



Ecommerce Memberships E – Book



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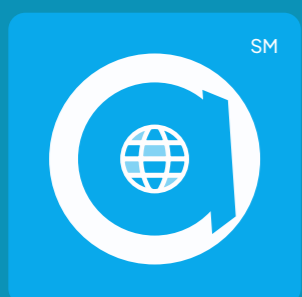
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Ecommerce Memberships

Understanding the value add(s) that would make a store 'Membership' worth it, for 'your' customers

Lesson 1



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Digital shopping, loyalty programs, and subscriptions are key necessities for ecommerce brands. However, the online market is crowded with these marketing strategies! Given that, it is imperative to fundamentally understand and smartly implement the retention and wallet share strategies you adopt for your ecommerce business.

Just as ecommerce subscriptions have become popular, memberships, too, are gaining momentum. All kinds of businesses are exploring membership models to get an edge in the rapidly and constantly evolving ecommerce industry. Customers, too, are taking to memberships and expecting their favorite brands to offer valuable loyalty and membership programs.

In this lesson, we'll help you understand the basics of memberships, and how you can set up a membership model with the right kind of perks for your Shopify store.

In this lesson, you'll learn:

- What is ecommerce membership?
- How are memberships different from subscriptions?
- Key elements of memberships
- How to identify and offer the right membership perks, that suit your customers?

What is eCommerce membership?

An eCommerce membership model is where customers who become members of a store or business get access to exclusive services, offers, discounts, and other perks.

Some of the most common perks that brands offer are:

- Gift vouchers
- Birthday surprise
- Special member discounts
- Exclusive sneak peak and previews
- Priority access to new collections
- Members-only savings

One of the best and most common examples of eCommerce memberships, is Amazon Prime – a paid membership program that gives members access to benefits such as two-day delivery, free streaming, gaming and music, and exclusive access to top deals, among others, for a monthly or annual fee.

Membership programs provide many benefits to retailers as well as to customers. For retailers, it can increase customer loyalty, improve retention rate, increase opportunities to engage with customers, improve relationship management and increase customer wallet share and lifetime value. Paid memberships also mean recurring income at predictable intervals! For customers, memberships offer enhanced experiences, benefits and perks, exclusive deals, a community experience, and long-term engagement with their favorite brands.

eCommerce memberships and subscriptions – The difference



Subscription:

In subscriptions, customers pay a recurring price for products/ services for a defined period of time. Customers are delivered the products/ services on a recurring basis at a predefined period. There are different types of subscription models such as replenishment, curated box, access subscription, fixed, unlimited, pay as you go subscriptions, etc.

Membership:

Memberships give customers perks such as special discounts, services, and other exclusive benefits. For example, first access to a sale, exclusive special events for members, etc. The perks in memberships depend on what the brand offers. In short, memberships give customers access to the value the brand creates. Memberships could be paid or free. They build a sense of community that customers can be part of.

It might seem at a high level, that memberships are somewhat similar to loyalty programs, but memberships are different from loyalty programs. Some loyalty programs might offer the same perks offered through memberships, but what loyalty or rewards programs fail to offer, is a sense of community (with other customers) and connection (with the brand).

Key elements of a membership



Perks

The main offering of memberships are the perks. The hardest part about memberships is offering enough value so that customers sign up as members. And one of the key reasons why some businesses' membership models fail, is because they fail to understand what 'creating value' means.

Among the most common perks offered by brands are discounts on products and services, freebies, gifts, exclusive events for members, first access to new collections, etc.

Perks can be personalized based on customers' needs. Every brand can offer targeted perks and get as innovative as they want based on their customers' needs. Brands could also have tiered membership plans, and custom the associated perks for each tier, based on the corresponding member profiles!

However, it is important to continually evaluate whether the perks offered meet customers' needs. This helps businesses adapt and enhance the membership plans.

1. Connection:

Through memberships, retailers can provide improved engagement opportunities to customers. This builds greater connections between brands and customers.

2. Customization/ personalization:

In continuation with connection, comes personalization – one of the key factors to engage customers. Brands can come up with innovative ways to bring in personalization.

3. Community:

Customers like to be a part of a retailer community that offers tangible benefits. Memberships enable customers to connect with other like-minded customers.

4. Exclusivity:

When customers become members to receive special perks, they feel a sense of exclusivity. Access to exclusive members-only benefits, special members-only events, etc., brings the feeling of exclusiveness.

Validity

The duration of the membership plan can differ from brand to brand. Some brands have a yearly membership plan for a renewal fee that is to be paid annually. Some brands offer lifetime membership. Others offer free memberships. The validity of membership is an important factor as it impacts customers' lifetime value and loyalty.

Setting up a good membership model – How to offer perks that matter to customers?

Ecommerce subscriptions are all about products. You're required to find the right products to create the right subscription model around them. But in memberships, the requirement is to find perks. Here are some steps to help you figure out how to offer perks that matter to customers.

How to create an ecommerce membership model



- identify customer segments
- ask for customer feedback
- conduct online surveys
- take note of purchase motivations
- finalise your member perks
- define membership validity
- conduct competitor analysis
- validate demand
- measure and optimize



Step #1: Identify customer segments

When creating a membership plan, one of the first things to do would be to find and create groups/ segments of your customers who have common traits.

How does customer segmentation help in memberships?

First, there are different types of customers whose needs might differ from the other customers. When you know your customer segments, you will be able to offer valuable perks that are relevant to the different segments.

Second, by understanding the different customer segments' purchase behavior and preferences, you can decide the different pricing models. (Some of the most common pricing models for memberships are: completely free, free trial period, monthly fee, annual membership, lifetime membership, etc.)

Customer segmentation can be done by following certain parameters.

- **Demographics:**

Demographics include age, gender, ethnicity, marital status, income, education, employment, etc.

- **Purchase/ behavior tracking:**

Customers' past purchase behavior can help provide insights that can be utilized for segmentation. With rules and regulations restricting the access and use of third-party data, first-party data will be highly important for retailers/ marketers. For the process of customer segmentation, this provides a direct line of sight into the key audiences of brands.

Key takeaway: Segmentation helps you gain an understanding of the value you offer to different customers. It helps identify opportunities. When you know your customer, you can offer them what they want.

Step #2: Find out what motivates customers to make purchases

According to a study by Accenture, these are the aspects that motivate customers to prefer one brand to another:

- Ease and convenience
- Service and personal care
- Trust and reputation
- Product origin
- Health and safety
- Quality
- Price

Many of the above factors can be 'perks' offered through memberships. To understand what perks would matter most to your customers, an effective method would be to ask customers themselves!

You could receive valuable customer feedback through the following ways:

- **Ask for feedback**

Ask for feedback at every critical touch point of the customer journey. For example, some key junctures of customer journey are after customers make purchases, when an order gets delivered, when you launch a new collection, when in-demand goods are back in stock, etc. The key would be to ask the right, targeted questions. This would enable you to collect relevant feedback.

- **Conduct online surveys**

Online surveys are one of the easiest ways to collect detailed insights on specific topics. When customers care to respond to surveys, it means that they are interested in the brand, and are willing to take the time to reply and engage. This is also a tremendous opportunity for brands to collect authentic responses from genuine customers.

- **Listen to your customers**

There are many ways in which brands can listen to customers. Listen to what they talk about during offline events, note their queries over live chat and customer care chats, listen to them on social media on organic posts and comments, and observe how they engage to your announcements and posts. Other sharper ways to listen to your customers, are by analyzing their usage (which products do they linger on, which features are they eagerly using), and receiving feedback during cancellation. AppstleSM is one of the few subscriptions and memberships apps that provides this coveted functionality, to innovatively collect feedback when there is a customer cancellation.

Key takeaway: A combination of offering the right perks, a variety of valuable experiences, and keeping engagement levels high, can make customers choose one brand over competitor brands.

Step #3: Define membership validity and longevity (how long customers would like to be members)!

One of the most common challenges businesses face is low membership renewal rate. Customers may forget or lose interest in the membership plan. Or, they might not see enough value in the plan.

Memberships may be paid or unpaid. The validity of memberships may differ from brand to brand. Some membership models have a validity for a year and Members renew their membership annually. Some models offer lifetime membership. Members pay once or sign up once and enjoy the perks for lifetime.

Here's where businesses have to do some digging, work out numbers and decide the best validity and recurrence period for their memberships.

Here are some typical membership validities:

- Monthly membership
- Annual membership
- Lifetime membership

Businesses can also offer different levels/ tiers of memberships. In this case, members might upgrade or downgrade their membership plans. For example, free membership, premium membership, silver, gold, platinum membership, etc.

Key takeaway: The validity of the membership may directly affect how long customers would remain members, how often you'd have to engage them to renew their membership, customer churn periods, and for how long you can earn revenue from current members.

Step #4: Conduct competitor analysis

The best way to stay ahead of your competitors is to keep an eye on them! Look into what kind of membership programs they offer, what are the perks they offer, what is their validity period, what are their customers saying about their membership plan, etc.

Here's how competitor analysis helps in memberships:

- To identify your business strengths and weaknesses
- To spot trends in memberships and loyalty programs
- To understand the market
- To set benchmarks for future growth

Competitive analysis can be done when you are planning to set up a membership model or when you want to periodically revisit your membership model to enhance it.

When you make competitor analysis a recurring activity for your memberships, you can maintain a competitive advantage over other brands in the industry.

Here's how you can go about competitor analysis:

- Identify your competitors in the industry
- Create a competitor matrix that you will use to conduct your research and add the findings
- Gather information about what your competitors are offering – products, price, perks, etc.
- Analyze yours and your competitor's strengths and weaknesses
- Profile your competitor's target customers

Key takeaway: Competitor analysis is important before you plan and launch your memberships model, but it is important even after you've successfully onboarded members. That way you can keep evolving and enhancing your plan.

Step #5: Validate the demand on those member perks

Before finally launching the membership program, it's a must for businesses to make sure that customers like and are willing to pay for what you're offering. In short, validate the demand on the perks you're offering.

Validating perks will help you predict whether or not and how many customers would sign up for your membership plan.

To begin with, find out what your customers want and if the perks you're offering are something that they'd value.

Price your memberships correctly. Is the price of the membership something that customers would be willing to pay? Does the price match the value the membership would be bringing to customers?

Key takeaway: Validating can help you gain an understanding of the right combination of perks and pricing that will earn you your first members.

Conclusion

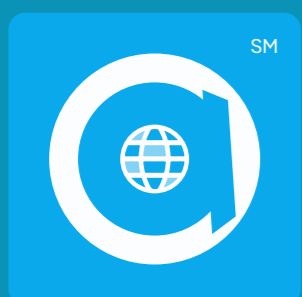
For those retailers who have the motivation to gain returns from memberships, there's plenty of room for creative perks, and winning customers' hearts. Perks are key in memberships and that's where you should be spending a lot of time and focus. However, creating enough value in your membership plans is also incredibly difficult. It requires experimentation, research, resources, and resilience. So you'll have to keep evolving your membership plan. Next, comes the price of the membership plan. We'll cover all about membership pricing in the next lesson.

AppstleSM builds end-to-end membership solutions that help businesses increase customer loyalty and profitably scale business.

Ecommerce Memberships

Understanding how to price ecommerce store memberships, for 'your' members to find value in it

Lesson 2



AppstleSM

Compelling apps at compelling pricesSM

In Lesson 1 in this series, we discussed all about membership perks and how to create the best perks relevant to your customers. Once your membership perks are decided, the next step is to decide how to price the perks, or the store membership.

The price of memberships is a key factor that can make or break the membership model's success. Some memberships offer perks such as free shipping, discounts, early access to sales, community events, offline benefits in store, etc. priced at a low fee. Some other retailers might offer the same perks at a high membership price.

Pricing is a huge factor that determines customer membership sign ups. And customers' decisions are often connected with the overall brand experience, too. Do customers find value in a membership plan priced at a certain price?

Pricing memberships correctly isn't as easy as it seems. We've learnt this through our experience working with leading ecommerce brands and helping them with memberships.

In this lesson, you'll learn:

- The different payment models
- How to price memberships

Before you start figuring out the price of your memberships, you should know the different types of pricing models you can choose from.

Payment models

One-time payment

One-time payment is when you charge a lump-sum price at once. For example, a one-time fee to join an online community. One-time pricing is most suitable when you do not have to provide ongoing products/ services or support.

Recurring payment

A recurring payment model is when you take payments on a monthly, quarterly, half-yearly or yearly basis. This model is suitable when you provide continuous access to products, services and support. For example, Amazon prime annual membership.

Hybrid payment

A hybrid payment model would be when you offer both – one-time and recurring payment options. The difference would be that you'd probably offer a discount if members are paying upfront.

How to price memberships so as to provide maximum value to members and revenue to your business

Evaluate the on-ground value of your perks

Whatever perks you offer in your memberships, they are a cost to your business. For example, store credits, loyalty points, free shipping, discounts, support and services, etc., are all costs for your business. And, it's a must to calculate these costs early-on, as they would be a key input for your member pricing. Only when you add up the relevant costs, would you be able to determine how much it would cost you to be able to offer them to customers, over the validity period. Based on that, you can decide how to price your membership plan.

Many businesses choose to offer memberships at a lower price at the time of launching and increase it later. You could do so too. However, in that case, you wouldn't want to price your memberships lower than the actual on-ground value of your perks.

A few key questions to ask when thinking through pricing is,

- Do customers see value in your membership?
- Is the price of your membership reasonably valid (from your customers' point of view) for the perks offered, or is it overpriced?

- Would offering a bit lower price mean more volume and hence, better overall revenue (through customer loyalty and higher wallet share) for you?

Once you get a sense of what kind of value your membership will offer customers, you can set the price accordingly.

Evaluate how it benefits the customers

Most membership plans offer discounts and deals to customers on every purchase they make. Among other perks, are services related to products they buy, special events, etc.

When you determine the membership pricing, you should evaluate how it benefits your customers.

- Does your membership pricing really bring value to customers?
- What would the purchases cost to customers, without the membership perks?
- What would the purchases cost, with the membership perks?
- Is the membership price too high for the perks you offer? Or is it lower than the value customers draw from being members?

Calculate your profit margin

Once you evaluate the above two factors – the value of your perks and benefits to customers – the next step would be to calculate the profit margin!

The profit margin that a brand wants to have from memberships model, depends on a few factors:

- Does the brand really want to earn money through memberships? Or is the membership program designed to strengthen customer loyalty and retention?
- For some brands, membership fee is the main revenue generator. In such cases, it's critical to maximize profit margins.

Calculate your pricing floor limit

Next, calculate your monthly per-member cost. You should know the lower limit of the pricing you want to base your memberships on. This is the price below which, the membership model no longer makes an economical sense to you.

To calculate your pricing floor limit, you should consider two types of costs:

Variable costs:

these are costs that would keep changing based on factors such as transaction processing fee, commissions, etc. These costs would keep changing based on the number of members, transactions, etc.

Fixed costs:

these are costs that are fixed, meaning, you would incur them no matter the number of members you have. For example, advertisement expenses, salary, content expenses, software charges, etc.

To calculate this price, you can work with projected numbers based on your own business research. You could also base this price based on your competitors' membership pricing.

Take inspiration from your competitors' membership pricing

One way to determine pricing would be to look at how your competitors have priced their membership plans. This is an easy method, because you know your competitor has already implemented it, and it seems to be working.

However, you'll have to find plans that are similar to your offering in terms of perks, validity, etc.

Make a note of the all these aspects:

- Competitor
- Member benefits
- Monthly price
- Approximate membership size
- Annual price with discount if applicable (based on promotional offering, upfront payments, etc)

Next, consider these questions:

- Will your membership be more valuable than your competitors?
- Will you be able to make more money through a higher volume of customers even if you price the membership lower than your competitor?
- Are you planning to price it higher than your competitor because your plan offers more value?

Set the price, based on the answers to the above questions. But remember this, once you set your price, you should be able to adjust your price if the need arises.

Here's a look at memberships, perks and pricing of two competitive ecommerce brands:

	Amazon Prime	Walmart+
Annual membership cost	\$119	\$98
Free trial period	30 days	15 days
Events	Prime Day Most recent: June 21-22, 2021	Deals for Days Most recent: June 20-23, 2021
Shipping	Free next-day and two-day shipping with no purchase minimum	Free next-day and two-day shipping with no purchase minimum
Grocery offerings	Amazon Fresh offers free delivery for orders over \$35 Discounts on many products from Whole Foods Market	Free grocery delivery from Walmart stores
Other	Online programming (music, movies, books), Subscribe & Save	Gas savings, prescription savings, Mobile Scan & Go in stores

Apply cost + profit margin strategy

One of the most common ways to determine pricing is to simply calculate the cost of your membership to your business, and add a profit margin to it. This is one of the simplest ways to price membership plans.

However, there are a few factors that you might not be able to ascertain or take into consideration – for example the member volume your store will get. The number of members has a direct effect on your revenue and earnings.

Moreover, if you have more than one membership plan, it might get complicated to keep a track of earnings from different plans.

Create your membership pricing

Different brands offer different membership plans. Some have just one standard plan for all customers, while others have different plans – with different validity, perks, etc, for different customer segments. Some also offer tier-based memberships.

Here's how you can determine pricing for different plans:

- Consider your entire customer base
- If there's a wide range of customers, segment them into different tiers/ categories
- Create different membership plans for different customer segments
- Offer different perks in different plans
- Offer different validity periods or payment models
- When you offer different validity periods, make sure to offer relevant discounts for each period. For example, a member paying annual fee at one go should be offered more discount than a member paying for a six months membership

Measure and optimize your membership and pricing

While a large number of consumers feel that subscriptions and memberships are the future of ecommerce, these models do have some drawbacks.

One of the biggest challenges of membership plans is fatigue. After a point, customers can get bored of the same perks. This may lead to a higher churn rate. It's possible that you aren't adding new members and your member community is feeling saturated. This too might make members leave. And that's why ecommerce brands need to invest a lot of effort in keeping memberships alive.

The best way to retain customers and continue gaining new subscribers is to constantly measure and optimize your memberships.

This includes your pricing strategy as well. For example, you could add new perks, tweak current offerings, or remove some perks that members aren't utilizing, etc. This could have a direct effect on the pricing of your membership, too.

Free memberships

A lot of brands offer free memberships. And that's because their membership goals might not include direct revenue from memberships.

Some of the key goals and benefits of memberships are: building a community, understanding customers better, customer engagement, generating customer interaction, etc. Brands that aim for these goals, could offer free memberships.

A case study of a free membership – NikePlus

One of the best examples of a free and successful membership is NikePlus. Members sign up for free, enjoy special rewards, advice and experiences from the brand as well as their partner brands.

Personalized trainers, audio-guided runs from athletes, free shipping, priority checkout and members-only shopping hours at stores are some other perks offered to NikePlus members.

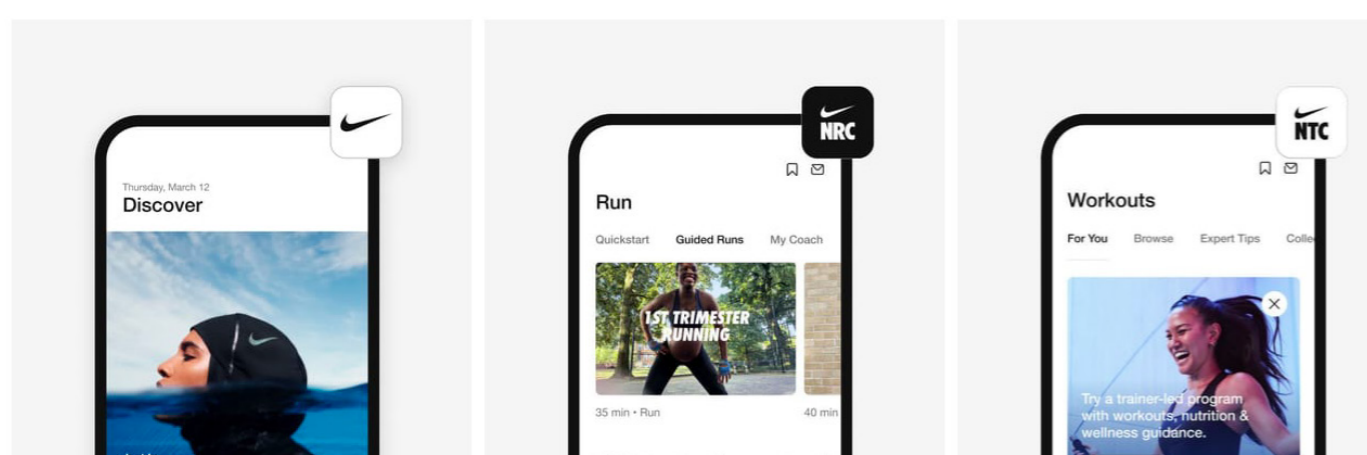
This membership model is all about getting to know customers by tailoring content relevant to their interests. NikePlus also works across Nike's other apps, which means there's more engagement and interaction.

Why it works:

- It's free
- The perks are tailored to customer interests
- The brand keep coming up with new perks and ideas
- Nike uses data to improve memberships
- The brand has a members-only floor in some stores
- Their model is focused on driving loyalty, not points

Nike Membership

Member-Only Apps
Download our apps,
your key to accessing benefits



Conclusion

The memberships trend in online retail is still at a nascent stage and is going to keep evolving. And as competition increases, retailers would need to come up with well thought through membership models and pricing.

If you need help with membership pricing, reach out to experts at Appstle for a consultation.

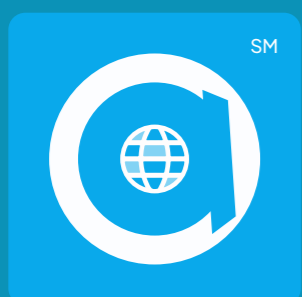
In the next lesson, we'll discuss how to keep membership customers engaged so that they find continued value in your memberships.

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Ecommerce Memberships

How To Keep Your Shopify Memberships Updated, Relevant, And Engaging For Customers

Lesson 3



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Ecommerce memberships can tend to get boring and repetitive for customers after a point. Unless, you strongly convey to the customer the value your store's membership has to offer.

It's just like how items purchased on a recurring basis can tend to seem humdrum. Customers won't buy your product again and again, unless they see value in the continued use of your brand/ product. Ecommerce memberships are no different.

Customers often sign up for memberships with different brands in different industries/ product categories. For example, clothing brands (Fabletics VIP membership), grocery (Safeway Membership), Fitness (Peloton), entertainment (Prime Video), etc.

Firstly, it can get difficult for customers to keep a track of each and every membership they're a part of. Secondly, when added together at the end of the month, expenses to membership fees can seem expensive. Thirdly, customers could easily miss renewing their membership plans, as it's difficult to keep up with so many of them.

There are lots of such challenges in memberships. And so, to keep your customers interested in your membership and to retain them, you need to keep them engaged.

And that's what we'll learn in this Appstle Memberships Lesson.

Here's what we're going to cover:

- Keep your Shopify store updated with products in demand
- Regularly update membership perks
- Frequently communicate with customers
- Create a member community
- Create members-only activities
- Gamify your ecommerce membership program
- Consistently follow up with members
- Enable perks-sharing for members

Ways to keep your Shopify membership model updated, relevant and engaging for your customers

Keep your store updated with products in demand

Brands keep developing new products to address customer needs. As new products or upgraded versions of old products provide new value to consumers, your customers would expect to buy the new products from your store.

And if they don't find them in your store, they might stop making purchases from you. On the contrary, when you update your inventory with new products, there will always be something for customers to shop and redeem membership perks. This is also a way to increase repeat sales.

Products that are new and offer more value, would help your business grow. Or else, you would lose your strength in the market against competitors.

However, how often you can update your products, depends mainly on what type of products you are selling and how often customers transact in your store.

For example, if you sell electronic appliances, your customers might shop from you every few years. Whereas, if you sell clothes, your customers might come to your store a few times a year.

Thus, this engagement strategy will change a bit depending on your product category, too. Here are a few tips to follow:

- Keep an eye out for new inventions in your industry
- Keep a track of products offerings of your competitors
- Try to be the first to introduce new products
- Make it easy for your customers to try the new products in your store

Frequently change membership perks

Newness is one of the most common strategies in retail. Today's consumers are demanding. Moreover, it's easy for them to compare your membership program with other brands'.

In this scenario, what could you do to ensure they stay engaged in your membership? Apart from having the right price, one key factor is updating the perks.

Now, discounted rates, first-access to sale, free shipping, etc. are common perks that most brands offer. Not that that makes them uninteresting, but adding new perks can attract customers' attention and keep them engaged.

What are the unique perks that you offer to your customers?

Here are some ideas of new perks and tweaks you could add to your membership.

- Organize members-only special events
- Exclusive content – for example, a special newsletter only for members
- Member participation in surveys and user testing – these are activities that make members a part of decision making processes
- Make discounts exciting – present them in a way that members can offset the cost of the membership. Illustrate how regular redemption can save members more than what they pay for the membership
- Surprise rewards, points, and gifts. Simple, inexpensive gifts with personalized messages can go a long way

Communicate with members proactively across all channels

Here's a harsh truth – your membership customers are most probably members with other brands, too. More than 50% of e-commerce consumers worldwide subscribe to memberships and subscriptions programs.

That's quite a high number of consumers to ignore.

If you don't bother to communicate with your customers, they might forget about your membership. Or worst, your competitors who are spot-on with their communication strategies, might grab their attention before you do.

To keep customers engaged, you'll have to constantly communicate with them about your memberships.

Here are different types of communications you could incorporate:

- Communicate over social media – send personalized messages, run campaigns, share posts, stories, etc.
- Run email campaigns to remind them of the perks and how they could use them
- Communicate over SMS and WhatsApp to share notifications and updates about perks
- Send real-time notifications on different channels as soon as they earn new perks or use some perks
- Share social proof of how other members have benefited from your perks
- Send them regular updates via newsletters

You can also run targeted marketing campaigns, to achieve this objective

Create a community for your members

Most brands offer discounts, free shipping, and first-access to their members. But ever thought about perks that actually draw customers in, (as in, customer acquisition)?

Communities are psychological triggers. When people feel like they are a part of a community of like-minded people, they feel more satisfied and happy.

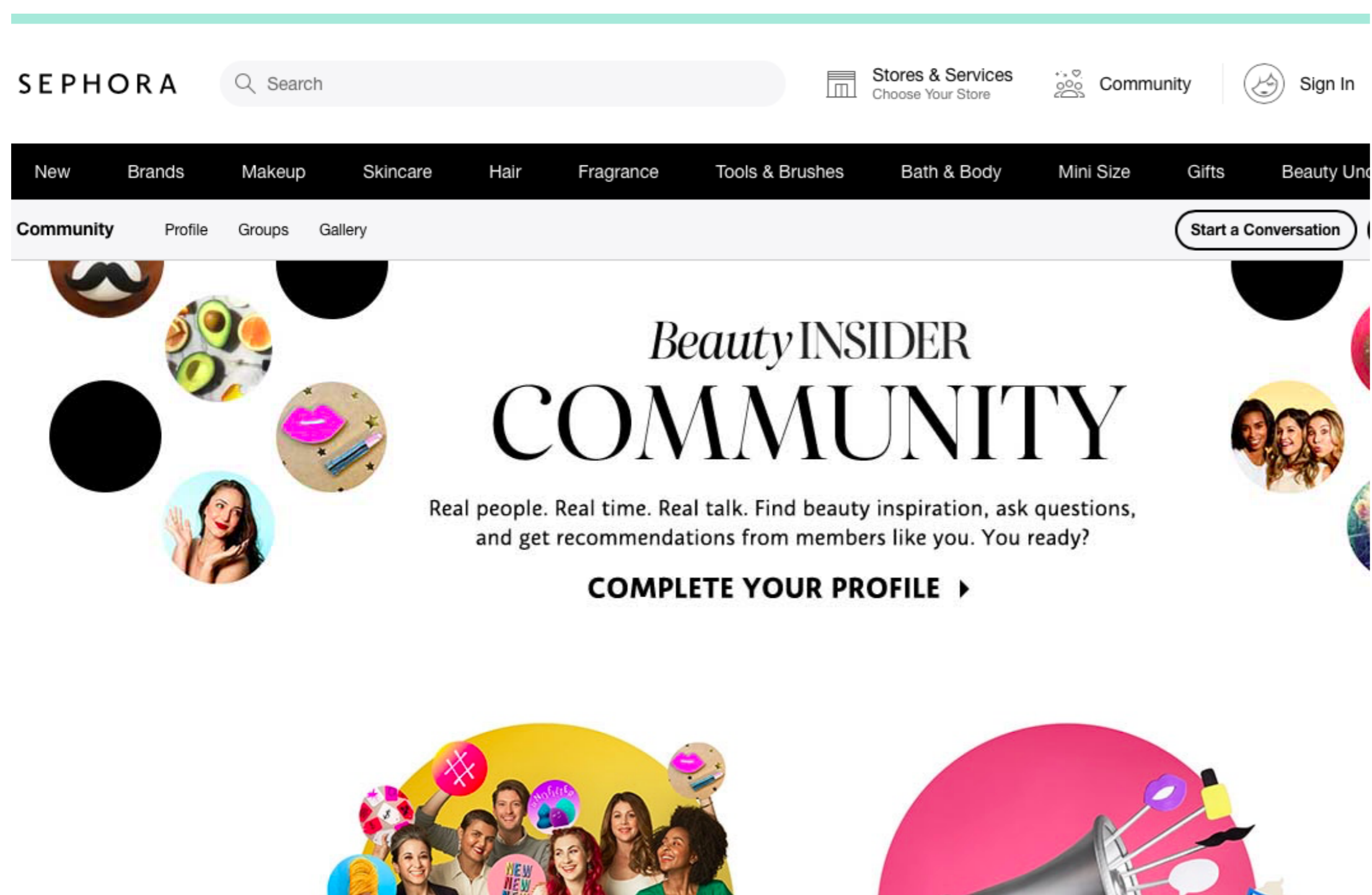
This feeling makes customers feel closer to the brand and thus, makes it easy for them to stick around and continue buying from your brand.

Communities can be created in many ways:

- As a private group on social media or any other online platform – requiring login, or as invite-only
- Separate communities for customers belonging to different membership levels/ plans
- One single private community of all your membership customers
- Public community which is easily searchable
- A hybrid community that has elements of both private and public

However, for real engagement to take place within your community, customers would require to feel comfortable. Only then would they be able to interact with other customers, ask questions, share opinions, and truly engage.

Example: the online cosmetics brand, Sephora's community



Create members-only events and discounts

When customers receive something exclusive, it makes them feel special. Create a members-only program that gives customers added benefits in addition to the regular perks.

For example, special events and discounts. But for this, you might have to get into much deeper personalization.

Let's look at how a women's clothing brand in China built a sophisticated membership system to drive offline and online interactions.

The brand was struggling to integrate offline and online channels into its membership system. Despite having a large number of offline members, its online membership performance was comparatively weak.

So this is what the brand did – divided the members into four groups:

- Those who had completed both online and offline membership registration
- Those who had interacted with the brand online but only had offline membership
- Those who had made purchases online but only had offline membership
- Those who had an offline membership but never interacted online

Next, the brand adopted different marketing tactics to target each group. It created personalized offerings for each group in private and public domains; Integrated customer data from different sources to maximize personalization.

After doing this, the brand saw 10x growth in their online memberships, and 30% increase in online sales.

Key takeaway from the above case study:

You have different types of members. And you need to approach them differently. Hence, unless you go deeper into personalization, your membership program might not cut it.

Gamify the membership experience

Gamification is the use of game mechanics within your membership program. It works on the principle of engaging and motivating customers by introducing game-like mechanics to influence their actions.

Here's one way to do it:

- Offer perks based on the duration that members have been associated with your membership program. For example, if a customer has been a member for 6 months, they get some perks. Those who've been members for a year get more perks. That way members would want to retain their memberships for longer periods. They would see how the value of the membership increases as time goes by – just like investments, where time is the real difference-maker.

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Let's look at how a women's clothing brand in China built a sophisticated membership system to drive offline and online interactions.

The brand was struggling to integrate offline and online channels into its membership system. Despite having a large number of offline members, its online membership performance was comparatively weak.

So this is what the brand did – divided the members into four groups:

- Those who had completed both online and offline membership registration
- Those who had interacted with the brand online but only had offline membership
- Those who had made purchases online but only had offline membership
- Those who had an offline membership but never interacted online

Next, the brand adopted different marketing tactics to target each group. It created personalized offerings for each group in private and public domains; Integrated customer data from different sources to maximize personalization.

After doing this, the brand saw 10x growth in their online memberships, and 30% increase in online sales.

Key takeaway from the above case study:

You have different types of members. And you need to approach them differently. Hence, unless you go deeper into personalization, your membership program might not cut it.

Gamify the membership experience

Gamification is the use of game mechanics within your membership program. It works on the principle of engaging and motivating customers by introducing game-like mechanics to influence their actions.

Here's one way to do it:

- Offer perks based on the duration that members have been associated with your membership program. For example, if a customer has been a member for 6 months, they get some perks. Those who've been members for a year get more perks. That way members would want to retain their memberships for longer periods. They would see how the value of the membership increases as time goes by – just like investments, where time is the real difference-maker.

- Offer perks and points when they cross a threshold of the total amount of purchases made on your site. For example, when members reach a total purchase value of \$5000, they get promoted to the next level/ tier of your membership program. You could create many tiers so that members are motivated to keep rising higher in the program and avail more benefits. This is one way to increase repeat sales, too.

Consistently follow up with your members

One of the simplest ways to keep your members engaged, is to keep in touch with them. The better you stay in touch with your customers, the more engaged they'd be, and the more you'll get to know them.

Here are the different ways in which you can keep in touch with your members:

- Follow up after they make a purchase, to ask for feedback
- Send them an update when they earn perks from you
- Keep them informed about new perks added to your membership plan
- Notify them about anything new that's coming up in your store
- Ask for their feedback about the membership program
- Send thank you notes
- Conduct surveys to make them a part of your decision-making process

Following up with members, often has many benefits:

- It can help you uncover new trends and customer needs, which you can introduce in your store as well as your membership program
- Improves customer loyalty and leads to higher purchases
- It's more cost-effective to retain members than to find new members (customer retention > customer acquisition)

Enable perks-sharing for members

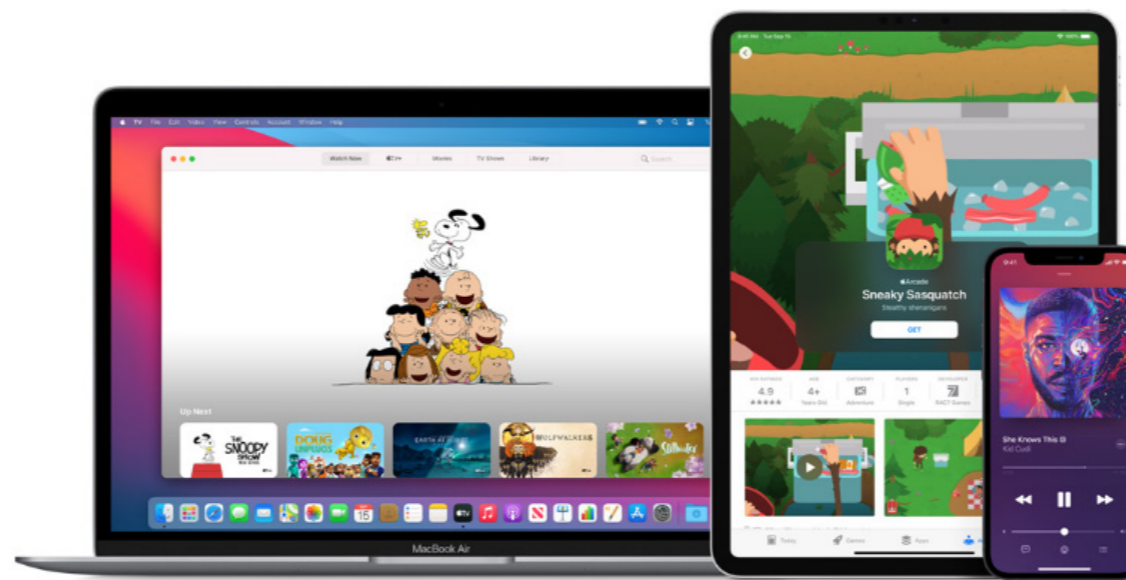
Just like how clubs offer sharing benefits to family members, member-sharing perks when extended to customers' family members, can help increase engagement.

For example, Amazon Household allows members to share perks, such as shipping benefits, with family members. Another example, somewhat similar, is how Apple allows customers to share features such as iCloud, Apple Music, TV+ with their friends and family.



Family Sharing. Share your favorite things with your favorite people.

Family Sharing lets you and up to five other family members share access to amazing Apple services like Apple Music, Apple TV+, Apple News+, Apple Arcade, and Apple Card.* Your group can also share iTunes, Apple Books, and App Store purchases, an iCloud storage plan, and a family photo album. You can even help locate each other's missing devices.



When you enable members to share perks with their family and friends, the value of your program already increases in the customers' minds. "If I don't use the perks, at least my family members could use them.' That way, their money isn't wasted.

There's one more thing member-sharing does: this way, your customers, by default, happen to introduce your membership benefits to others (their close family and friends). This may help to increase your ecommerce memberships in the long run.

Here's how perks-sharing increases engagement.

When you let other customers' family members utilize the perks and benefits, the chances of them being used increase. Even if your customer doesn't use it, their family would. This would not only help you increase your reach, but also the longevity of the membership.

Moreover, when people receive recommendations from close family members and friends, they tend to trust the brand more. This means, your chances of increasing loyal customers, grows, too.

Conclusion

Members are the lifeline of membership plans. And to keep them happy and engaged with your membership programs, you'd have to consistently put in effort. Engagement also helps increase ecommerce memberships. And if you want to scale your business, it is important to sign-up new members.

Monitor the performance of your membership plan. Optimize aspects that need attention. Address member response to your membership program.

For this, you will have to keep measuring the performance of your membership plans. We'll cover all about membership performance and metrics in the next lesson.

You'd need a Shopify app for memberships to help you with every aspect of your ecommerce membership programs. Appstle builds end-to-end membership solutions that help businesses increase customer loyalty and profitably scale business.

Ecommerce Memberships

How to Measure The Success of Your Ecommerce Member Programs?

Lesson 4



AppstleSM
Compelling apps at compelling pricesSM

Every ecommerce business requires many different strategies for it to be successful. And these strategies need consistent attention. They're not a one-time activity.

Ecommerce memberships strategy is no different. It should not be treated as a one-off effort. To make your ecommerce memberships on Shopify reap the maximum benefits for your business, you'd have to keep a watch on the performance of its different aspects.

From the number of members to the amount earned from membership fees to the customer lifetime value, your Shopify memberships can generate many different metrics.

In this lesson, we'll learn about the following metrics:

- The number of new members
- The number of cancellations
- The average duration/ lifetime of members
- The average amount spent by members
- The average number of purchases
- Perks usage
- Renewal rate
- Customer lifetime value
- Monthly recurring revenue
- Annual recurring revenue
- Amount spent on perks
- Amount spent on perks vs the profit made from purchases made using the perks

Ecommerce metrics to measure & assess the success of your memberships program

The number of new members

The more new members you have, the more successful your program would be. Obviously, you'd want the number of new members to shoot up as soon as you launch your membership program. But that would be too good to be true.

The number of new members would keep varying at different times. But by measuring this metric, you can work towards boosting membership downtimes.

Here's what you can do:

- Track the number of new members – weekly, monthly, and yearly
- Make a note of patterns – when new sign-ups are less or more
- Boost marketing activities to increase memberships during low periods

How to calculate new member rate:

Count the number of members at the start of a predefined period (say, six months). Count the number of members at the end of six months. Subtract the number counted at the beginning from the number at the end of six months.

$\text{No. of members at the end of a period} - \text{No. of members at the start of that period} / 100 = \text{new member rate.}$

The number of cancellations

Cancellations can ruin your membership program. It's obvious, when people opt-out of your membership, it's not a good sign. And it's time you should be making some changes to retain these members.

The truth is, if you don't catch cancellations in time, you'll be spending a lot more time, and resources in bringing those members back or looking for new members to sign up.

Tracking cancellations is one of the most basic ecommerce metrics and it can help in many ways:

- Your chances of retaining members are higher if you track cancellations at the right time
- You can follow up with members to understand the reasons they canceled and try to bring them back
- You can notice patterns of opt-outs. For example, if members are opting out during a particular season or time of the year
- Based on the patterns, you could run personalized marketing campaigns to reduce cancellations
- You could offer personalized membership perks to improve retention

How to calculate opt-out rate:

The number of members at the beginning of a predefined period – the number of members at the end of the predefined period = opt-out rate.

The average duration/life of members

Membership periods differ from brand to brand. Some memberships may be lifetime, others may be on yearly renewal basis.

Similarly, the duration for which members retain your Shopify membership may vary. Some members might cancel it within a few months, or before a year. Others might renew their memberships year-after-year.

It's important to know the average duration for which people remain members. Here's how this data can help:

- You can get insights into the performance of your membership plan
- You can identify churn patterns
- It can help you in the future decision-making for your membership plan

How to calculate the average duration of members:

count the number of days or months or years that a customer continues their membership.

The average amount spent by members

Another key ecommerce metric is the average amount spent by members per purchase. Knowing this gives you a quick peek into the value of your members. When calculated regularly for predefined periods, say for example, every year, it can indicate an increase or decrease in the amount spent.

If the amount increases, it's a good sign for your business. You could give a push to increase the amount through personalized, targeted marketing campaigns.

If the amount decreases, it's obviously a cause for worry because it would directly affect your business revenue and growth. So, when there's a decrease, you could run campaigns such as extra discounts, etc., to entice members to make more purchases.

How to calculate the average amount spend by members:

the total amount spent by the member divided by (/) the number of months = average amount spent by members.

The average number of purchases

The average number of purchases is the average number of transactions per member during a predefined period. This can help you better understand members' purchase patterns and behavior.

You can calculate the average number of purchases during different periods, for example, in a week, a month, a year, etc.

The average number of purchases can be calculated by dividing the number of purchases made in a period by the number of customers.

For example, say you receive 1000 orders in a month from 800 customers. This means that most of your members made purchases once or twice.

How to calculate the average number of purchases:

How to calculate the average number of purchases:

Perks usage

You would have many different types of perks in your membership plans. For example, you might have free shipping, discounts, store credits, gifts, etc. But not all members might be utilizing all the perks.

Tracking usage of perks – which perks are used more and which ones are used less, or not used at all – can give you a deeper picture of how members are using their memberships.

So, how does this data about perks help?

- It helps identify the most-used perks. You must definitely offer more of these perks as your members are enjoying the benefit
- For perks that are used less, you could either choose to remove them, or tweak them to make them better so that members find those perks beneficial
- You could even measure perks usage for different segments of members. For example, perks used by new members, low-value members, high-value members, etc. This can help you get a better representation of member engagement as well as develop a personalized marketing plan for different member segments.

How to calculate:

Add the number of customers who have used each of the perks

Renewal rate

Memberships that have a periodic renewal date – for example, a year, six months, three months, etc. – have to be renewed once the membership expires.

However, all members might not renew their membership. Some might miss out the date, and forget renewing, some might not be sure if they want to continue their membership, or may not find the perks exciting anymore and decide not to renew.

The renewal rate is one of the most important measures to assess the success of your membership plans.

Why is it important to measure the renewal rate?

- Renewal rate can give you an indication of your Shopify store's membership program's growth prospects. If the rate is poor, you should put in efforts to improve renewals and evaluate your memberships strategy.
- Knowing the renewal rate provides stability and predictability.
- Higher renewal rates year-after-year would indicate the brand is more likely to achieve its long-term profit goals.

How to calculate renewal rate:

Total number of memberships renewed in a given period / total number of subscriptions due for renewal in that period.

Customer lifetime value

Another key measure for memberships is customer lifetime value (CLV). It helps to understand the total revenue potential from each of your customers.

CLV is a measure of the average revenue you generate from a customer throughout their relationship with your brand. You can compare CLV with the customer acquisition cost to assess your profitability and the potential for your business to grow in the long term.

How does CLV help?

- It can help you increase revenue over time
- It can help you identify challenges so you can improve customer loyalty and retention
- You can reduce customer acquisition cost by increase CLV

How to calculate CLV:

The average recurring revenue from a customer / duration of the customers' membership.

Monthly recurring revenue

Monthly recurring revenue is the revenue that the brand makes through memberships month on month. It is the dependable or predictable revenue the company makes. The amount that members pay as fee for a month, is the monthly recurring revenue.

How does knowing this help?

- It gives real-time insight into the financial performance of your membership plans
- It is the most accurate indicator of your membership plan's health
- It helps you make future decisions

How to calculate monthly recurring revenue:

The number of customers X the monthly fee they pay.

Annual recurring revenue

Annual recurring revenue is somewhat similar to monthly recurring revenue. It is the SUM total of revenue earned on a yearly basis. The amount that members pay as annual membership is the annual recurring revenue.

This amount should ideally increase year after year because you should increase the number of your store's members every year. However, if there is a decrease in this amount, it indicates poor performance of your membership plan.

Here's how calculating the annual recurring revenue can help you:

- It helps you determine good or poor performance of your membership plan year after year
- It helps you compare the health of your membership plan with the previous years
- You can make membership fee changes based on the annual recurring revenue if you want to increase your income from memberships

How to calculate annual recurring revenue:

The number of customers X the yearly fee they pay.

Amount spent on perks

You would be offering different types of perks for your membership plans. Even though some perks may not cost you anything or seem like it costs you nothing, you might end up spending a lot on those perks.

For example, when you offer free shipping, it doesn't cost the customer anything, but it is a cost for you. Similarly, free gifts, discounts, etc., also cost money and resources.

Moreover, there might be other perks that would be tough to quantify in terms of what they cost. For example, first access to members only. You may not be spending anything on this perk, but you might be losing business by not allowing access to your regular customers.

The amount of profits you would make, depends on how you spend the least amount and yet offer the best perks. And that is why, you have to calculate the amount you spend on perks.

Calculating the amount you spend on perks helps:

- Gain insights into which perks are worth and a valuable spend
- You can iterate and change perks if the spends are more than the value the perks add

How to calculate amount spent on perks

Add all the expenses incurred on perks in a specific period of time

Amount spent on perks vs profits made on the purchases where customers avail the perks

Some perks that you offer to members can be used by them to make more purchases. For example, reward points or vouchers or discounts.

But you should calculate the amount you spend on offering these perks against the profits that those perks bring you. This is a key part of ecommerce analytics tracking.

By calculating this, you can:

- Get an understanding of whether the perks are making profits for you or losses
- Get insights into which perks are being used
- Tweak the perks to earn more profits
- Make perks more valuable to members

How to calculate:

Calculate the amount spent for offering perks and calculate the profits made of the purchases using those perks. If the amount spent is more than the profits made, it's a loss for you. If it's the other way around, it's profit.

Conclusion

Measuring all kinds of metrics for memberships is a must. To make the process easy, you'd require a smart app. When you set up memberships using Appstle, you can easily access all the details on its comprehensive dashboard of Shopify analytics.

Appstle also offers consultation to optimize membership programs for better business success. Appstle builds end-to-end membership solutions that help businesses increase customer loyalty and profitably scale business.

Ready to set up an ecommerce memberships model for your business?

Get started with Appstle today