

A GUIDE TO **LOYALTY** **PROGRAM** SUCCESS



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The biggest competitive edge you can have today is to be customer-centric; Your customers should be treated not only as revenue streams, but as investments in future growth. The savvy business owner is always thinking of new items or services to pull customers through his or her doors, but what if you want to really stand out from the competition?

There's a longstanding principle devised by Italian Economist Vilfredo Pareto called the 80/20 rule - that 20% of your customers are responsible for 80% of the profits. Investing in a dedicated loyalty program is a proven strategy to identify, reward, and protect these most valued patrons.





THE BENEFIT OF LOYALTY

Improved Customer Retention

Recognizing your most valuable customers is the largest benefit of implementing a loyalty program, as it not only rewards them for their past patronage, but promotes them to advocates for your brand. According to Bain & Company research, a 5% increase in customer retention can increase profits by up to 75%. What's more, the Chartered Institute of Marketing reported the expense to gain a new customer reaches 5 times what it costs to keep an existing one. It's said you never know how each new customer will affect your business, but you can point and look at wherever a lost customer has.

An additional argument for retention is the fact that loyal customers tend to spend more. Adobe®, maker of software products released a report in 2012 breaking down transactions worth nearly \$60 Billion across 180 websites. Their research found that only 8% of site shoppers were repeat visitors or repeat purchasers, but that this small group was making up 41% of the revenues!



Deeper Customer Insights

Businesses don't typically track each customer walking by their stores in the way that Adobe® was able to with eCommerce, but a loyalty program provides the best solution for customer intelligence. With a loyalty program in place connected to your POS, you can gather and analyze data on each purchase leading to better, more informed decision making within your organization. Insights can even be used to create a personalized experience for customers, such as suggesting certain items or targeted promotions based on their habits.

Stronger Customer Ties

Generations born since the 1980s have developed an increasing sense of entitlement, and are more demanding than ever to businesses hoping to earn a share of their wallets. Giving recognition to customers and perks above the competition resonates strongly; A 2012 ACI Worldwide Study found that 84 percent of loyalty program members admitted to being more likely to choose their retailer over its competitor just because of their program membership, regardless of any other factor. A loyalty program is a great way to provide value to price-sensitive customers without actually lowering prices.

10 TIPS TO PROGRAM SUCCESS

Keep Your Program Simple

You should be able to explain how the program works to customers in a single sentence. The point of a loyalty program is to reward customers and improve their experience; programs with complex steps, exceptions, or lines of red tape will cause more headaches than benefits for Customers.drive bottom line profits.

Treat it like an extension of your brand

When approaching the design of a loyalty solution remember that it should embody the aspects and personality of your brand. Try to step back and envision what the customer experience should be, and how you can incorporate your personality into the terms, processes, and execution of your program. Coming up with a unique concept that resonates with customers will keep your loyalty program top of mind.



Make Sure Staff Are Onboard

Loyalty programs are handled by software that puts as little stress as possible on staff, however it's imperative that your employees know what promotions are currently running and how to reward and redeem member accounts. Poor execution at store-level can permanently damage a program's reputation.

Ethical Data Collection

Privacy is always a concern for program members. Generally speaking, gathering anonymous data to analyze is fine, but if you plan to personalize service towards members, make them aware how data is being collected. In this situation it's much easier to ask for permission than forgiveness.

Reward With Relevant Value

By signing up for a loyalty program, a customer has made an unofficial transaction with the business: that they will continue to frequent the premise as long as they receive a fair exchange of value in doing so. Customers don't expect endless discounts or contests, but are happy to receive recognition and a small token of appreciation every now and then to keep them coming back.





Mobilize Your Promoters

Try to incorporate methods for loyal fans to promote their experiences with your brand into the program structure. Examples of this include offering a referral bonus for signing friends up to the program, offering ways to share deals via social networks, or offering enhanced rewards if members earn together.

Keep Your Program Up-to-date

Keeping long term relationships with customers requires constant effort. There are 2.65 Billion loyalty program memberships in the United States, but not all are actively used. Prevent drop-off in program engagement by occasionally updating rewards and keeping in touch with program members – be it greeting them at your store, or reaching out to them ever so often with an email.

Mix Up Your Reward Scheme

Some customers value instant gratification and others are more interested in saving up for a reward. A very successful framework appealing to both is to offer a small bonus to incentivize joining a program, after which longer term prize redemption takes effect. This sign up bonus can be offered in additional points, a giveaway such as a free appetizer, or a first purchase discount. Remember to be wary of offering large sign up prizes as they attract deal seekers rather than loyal fans.



Be Creative

Some businesses lower their program costs and actually create more value for customers by offering non-traditional perks to loyalty members. Examples of possible benefits include designated parking spots, specialized service, or exclusive items.

Match Your Members To Your Brand

Loyalty programs can act as status symbols in some circles, and sometimes providing a few hoops to jump through is a better strategy than letting anyone join. Align the process to enroll with the branding of your business: are you a luxury item in your market? Be exclusive. Open to the masses? Be inviting. Remember though that the more exclusive the program, the more benefits a customer expects.



GETTING YOUR PROGRAM OFF THE GROUND

Decide how you want your initiative to track and reward customers

Not all loyalty programs work the same, and some scenarios are more applicable to certain business cases than others. Generally speaking there are 4 main categories of loyalty systems:

1. Points System

The most common loyalty platform, a points system rewards members with each purchase by rewarding a ratio of points to money spent, and can be leveraged to incite return business. Points can be redeemed for store credit, free items, or 3rd party prizes as a business sees fit.

2. Frequency Program

Typically used by QSR such as coffee or fast food, a frequency program rewards customers based on a set number of purchases. A digital frequency system eliminates opportunity for fraud and replaces the “punch cards” of the past, and works best for impulsive, small value transactions.

3. SKU Program

A SKU based loyalty program rewards members for purchasing specific items within a store and can be set up in several ways, such as to promote certain items by giving members a multiplier on points, or to offer a discount on a specific product (real value or percentage) These programs are useful to add onto an existing points program, or for a business that wants to incite customers to purchase a flagship product.

4. Visit-Based Program

A visit-based scheme rewards members based on each transaction rather than purchase amount. This is useful for businesses that try to avoid customers fixating on the amount spent, such as a premium coffee chain or hotel. A minimum amount can be applied to prevent abuse of the system.

Keep in mind what goals you are trying to achieve and which program model best accomplishes that goal in leading customer behaviour





TIP!

Give Customers a Head Start

A paper titled “The Endowment Progress Effect” by professors Joseph Nunes and Xavier Drèze came to a breakthrough conclusion that loyalty programs are more successful when customers are provided with artificial progress towards their goal. The professors tested two sets of frequency cards for a local car wash – one card having 8 slots to stamp, and the other having 10 slots with two already filled out. The result was that the second group had almost double the rate of completion in the program compared to the first. To apply these findings and help out your program, think about giving guests a “signing bonus” of sorts. The closer guests are to completing a goal, the more effort they exert.



DETERMINE THE DIGITAL MIX

Physical Loyalty Cards

The original backbone of any loyalty program- cards with magnetic stripes are used to encode member accounts and swiped with each purchase. Physical cards must be held by members at the time of redemption, and are cost effective as well as easy to implement. However cards alone lack simplified loss / theft protection for customers (instead relying on paper records) and must earn a spot in a customer's wallet.

Member Website

Adding an online presence to a loyalty solution, in addition to physical cards, has many benefits for both customers and business. A WebSuite allows customers to check their progress towards rewards as well as redeem what they've earned online; this results in a more engaging option that enhances the connection customers feel with the brand, and ultimately improves their involvement level with the program. A customer site allows members to self-administer their accounts, helping to automate the process for card loss reporting and prize fulfillment reducing administrative workload of staff who would otherwise have to take calls and emails from customers. The other benefit is the ability to gather contact information when members register their cards online.



Mobile Loyalty Cards

For businesses with a younger audience, or one that is especially technologically savvy – digital loyalty cards are an effective way to provide added value to members. Digital cards use the same account number that is associated with a physical card's barcode but use it to redeem through either a mobile app or digital wallet.

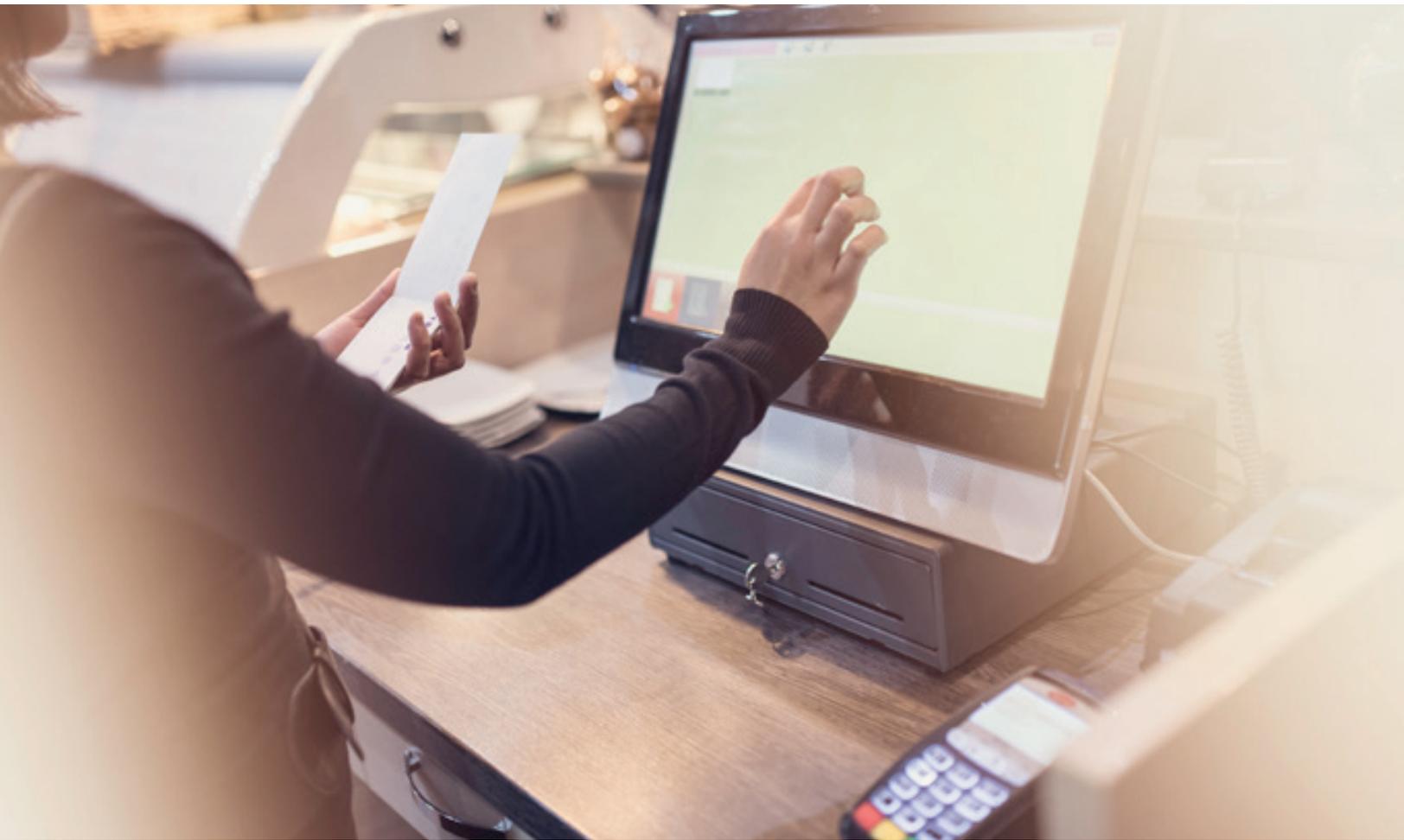
TIP!

A thorough analysis of these decisions will lead to an educated loyalty program strategy and, ultimately, a rewarding execution for your business.



DETERMINE YOUR HARDWARE NEEDS

The Point of Sale system in place needs to have the functionality to support what you want to do with your loyalty program; if planning on rewarding customers for SKU level purchases, then your POS needs to be certified to offer SKU level data. Likewise, for customer purchase tracking, it's necessary to have a POS system that can associate SKU data with each sale. Before moving forward, it's a good idea to check the limitations of your current system or begin to look at others that will work to your needs.



DECIDE ON YOUR FULFILLMENT PROCESS

There are multiple decisions to be made when it comes to the method of fulfillment for rewards; your operations should dictate the mode of redemption that most makes sense.

In Store Fulfillment

Good for simple rewards such as cash discounts or item redemptions, fulfillment in-store is approached from the view of an operational responsibility, and certain questions should be investigated. For example, based on the reward, does a member need to inform your staff before arrival or do they redeem when they pay? Can your POS handle automatic redemption, or is a step to verify account balance necessary first? Are managers handling redemption or do procedures need to be in place to eliminate the chance of employee fraud?





Online Fulfillment

Providing fulfillment online allows members to redeem their own rewards, and is a popular option to help smooth out the redemption process. After customers have made their selections, they can be fulfilled in two ways:

- A** A customer prints a coupon/ receipt at home to bring into your business, after which your operational policy takes effect on redemption.
- B** Information is sent to either a head office or 3rd party fulfillment provider who coordinates delivery of the prize to either the member's address or a pickup location.



TOP QUESTIONS OUR CLIENTS ASK

“Is Launching going to be a lot of work?”

We hear from wary clients that the process to set up a loyalty solution seems daunting or that they are simply lost in all the options available...the truth is, putting a loyalty program in place does not need to be complicated and has been proven to reward much more than just your customers. The process to launch starts with selecting a technology provider that can or already is integrated with your current or planned payment systems, after which implementation can begin.

“How do I end my program?”

Every loyalty program reaches its end for one reason or another, and the following steps can help your business transition smoothly when the time comes. The smart strategy is to set a deadline to your program when you launch (one that can always be extended later) and to define an expiration date for points or a lapsed

time period for rewards (e.g. The Starbucks gold card program, where benefits lapse if a certain amount of activity isn't reached each 12 month period). The second piece of the strategy is to properly announce your exit. If you reach out to members plenty of time ahead and through varied channels, you mitigate the surprise to unwary customers and the chance for a bank run on last minute rewards. It's also important to explain your logic behind shutting the program, and to thank members for their participation (a token of appreciation doesn't hurt).

“How do I avoid cheapening my brand?”

The way a loyalty program is structured, communicated, and experienced can easily be adjusted to properly match your brand perception, thus eliminating any worry of damaging the brand with offers or discounts. Keep in mind some customers may join a program to engage deeper with a brand, and others may join simply for the benefits. However this also presents an opportunity to convert those members to loyal customers, as offering personal attention and rewards is a way to humanize your business and build a relationship.





MORE?

More About Givex

Givex is a global cloud-based operations management solution designed to streamline business efficiencies and generate valuable and actionable customer data. Since its founding in 1999, Givex has provided operational intelligence across a wide of variety of industries, from restaurant and retail to hospitality and the service sector, offering a fully integrated suite of customizable products, including gift cards, loyalty, Vexilor™ point-of-sale (POS) system, Tiqer™ Tableside Ordering and Rx Analytics. Givex's Uptix™ ticketing solution transforms traditional sports or event tickets into a mobile interactive platform, providing event managers with new insights into their customer base and the ability to elevate the fan experience. With more than 16 billion transactions conducted across more than 55 countries, Givex is at the forefront of how brands will compete for customers now and in the future. For more information about Givex please visit www.givex.com.

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