

DESIGN AND IMPLEMENTATION OF OMNICHANNEL LOYALTY PROGRAMS FOR RETAILERS

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Abstract

In recent years, retail trade around the world has demonstrated significant growth and adaptation to external factors, including the explosive growth of online commerce. In this environment, the design and implementation of omnichannel loyalty programs are becoming a key aspect for retailers seeking to increase customer satisfaction and retention. Omnichannel allows brands to interact with customers through various channels — both online and offline- which allows them to significantly increase their market presence and adapt to changing consumer preferences. The article discusses the main stages of the development and implementation of omnichannel loyalty programs, including customer needs analysis, customer base segmentation, strategy, and reward system development, as well as data integration and IT architecture. Successful implementation examples and statistical data confirm the effectiveness of the omnichannel approach, which increases Lifetime Value (LTV) and total sales, making it an integral element of modern retail.

Keywords Omnichannel, loyalty programs, omnichannel loyalty programs, multifunctional loyalty programs for retailers.

INTRODUCTION

Retail trade is an important sector of the Russian economy, demonstrating significant growth and

adaptability to external factors. Over the past five years, online commerce has gained popularity, increasing its share of total sales (Fig. 1).

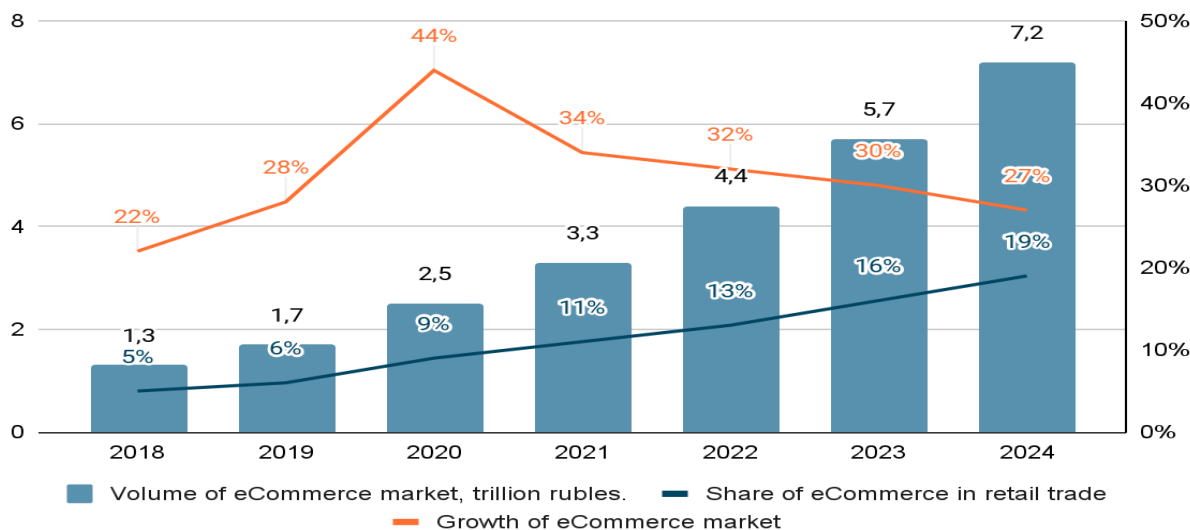


Fig.1. E-Commerce market [14]

Online platforms such as Wildberries and Ozon have entered the top ten largest retailers in Russia, confirming the trend towards the growth of e-commerce. Similar processes are occurring globally, for example, in the USA and China. While the share of traditional retail is declining, this trend persists across different countries, necessitating the adaptation of traditional retailers to changing consumer preferences and technological innovations.

Omnichannel provides brands with the opportunity to interact with customers through various offline and online channels, significantly increasing their market presence. With the rapid development of smartphones and the internet, people spend most of their time online. Therefore, it is important not only to have physical points of sale but also to be actively present in the digital space, using social networks, online showcases, online stores, and marketplaces. Moreover, monetizing online channels is becoming a critical aspect of business. Omnichannel offers customers the convenience of choice: they can visit pickup points or place orders for home delivery, which increases their loyalty. Data collected from

customers in one channel should be available to other channels, enhancing personalization and service improvement. For example, a customer who has provided their contact information in a store can receive information about discounts and new products via email, as well as place online orders with delivery [1].

Therefore, this article aims to explore the creation and implementation of omnichannel loyalty programs for retailers.

1. Theoretical Foundations of Omnichannel Retailing

The omnichannel approach in retail is an integrated customer service strategy that allows seamless interaction with the brand across various channels at all stages of the purchase process. The key feature of this approach is the ability for customers to freely combine channels: for instance, they can research a product on the website, place an order through a mobile app, pay for the purchase online, and pick up the product in a physical store. This flexibility is ensured through the complete synchronization of data and processes across all sales and communication

channels, creating a unified and cohesive brand experience.

The key features of the omnichannel loyalty program promotion include:

- Coordination across all communication channels: To ensure a true omnichannel experience, it is important to build a logical sequence of message delivery, avoid duplicating information, and complement it across different channels.
- Control of message frequency: Determine the optimal number of messages sent to each user in each channel to avoid annoying customers. This number may vary depending on the business sector and the duration of the loyalty program.
- Customer choice of communication channels: Provide customers with the ability to choose their preferred methods of communication with the brand, making the interaction unobtrusive and pleasant.

Thus, the implementation of omnichannel retailing contributes to increased customer loyalty, expansion of interaction channels and monetization, audience growth, and a better understanding of consumers through data collection from all sales channels. Statistical data

confirm the effectiveness of omnichannel retailing. According to Google research, applying an omnichannel model increases the Lifetime Value (LTV) by 30% [1]. A Harvard Business Review survey showed that 73% of respondents prefer using different channels for shopping, and omnichannel shoppers spend 10% more online and 4% more offline compared to customers using a single channel [1].

An example of successful implementation of an omnichannel strategy is X5 Retail Group, which became the market leader with a 13% share in 2020 [3], achieved through the launch of an online hypermarket, the creation of a unified mobile app with a personalized loyalty program and free delivery, all integrated into a single management system.

Moreover, reports from research centers such as Data Insight, Nielsen, and Forrester Research highlight, alongside omnichannel, trends such as personalization, the development of the Internet of Things, and product customization. Below, in Figure 2, the shares of customers are reflected depending on the number of channels used to make a purchase.

Shares of buyers distributed depending on the number of channels used for purchase

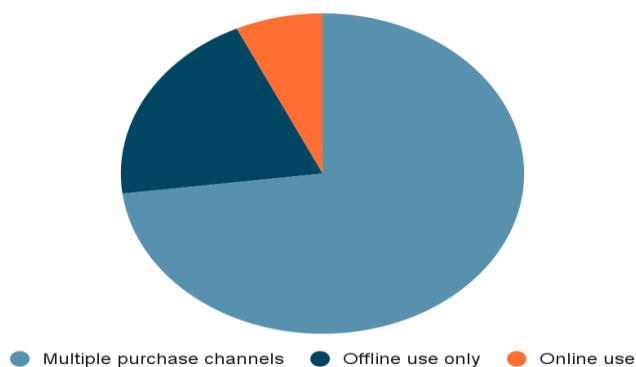


Fig.2. Buyer shares are distributed depending on the number of channels used for purchase [3].

Consumers in Russia exhibit similar preferences: according to M.Video, over 90% of purchases start with online searches and conclude in physical stores [3]. This indicates that buyers first analyze product information and compare characteristics online, but make the final purchase decision in

traditional retail locations. Omnichannel retailing is essential for increasing customer loyalty, which in turn leads to higher sales. This is confirmed by research from IDC Retail Insights, which studied retailers that implemented omnichannel tools (Fig. 3).

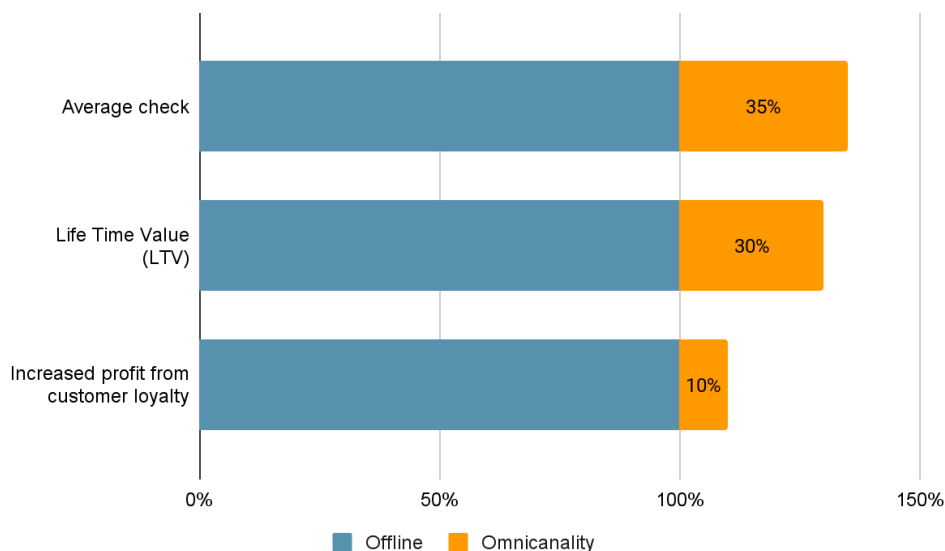


Fig.3. Advantages of omnichannel implementation [3].

To evaluate the impact of the omnichannel strategy on consumer patterns and preferences, a study was conducted using online surveys of grocery delivery service users, interviews with customers of traditional grocery retailers, and analysis of loyalty program data and case studies developed by the marketing company Mindbox. It is important to

note that the delivery service and offline retailer involved in the study represent different channels of the same grocery network, allowing the author to extrapolate the results to the retailer's overall activities [2]. Below, in Table 1, a comparison of online and offline sales channels in grocery retail is provided.

Table 1. Characteristics of the online and offline sales channel in grocery retail.

Compiled by the author based on customer surveys [3].

Feature	Offline	Online
Operating costs	Maintenance of each point of sale, high payroll, equipment, capital expenditures	Costs for technical support, order assembly, and delivery processes
Average check	≈ 370 rubles	≈ 2730 rubles

Customer acquisition channels and cost	TV advertising, mailings, radio, banners. Expensive channels without targeting, individualization, or the ability to calculate customer acquisition cost	Targeted online advertising, SEO promotion, contextual advertising, SMS, e-mail, and push notifications. Transparent customer acquisition cost
Customer communications	Occurs directly at points of sale	Continuous, with tools for stimulating sales, retaining customers, and individualization
Assortment	Limited by the supermarket space	Unlimited, with possibilities for cross-selling and multi-category offerings
Out of stock, ability to touch the product	Customers can touch products, buy what they visually like, make additional "impulse" purchases	Inability to touch the product, discrepancies between online availability and actual stock
Reach of potential paying audience, geographical coverage	Geographical reach tied to store location, some customer categories cannot visit the store	Unlimited geographical reach, ability to serve various customer categories, including those with limited mobility, and legal entities
Personalization	Absent	High level of personalization, individual offers and approach for each customer, continuous contact with the customer [3]

2. The Impact of Omnichannel on Retail Loyalty Programs

Growing interest in omnichannel technologies among global researchers has been observed in recent years, driven by changes in e-economy business models. Among these researchers, the works of V.V. Panyukova, V.S. Golik, and O.V. Chkalova are dedicated to the development of omnichannel marketing and its impact on microeconomics and enterprise performance. J. Cook views omnichannel as a psychological factor in consumer choice, while S. Cummis, A. Dixon, and J. Pelter see it as a synergy method in marketing that unites consumer contacts at all purchase stages. Omnichannel loyalty programs are organizational strategies aimed at integrating various consumer interaction channels to increase loyalty and satisfaction. These programs are

developed considering multiple platforms and communication access points, including online and offline sales channels, mobile applications, social networks, and other digital platforms. Implementing omnichannel technologies allows for more personalized offers, such as creating personal accounts for orders and storing purchase history [15].

This can be achieved through the development of mobile applications and online platforms that allow customers to easily track points, receive personalized offers, and use accumulated rewards. Omnichannel programs enable customers to accumulate points offline and check their status in a mobile app, then use them online. For example, customers participating in such programs demonstrate high satisfaction levels and remain loyal to the brand. Companies that have

implemented omnichannel strategies report a customer retention rate of up to 89%, compared to 33% for traditional loyalty programs. This is due to the programs' ability to collect and analyze customer data, allowing for more personalized offers and discounts [16].

The organizational structure and company culture also play a significant role in the success of the omnichannel strategy. Mr. Mishra noted in 2021 that effective organization and corporate culture contribute to better integration of various channels and ensure consistency in the actions of all company divisions [17].

An omnichannel loyalty program should support a unified customer profile that combines data from all channels: online, in-store, through mobile apps, etc. This allows the brand to better understand customer behavior and provide them with more personalized offers and services.

Gamification and integration with social networks allow customers to share their achievements and attract new participants, receiving additional rewards for this. This stimulates active interaction with the brand and increases the number of loyal customers.

In terms of data analytics, this process allows brands to gain insights into customer behavior, segment their audience, and optimize loyalty strategies [17]. Lemon and Verhoef, in their 2016 study, emphasize that a company's ability to provide personalized and relevant content at each stage of the customer journey significantly enhances the effectiveness of the omnichannel approach. The authors highlight the importance of using data and analytics to gain a deep understanding of each customer's needs and preferences.

Thus, effective management of the customer experience is another critical component of the omnichannel approach. McColl-Kennedy and

colleagues emphasized in 2019 that successful companies focus not only on individual touchpoints but also on the holistic customer experience throughout their journey [18]. The following sections will examine the features inherent in the development and implementation of omnichannel loyalty programs in retail.

3. Development and Implementation of Omnichannel Loyalty Programs for Retailers

Developing and implementing omnichannel loyalty programs for retailers is a complex process that involves integrating various customer interaction channels, data analysis, and adapting to the specific needs of the business [4]. The development process begins with a detailed analysis of current customer needs and behaviors. This stage includes collecting data from various sources such as CRM systems, POS terminals, online stores, and social networks. This data provides a comprehensive understanding of customer preferences and behaviors.

The next step is customer segmentation. Dividing the customer base into different segments is done based on demographic, behavioral, and psychographic characteristics. Using cluster analysis methods helps identify the most valuable customer segments, allowing for the development of targeted interaction strategies.

A crucial part of the analysis is studying competitors. Evaluating competitors' loyalty programs helps identify their strengths and weaknesses, as well as market trends and innovations in the field of loyalty programs. This analysis allows for the creation of a competitive program that incorporates the best market practices [5].

Subsequently, based on the collected data, a loyalty program strategy is formulated. This stage begins with defining the program's goals, which may include retaining current customers, attracting new customers, and increasing the average check

and purchase frequency. Clearly defining goals helps direct efforts toward achieving specific results. Developing a reward system involves choosing the types of bonuses, discounts, cashback, and exclusive offers. It is also important to consider non-material incentives such as privileged access to new products or personalized recommendations. Defining the conditions for accruing and using bonuses helps create a transparent and attractive program for customers. In turn, customer engagement mechanisms play a key role in the program's success [6].

After defining the strategy, a plan for integrating the loyalty program across all interaction channels must be developed. An important aspect of this stage is establishing uniform standards and procedures to ensure consistency in the customer experience across all channels [7].

To successfully implement an omnichannel loyalty program, the organization must first create the appropriate IT architecture. Creating a robust IT architecture capable of supporting high loads and ensuring rapid data processing is essential. This allows retailers to quickly adapt to market changes and launch new software solutions and loyalty program improvements with minimal time delays [8]. A key part of this architecture is a centralized customer database, ensuring information availability for all interaction channels. Using cloud solutions ensures the system's scalability and reliability.

The CRM system plays a crucial role in managing customer relationships. Selecting and configuring a CRM system that automates customer interaction processes and campaign management is an important step. Integrating the CRM system with other IT infrastructure components ensures a personalized approach to each customer. To evaluate the effectiveness of the loyalty program, an analytical system is needed to collect and process data on customer behavior and their

responses to incentives. Based on this data, reports and recommendations for further program development are generated. Integration with payment systems enables the accrual and redemption of bonuses when making purchases. It is important to ensure the integration of the loyalty program with POS terminals and online payment systems, allowing customers to easily use their bonuses in any channel [7].

Before launching a loyalty program, it is necessary to conduct a testing and pilot implementation phase. System testing includes checking the functionality of all IT architecture components and testing customer interaction scenarios across various channels. This allows for identifying and resolving potential issues before the full program launch.

The pilot implementation of the program is conducted on a limited scale, allowing for an evaluation of its effectiveness and feedback from customers and staff. Collecting feedback helps identify weaknesses and make necessary adjustments before the full program rollout [9].

After a successful pilot implementation, the full launch of the loyalty program is carried out. The full launch is accompanied by continuous monitoring of its effectiveness using analytical tools. It is equally important to regularly evaluate the loyalty program's effectiveness. Using A/B tests and other analysis methods allows retailers to assess the results of various campaigns and optimize them to achieve better conversion and customer retention rates. Key metrics such as sales growth, increased average check, and purchase frequency serve as indicators of the program's success [10].

An example of improving omnichannel integration can be seen in the experience of the omnichannel loyalty program based on RetailCRM. In this case, a module was developed to improve omnichannel integration, allowing the addition of a "Customer

Card" field in the online store cart. A copy of the bonus card directory from 1C was created on the site. A module for extended data exchange between 1C:UT and 1C-Bitrix was developed and implemented, allowing real-time data transfer about the card number and discount amount [11].

After entering the card number on the website, the system checks its presence in the card directory and applies the discount without reloading the page, eliminating the possibility of number guessing. The automatic card linking system to customers was improved, allowing new customer data to be matched with existing records in the database. When ordering on the site, if the phone number or email already exists in the database, the discount card number is attached to the corresponding contact [12].

Initially, the standard data exchange module did not provide for the transfer of information about bonus cards. To address this, the integration module was refined, and now the client card reflects the entered promo code and discount card number, allowing for all discount bases to be accounted for.

To accurately track the progress of the loyalty program implementation, key performance indicators (KPIs) were defined and fixed with the client. These KPIs include leading indicators related to customer engagement in the program, the number of mechanisms used, and final indicators such as revenue and margin [13].

CONCLUSION

The implementation of omnichannel loyalty programs is a complex and multifaceted process that requires the integration of various customer interaction channels and the analysis of their needs. Based on the above, it is evident that omnichannel strategies allow brands to significantly increase customer loyalty and sales through personalized approaches and consumer

convenience. The main stages of developing such programs include detailed analysis of customer data, segmentation, reward system development, and integration with IT infrastructure. Examples of successful implementation, such as X5 Retail Group, highlight the importance of data and process synchronization across all channels to create a cohesive customer experience. Omnichannel strategies have proven effective, increasing the LTV metric and driving sales growth both online and offline. This confirms the necessity for retailers to adapt to new technological and consumer trends, making omnichannel loyalty programs a crucial tool in the competitive landscape of the modern market.

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