LOYALTY TIER-BASED OFFER DESIGN FOR A MEAL SUBSCRIPTION BUSINESS

1. Background and Problem Statement:

A national meal subscription business offering weekly home-delivered meal kits had grown its customer base significantly. However, the company lacked a structured loyalty framework. All active users received similar retention emails, irrespective of their frequency, tenure, or engagement. This undifferentiated approach led to low offer redemption and increasing churn beyond the third month. The team initiated a loyalty segmentation project to develop **tier-specific offers** for improving user retention, engagement, and upsell performance.

2. Objectives:

- To segment customers into loyalty tiers based on actual behavioral metrics

- To design and test offer bundles tailored to each tier

- To measure impact on retention, engagement, and incremental revenue over 90 days

- To recommend a sustainable loyalty incentive framework

3. Methodology:

3.1 Data Extraction and Feature Engineering

- Data from 26,000 subscribers (active and churned) over 12 months

- Extracted from internal SQL-based CRM and payment records

- Features included:

    o Total active weeks

    o AOV

    o Number of skipped weeks

    o Referral activity

    o Complaints or support tickets

    o Delivery rating

3.2 Loyalty Tier Segmentation

- **Tier 1: Emerging Customers** (active < 6 weeks)

- **Tier 2: Consistent Users** (6–18 active weeks)

- **Tier 3: Loyal Subscribers** (>18 active weeks, high engagement)

- Each tier was profiled using mean order value, retention rate, and complaint frequency

3.3 Offer Design

- Offers were tailored per tier:

  o **Tier 1:** 15% off on 3rd box + \$5 referral bonus

  o **Tier 2:** Free dessert pack on 10th order + "skip-free" protection for 2 weeks

  o **Tier 3:** Access to premium recipes + 1-week freeze extension + early holiday menus

3.4 Campaign Execution

- Offers deployed via **ActiveCampaign** with tier-based automated workflows

- 90-day tracking of redemption, AOV change, repeat rate

- Visuals and reporting prepared in Tableau and Excel

4. Results:

Metric	Tier 1	Tier 2	Tier 3
Redemption Rate	22.4%	36.1%	**52.6%**
Increase in AOV	+8.3%	+4.9%	+6.5%
90-Day Retention Rate	43.8%	61.2%	**77.9%**
Complaints per Order	0.7%	0.4%	**0.2%**

- **Tier 3 users responded strongest** to experiential benefits (exclusive recipes, early menus)

- Tier 1 customers needed stronger financial incentive to stay past 3rd week

- Skipping protection for Tier 2 users helped reduce voluntary churn during travel/holidays

- Complaints dropped as customers engaged more frequently and consistently

5. Interpretation and Insights:

- Loyalty offers must **match user maturity**—early customers care about price, veterans care about flexibility and premium access

- Emotional loyalty is driven not just by discounts but by perceived exclusivity and convenience

- Users who skipped fewer weeks during early life cycle were **more responsive** to reward offers

- Referral bonuses work best when combined with clear, achievable milestones (e.g., unlock after 3rd box)

6. Recommendations:

6.1 Systematic Loyalty Program Launch

- Brand tiers (e.g., Silver, Gold, Platinum) tied to meal count and AOV

- Auto-qualification and email onboarding to the tier benefits

- Display tier status and benefits inside user dashboard

6.2 Offer Expansion

- Allow users to **choose their loyalty reward** (e.g., dessert, skip protection, or free shipping)

- Introduce rotating rewards on milestones (10th, 20th, 50th box) to maintain engagement

6.3 Marketing Personalization

- Integrate offer behavior into lifecycle messaging:

  o "Only 1 box away from unlocking Gold tier!"

  o "Your exclusive holiday menu is now live"

7. Future Work:

- Develop **predictive loyalty scoring** model to flag high-potential Tier 1 users early

- Launch a referral leaderboard for Tier 3 customers

- Collect qualitative feedback on reward preferences via post-redemption surveys

8. Stakeholder Relevance:

Academic:

- Demonstrates practical loyalty tiering and behavior-driven incentive design
- Useful for courses in CRM strategy, customer analytics, and lifecycle marketing

Corporate:

- Offers a scalable framework to move from reactive to **structured retention marketing**
- Supports personalization at scale with measurable impact on churn and engagement
- Reduces cost-per-retention by offering **value-based rewards** instead of flat discounts