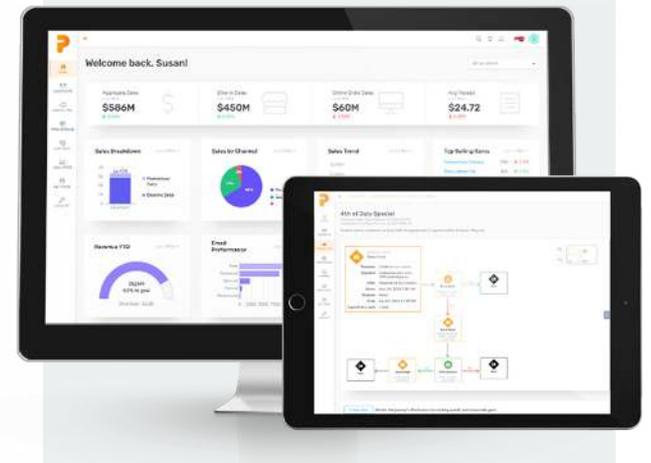
With current pandemic restrictions and changing consumer behaviors evolving alongside each other at a rapid pace, brands need to have automated information at the touch of a button to adapt quickly to evolving circumstances and customer preferences. With a comprehensive loyalty solution powered by AI, retailers have the opportunity to increase customer engagement, strengthen relationships, and ultimately drive sales to prosper in such a critical period.

Brands must analyze their current tech stack to begin the process of unifying their data and determining the tools needed to implement AI within their marketing organization.

To understand more fully how AI optimizes loyalty program strategies, visit Punchh's [AI product](#) solution.

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- 4 Give Customized Recommendations
- 5 Optimize Channel and Time Engagement





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About Punchh

With Punchh, physical brands can create personalized, loyalty experiences across the customer lifecycle to drive 1:1 connections, lifetime value, and same store sales. The Punchh Loyalty, Offers and Engagement Platform, powered by artificial intelligence, delivers modern loyalty through mobility that extends beyond the mobile device driven by optimized campaigns with dynamic customer segmentation, offers, and analytics.

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