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Growing Your Business Online With Loyalty Programs

By Jerry Work

This is the first in a series of articles we will be publishing relaying thoughts and ideas from the

Internet Retailer Conference in Chicago, which occurred June 5th through June 7th. Mark Goldstein, CEO of Loyalty Lab (a company that implements loyalty programs for merchants), and Gary Korotzer, CMO of Red Envelope (a company that specializes in selling gift items), delivered a presentation about loyalty programs. Red Envelope currently has a loyalty program managed by Loyalty Lab.

Loyalty programs are taking off. If you have a retail web site and you don't have some kind of loyalty program...chances are that by the end of next year you will. Jupiter Research expects that by the end of 2007, 78% of retailers doing business online will have a loyalty program, compared to 24% now. So what's the big deal?

It costs a lot more to generate a new customer than to sell to a repeat customer. Loyalty programs allow you to build a customer base that is loyal to your products, and will continue to purchase from you, rather than your competitors. A loyalty program is some kind of program that allows your customers to build up credit to apply to further purchases, or to redeem for cash. For example, a retail web site could grant a customer "points" for every purchase he makes. When he has enough points, he can redeem them for a discount on more merchandise, or possibly redeem them for cash.

To implement a loyalty program, you need some way to keep up with your customers' accrued points (or whatever kind of measurement you use). This should be done by keeping records of a customers' transactions in a database. Goldstein and Korotzer recommended tying the information to a customer's credit card number. Every time a customer makes purchases with a particular credit card, a record of the purchase is recorded along with the credit card number. In this scenario, if a customer used a different card than in previous purchases, her existing loyalty account would not receive additional credits.

You should try to make it easy for a customer to know how many points they have. Out of sight, out of mind, as the old saying goes, so make sure your customers are aware of how many points they have and how many more they need to redeem their rewards.

When you begin the process of deciding on the details of your loyalty program (exactly what participants will receive, and how much they have to purchase for redemption), Goldstein and Korotzer argue that you should explore your company's economics as deeply as possible. Two important statistics to examine are the lifetime value and acquisition cost of your customers. This will better help you determine how much you can afford to give to your customers. Another critical consideration is exactly who gets to participate in the program. You may choose to only extend an invitation into the program to the top 20% (or whatever percentage generates the majority of your revenue) of your customers. If there is a segment of your customer base that represents the majority of your income, then it makes sense to concentrate your marketing dollars on that group.

Another point that Goldstein and Korotzer emphasized is that your loyalty program should be cross-channel. In other words, if you operate a physical retail location and take orders by phone in addition to your web site, the loyalty program should extend to all of the channels. Avoid confusing your customers. Make it easy for them to gain credits and cash in on their loyalty regardless of what

channel they use to make purchases.

Loyalty programs have been around for years in certain industries (i.e., airline frequent flyer miles) but are just starting to gain traction with a lot of retailers. If you sell retail, you should begin the process of researching the implementation of a loyalty program now – before your competition does. Feel free to contact Work Media for information on implementing a loyalty program for your web site.

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Establishing A Customer Loyalty Program

By Trevor Marshall

A lot of companies nowadays are coming up with various customer loyalty programs to ensure bigger profits for their companies. This may seem to be quite a worn idea already for a customer loyalty program but people, no matter how wealthy they are, actually enjoy getting freebies every now and then.

1. The Concept

Let's try to further discuss the concept behind this customer loyalty program. With a rewards-based customer loyalty program, the customer will have fun spending more on your company due to your company's promise that the bigger points the a loyal customer receives from their purchases the

greater the rewards that they will soon get from the company. From having free expensive designer items to even an all-expenses paid grand vacation trip courtesy of the company. It really doesn't matter – the point is, it is a small amount to pay considering the years of loyal purchases that these customers have brought in to your company. Of course, this all sounds good on paper, but a truly excellent loyalty program doesn't just pamper customers, it entices them to continue patronizing your business, or even tell their friends about it, offering your business some invaluable word-of-mouth advertising.

2. Rebate Programs

A less fancy customer loyalty program is the rebate program. This is wherein the customer will be able to get a percentage back from the amount of their purchases as coupons that they can use to pay for more stuff from your company. It really is a simpler customer loyalty program as compared to the rewards system. Not only will it be easier on your company's pocketbooks, it will also give your business some added profits because through the rebate customer loyalty program your customers will, in the end, end up spending more on your company because the coupons cannot be exchanged for real currency or used anywhere else. In actuality, there is no real incentive for customers to use the program.

3. Loyal = Profitable?

A lot of people still view being able to provide your loyal customers with great service does not automatically ensure a company that their customers will stay. This is why there is a great need for an effective (but still profit-oriented) customer loyalty program. While great customer service can result in a customer making a purchase more than once, a well-designed customer loyalty program will ensure they wouldn't even ever dream of going to your competitors, and in fact, would even recommend friends to use your services.

4. The What If's

The biggest concern that most CEO's have is thus: a strong customer loyalty program can keep customers that are already loyal loyal, but what about the next generation of shoppers? And even worse, an ill-planned loyalty program, built with little or no data about your existing loyal customers, will be doomed to fail. Find ways to collect this incredibly important data months in advance of launching your program. Invest heavily in a statistics specialist, and ensure he has the latest statistics software

such as SPSS. Remember, even if you have an abundance of data, it will be completely useless to you if you can't make sense of it. Worse still is having data that wasn't collected scientifically to be an accurate representation of the population being sampled.

For more great customer loyalty related articles and resources check out

<http://www.loyalty-resource.com>



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