

## Loyalty Programs

The role of a loyalty program is to drive changes in customer behaviour through specific offers and rewards to increase sales.

Many business simply reward repeat purchase – this is not enough.

### **More than a reward for repeat purchases**

A well run Loyalty Program allows businesses to build meaningful and profitable relationships with their best customers. They are used to learn more about customers and to influence the purchasing and decision making process and allow a line of communication with customers to be kept open. Unfortunately many simply reward repeat purchases which does not result in the desired behaviour of increasing sales or improving the customer relationship.

Customers don't want to deal with businesses that inconvenience them, make them wait or aren't tailored to their needs. They want to deal with businesses that understand them and recognize their needs and in response will treat them as they would a friend. A Loyalty Program is an ideal way to create this relationship.

Women are also good at connecting and telling other women about favourable (and unfavourable) services. Creating a success Loyalty Program has the potential to generate enormous business as positive information disseminates from the customer base.

Successful customer interaction is not just what service is on offer but also how and where it is offered. Women are extremely busy and a well run Loyalty Program provides the opportunity to make her life easier and secure her as a faithful customer.

Women generally do not like brands to be too confrontational in their approach. A Loyalty Program provides the opportunity to market to the peripheral vision of women by using the shopping data collected to provide them with intelligent and targeted offers and information. Providing valuable information helps to further create an emotional attachment with your business and increase the percentage of spend over competitors.

A Loyalty Program can also provide quality opportunities to actively solicit customer criticisms and suggestions for change. These need to be backed up with a "no black hole" complaint department policy and can further cement the relationship.

Special events for Loyalty Program customers are also a great way to help develop this feeling of "community" even further.

This generation of women customers will lead to the next and many women's buying habits are greatly influenced by the businesses their mothers dealt with. Securing loyalty now increases the potential of future business growth from the next generation.

Would your business benefit from a Loyalty Program?

When helping to decide whether your business needs a Loyalty Program the following questions are helpful to ask;

- *How strong are the reasons for customers to return without prompting?*
  - Does your business provide compelling reasons for customers to try new products?
- *How much repeat business do you have?*
  - As it generally costs business around 6 times more to obtain a new customer than to retain an existing one, this is an important area to improve.
- *Are customers promoting your brand to their friends and family?*
  - In order to increase referrals and grow the customer base, the Loyalty Program will offer incentives to the best customers encouraging them to refer family and friends.
- *What percentage of your customers clothing spending are you receiving?*
  - This can be a little more difficult to measure, however it can be useful to identify to assess the relationship you have with her clothing budget.
- *Is the revenue from each customer rising every year?*
  - It is important to understand the reasons why it may be increasing or decreasing per customer.

## **What can you expect from a Loyalty Program?**

What your Loyalty Program should enable you to achieve is;

- Increase stickiness
- Reduce customer churn
- Increase the referral rate
- Obtain a greater share of spend
- Increase the revenue per customer
- Build relationships with customers
- Create a reason to communicate regularly with customers
- Create value for affiliates and strategic partners as appropriate
- Create a talking point among customers and potential customers
- Create value from the data base & retain valuable customers in the business

## **Critical Success Factors**

The critical success factors for a well run Loyalty program are as follows;

- Engaging the customers
- Simplicity
- Regular contact
- Linking effort and reward
- Tracking Results

### **Engaging the customers**

- Customers need to be successfully engaged to participate in the project. It is important that they understand the benefits of membership and that they are personally signed up or welcomed where possible. Where offers are distributed by mail, key customers could be contacted by phone to welcome them to the program prior to their card being sent and to reinforce the welcome letter.

### **Simplicity**

- The program needs to be simple to understand and to participate in. Complicated forms and redemption procedures will turn off customers, as will pages of rules and conditions.

### **Regular contact**

- To gain maximum value from the program, it is important to maintain regular contact with members through direct mail pieces and phone contact. This communication would be structured around and customised to particular customer behaviour.

### **Linking effort and reward**

- In order to encourage customers to display the desired behaviour, it is important to link effort and reward. Customers need to understand that the membership provides them with specific rewards for specific purchasing behaviour or introducing a friend to the program.

### **Tracking Results**

- To maintain the program long term, it is important to deliver compelling rewards and offers to the membership base. It is equally important you're your business gains benefit from the program and the behaviour that customers are displaying. As such, careful tracking and analysis of the results will provide a mechanism by which to control and manage the program and ensure its effectiveness.

### **Outcomes**

A Loyalty Program need to be drive customer behaviour, increase sales and improve the relationship with customers to justify the investment made in establishing and maintaining it. If operated effectively the program allows businesses to build meaningful and profitable relationships with their best customers, learn more about customers, influence the purchasing and decision making process and allow a line of communication with customers to be kept open.

Providing valuable information to make her life easier helps to create an emotional attachment to your business and it's in the hearts of customers where all successful businesses aim to be.

## **More Information?**

### **MJH Group are the outsourced marketing specialists!**

For more information on Marketing Strategy, Outsourcing your Marketing Management or our Customer Understanding programs, please contact MJH Group on 03 9428 1315 or email us at [enquiries@mjhgroup.com.au](mailto:enquiries@mjhgroup.com.au)

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