

## **“Let me guess...your Loyalty Program isn't *working*?”**



### **How did we know?**

- You missed your sales target last year
- This year is off to a slow start

**So the C-suite decided a Loyalty Program is the fix!**

### **So you did it....you came up with a Loyalty Program**

- You designed it to give away points and discounts on purchases
- The more your customers buy the more points and discounts they get

### **Only problem is...**

- The number of customers signing up is smaller than you want
- The increase in sales you expected...isn't as big as you had hoped
- Now your existing customers want to know why they didn't get these points or discounts on the purchases they had made with you in the past

### **So now what to do?**

- You have to continue to offer discounts/points on every purchase
- You have to continue to offer the Loyalty program to every customer
- Your Loyalty program is probably costing you (money, margin and profit)

**The Answer? Relax...you're right where you should be....**

## That's right...Relax

- You have a program in place and your customers are aware of it
- You are acquiring information about your program every day
- You are building understanding of how your customers use the program
- You know you will make changes and now you have insights to lead you

## Your program IS working

The information and data you have acquired and will continue to acquire – is priceless

You haven't strayed from your objective....increase sales

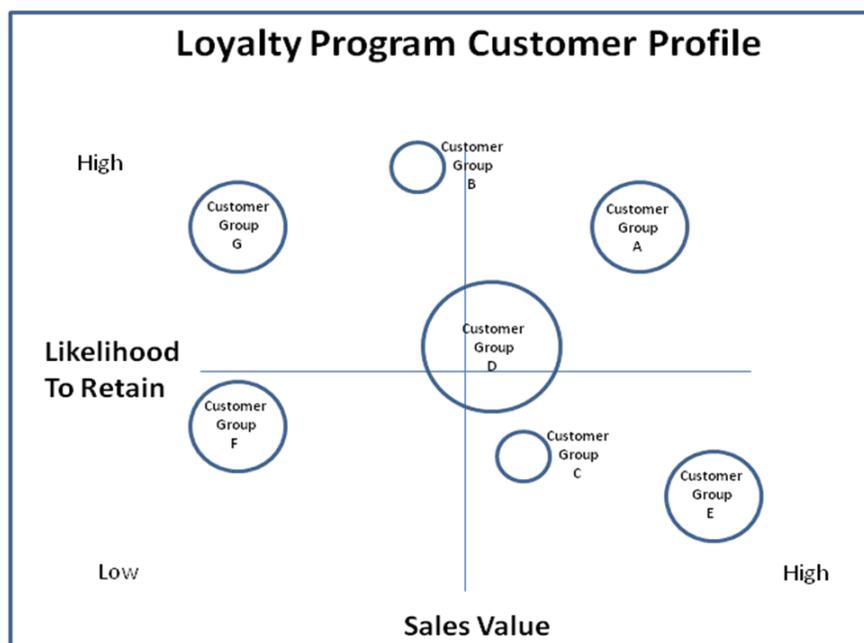
By combining these two aspects of your program you can ensure your success

## It's actually quite simple

Your objective is increased sales, therefore your program needs to incent this behavior.

To do this we have to make sure we have the “correct” customers .

1. Start with what you know: You have an existing customer base and are adding new customers.
2. Each customer has a unique “sales print” (when, how much, how often, etc.) that is identifiable.
3. To determine which customers (as we know, the cost of sales can vary considerably from customer to customer) are most likely and efficient at generating increased sales, we develop a Customer Profile of Sales.



Following your objective and ensuring that your program is both efficient and effective is as simple as developing tactics to address the specific behaviors of each of these groups. Below is a sample for each group.

**Group A: This is your current “best” customer**

Tactic: Thank and Reward – they will buy more from you

**Group B: Very high likelihood to retain, moderate sales value, small size**

Tactic: Borderline group - their small size makes them tough to optimize

**Group C: Low likelihood to retain, moderate sales value, small size**

Tactic: Small size and sales makes them costly to optimize

**Group D: Mid level retention and sales value, largest group**

Tactic: Highly loyalty influenced..should be the heart of your Loyalty Program.

Its size provides the opportunity to leverage scale.

Small increments in sales will bring large benefits and returns to the business.

**Group E: High sales value with the lowest likelihood to retain**

Tactic: Take what they give you...at the lowest cost possible.

**Group F: Low sales value, low to mid likelihood to retain**

Tactic: Not worth it to pursue.

**Group G: High likelihood to retain, low sales value**

Tactic: Test Test Test – with its retention propensity and low sales value, segmenting this group for test and control could bring valuable insight.

## Overview of the Tactics:

### Groups C and D: Traditional Loyalty Incentive and Rewards Program

By combining these two groups you can create a larger group that can attain the objectives through a more traditional Loyalty program.

Utilizing both rewards and incentives with this group will provide cost efficiency along a number of customer touchpoints.

### Groups A and E: Thank You and Rewards Program

Combining these two groups, allows for the creation of a cluster that would be responsive to a thank you or rewards program.

### Groups B and F: No Program – Mass Media Only

Given the current position of these customer groups, combined with their size and the effort that would be required to gain sales/cost efficiencies, this group would receive no loyalty, reward or thank you program, but would be exposed to your general advertising and promotional efforts.

### Group G: No Program – Test Group

This group's unique combination of high retention and low sales value makes it ideal for testing the elements of your business.

## Conclusion

Our approach to Loyalty program development, testing, implementation and refinement provides marketers with the ability to test variations in their program.

This is a key advantage of this approach, developing the ability to test and learn in a controlled manner, within segments of your customer base, you are able to identify, incent and then reward the behaviors and attitudes that align with loyal behavior.

Because loyalty is the behavior or attitude that underlies the objectives of a loyalty, rewards or thank you program, the ability to continually monitor and assess what attitudes and behaviors are aligned with loyalty, from your customers, provides you with a key strategic tool.