

Bath & Beauty Works Loyalty Program Excerpts

[sources: quarterly transcripts, quarterly investor presentations, conferences]

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Eva C. Boratto Bath & Body Works, Inc. – Chief Financial Officer

So Alex, I'll go back to 2019, right? As we look at the company, we were at about 19.2% operating margins. The algorithm that drove that were strong merchandise margins, right, benefits from that low single digit, mid-single-digit pricing impact, strong growth in digital and online, and a very productive fleet of stores. And obviously the backdrop of a strong portfolio of product to drive customer demand and growth.

As you look at the last several years where that's brought us to, right, we've -- as many industries have, realized significant cost inflation affecting the business to a large extent. Also, to a lesser extent, a step-up in technology investments as well as store operating cost, wage rate pressure, if you will, and some of the costs related to a stand-alone company. So that's what's put pressure on our overall margins. As you look at -- the tail end of your question, as you look going forward, what's going to get us to that 45%, 25%, 20% that Gina highlights, right?

First, focused on improved merch margins, continuing to drive that, whether that's our cost optimization programs, utilization of the beauty, continued cost deflation, a more personalized AUR. We just had a chat about the AUR, right? So ability to return to that AUR is a key contributor of growth. Two, we talked about this earlier, our cost optimization initiative. It's not one and done. We have to continue to be disciplined around our cost management.

And then finally, turning back to top line growth and the green shoots in the product portfolio and growing our customers through the personalization and the loyalty are the formula longer term. And we haven't hit on this yet. **loyalty**. We're -- while we have nearly 41 million members in our loyalty program, we're only a year in and I'd say in the infancy stage of really unlocking value of how we can engage, retain and expand value from that loyalty program.

November 16, 2023 Earnings Call

Gina R. Boswell Bath & Body Works, Inc. – CEO & Director

In August, we anniversaried the national launch of our **loyalty** program. Since the launch, we've had industry-leading enrollment speed. We have nearly 41 million members and **loyalty** sales represent approximately 3/4 of our U.S. sales since the national launch. Though our speed of enrollment has been impressive, and we continue to grow our **loyalty** member base we are still only in the early stages of leveraging the program and driving member engagement. We increased engagement this quarter by offering our first **loyalty** member appreciation days with early access to exclusive shopping events and offers and testing **loyalty** accelerators, starting with a double point stay designed to move customers closer to reward redemption, which drives higher customer value.

As we test more **loyalty** benefits in the future, such as tiering and flexible rewards, we are confident in our ability to deepen customer engagement and increase both sales and merchandise margins. Next, we are enabling a seamless omnichannel experience. Though we have a strong profitable digital business, we have a significant opportunity to drive future growth by moving from a largely transactional website and app to more personalized experiential and integrated platforms.

By adding personalized landing pages, immersive content and product recommendations, we plan to drive higher sales, more discovery and larger baskets. In the third quarter, we added personalized product recommendations based on shopping behavior and a customized header to welcome recognized users by name and highlight their **loyalty** account balances. We also implemented a customer retention pilot powered by machine learning, which drove 7% greater retention for the targeted audience.

To target customers who were inactive or who had abandoned their carts we tested new retention and win-back offers, which increased sales. Importantly, beauty and personal care customers value a seamless omnichannel experience by reducing friction throughout the customer journey from browse to shop to purchase and offering convenient options like Buy Online Pickup In Store or BOPIS, as well as Instacart and Buy Now Pay Later, we can convert more single-channel customers to dual-channel customers, which, on average, increases spend threefold.

BOPIS orders increased approximately 50% in the third quarter versus last year as customers continue to opt for convenience. When picking up their order, approximately 30% of BOPIS customers made an additional purchase in store, a testament to the power of the omnichannel model.

This quarter, we also added social proofing matches on our website highlighting trending and best-selling products as well as those products with limited supply. Given our customers' strong desire to obtain their preferred fragrances, we knew that alerting them to decreasing availability would incent them to lock in a purchase. Having implemented these initiatives to improve our omnichannel experience, digital conversion inclusive of BOPIS, increased 4% in the third quarter versus the second quarter.

Mark R. Altschwager Robert W. Baird & Co. Incorporated, Research Division – Senior Research Analyst

I guess just another one on promotions. I know you've been doing a lot of personalization tests. Hoping you could share a little bit more there. What's working? What are the key learnings? And is there any indication you have that the reduction in direct mail was a factor that contributed to the softening traffic and basket size trend? And I have a follow-up on margin.

Gina R. Boswell Bath & Body Works, Inc. – CEO & Director

Thank you. Thank you for the question, Mark. We are always testing and some of the things that we talked about in our agile model on AURs, I think, speaks to that. The test that we have that I alluded to are some of the things we're doing from a **loyalty** perspective, we're seeing lots of data that suggest that when we customize offers and when we provide triggers and things, we can actually use the data and insights from the **loyalty** to better sharpen and optimize.

But to your specific question on direct mail, it did not. We think that it's offsetting with **loyalty** finally, frankly. And so we don't expect that, that was going to be a driver on our September traffic.

Eva C. Boratto Bath & Body Works, Inc. – Chief Financial Officer

And Gina, if I could just add one thing. As you think about our **loyalty** program, if we move a customer from redeeming 1 reward to more than 2 in a year, they more than double their spending in the store. So there's a tremendous amount of opportunity ahead of us as we test and learn as Gina said to drive value.

Gina R. Boswell Bath & Body Works, Inc. – CEO & Director

Yes. I should say the **loyalty** platform is going to be today, for sure, with all the enrollment speed. But as we push engagement even further leveraging the tools that we've just been implementing, frankly, in

the last 11 weeks. We see the spend, the engagement, the retention of the trips being a nice way to address the promo optimization as well. So you're absolutely right. Thank you, Eva for the comments on what redemption truly does to drive customer annual spend.

August 23, 2023 Earnings Call

Gina R. Boswell Bath & Body Works, Inc. – CEO & Director

Our **loyalty** program continues to be a key component of customer engagement.

This August, we anniversaried the national launch of our **loyalty** program, and we remain pleased with our enrollment of nearly 38 million members, with **loyalty** sales representing approximately 3/4 of our U.S. sales since launch. While we'll continue to build on our impressive enrollment, our primary focus is on increasing engagement. For example, in the second quarter, we not only of our **loyalty** members to both for the featured fragrances in our laundry product, we then gave them exclusive access to a previous sample event.

Next, we gave our **loyalty** members a sneak preview of our Halloween collection and an exclusive early Halloween shopping event prior to the national launch. We have more benefits planned, and we're excited to test new capabilities such as accelerators in the third quarter. Beyond that, we're focused on fully integrating our **loyalty** experience throughout our channels. We are still in the early innings of our **loyalty** program, and we are confident in our ability to drive more sales and improve merchandise margins while attracting more customers to the program.

Dana Lauren Telsey Telsey Advisory Group LLC – CEO & Chief Research Officer

As you think about the new products that you're introducing, Julie and what the gross margins could look like on some of the new products? Is there any difference from the core gross margin to the business overall? And then the **loyalty** members. Any more color on the **loyalty** members and their acceptance of the new products and what statistics you're looking to hit for **loyalty** members by the end of the year? And then just lastly, on the off-mall stores, anything you're seeing at all in terms of productivity rates, anything with what we've heard with organized crime and shrink in what you're doing?

Julie B. Rosen Bath & Body Works, LLC – President

Thanks, Dana. Nice to hear your voice. So starting with the new products, we have launched a lot of adjacencies that we are starting to test, optimize and roll. So I just want to review them very quickly. and then I'll talk to your margin question about them. So in men's, as you know, in the second quarter, we successfully launched men's grooming. And in September, we're following with men's hair and shave. We continue to focus on APDO as it is the #1 form in the men's market. And men's continues to be our fastest growing category in body care. The men's margin is commensurate with the shop.

So we're very excited about that. Fragrance hair care in the second quarter was launched to 560 stores and online in July, and the launch has exceeded our expectations, and we expect to complete that rollout to all stores next spring. We also have lip as we work to broaden our customer base and attract a younger customer. We're upgrading, we're expanding and we're relaunching our in-store assortment and visual presentation of our [lip] products across limited number of stores in the third quarter. Additional expansion will happen next year. And then finally, of course, there's laundry, which we are very excited about to be launching this month across a limited number of stores and online.

So initial customer feedback from our preview sample event has been very positive with customers noting that our laundry detergent is an exciting way to add another layer of their favorite scent to their daily routines. So some of those adjacencies are commensurate was shot from a margin perspective. Others are not quite there yet, but we have a long-standing history here at Bath & Body Works. As you've seen with wallflowers and 3-Wick over the years, that with scale, we have no doubt that we will get there. So I will skip to the straight question, if that's okay, and then I will have Gina come back to your **loyalty** question, if that works. So as is the case with the retailers, we have seen external pressures adversely impacting our shrink rate and it has gotten worse this year. That being said, the impact has been factored into our guidance. And we are working with our stores, with government and community partners to achieve lower loss rates over time. So I'll let Gina talk to **loyalty**.

Gina R. Boswell Bath & Body Works, Inc. – CEO & Director

Thank you. So **loyalty** is -- as you know, we're very proud of one of the best rollouts in Bath & Body Works' history in terms of the enrollment speed among the fastest in the industry. So we're very pleased with the enrollment to date. And as I mentioned, we are early stages of deriving the value from the program, but some of the things that Julie had mentioned in terms of the previews that we've used, whether it's the laundry or the sneak preview of Halloween, we absolutely use the **loyalty**

platform in ways to build the excitement around some of the launches, and we will continue to do that. The benefits that we have planned going forward on new capabilities like accelerators, which you may see in other programs, that's happening in the third quarter.

So that's sort of on come. And then this -- actually, this month, we have our first annual member appreciation event because we're celebrating the 1-year anniversary. So you'll be seeing a lot of surprise and delight product drops, you'll see first looks, exclusive offers to reward our loyal customers. So lots going on in **loyalty**. And with the 38 million members strong, that's a lot to work with.

So we're excited on the go forward there. And I think you may have had a question around off-mall as well -- and actually, we're quite pleased Julie can chime back in, but we're quite pleased with the traffic, both in mall and off-mall. And the off-mall sales performance exceeds the in mall, but the traffics are actually quite good. Julie, do you want to add anything about...

May 18, 2023 Earnings Call

Gina R. Boswell Bath & Body Works, Inc. – CEO & Director

With our IT separation from Victoria's Secret expected to be substantially complete this summer, we will begin testing personalized marketing and optimize promotions. Our **loyalty** program is, of course, another critical tool to engage with our customer and meet them where they are. As you know, our **loyalty** program launched nationwide in August with one of the fastest enrollment speeds in the industry. We've enrolled a total of 37 million members to date, and our **loyalty** sales represent approximately 2/3 of our U.S. sales since launch.

Our **loyalty** customers also have, on average, higher spend, greater retention rates and they make more trips. And while we're very pleased with our speed of enrollment, we are still only in the early stages of deriving value from this program. We're testing new **loyalty** capabilities in the second half of the year and focused on fully integrating our **loyalty** experience throughout our channels.

Olivia Tong Cheang Raymond James & Associates, Inc., Research Division – MD & Research Analyst

And then great to hear **loyalty** continues to progress. Curious on your learning so far, whether the expansion of the program has impacted your view in terms of product assortment, promotion cadence, whether it's impacting your guide in any way for this year? And if you could elaborate on that, that would be great.

Gina R. Boswell Bath & Body Works, Inc. – CEO & Director

I'll start, and then I think Julie will add. I think the **loyalty** program is one of the best rollouts, as we said, it's got the fastest speed of enrollment in the industry. But as I said in the remarks, we're early stages in deriving the value. There's a long runway to really put this incredible tool to work going forward. We're testing these new capabilities in the second half of the year and then pulling that **loyalty** experience across the different channels. And that's where some of the personalized marketing, the flexible rewards will come to bear. So Julie, I think you wanted to add something around...

Julie B. Rosen Bath & Body Works, LLC – President

I think that -- when I think about **loyalty**, we know that those customers make more trips, they spend more. They shop more cross category as well as more cross channel. And a meaningful number of our **loyalty** members are new to brand, which we're absolutely thrilled about. I think of 2022 was really the year of enrollment, and we're really thinking about '23 as enrollment and engagement.

So there are many tests going on in the back half of the year. We just finished our first customer segmentation work, and we're using the advanced analytics with that, that will allow us to customize our **loyalty** offering, hopefully maximize enrollment and engagement. As Gina said, we're hoping to attract more customers by fully integrating our **loyalty** program across social, physical and digital interactions.

And then we're really looking at the back half how we can influence member behavior. So we're going to be leveraging points-based incentives to drive incremental trips, we're pivoting to more member-only events and special products. We're looking to enhance our app to ensure a first frictionless experience. And then, of course, we have a 95% data capture rate. So we want to leverage that when the customer joins the program to enable a personalized and in the moment, marketing triggers to drive program engagement.

I think at the end of the day, we're really looking to build a fully flexible **loyalty** program, really giving customers the ability to bank points and redeem them across all of our full suite of product

offerings. So there's a lot of testing going on in the back half, and we think that this program is ultimately going to be a huge success for us.

February 23, 2023 Earnings Call

Gina R. Boswell Bath & Body Works, Inc. – CEO & Director

As you know, our **loyalty** program launched nationwide in August, and we've seen great early results. Our enrollment speed is one of the fastest in the industry. And just last week, Newsweek named us one of America's best **loyalty** program. We've enrolled a total of 33 million members to date and more than 80% of these are active. This is a testament to our customers' passion for our brand.

Our **loyalty** sales represent approximately 2/3 of our U.S. sales since launch, and our **loyalty** customers also have higher spend, greater retention rates and make more trips. And while these results are certainly impressive, we are still only in the early innings of the program, we're confident that more opportunity lies ahead. For example, we can drive more value and attract more customers to the program by increasing engagement through personalization by fully integrating our **loyalty** program across social, physical and digital interactions and making future program enhancements like tiered accelerators and flexible rewards.

We also have an opportunity to leverage data and analytics to build deeper customer connections and deliver more personalized marketing and a more targeted promotion strategy. As Wendy will explain, relative to 2019 product cost inflation has exerted over 500 basis points of pressure on our operating margin. And though we've taken price increases to offset a portion of that pressure, in 2022 customers became increasingly price-sensitive. I believe we can grow our customer base, increase engagement and drive incremental trips, all while decreasing our reliance on broad-based promotions. We can capture this opportunity by implementing a more targeted marketing approach that is rooted in advanced analytics and customer segmentation.

Katharine Amanda McShane Goldman Sachs Group, Inc., Research Division – Equity Analyst

We were curious to hear a little bit more detail about what role the **loyalty** program played in the fourth quarter and what you're assuming the lift could be from **loyalty** in Q1 and your overall 2023 sales guidance?

Heather Hollander Bath & Body Works, Inc. – Vice President of Investor Relations

All right. Thanks, Kate. Wendy do you want to take that one?

Wendy C. Arlin Bath & Body Works, Inc. – Executive VP & CFO

I think Julie – but I can add color.

Julie B. Rosen Bath & Body Works, LLC – President

Yes. So we can tag team on this one. So we are very pleased, very pleased with our enrollment in the program. We projected to be about 30 million members by the end of the fiscal year, and we enrolled 33 members with more than 75% of those members, having shopped with us in the last 12 months. And as we've discussed on other calls, we all know that **loyalty** members outperformed nonloyalty in spend, trips, retention and cross-channel shopping behavior. So I think that we have a huge opportunity. We think about '22 as the year of enrollment, and we're thinking about '23 as our year of engagement.

So our strategic path forward is to really capitalize on the very high rate of data collection that allows us to both identify and market to enrolled customers. So with customer segmentation and advanced analytics work that will allow us to customize our **loyalty** offering to maximize enrollment and engagement. We can also attract more customers by fully integrating our **loyalty** program across social, physical and all of our digital interactions. We want to test and try to influence member behavior by leveraging points-based incentives to drive incremental trips, trial of new product, and we will be pivoting to more member-only events, content and engagement as we have seen our sneak peaks and our exclusives be very successful.

Wendy C. Arlin Bath & Body Works, Inc. – Executive VP & CFO

Thanks, Julie. The only thing I would add, Kate, to your question is we did – as you know, we had a **loyalty** program in test before we did the nationwide launch in August. So we did have some markets that were in test where we could measure the performance on a pre-post basis. So when we did that, we did see a moderate lift in the fall season on a pre-post basis, and that's good.

But what we're – I'm really excited about from a financial upside standpoint, which Julie mentioned is now that we have got the program and we've got the members, and we have a lot of members the opportunities for us to use the data collection, to improve our marketing and drive transactions with these customers is to me where I see the key upside for the future.

August 18, 2022 Earnings Call

Sarah Elizabeth Nash Bath & Body Works, Inc. – Interim CEO & Executive Chairman

Now for an update on **loyalty**. We are truly excited that **loyalty** has finally arrived for Bath & Body Works. This week, we successfully launched the program to our associates with significant enthusiasm, and we can't wait to launch across the country next week on August 22 and to invite our base of approximately 60 million customers to participate. Our store associates are excited and ready to go. We have numerous incentives and fun programs in place to encourage the buzz and enrollment, and they are dressing up for the occasion.

In our test markets, we saw that our **loyalty** customers have higher spend and retention rates than our average customer. We look forward to enrolling a significant number of our customers in the first year as well as attracting new customers, capitalizing on enthusiasm for the brand and helping drive the growth of our customer base.

Wendy C. Arlin Bath & Body Works, Inc. – Executive VP & CFO

For the full year, we are forecasting sales to be down mid to high single-digits compared to 2021, in line with our most recent guidance. We are forecasting full year earnings per share to be between \$2.70 and \$3. Our full year guidance contemplates expected incremental inflationary costs totaling \$230 million to \$240 million and the estimated revenue deferral totaling approximately \$40 million from the **loyalty** program rollout.

Jesse Sobelson Wells Fargo Securities, LLC, Research Division – Associate Equity Analyst

This is Jesse Sobelson on for Ike. We noticed that 2Q gross margins were under pressure but remained above 2019 levels, while the second half gross margin guide implies a material decline versus 2019. This is despite similar AUR, mid-single-digit decline embedded in the plan and we're looking at slightly less inflation. Is this just conservatism? Or I guess, could you guys just kind of help us with the pieces there and understand the moving parts, please?

Wendy C. Arlin Bath & Body Works, Inc. – Executive VP & CFO

Yes. Thanks, Jesse. So yes, so as you've seen in our models, we do have a deceleration in the gross profit when you compare Q3 to Q2. And also, as you point out, our AUR assumption for Q3 and Q2 is about the same, so down mid-single digits in Q3. So in terms of what accounts for the drivers, about 2/3 of the sequential change, what you're asking about, is due to the merch margin rate. Lots of items in the merch margin rate. But the item that I would point out to be the most significant driver is the impact of the **loyalty** program, which we're super excited to launch next week.

So as we've talked about, when we launch it and our customers accumulate points, we do book a revenue deferral related to the points accumulation. And as we're rolling that nationwide next week, we will have an impact in 3Q that you didn't see in Q2. Then I would say though after that merch margin is about 2/3, the balance is B&O expense deleverage, also a lot of things in the details there.

Stephanie Marie Schiller Wissink Jefferies LLC, Research Division – Equity Analyst and Managing Director

Hopefully, these will be 2 quick ones, but I wanted to just hear a little bit about your customer file size, the 60 million that you quoted, how that's changed over the last couple of years. And Wendy, I think you mentioned that the \$6 million onetime cost for the restructuring is included in your EPS guidance. I just wanted to clarify that, that your EPS is GAAP and not non-GAAP. Would you like us to back that out or keep that in the EPS estimate for the third quarter?

Wendy C. Arlin Bath & Body Works, Inc. – Executive VP & CFO

Okay. Stephanie, I'll take the second part first, and then I will go to Julie for the customer question. The \$6 million is included in our guidance. We chose not to back it out based really on materiality. So -- but it is included in the guide of \$0.10 to \$0.20 for Q3. Julie, do you want to talk about customer a little bit?

Julie B. Rosen Bath & Body Works, LLC – President

Yes. I mean, as we all know, we had explosive growth in our customer file during the pandemic. So in 2019, we had about 53 million customers, and we got upwards of 60 million during the pandemic. And I am thrilled to say that we have lost very few customers. So we feel that while we grew our customer base, they're still coming back. They still love us. And with the addition of this **loyalty** program that we'll be launching next Monday, live, I think that the opportunity to get the 60 million enrolled in the program and incredibly loyal will only reap great benefits for us in the back half.

November 17, 2022 Earnings Call

Sarah Elizabeth Nash Bath & Body Works, Inc. – Interim CEO & Executive Chairman

ur nationwide launch of our loyalty program has been a great success. We achieved industry-leading speed in customer adoption in our program with over 21 million members enrolled to date. Loyalty members now make up more than 1/3 of our overall customer base and loyalty sales represent about 2/3 of our total U.S. sales since launch.

We are excited about the potential of this program as our loyalty customers spend more, visit us more and have significantly higher retention rates than those not in the program. We continue to take rigorous actions to improve profitability, including proactively revisiting our promotions and pricing plans as well as product costing to improve merchandise margins.

Julie B. Rosen Bath & Body Works, LLC – President

Yes. So for our loyalty program, we are absolutely thrilled with the program. We're pleased with enrollment and engagement, evidenced by our 65% total company sales.

I think it's important to remember, as Sarah mentioned, that our loyalty customer has a higher retention rate, higher spend, makes more ship and shop more cross-category and more than non-loyalty members. One thing that's very exciting about our loyalty program is that we have exceptional mass rates on member data collection.

And this is really going to enable us to help identify trends and changes in customer behavior and the data will help us enhance the effectiveness of our marketing. It will also help us create a more meaningful personalized experience that foster brand connection and capture share of wallet. And we have plans in the future to continue to evolve the program to further drive membership and spend.

Wendy C. Arlin Bath & Body Works, Inc. – Executive VP & CFO

Sure. Yes. So what we see -- so as a reminder, we've just launched in the U.S. -- nationwide in August. But prior to that we were running a test and a test for a meaningful amount of time.

And what our test showed was that on a decile-adjusted basis, **loyalty** customers spend more and visit us more often. So in other words, it wasn't just looking at the customers that love us and come all the time. I mean if you decile adjust it and look at levels of spend, the program was effective in test in terms of getting customers to spend more money and visit us more often.

So we're very early in the nationwide rollout, but we are very optimistic about the future benefits of this program. We are seeing such high levels of engagement, as Julie indicated. So we do get excited when we think about the **loyalty** program and what it can do for this business in the future.

Lorraine Corrine Maikis Hutchinson BofA Securities, Research Division –
Managing Director in Equity Research

I just wanted to follow up on Paul's question about the **loyalty** program. From the other end, the cost side. I know there was a margin impact this quarter as you deferred some revenue and profits. But as you think forward, does the cost of the **loyalty** program change the earnings algorithm or margin targets in any meaningful way?

Wendy C. Arlin Bath & Body Works, Inc. – Executive VP & CFO

Yes. Thanks for your question, Lorraine. So the program does have a cost as you can imagine. So the program design has a reward aspect to it, where when a customer hits \$100 threshold, they earn a reward. The program also has a birthday component to it and a welcome offer component to it. So those elements of the program do at cost, it is under a point which is good, and we think it's margin accretive in terms of dollars because we – as I said earlier, we know those customers spend more and visit us more often.

We do see future opportunity in addition, though, to reduce CRM and direct mail in the future to partially offset the cost of this program. So at the end of the day, we feel that although there is a cost, this program is definitely accretive to the business. The other thing I would say is as we look in the future down the road is we know that we have great data in this program.

As Julie mentioned earlier, we full match on this data, and we know that once we have the data, we'll be able to deliver better personalized and individual marketing, which we believe will be much more effective as we really learn to use that data effectively.

May 19, 2022 Earnings Call

Wendy C. Arlin Bath & Body Works, Inc. – Executive VP & CFO

We continue to invest in the customer experience and have been piloting our customer loyalty program. based on encouraging results we have decided to accelerate the rollout of the program to August. Our loyalty members have higher spend and retention rates than our average customer. Thus, we expect that the loyalty program will drive sales and customer retention, deepening our relationships with our customers over the long term.

Equally as important, we believe that over time, our loyalty program will further increase data-driven analytics and marketing, which will support personalized communications and offers.

Sarah Elizabeth Nash Bath & Body Works, Inc. – Interim CEO & Executive Chairman

We make a daily use product in the affordable luxury category. Our customer comes to us because she loves our newness. She loves the fun and the exciting experience she gets in the store. And as I said earlier, the health of our customers is very strong. We have held on to our 60 million customers that we have grown to over the last 2 years. Our retention rates are strong at over 60% and our retention rates for our loyal customers in the loyalty program are north of 80%. And that is just in the trial program. So we are definitely delivering through our test, read and reactivity, which are most impressive. An ability to bring our customer in at a much lower price point, but have them choose to fill up their basket with other items. So we haven't seen in a strong or a large diminution in the basket at all, just a slight variance.

And you know our customers are across the income bracket. We like to say, we are a merited store for daily use affordable luxury. And I think that's important to remember. And all of that is buttressed by our ability to have a supply chain that can read and react in 3 to 4 weeks that literally is across the street.

February 24, 2022 Earnings Call

Stephanie Marie Schiller Wissink Jefferies LLC, Research Division – Equity Analyst and Managing Director

Andrew, our best wishes as well to you. We want to ask a multifaceted question on the loyalty program, if we could. The first is just as you conceived of this program, give us some sense of some

of the key attributes that you think are important to your customer in terms of their **loyalty** and engagement. If you can give us some sense of the way in which you expect to launch and roll that out and how you're communicating with your stores and your customers. And then the last feature within **loyalty** is just what you're doing with respect to building a data warehouse. And how do you expect to leverage data as you think about some adjacent categories in your future growth?

Andrew M. Meslow Bath & Body Works, Inc. – CEO & Director

Thank you, Stephanie. I appreciate the thoughts. Yes. Yes, so on the **loyalty** program, as we've mentioned on prior calls, it is an application-based program. It's one that we've been piloting in about 1/4 of our stores, a little less than 1/4 of our stores for the last several years. It is a points-based system where customers spend and get rewarded for those spending. And once you reach certain thresholds, you then get free items as your reward, in addition to you get both an introductory award and a birthday award. So that is the nature of the program.

And again, it's a program that in that extended pilot, has gotten very good qualitative feedback. And as we've shared in the past, we've been very pleased with the results we've seen in terms of customer engagement through the program, where we've seen consistently higher retention rates of **loyalty** customers and also higher spend rates of **loyalty** customers relative to our non-**loyalty** cohorts in those markets.

In terms of the portion of your question around the launch, as we mentioned in our prepared remarks, we do intend to begin the rollout to the balance of the company later in the summer of this year. And so are hopeful that as we roll that out, it will allow us to complete rollout by the end of the year. But obviously, we'll keep a close eye on that and make sure that from an operational standpoint and from a results standpoint that we feel good with getting that all done in fiscal 2022. The commentary that we provided around the implications of the **loyalty** program in our prepared remarks do assume a full year -- a full rollout within fiscal '22 at this point.

And to the last part of your question around data, as you can imagine, in addition to the customer engagement results that we've seen and been pleased with, we are very excited about the ability through an opt-in **loyalty** application, where the customer provides us with a lot more data than we're able to generally generate from our existing data collection techniques. We do believe that, that will be a very important weapon or tool for us on a forward basis as we think about further engagement with our existing customers as well as figuring out how to target customers either for new category opportunities or for new customers. So that is also a very critical aspect of, we believe, the benefits that we will realize from this program. I hope that helps.

July 19, 2021 Earnings Call

Andrew M. Meslow L Brands, Inc. – CEO & Director

The next slide speaks about our customer loyalty program. Another way that we have grown customer spend is through our My Bath & Body Works customer loyalty app. Across the 4 markets where we have been piloting this program, we have seen approximately 30% more spend per loyalty member versus non-loyalty members. We are further expanding the loyalty program into 2 additional markets this fall with an upgraded platform and assuming continued success, we are planning for a full U.S. launch for 2022.

Now it's important to note that our product offering and assortment strategy is key to driving continued customer loyalty and increases in customer spend. I am pleased, therefore, to hand over the presentation at this time to Julie Rosen, who will take us through that portion of our agenda. Julie, over to you.

Customer Loyalty Program

*my*Bath&BodyWorks

~30%
More spend per loyalty member vs. non-loyalty member

- Launched pilot into four markets
- Expanding into two additional markets in Fall 2021
- Full launch in 2022

“ I love that I’m rewarded for being a regular customer. The rewards are generous and I enjoy being able to choose what items to use them on. I also love that I am more aware of sales and special offers. ”
- Bath & Body Works customer

Bath & Body Works



Digital Strategy -

Chris Cramer Bath & Body Works, LLC – Chief Operating Officer

Now let's turn to a deeper look at our digital business. Digital is at the forefront of our company growth strategy. Our digital channel is highly profitable, and we have a track record of driving consistent growth. We have grown our direct sales via digital from \$450 million in 2016 to \$2 billion in 2020. The direct sales penetration has more than doubled in the same period, rising from 12% in 2016 to over 30% last year. Like most retailers, we saw a significant uptick in digital sales during the pandemic. Direct sales via digital more than doubled last year and we saw a more than 70% increase in digital customers. Customer engagement with our digital initiatives gives us confidence that many of our new digital customers will continue to shop with us online into the future.

To ensure that, we continue to enhance the experience with new or upgraded capabilities like our continued rollout of Buy Online Pick Up in Store, which is now currently offered in over 500 store locations; our revamped buy online return in store initiative. We've also launched Shop In App capability for our **loyalty** members, and we have auto replenishment capability currently in development for future launch.

Supporting these investments was an upgrade in our order management system and, as alluded to, continued investments in our app. And as digital demand continues to increase, we will need to expand our fulfillment capacity. As noted, we're continuing to invest significantly in that space.

We're leveraging our digital strengths and capabilities to drive customer engagement across multiple digital platforms. Our e-mail file has now reached over 30 million e-mail addresses. We also have a robust digital marketing presence across multiple channels, including social media, display advertising and search properties. Last year, we had over 5.5 digital marketing impressions. We will continue to refine our approach in channels that we engage with to stay relevant with our customers and keep Bath & Body Works top of mind as our customer engages with our brand and explores and expands on their shopping experience.

We now serve more than 15 million digital customers for the brand and are committed to continually improving and adding to our digital and omnichannel experiences. Key focus areas as we move forward will continue to be bringing more graphics, video and content online and further improving the ease of navigation and engagement with our website. We use and will continue to use real-time customer feedback to improve the online experience. As mentioned earlier, we're also expanding fulfillment options to serve our customer.

As an example, we expect to ultimately provide Buy Online Pick Up In Store capability in approximately 700 to 800 of our stores. We're also continuing to build new international dot-com

sites on top of the more than 20 that we offer today to reach our international customers in as many ways as we possibly can.