

What is Loyalty and How Can I Get Some?

by Kelly Passey – Access Development

Today's consumer is savvy enough to know that just because you say it's a deal, doesn't mean it is a deal.

If you want real loyalty, deliver real, relevant value—and make sure redemption is frequent and encouraged.

I MAY HAVE OVER 40 ties in my closet, but not all are created equal. I am most loyal to the one my daughter gave me two years ago for Fathers' Day—it's 100% polyester, probably from K-Mart, and may have cost as much as three dollars. However, there is an 'emotional tie' to that tie that does it for me.

In the marketplace, I like to define loyalty as the increased likelihood a consumer will engage or re-engage with a brand or product upon an identified need. Put simply, loyalty means new business, repeat business and referrals—loyalty means revenue. If your loyalty program isn't having an impact in these areas, it's time to reassess that emotional tie.

Loyalty methods vary widely and many venture into staggering complexity, yet too many of them disregard their fundamental purpose—to 'emotionally' connect with the customer. Simply having a loyalty program isn't enough, it must offer the customer relevant value and make them feel special frequently enough to actually create the ties that bind.

Offering true value is important, because a customer never tires of getting a deal. They never stop wanting to feel smart or special. Getting a good deal feels good and it never gets old—"deal fatigue" just doesn't exist.

Contrast that with "loyalty fatigue," an increasing buzzword in our industry. The average household in the

U.S. now participates in upwards of 12 loyalty programs, but is the average household a very loyal household? Or, more likely, is this 12-program phenomenon an indicator that people are still looking for the right deal and haven't found it yet?

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Effective loyalty programs do have significant power to influence purchasing behavior, with 80% of those who participate in a loyalty program reporting that their membership in the program impacts their purchasing decisions. In fact, 60% of consumers say they are spending 27% more than they did before joining their favorite loyalty program, and would spend less if a company were to discontinue.

So, why the fatigue? Consumers keep adding yet another program into their wallets—even as they are literally awash in a flood of points, miles, beans, xyz-bucks and pennies on the dollar rewards all in the name of "Loyalty." Put simply, not every program delivers the deal it promises, and customers are getting soured on that. If every program truly delivered a real deal—"loyalty fatigue" simply wouldn't exist.



ONLY CREATING A true emotional connection can remedy loyalty fatigue, and luckily, delivering true loyalty has a simple formula: 1) know your customer, 2) deliver true value and 3) keep your program simple.

First, know your customer. Take a look at your loyalty program. What is the emotional tie? Have you assumed that your customer must want points, simply because you created a points-based program? What does your customer think is important? Yes, the answer is different for everyone, but there are some universal favorites: We all like to save time. We all like to save money. We all like to feel smart. We all like a good deal.

For example, a few years ago HSBC created a Cab ride program in NYC to help customers get to the bank's branches. That one cab ride probably created more loyalty than could any number of points or miles. The program was personal, practical and memorable, and it earned HSBC an emotional tie with its customers. HSBC got to know their customers—and they offered them a good deal. And, although this approach may seem pricey, if you consider loyalty for the buck, it surely compares more favorably than your average banking loyalty program.

Next, deliver true value. Today's consumer is savvy enough to know that just because you *say* it's a deal, doesn't mean it is a deal. If you want real loyalty, deliver real, relevant value—and make sure redemption is frequent and encouraged.

A healthy loyalty program brings you “goodwill dollars” when the customer is rewarded—you invest in an incentive, and the return comes in the form of repeat business, referrals, or a larger purchase. Despite this fundamental

principle, many loyalty programs have evolved that require program administrators to discourage redemption to keep the programs solvent. Ironically, this is currently the standard model for much of the financial sector.

This phenomenon disregards a fundamental factor to loyalty—redeemers outspend non-redeemers three to one. It is not the *existence* of an incentive that will get customers to bring you more business, it is the *redemption* of that incentive. A successful loyalty program both encourages redemption *and* drives revenue. In a very successful program, redemption *directly* drives revenue.

Keep any rewards/loyalty program simple. Value your customers' time. Don't make them count points or accrue miles for years. Save them money without requiring them to jump through hoops. Make them feel smart because they got a great deal, not just because they *finally* figured out how your loyalty program works.

An easy-to-use program simply increases the redemption factor, which in turn increases the power of your loyalty program. If you want repeat business, give repeat rewards. If you want frequent business, give frequent rewards. If you want customers to think of you first, then think of them first, by valuing their time, money and intelligence with a practical program that promotes brand redemption—and therefore, brand allegiance.

Offer real value. Encourage redemption regardless of your ‘currency’. Make it easy, and make it often. In this economy, it has never been more critical to refocus on these fundamentals and create that emotional tie—the one that will bind your customer to you for years to come. **L**