

Viva Media Whitepaper 0002

January 4, 2009

Title: What makes a good Loyalty Rewards Program?

Introduction

There have been far more unsuccessful loyalty programs than successful ones. This white paper will discuss key elements in operating a successful loyalty program. We can break down these elements into three distinct operating arenas:

1. Implementation
2. Communication
3. Program Content

Implementation

The implementation of a customer loyalty program along with its operational software should begin with an in depth analysis of your business' goals for said program. This analysis should minimally consist of the following:

1. Program Objectives – How will a loyalty rewards program benefit us and our customers?
2. Strategies – What steps are we going to take to make our program successful? How will we promote it?
3. Financial – What are the investment costs compared to the long term economic benefits?
4. Deployment – Who will be responsible for the program? Who will take care of sending membership cards? How will rewards be delivered?

Once this analysis has been completed, and a decision has been made that a loyalty program will be of benefit to your company, a software solution must be chosen to handle the day to day operations of the program. In its design phase, Sysitrex Software creations looked at many successful rewards programs from large corporations before writing any code for CLTrack. We took operational elements from each of them and applied them to our design, keeping in mind that these elements would have to exist in a small to medium sized business environment.

Communication

An often overlooked aspect of a loyalty rewards program is a company's abilities to communicate: a) the benefits of the program to its customers and b) the operational procedures of the program to its staff. For the former, it is important that website information is kept up to date, newsletters advising customers of new reward items and other pertinent program information be sent on a regular basis and promotional material be displayed consistently at point of sale locations. Employing effective communication to your customer will reinforce the feeling of commitment that your company has with its rewards program in your customer's eyes.

On the operational level, it is vital that staff is kept well informed of your loyalty program's content and operating guidelines. Failure to provide this knowledge to your staff on a consistent basis can be disastrous for a rewards program. Imagine how a customer standing at your front desk asking for information on the program would interpret these two responses from your employee (assuming you are a hotel operator):

1. "You collect points and get free stuff"
2. "Our program is in place to reward our loyal customers. You accumulate points that can be redeemed for great gifts! You mentioned you liked the bath robes we have in your room. You can get one of those for about 1000 points which is about 3 nights stay here!"

The biggest problem with the first response is that you are automatically grouping your company's reward program with every other competitor's program – it is important to communicate the content of your program to your staff so, as in the second response, you can accomplish two key things. You can inform the customer what makes your program different than your competitor and you can instill the most important component of the next section, Program Content, that items are ATTAINABLE.

Program Content

The biggest cause of reward program failure is having rewards that are difficult to attain. Customers lose interest in a program if they are collecting points what seems like "forever" but never accumulate near enough points to redeem for a reward. 60% of Canadian households have an Airmiles rewards card. In the early incarnation of the Airmiles program, points were collected to redeem for free flights. Individual members found that it would take a lengthy time to accumulate enough points for a free flight, often years! This quickly created an apathetic view of the program amongst its members. To combat this apathy, Airmiles then introduced additional rewards apart from free flights that were available for fewer points. Today in marketing circles, Airmiles is viewed as THE model of how to execute a loyalty program.

When considering your program's rewards, it is important to offer a tiered spread of rewards ranging in point value so that you have attainable, desirable, and if possible, unique rewards.