



**Proven Client Retention:
Loyalty Programs that
Work!**

ISPA Austin 2009
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A Loyalty Program is:

The practice of finding, attracting and retaining customers who regularly purchase from you and refer new clients to you.



Loyalty/Reward Programs

- Over 75% of consumers have at least one loyalty card
- American firms spend over \$1B annually on loyalty programs
- June ISPA survey – 48% of respondents have loyalty program
- Loyalty cards account for 80% of all general purpose credit cards issued
- 77% growth in loyalty programs 2000-2009




Start With Internal Customer

- If they don't believe your company deserves loyalty, they won't convey that to customers
- Ethics start at the top
- Management team that inspires and motivates
- 70% of lost business can be traced to staff turnover

**What is a client worth to you?
Calculating client value:**

- Sally Sorta Good
 - 7 annual visits @ \$75 = \$525
 - 12% retail purchaser = \$63
 - Gift cards purchased annually \$150
 - Annual referrals value, 1 new clients @ \$350 each = \$350
 - \$1088/yr x 4 years = \$4,352



Calculating client value

- Wanda Worthit
 - 12 annual visits @ \$130 = \$1560
 - 25% retail purchaser = \$390
 - Gift cards purchased annually \$350
 - Annual referrals value, 3 new clients @ \$500 each = \$1500
 - \$3800/yr x 4 years = \$15,200

Why will clients refer to you?



- Customer believes company offers superior value (head)
- Customer feels valued by company (heart)
- Both rational and emotional

Gallup's Metric of Customer Engagement

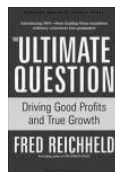


- 3 factors of loyalty PLUS
- 8 measures of emotional attachment
- Emotionally satisfied customers spend twice as much as either dissatisfied or rationally satisfied customers

"The Ultimate Question" – Fred Reichheld



- "How likely is it that you would recommend this company to a friend or colleague?"



Net Promoter Score - NPS



- Create 0-10 customer scale based on feedback
 - 9-10 score, promoters
 - 7-8 score, passives
 - 0-6, detractors
- % of promoters – detractors = NPS
- Average US company scores less than 10%

What's your score?



- If you don't know how customers feel, ask them!
- Previous purchasing data is NOT a predictor of willingness to continue doing business with you

Customer Surveys



- Brief and focused
- Questions must pertain to behaviors that drive growth
- Timely (within a few days of transaction)
- Scores don't link to economics; 60-80% of satisfied clients still defect

Value of Promoters



- Higher retention rate
- Better margins; promoters less price-sensitive
- Annual spend; promoters consolidate with one vendor
- Cost effectiveness
 - Detractors carry higher customer svc costs
 - Promoters cost less; longer duration & referrals

Value of Promoters



- WOM (word of mouth) activities – now have greater speed and scale
 - Twitter
 - Facebook
 - You Tube
 - Blogs

Develop a Segmentation Strategy

Colloquy, 2009



1. Create programs which encourage and incent a change in behavior



Develop a Segmentation Strategy - cont'd



2. Focus on 4 dimensions of behavior
 - Time-based - time & day programs; early a.m. & late day or weekday appts
 - Location or channel - internet; specific store or department
 - Transactional - size and/or numbers of transaction
 - Personal - demographics & groups

Develop a Segmentation Strategy - cont'd



3. Employ segmentation strategy
 - Identify profitable segments
 - More frequent clients
 - Higher average clients
 - Recency effect – new clients
 - Consider risk of attrition

Develop a Segmentation Strategy - cont'd



4. Filter
 - Require opting in – forces clients to “raise their hand” and indicate future intention
 - Gather preference data – learn more about habits and help predict future behavior

Reward Programs should:



- Combine categories
 - Book an oxygenating facial on a Tuesday
 - \$125 or more in services before noon
 - Nurses receive free upgrade with every pedicure on a weeknight
- Encourage maximum incremental behavior

Reward Program Elements

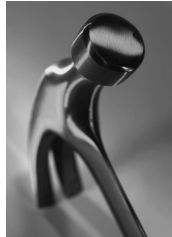


- Easy to understand
- Automated and easy to administer
- Easy to participate in
- Promoted both externally and internally

Loyalty Program Tools



- Software
- Card programs
- Points programs
- Newsletters and E-zines



What's the "point"?



- Find, attract and retain your target customer
- Move marketing dollars to internal rewards programs to keep them happy
- Loyalty becomes competitive advantage during economic downturns

Point system



- Easy to calculate
- Clients like big numbers - \$1 equals 10 points or 100 points
- Print points on transaction receipts
- Let them see their points online

What do hotel clients want? Recent Cornell hotel study:



- Chief factors in brand loyalty were design, amenities, staff
- Room upgrades, quick check-in, late check-out, free internet, concierge level
- IHG – priority guests spend 57% more and cost less
- Marriott – Rewards members double stays after joining

Reward Program Elements



- Prizes/rewards should be valued
- But, not too expensive (or they'll think they're paying)
- Attainable goals
- Range of prizes
- Prizes rotate or vary
- Cash rewards not valued

Rewarding Spa Clients



- Email reminders for gift occasions
- Unadvertised specials
- Express check-in or check-out
- Online order tracking
- Points toward future purchases
- Barter – gym, dry cleaner, restaurants

Rewarding Spa Clients – *cont'd*



- Special sales
- Direct Mail offers
- Referral awards
- Birthday/anniversary recognition
- Extended shopping hours
- Third party/community



Unique to your business



- Special promotions
- Double points days, times
- Double points services, providers, products
- Event attendance
- Service anomaly rewards
- Last minute services earn points, not discount

Current Loyalty Program Trends



- Immediate rewards
- Targeted deals – birthday, previous purchase by genre
- Souped-up Membership – tied to credit card programs
- Manufacturer rewards
- Reward consortiums or partnerships

Successful Loyalty Programs



- Meet or exceed organizational KPI's
- Communicate one-to-one, not one-to-many
- Deliver relevant, timely messages
- Updated consistently and frequently
- Recognize customer needs

Keep an eye on the bottom line



- Program should be attracting and rewarding the “right” customer
- Design programs that inspire desired behaviors
- Expense of program cannot cut too deeply into profitability

Relevant Web Sites



- Chockstone.com
- Colloquy.com
- Points.com
- Rewardforloyalty.com
- Webloyalty.com
- Maritz.com
- Group3marketing.com
- Smartloyalty.com
- Loyaltymarketing.com
- Incentivelogic.com

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