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Getting the Most From Your Loyalty/Rewards Program

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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
- 5% increase in client retention can result in 25-100% increase in profits

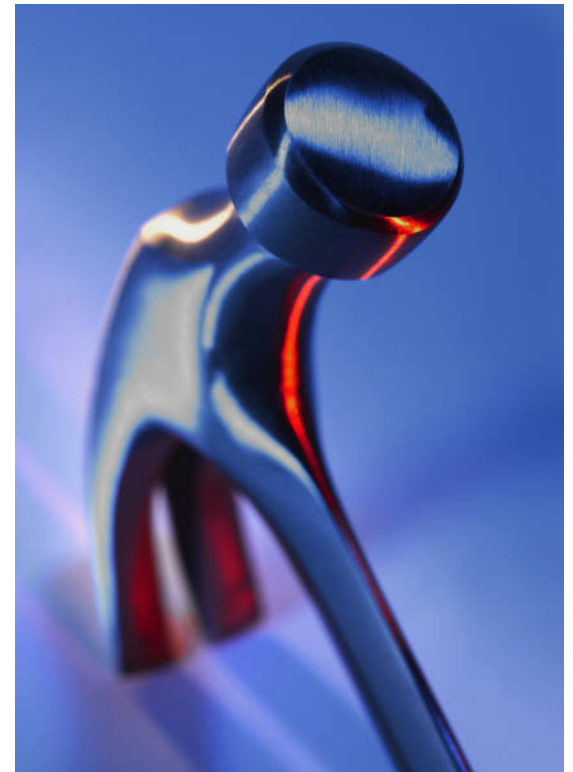
Start With Internal Customer

- 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



Loyalty Program Tools

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



What is a client worth to you?

Calculating client value;

■ Client 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

■ Client Really Worthit

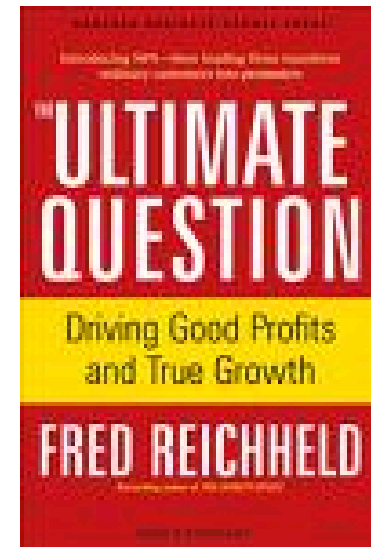
- 12 annual visits @ \$130 = \$1560
- 25% retail purchaser = \$390
- Gift cards purchased annually \$350
- Annual referrals value, 3 new clients @ \$500 each = \$1500
- \$3800/yr x 4 years = \$15,200

Why will clients refer to you?

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

“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

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

Customer Surveys

- Short
- Questions must pertain to behaviors that drive growth
- Timely (within a few days of transaction)

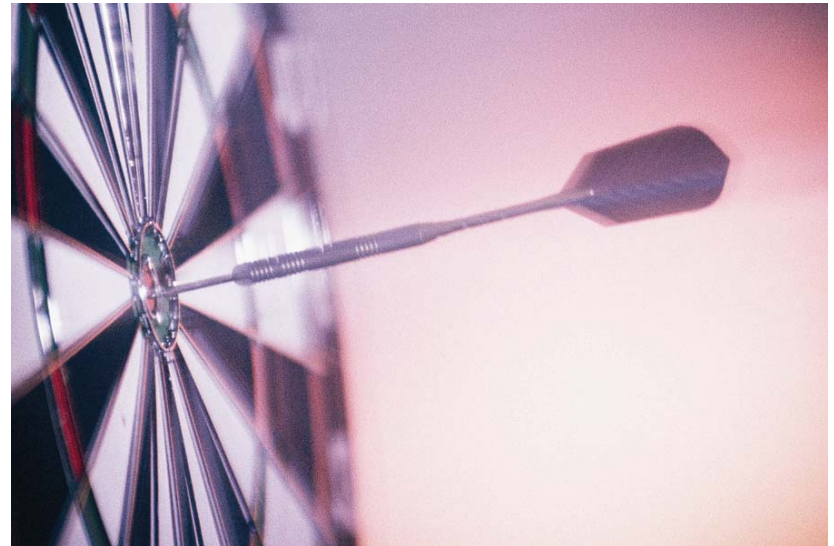


Top Reasons for Bad Surveys

- Too many questions
- Lack of credibility
- Marketing, not problem, oriented
- Scores don't link to economics; 60-80% of satisfied clients still defect

Develop a plan

- Target specific customer group
- Develop database, and reward them for sharing information
- 80/20 rule



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 your 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

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

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

Rewarding 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 Clients

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



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

Recent 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



Getting the Most from your Loyalty Program

THANK YOU FOR YOUR ATTENTION!

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