

 INVETERATE

Reinventing The Ecommerce Flywheel

Where Traditional Loyalty Programs Are
Falling Short

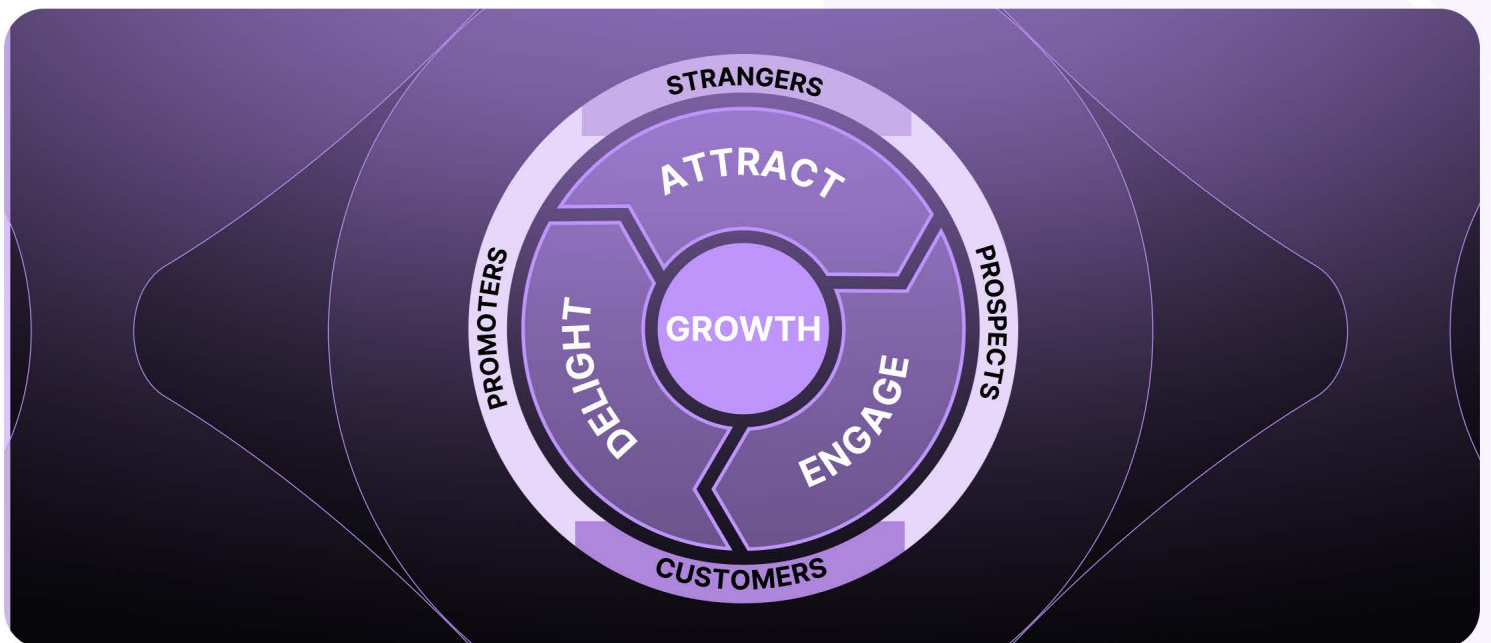
If You Stop Growing, You Start Dying.

It might not be the most uplifting mantra, but it's one that many eCommerce brands live and breathe by. With only half the businesses started in the United States making it past their 5 year mark, this is only becoming a truer statement

To create a construct for their business that will help frame up their growth and profitability efforts, many brands look to the eCommerce flywheel. The flywheel represents all the interconnected elements of your business that drive growth:

- Attracting new prospects
- Engaging them with your brand so you can convert them to customers
- Then delighting customers so much that they become brand advocates, which attracts even more new prospects to your business

As you move through the flywheel, you gain more and more momentum, like one of those spinning rides at a carnival. Sounds easy, right?

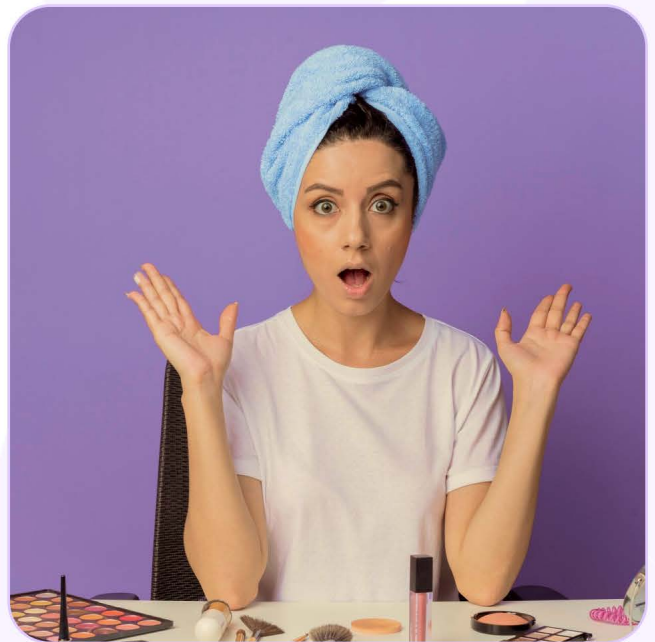


The Delight Doldrums

One of the biggest challenges eCommerce brands are facing (whether they know it or not) is within the “delight” phase. How do you truly delight a customer? Well, a few things might come to mind: great customer service, post-purchase engagement, and personalized offers to name a few. But the biggest one that probably comes up is creating a loyalty program – give customers points for every purchase, which they can use for rewards or discounts next time they buy.

The problem? These traditionally points-based programs aren’t really “delighting” many people. They only reward for routine purchase behavior that would have happened anyways, and there is no incentive or commitment to stay loyal to your brand instead of a competitor.

For instance, let’s say you’ve consistently bought a \$70 moisturizer from a DTC skincare brand. It’s worked well, but it’s on the pricey side. Every once in awhile you get to take \$10 off because you’ve accrued enough points through the loyalty program. But then your friend recommends a moisturizer from another brand that you can get for \$60 with a referral code. There is no incentive for you to stay with your current moisturizer – you’d rather leave your points behind and try something new.



This is because traditional points-based loyalty programs put customers into the “delight doldrums” – a vicious cycle where customers have to be constantly re-engaged and pushed back into the delight phase because there is nothing actually keeping them there.

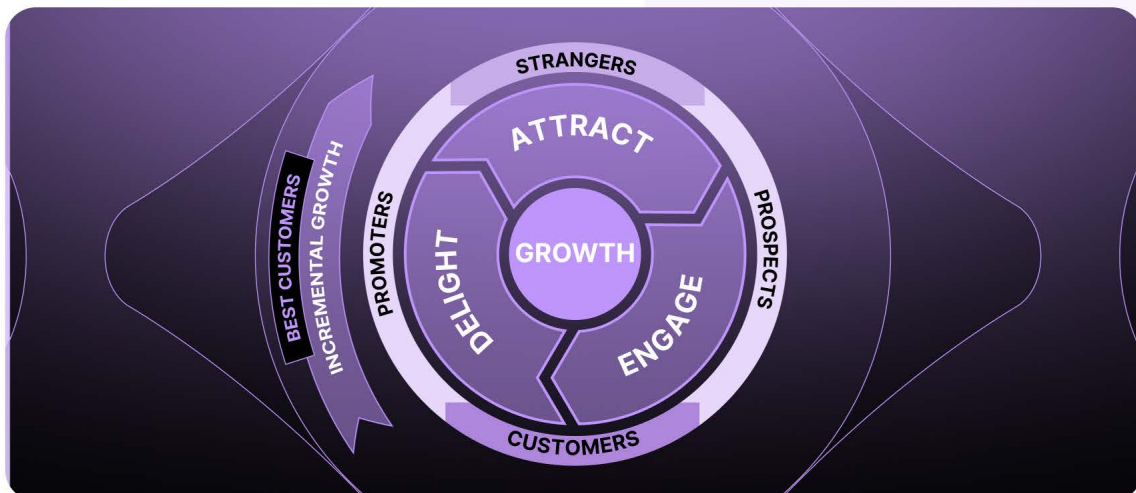
The Missing Element

Instead of points, brands are now shifting to providing an experience in exchange for a customer's lasting loyalty. They do this through memberships – providing unique benefits, such as cash back or store credit, free gifts, early product access, exclusive events, and more, in exchange for various levels of upfront commitments. By providing value in every purchase, it transforms customer behavior from simply performing routine purchases to wanting to engage with your brand more often. Now a discount on moisturizer somewhere else doesn't sound as appealing when you're getting all these perks from your favorite skincare brand!

What's missing from the eCommerce flywheel is incremental growth, and getting more out of every shopper cohort. For instance, you don't want your best customers just sitting in the delight phase along with everybody else; brands need to be able to identify who those top customers are and drive them to spend even more, more often.



The Center for Retail Management at Northwestern University found that only **12% - 15% of customers are loyal to a single retailer, but that small cohort of shoppers generates between 55% - 70% of company sales.** Not knowing who those customers are would mean missing a huge opportunity for growth!



Upfront memberships get these customers to raise their hands and say: “Here I am!”. Then brands can retain those top customers with high-value perks that keep them coming back. Better yet, as these customers engage with your brand in different ways (like reaching a certain spend tier, leaving product reviews, or ordering a certain number of times), they can receive new benefits – moving your best customers along a loyalty journey that drives even higher brand affinity and incremental growth.

A recent study by McKinsey showcased just how much customer behavior transformed with this approach:

43%

More likely to buy weekly since joining

59%

More likely to choose the brand over competitors

62%

More likely to spend more on the brand

A New Flywheel

The eCommerce flywheel has been a very helpful framework for brands looking to drive growth...but what if it's not really about growth? By rethinking the “delight” phase and creating a new element of incremental growth from your best customers, perhaps the goal should shift towards customer lifetime value (LTV).

The cost of acquiring new customers is only becoming more expensive, so making sure you're retaining and growing customers is becoming invaluable. Success is not only about getting customers to purchase, it's about driving them through a journey that cultivates a lasting relationship where they will choose your brand over all others. Ultimately, this is what drives higher LTV, wallet share over competitors, and massive impacts to contribution margin.

Ready for the next-generation of loyalty?