4 Ways to Build & Optimize A Customer Loyalty Program

Get Customers Addicted to Your Business

The Social CRM for Franchises

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What do you think of when you hear "customer loyalty program?" If you're a small business, then the best you can do is a basic punch card. But as a franchisee or franchisor, your rewards program must have a purpose beyond reward redemption; your rewards program must capture customer information, offer security, and drive positive behavior.

In 1981, American Airlines started the first frequent flyer program for its best customers. Now every airline you can think of has their own version of the frequent flyer program – it has become a standard for what customers expect from an airlines.

Today, retailers and restaurants have a multitude of options available to create a rewards program:

- Magnetic swipe cards
- Email marketing campaigns
- Text message programs
- Facebook, Twitter, and Foursquare

Companies spend more than $2 billion a year on loyalty programs. Statistics show that the average American household belongs to 14 rewards programs but is only actively using 6 of them.

How will you make sure that your loyalty dollars are being used effectively?

Below are the crucial elements of building and optimizing your loyalty program.
Types of businesses that need a loyalty program to stay competitive & retain their best customers:

✔ Retail stores
✔ Restaurants
✔ Travel companies
✔ Salons or spas

Will Your Company Benefit From A Loyalty Program?

The following types of businesses need a loyalty program to stay competitive and to retain their best customers:

1. Retail stores
2. Restaurants
3. Travel companies
4. Salons or spas

On the other hand, service-focused businesses with customers who visit on an infrequent basis such as mechanics, lawyers, or accountants will not benefit from a loyalty program that is made to drive repeat business. These service-focused businesses will however benefit from loyalty programs that drive referrals and word-of-mouth marketing.

Answer the following questions before you build your loyalty program:

What is the average order value of your best customers?
How often do your best customers return?

In general, your best customers compose the top 10% of your business. These top customers are worth an estimated 5 – 6 times more than the other 90% of your customers.

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Rewards must drive a positive action. For example, if you want to increase average order value, then offer a complimentary cookie with the purchase of any sandwich. If you want to drive signups to your email list, then offer a 15% discount today for joining your rewards program.

Here are three universal principles that you should follow when creating rewards:

1. **Don’t limit rewards to discounts**

Discounts lower the quality of the brand and also teach the customer that the item they’re purchasing is worth less than full price. Instead of discounting, add a bonus to a purchase. For example, “Spend $10 and upgrade your smoothie to a large for free.”

2. **Utilize a point system**

Too often, franchises limit themselves to punch cards that offer “Buy 9 get 1 FREE” rewards. These types of rewards have proven to NOT drive action because the rewards take too long to get redeemed. Instead, offer a point-system driven reward where dollar amount spent determines point value. Customers now have an incentive to increase their average order value to get the best rewards that are offered.

3. **Don’t go cheap on your rewards**

Your best customers not only spend the most at your business, but they also tell their friends and family to shop at your business. Because of this reason, it’s in your best interest to offer them premium rewards that encourage positive behavior. Instead of offering a free cookie after 2 visits, offer a complimentary salad after 3 visits with the purchase of any slice of pizza. You not only increase average order value, but you also provide a big reward that compels your best customers to tell their friends about your business.
How To Maximize Customer Acquisition

Your employees are by far the most effective part of getting customers to join your rewards program. Unfortunately, employees at times forget to communicate your message or a long line forms and an employee can’t spend the 20 seconds necessary to tell the customer about the rewards program.

At a high-traffic store, quick customer turnover rate is crucial, and your rewards program needs to be fast and efficient to accommodate the needs of your customers.

The following are essentials to optimize customer acquisition and retention:

1. **Fast sign-up process**

   Punch cards are fast, but insecure and easily cheated. Magnetic swipe cards capture customer information, but take the customer 5-8 minutes to sign up. Is your customer able to spare 8 minutes of their life while standing in line? I didn’t think so.

   **Solution:** Customer-autonomous signup tied to the customer’s phone number. It takes 8 seconds for a customer to type in their phone number while in line to join your rewards program.

2. **Simple rewards management**

   Magnetic swipe cards allow the customer to earn points; however, it does not offer a platform for customers to manage their rewards and find out how close they are to a reward. After all, the closer you are to a reward, the harder you’ll work to achieve it.

   **Solution:** Utilize a universal platform that allows customers to manage their points and rewards online or on a mobile device.

3. **Attractive redemption of rewards**

   A small set of your customers will join your rewards program, but are too shy to redeem a reward or are confused about how to redeem a reward. If your customers are too shy or confused to use your rewards program, then customer drop off will occur.
Loyalty programs are used to drive behavior; however, the most important advantage of using loyalty programs is collecting customer information and data.

Send targeted, personalized messages to your best customers

By collecting a customer’s email and phone number, you can set them up for email or text-message marketing campaigns.

Furthermore, if you couple this with the information you gather about the customer, information such as preferences, previous purchases, and order value, then you can send targeted messages specifically tailored to the customer.

For example, if a customer has bought 5 sandwiches at your business, then you can send them a text message on Wednesday afternoon that says, “Buy any sandwich today and get a complimentary smoothie.” The goal here is to drive a loyal customer to try a new product by incentivizing them with a product that they already love.

Cross-promote and up-sell through preferences and behavior

You can take this to the next level by offering cross-promotions and up-sells through the data you collect. For example, if a customer is purchasing a pair of shoes, then immediately offer them a pair of socks or jeans through their rewards program. To sweeten the deal and make your best customers feel extra special, offer a time-sensitive deal on the purchase of a package of items.

“These shoes would go great with a pair of jeans from our boot-cut section. Purchase any pair of jeans now with your shoes and get 10% off your purchase today.”
About The Author
Jun Loayza is the Co-Founder and Chief Marketing Officer of RewardMe. Before RewardMe, Jun was the President of SocialMediaMarketing.com where he led social campaigns for Levi’s, Activision, and LG. Jun is a frequent guest speaker at franchise and marketing-focused conferences such as the Multi-Unit Franchising Conference, the Consumer Franchise Consumer Marketing Conference, Social Media Strategies, Web 2.0, and Y-Pulse. Follow Jun on Twitter (@JunLoayza) to start a conversation.