

CUSTOMER EXPERIENCE PARTNERS

Why So Many Loyalty Programs Fail - Part 3



Customer loyalty programs are no longer ‘tough sells’ to corporate executives. In fact, the availability of “out of the box” applications may have made them almost too easy a sale. However, these “one size fits all” solutions lack the necessary insight into an organization’s *actual customers’ needs and interests*. We’ve spent a good part of our careers looking for key criteria which identify ‘best in class’ programs. The most important of these criteria, is the **benefit** offered.

Interactions (purchases) with brands, products and organizations offer four basic benefits:

1. They satisfy our need for the functional/performance benefit of the product or service;
2. The service and servicing that accompanies and supports the product or service enhances our use/knowledge of the product or service;
3. The ease/simplicity of conducting business with the organization can provide ‘transactional’ benefits; and
4. “Associating” with a reputable organization or a valued brand can provide emotional/relationship benefits.

The first three of these benefits flow mostly from the basic product or service or the sales and servicing processes of the manufacturer. But a properly designed customer loyalty program can enhance and considerably strengthen the fourth benefit; the emotional benefits customers receive in dealing with a brand or company. The message? Design your loyalty program around the emotional benefits you can offer. Choose emotional benefits that are:

- **relevant** to the associated product or service;
- of **meaningful magnitude** so as to be appreciated;
- perceived as an **added-value**;
- **easily understood**;
- **simple to use or redeem** (not bogged down with extensive limitations and conditions); and, if possible,
- perceived as **offering exclusivity**.

Ultimately, the design of an effective loyalty program requires a **strategic intention**. Whatever the offered rewards, they should be chosen to be consistent with the business’s primary goal. As a case in point, think about “loyalty programs” of which you’re aware. Now consider the rewards offered as a criterion by which to assess the programs. You’ll no doubt conclude that many are not **loyalty-boosting** programs at all, but simply **volume-discount** programs! Their reward is simply a discount - the more a customer buys, the greater the discount offered. To truly increase loyalty your program needs to harness value-add incentives - offers that can not immediately be matched by your competitors.

To spot those loyalty programs that truly get it, look for those which bestow special privileges to their most cherished customers. Casinos have created extensive packages of special treatment for whales (high-stake gamblers); Neiman Marcus department stores’ Inner Circle is a celebration of specialness; and airline VIP lounges offer extraordinary amenities for frequent travelers. The true knack is determining what special privileges can be offered to one’s most valuable customers without affronting the remainder of one’s customers. To further discuss loyalty programs, contact us at:

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