



AMERICAN EAGLE

CASE STUDY

# Reimagining Customer Loyalty with an Omnichannel Platform

*American Eagle Outfitters improves their customer experience and saves millions of dollars by modernizing their loyalty platform.*

www.griddynamics.com



Grid Dynamics

April 2021



# Introduction

Customer loyalty has always been a top priority for retailers. And the digital transformation trend hasn't changed that fact. Instead, what digital transformation has done is expand the playing field. It has enabled a vastly increased number of customer touchpoints, the creation of a 360 view of each customer, and allowed companies to quickly react to changes in customer behavior while building their long-term loyalty campaigns.

Looking back at 2020, we can see that even the COVID-19 pandemic didn't result in loyalty programs moving down the priority lists of the top retailers. In fact, it likely increased their importance as retailers attempted to overcome the difficult times by trying to better attract and engage their customers. Reading through the earnings reports of the top 27 publicly traded retailers from Q3 2020, we can see that loyalty programs retained a top 10 position in the topics listed as being of the highest importance. Customer loyalty was mentioned more than 70 times, behind only coronavirus, holiday season, omnichannel customer experience, fulfillment, and delivery.

Despite its importance, when it comes to digital loyalty capabilities, many retailers are still struggling to provide a compelling experience for both customers and internal business teams. In dynamically changing digital environments, customers expect engaging programs, a seamless omnichannel experience, and clear communication. Marketing teams need a better understanding of customers, flexibility in configuring new programs, and new ways to reward customers for various activities that go beyond just placing orders. They are also always on the lookout for innovative ways to reinforce differentiation via digital loyalty features. And the final piece of the puzzle is the loyalty engine that is expected to make the points and rewards calculations quickly and precisely.

Unfortunately, the market of loyalty solutions is plagued by legacy platforms that provide only basic features, lack flexibility, and offer few or no customization or innovation opportunities. These legacy platforms also often cause issues when attempting to integrate with retailers' digital customer experience platforms, which are becoming increasingly more sophisticated each year.

## About American Eagle

American Eagle Outfitters is a Fortune-1000 lifestyle, clothing, and accessories multi-brand retailer with over 1,000 locations worldwide and multi-billion dollar annual revenues. As their target audience is younger digital-savvy customers, it is crucial for American Eagle to provide the best customer experience across emerging digital channels.

By early 2020, American Eagle realized that its legacy SaaS loyalty engine was holding it back.

As a result, the retailer decided to focus on improving its digital loyalty capabilities and invited Grid Dynamics as a trusted partner to join a collaborative effort to design and implement a new generation omnichannel loyalty platform. Using the Agile co-innovation approach, the joint team was able to deliver the program and release the new loyalty platform before the holiday season despite the disruptions caused by COVID-19.

# The Challenge

American Eagle Outfitters initially implemented its customer loyalty program via a SaaS loyalty engine from a popular vendor. It was a reasonable solution at the time and allowed the retailer to quickly onboard basic loyalty capabilities. However, after several years of using the 3rd party engine, its implementation at American Eagle revealed several major shortcomings. Customers were struggling with incorrect calculation of loyalty points, inaccurate allocations of rewards, stale promotions and campaigns, and an overall lack of engaging experiences.

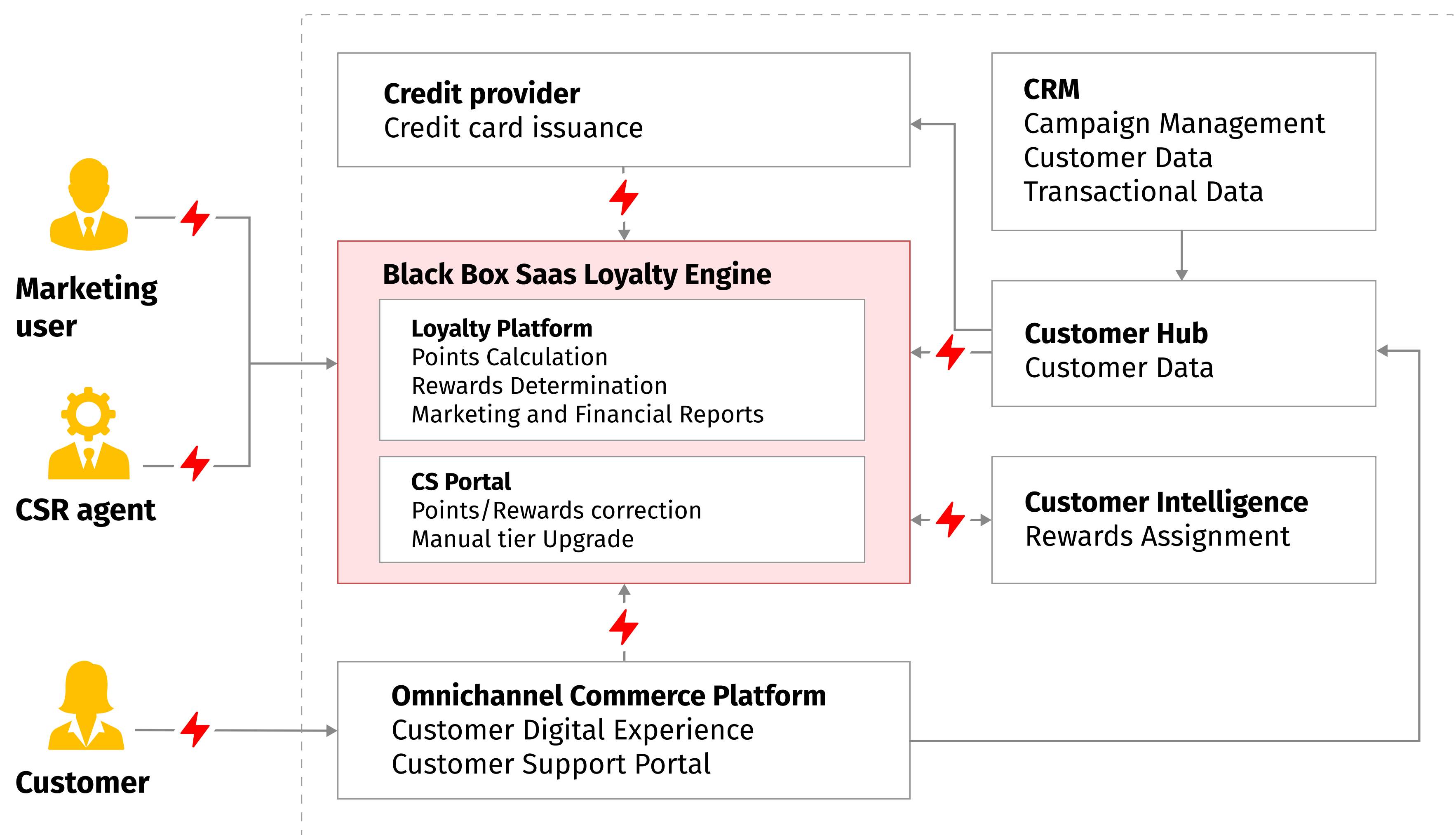
In addition, merchandisers were suffering from an inability to quickly react to changing customer behaviors and trends. Configuring new promotions and campaigns often took weeks or even months due to poor self-service functionality. Most changes required the involvement of the loyalty engine vendor, leading to slow implementation times and communication overheads. Customer intelligence was poor due to lack of control over customer data, long synchronization times between systems, and challenges with data consistency and quality.

At the same time, fraudulent activity by malicious customers was difficult to identify and prevent in a timely manner. “Our ability to provide value to our customers and business partners was not that great given that we always depended on outside vendors. We felt that this platform could be a differentiator for us and wanted to have the ability to react quickly.” said Ljubomir Cvetkovic, VP of Engineering at American Eagle Outfitters.

As a leading omnichannel retailer serving digital-savvy customers, American Eagle had developed a sophisticated customer experience ecosystem focused on agility and speed of innovation.

Over a period of time however, the loyalty experience was becoming stale and required modernization. Between the high license and maintenance costs, complex integrations, and inability to innovate with the existing platform, there was a pressing need to implement a more modern solution.





## Key challenges

### Customer

- Incorrect calculation of points
- Inaccurate assignment of rewards
- Poor customer experience
- Stale loyalty campaigns
- Lack of engaging campaigns
- Reliability issues with loyalty portal
- Data corruption in emails and SMS

### Marketing

- Months to configure promotions
- Lack of innovation and customization options
- High risk of loyalty fraud
- Inaccurate customer intelligence
- Stale data in the customer support portal
- High license and maintenance cost
- Expensive and slow improvements

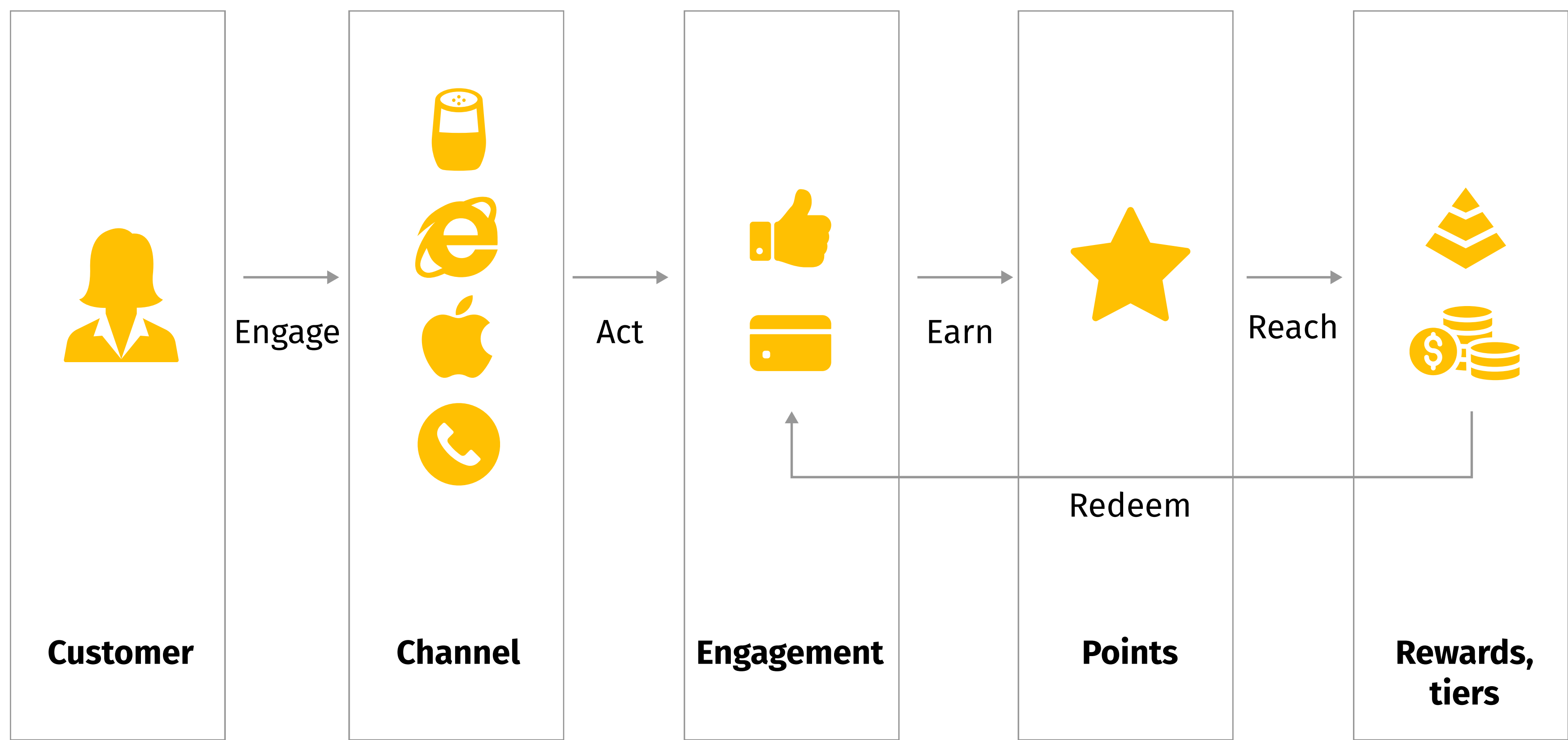
# The Solution

To address the problem, American Eagle joined forces with Grid Dynamics in building an innovative new loyalty platform. The design principles of composable commerce that were put at the core of the customer experience platform helped isolate the problem and replatform the loyalty engine without disrupting other programs and components of the omnichannel commerce platform. Having established a trusted co-innovation relationship, American Eagle and Grid Dynamics formed a cross-functional team that included experts from both companies.

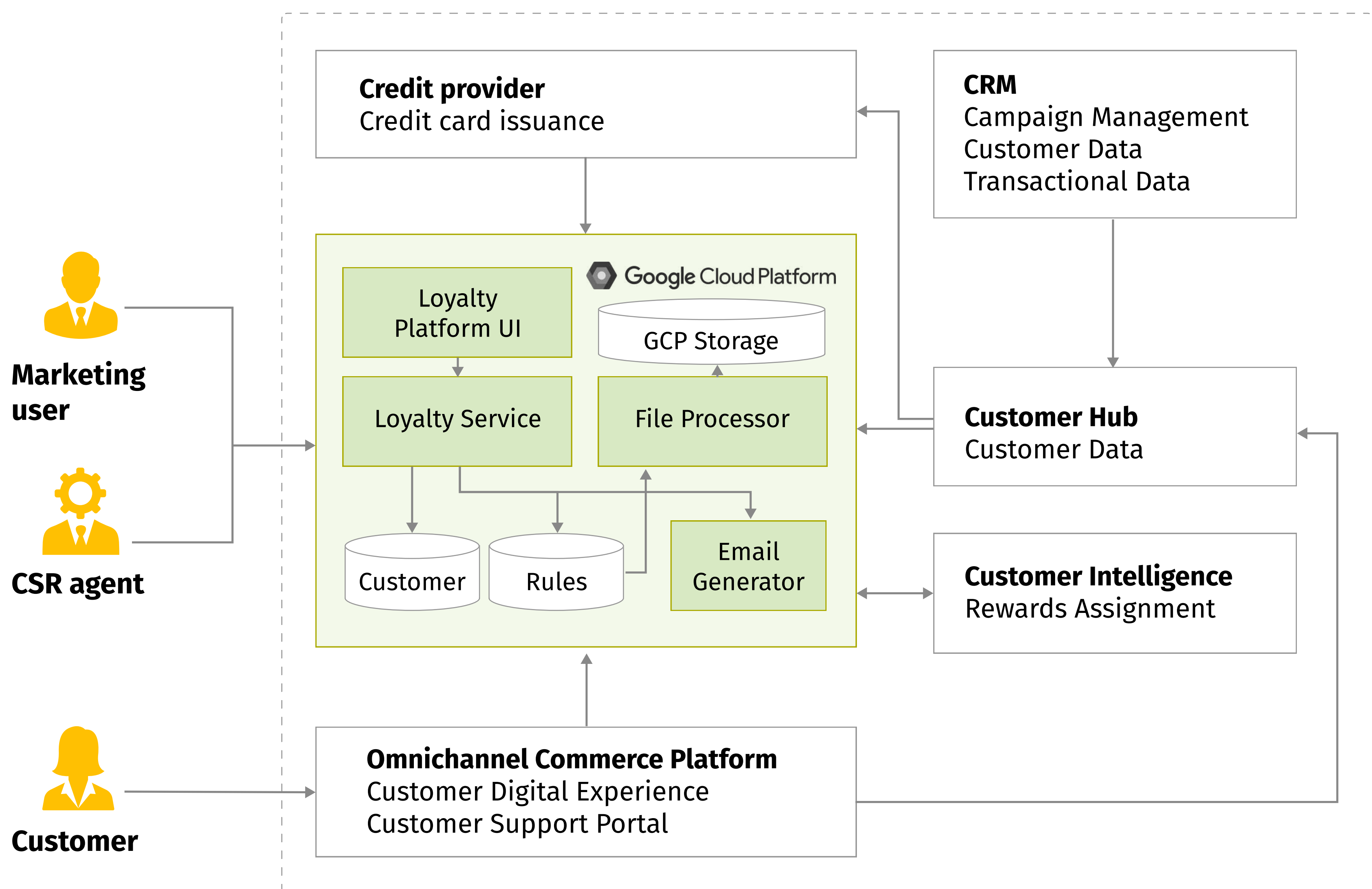
While many challenges leading to the replatforming were related to the technical limitations of the SaaS engine, the marketing team also needed to close certain gaps in business functionality.

The engine had to support the end-to-end customer loyalty journey and enhance existing capabilities at each step. This spanned several areas: the ways that customers could engage with loyalty programs, how points and rewards were calculated and redeemed, ways in which better customer intelligence could be obtained, and how best to improve flexibility in configuring new campaigns and promotions.

While significant improvements were required, many of the existing features and programs had to remain in place to avoid disrupting the customer experience during the migration. To accomplish both goals, the team had to perform a deep analysis of the current platform and new feature requests from the business and reconcile them in the new platform.



After analyzing the business requirements and current challenges, the team made the decision to migrate from the 3rd party engine to a custom-built loyalty platform. The platform provided feature parity for the core loyalty functionality and implemented new critical features that the business teams requested. It changed the integration patterns with the existing customer experience components, switching to well-defined APIs, which achieved a high degree of data consistency and quality. As VP of Engineering at AEO, Ljubomir Cvetkovic stated, “Modern application development practices and open source solutions allowed us to standardize the skill set needed to support this (and other) platforms while ensuring stability, security, and data consistency across the systems.”



The new platform was designed and built following microservices architecture patterns with a cloud-native and open source technology stack. In order to support the history of loyalty program points and rewards, data migration was performed from the legacy solution to the new platform. While legacy integrations were primarily file-based, the new platform supported real-time event-driven communications in addition to the old approach that was partially retained for compatibility purposes.



# The Results

The replatforming project started in the beginning of 2020 and by the holiday season the same year, the joint American Eagle and Grid Dynamics team was able to implement the new loyalty platform. In the short term, it solved the challenges facing the internal business teams and put in place the features that the teams had been waiting months for. From an integration perspective, it allowed for a more natural and tighter integration with the rest of the platform and solved many data consistency and quality issues. From a technology standpoint, it perfectly aligned with the cloud strategy by utilizing a modern cloud-native technology stack. In the long term, the new loyalty platform reduced the total cost of ownership and provided a solid foundation for future innovative and engaging capabilities to be explored within future digital loyalty programs.

|                               | Before  | After   |
|-------------------------------|---|---|
| Customer experience           | Issues with points and rewards calculations, lack of engagement | Accurate calculation of points and rewards, engaging campaigns and promotions |
| Time to configure a promotion | Weeks   | Minutes   |
| Risk of loyalty fraud         | High  | Low   |
| Reporting frequency           | Monthly   | Daily   |
| Data governance               | No ability to access and edit customer data                     | Full control over customer data   |
| Data quality                  | Synchronization and consistency issues                          | High data quality, correctness, and consistency                               |
| License cost                  | \$1M+ annually  | Zero  |

The new loyalty platform ultimately led to a better experience and greater satisfaction for customers and internal teams including marketing managers and customer support agents. It marked another milestone in the digital transformation of American Eagle, improving enterprise agility, bolstering competitive advantage, and opening up pathways for further innovation and growth.

## Conclusion

*“Our long standing relationship with Grid Dynamics gave us confidence that jointly we could execute this major transformation and achieve the results we were planning for. We eliminated our dependency on third-party products and set up platform and engineering best practices that would allow us to scale and continuously improve the customer experience.”*

Ljubomir Cvetkovic,  
VP of Engineering, American Eagle Outfitters.

*“Successful delivery of American Eagle’s loyalty platform is a true testament to our long-term partnership and ability to create differentiated customer experiences. Grid Dynamics helped the company achieve another milestone in the digital transformation journey that will power long-term growth, greater customer satisfaction, higher merchandising productivity, and better operational efficiency. Together, we delivered a new and innovative loyalty program without disrupting the effective parts of the existing ecosystem that American Eagle had built up over many years.”*

Leonard Livschitz,  
CEO, Grid Dynamics.

Customer loyalty remains a high priority in the list of business concerns for Fortune-1000 retailers. With more customer interactions shifting to digital channels, digital loyalty capabilities become increasingly important. While basic functionality provided by third-party SaaS platforms may be a good stop-gap measure, it is easy to lag behind the competition and to continue to frustrate both customers and marketing teams. Building a modern loyalty platform in-house empowers marketing teams to respond to changes in customer behavior faster and provide more ways to engage with customers, which leads to higher customer satisfaction, retention, and conversion.

American Eagle Outfitters has always recognized the importance of powerful loyalty programs. By migrating from a basic third-party SaaS platform to an in-house solution, the retailer was able to improve the experience of customers and marketing managers, increase enterprise agility, boost speed to market for new campaigns and promotions by 20x, and dramatically cut costs by freeing up over \$1M of annual license fees to power innovation and growth.

If you’d like to learn more about digital transformation in retail, whether you’re looking to improve the customer experience, build a unified commerce platform, replatform a composable commerce platform, or drive insights with data, see our insights at [blog.griddynamics.com](https://blog.griddynamics.com). For more information, contact us at [www.griddynamics.com/contact](https://www.griddynamics.com/contact).



# About Grid Dynamics

Grid Dynamics (Nasdaq: GDYN) is a digital-native technology services provider that accelerates growth and bolsters competitive advantage for Fortune 1000 companies. It provides digital transformation consulting and implementation services in omnichannel customer experience, big data analytics, search, artificial intelligence, cloud migration, and application modernization. Grid Dynamics achieves high speed-to-market, quality, and efficiency by using technology accelerators, an agile delivery culture, and its pool of global engineering talent.

Grid Dynamics works in close collaboration with its clients on digital transformation initiatives that span strategy consulting, early prototypes, and the enterprise-scale delivery of new digital platforms. It helps organizations become more agile and create innovative digital products and experiences using its extensive expertise in

emerging technology, top global engineering talent, lean software development practices, and a high-performance product culture.

Headquartered in Silicon Valley, with delivery centers located throughout the United States, Western, Central, and Eastern Europe, Grid Dynamics is known for architecting and delivering some of the largest digital transformation programs in the retail, technology, and financial sectors to help clients win market share, shorten time to market, and reduce the costs of digital operations on a massive scale.

In 2019, Forrester named Grid Dynamics a leader among midsize agile development service providers. In 2020, Grid Dynamics went public and is trading on the NASDAQ under the GDYN ticker.

## The Forrester wave™ Midsize Agile Development Service Providers Q2 2019





**Grid Dynamics**

trusted engineering partner for digital transformation

**Grid Dynamics LLC.**

5000 Executive Parkway,  
Suite 520 / San Ramon, CA  
650-523-5000

[info@griddynamics.com](mailto:info@griddynamics.com)

[www.griddynamics.com](http://www.griddynamics.com)