



# LOYALTY PROGRAMS

## Doing it right

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## Your Loyalty Program

While shoppers join loyalty programs every day, studies (Colloquy Loyalty Census) indicate they do not always participate in them. In fact, in the USA it has been suggested only half the memberships in loyalty programs are active in the last 12 months, which means as a population we are addicted to signing up and taking the initial rewards but do not follow up with additional transactions.

As the whole objective of a loyalty program is to create an atmosphere where customers want to **continue to do business with you and encourage their family and friends to do the same**, if the studies show this is not happening then businesses are clearly doing something wrong.

When we look at the loyalty programs in the market we begin to understand why they are viewed with scepticism. For one thing, business owners tend to have an attitude that once they have set the loyalty programs up that is all they have to do (the set and forget attitude). Well, this outlook will eventually **filter down to employees and in no time at all** it becomes an inconvenience to staff, thus rendering the loyalty program stifled.

Therefore, while you have rewarded your customer (the obvious objective), this in itself does not make the customer loyal; it merely rewards them for loyal behaviour. There is a clear difference. You need to do more to **create the loyal customer** otherwise you have merely set up a marketing strategy that has cut into your profitability. This “set and forget attitude” is why so many people are sceptical about the worth of loyalty programs used in the market place. So by facing this scepticism and understanding the failures of others in the market, it can lead to opportunity for those who want to be different.

*“Both quality and price are important determinants of customer satisfaction, but quality has much more leverage. There is not much to be gained in satisfaction or repeat business from a buyer who purchases at a price discount.”*

*The Satisfied Customer-Claes Fornell*

Loyalty has to be earned, just like trust is earned in any relationship. It's a human behavioural trait. Trying to buy it is ineffective, expensive and generally short term. Therefore customer behavioural disloyalty is likely caused by a dissatisfying customer experience enhanced by the absence of any genuine human interaction.

Before we move to the operation of a good loyalty program we need to remind business owners that a loyalty program is a marketing tool that enhances great customer service and quality products. If you have not addressed these fundamentals, your program will be on the backfoot to those of your competitors who do. We often think better technology, communications or systems have become a substitute for good customer service - this is incorrect -giving customers a reward with poor customer service will not make them “loyal”. Customers will merely take the reward and look for the next

business that gives better customer service and/or better quality products because they want to feel special in a world which continually marginalises them. It follows that business owners who realise this and intrinsically strive to provide great customer service and/or products will successfully compete against others. This attitude should then flow through to staff and, if not, you need to address negative attitudes with better training and education or, at worst, remove employees who do not emulate your objectives. Personally, we call this a “we care about you (the employee), if you care about our customers” approach. One could write a paper on this issue alone, but as it’s not the objective of this paper suffice to say we have found attitudes, including bad ones, more often than not come from the top. Simply put, if management does not hold customer service and quality as important objectives, neither will staff.

The loyalty program (whatever it is) recognises your business’s good customers, rewards them and hopefully, if done well, makes them feel special. This paper is designed to remind business owners to make sure your loyalty program is not an ***inactive one, or worse, subject to customer and employee scepticism or just an afterthought.***

So how do we ensure your loyalty program members do not fall into the inactive category; we look at the elements to make it a success. It starts with the following:-

### **1. Data Collection**

By collecting customers’ basic information and then tracking their activities you can provide better interactions with them. For example;

- a. Saying happy birthday in person or by email, SMS;
- b. Providing a little gift when they next come in;
- c. Discounting something on their birthday;
- d. Provide them, when they next come in, a birthday voucher which you scan into the system;
- e. Understand their current buying trends and offer something special or a special price for items which might interest them.

You are telling your customers they are relevant and important to your business - a feeling we all want. It’s “not the value of the gesture” it’s the fact that you made the gesture at all that counts.

### **2. Rewards**

Ivan Pavlov was one of the first to recognise “classic conditioning” which led to behaviour therapy.

**“In essence, if we want desired behaviours we must reinforce them.”**

A loyalty program falls into this strategy but it’s not just important to give points or accumulate monetary rewards on sales. In today’s market this is generic and worldwide

(everyone does it); we need to think of benefits which make members feel special and/or in an exclusive club. For instance:

- a. Once they have purchased \$1,000 in a calendar year, their loyalty rises from 5% to 6.5%; or
- b. When they reach purchases of \$500 they get \$25 added to their loyalty rewards; when they reach \$1,000 they get a \$50 bonus added to their accumulated loyalty account and so on.
- c. By recognising the sex of the card holder you can give gifts relevant to them such as vouchers which can be used in local hair salons and/or petrol vouchers.
- d. Through recognising their purchasing activities special offers can be made to club members on price or rewards earned.

You need to determine the rewards offered based not only on your gross margin but on your client base. This could be a learning curve for you but one which will hold you in good stead. In many businesses 1% of their customer base provides a disproportionate level of profitability. Your system needs to recognise who this refers to and market to them.

### **3. Surprise and delight**

If you can 'surprise and delight' well, your customers will want to engage with you and are more inclined to tell others about their experience. This is especially so when they don't see it coming.

“Customers won't remember what they purchased over time, but will remember unexpected gifts. “

Qantas and some other airlines do this well with unexpected upgrades from cattle class to business class and for the lucky, first class. While this is relatively inexpensive for them as they are already paying for the operational costs of the flight, the effect on the customer is enormous.

We are not suggesting you make your 'surprise and delight' offer like winning the lottery; in fact in the past example the persons upgraded might have been a number out of 500. We are suggesting you might want to consider say 50 people 'winning' so they then talk to others. Consider this: give one person a gold ring makes one person happy and 99 envious; give 50 people a silver ring and you are telling them and others they have a chance to be surprised one day.

### **4. Convenient and meaningful**

Make every transaction seamless. If a customer uses a card but has forgotten it, have a backup by providing them the ability to use their mobile phone instead. Let the sales transaction update their loyalty program account - don't stop the process to have to separately enter what they have earned. Also make the process for customers wishing to

view their account history/rewards balance a simple, streamlined one whether they are in your business, at home or in a coffee shop talking to friends.

Don't make customers jump through hoops to enrol in your program. If you are upgrading from loyalty cards containing no contact details, reward them with a gift for telling you their name, birth date, email address and/or telephone number.

Make sure the rewards offered are commensurate with the business you are in and the money your customer is spending. A meaningless reward is worse than no reward at all and makes you look cheap and ridiculous. If you monitor customers' buying activities tailor special offers to them to make them feel special.

## **5. Marketing**

Marketing in all its forms is crucial for businesses whether telling people who you are, what you do or what you offer. Keeping your loyalty program a secret will do nothing for your business or simply hoping clients talk to others to spread the word could take ages. Therefore use posters, counter/reception advertising, website information, Facebook and every means at your disposal to market your program

Finally, remember your employees are your frontline - if they are informed and motivated you open the doors to your loyalty program becoming a success.

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