

Loyalty Programs May Keep Customers Coming Back – But First You've Got to Earn their Trust

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**By Julia Hyde**

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Remember trading stamps? If you're over 40, chances are you will. Every time you shopped at a participating grocery store or gas station they gave you stamps to paste into a book. When you'd accumulated enough stamps, you could cash them in for "free" gifts.

These stamps were one of the first loyalty programs. They kept customers loyal to a particular product or merchant because they offered an incentive that encouraged the customer to keep coming back - and spend more money.

While trading stamps are a thing of the past, a wide range of industries still use loyalty programs to establish long-term relationships with their customers. By far the most successful and well known is the frequent flyer program.

On the surface, frequent flyer programs appear to be all about rewarding customers with free flights just because they choose to fly with a particular airline - the more miles you fly the more free miles you get. But, if you asked the airlines who really benefits from these programs, chances are you'd hear a resounding, "We do." Ask them to explain, and they'll likely tell you that frequent flyer programs allow them to collect data on individual customers, help them tailor their mailings and special offers to the customer's specific needs, allow them to promote higher fares, and ultimately increase their sales.

But, as popular as frequent flyer programs have become they only work if the service offered by the airline is good enough to earn the customer's trust. And that means not only offering a quality flying experience but great customer service and on-going communication.

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For smaller businesses, the benefits of establishing a loyalty program are no different to those enjoyed by the major airlines. And equally, the program's success depends on first establishing the three most important elements of building that loyalty:

1. Treat your customer's right, and they'll be yours for life.

Your customers will not only judge your company by the quality of your product, but also by the level of service you offer. Offer one without the other and you may as well give up now.

Great customer service includes, among other things:

**Credibility:** Your customers should be able to trust you. No one wants to be on the alert for the small print or hidden charges. They want to know that your company can be trusted and has their best interests at heart.

**Flexibility:** Never use the words, "I'm sorry but it's not our policy." Always solve your customer's problems, even if it means losing the sale. There's nothing worse for a customer than a company that will not go out of their way to accommodate their needs.

**On-time Deliveries:** If you've ever ordered a product and been told that the delivery time is 6–8 weeks, you'll understand the frustration a customer experiences. Unless the product is out of stock, or is an international delivery, there's no earthly reason why a product should take 6–8 weeks to deliver. Similarly, if you promise a certain delivery time, you must abide by it. If you say the product will be shipped within 72 hours, then ship it within 72 hours. If for some reason you find you can't meet the delivery time, notify the customer and give them the option to cancel their order.

**Accurate Billing:** We all know mistakes happen. But when you make a billing error or you overcharge, you immediately lose credibility. Add to that the time it takes for a customer to contact you to complain or get you to adjust the bill, and you may well have lost a future sale - and the potential sales of friends and family they've complained to.

**Hassle-free refunds:** We've all been there. For some reason we change our minds about a product, or it doesn't work properly, or it's not quite what we expected. And we want our money back. Make sure your customers know this is an easy process, up front.

2. Obtain Customer Information

If you want your loyalty program to succeed you must obtain background information from your customers. A program that only requires a name, address, and proofs of purchase isn't building a long-term knowledgeable relationship with them. And it makes sense that a customer who will take the time to complete an enrollment form is going to be more interested in the product than a casual purchaser. When designing your enrollment form make sure you get information on product usage, purchasing habits, attitudes etc. That way you can tailor your products and services to your customer's specific needs. And build a database of customers who actually want a long-term relationship with your company.

### Keep Communicating

One of the easiest ways to keep customers loyal is to establish on going communication. This can be in the form of emails promoting special offers, letters announcing new products, electronic or print newsletters or even offering educational materials. Another good way of continuing communication is to send them something useful with your company name on it. These simple, inexpensive gifts keep your name in front of a customer, and help to keep them loyal.

Need some help thinking up a loyalty program for your business? Here are some suggestions.

- Gift certificates: Offer your customers a gift certificate when they spend a certain amount of money. For example, if they buy \$200 worth of goods during a six-month period offer them a \$25 gift certificate.
- Offer point programs: Give your customers points for every \$10 or so they spend. When they've acquired a certain amount of points they can exchange them for selected goods or services.
- Free Shipping: This incentive is a sure-fire winner for mail order and online companies. Offer free shipping on orders over a certain amount or on future orders.
- Communications: Newsletters, pamphlets, direct mailings, postcards, magazines, white papers etc. All these can be used to increase customer loyalty. They don't need to include a special offer or

discount, but it will help.

Properly implemented loyalty programs are a long-term marketing strategy that take a lot of work and commitment. But, getting new customers takes a lot of work too. So, it makes sense to do everything you can to make sure that every one of those customers keeps coming back time and time again, and recommends you to others.

### **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

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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.

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