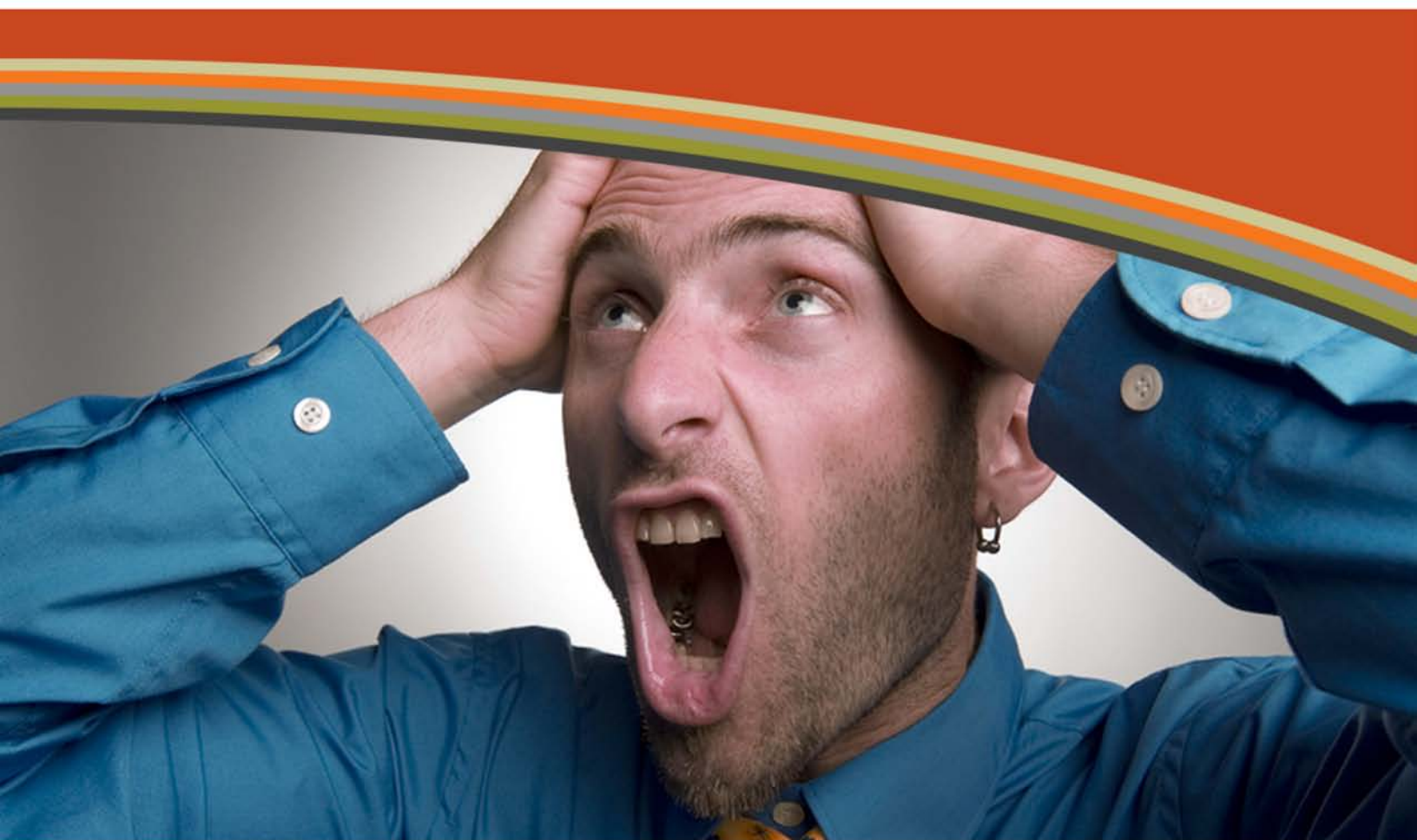


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My Loyalty Program Sucks! Help!

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My Loyalty Program Sucks! Help!

If you believe the common legend, the original loyalty program dates all the way back to 1793 when a U.S. merchant started giving out copper tokens to be collected and redeemed for items in his store (which was no doubt called Ye Olde Shoppe). But I would argue that loyalty programs are as old as commerce itself. After all, humans are generally loyal creatures by nature and smart merchants have probably always played on that trait to some extent.

Unfortunately, attempts at rewarding customer loyalty can easily backfire. A major independent research firm recently sampled 52 senior marketers and more than 40% of the respondents admitted that their loyalty programs underperform. Even worse, loyalty programs can adversely affect overall brand perception if they're not done just right.

Of course, there are some great examples of loyalty programs that actually do the job they were designed to do; you can find plenty of them detailed in Fred Reichheld's marvelous book, *Loyalty Rules!* But given that marketers have had at least 200 years of experience in designing and implementing loyalty programs, you have to ask: Why are we missing the mark so often? Basically, three common problems are to blame:



1. One Size Only Fits Some

Loyalty shouldn't be a one-size-fits-all proposition. As much as we can generalize about broad categories of consumers, each customer is unique and may be attracted to your brand for sometimes dramatically different reasons than the next customer. If you're a retailer, for instance, some customers come because of your product selection and brand inventory; others come because you happen to be the most convenient option, and so on. Designing a

good loyalty program is all about pinpointing the range of things that make your customers satisfied and makes them feel valued as individuals. You need to tune into their lifestyle and needs to figure out how to augment their satisfaction — and keep them coming back.

2. Your Data's Not Working For You

Data about customers is exploding and most organizations don't have a good handle on it. As customers participate in social media, use search engines, visit your website and post on blogs, they generate a lot of information that can be useful in loyalty program design. It's through this creation and consumption of content that customers express their desires and needs. They're laying it all out there for you, but many organizations just don't have the means to "listen": their data-harnessing systems miss some or all of the most relevant data. That's because marketing databases and data warehouses have been historically inflexible and typically can't rapidly adapt to changing data inputs.



3. Your Content Is Irrelevant

Companies often have insufficient content and no well-defined content strategy. That's because creating sufficient content to tailor messaging and promotions to consumers — whether thousands or millions of them — is hard. And so many companies still rely on blast emails, or, at most, A/B testing of certain content elements. To put it bluntly, lame content strategy has become a key inhibitor to great marketing.

A Case In Point:

Suppose John Smith is an avid, self-taught chef. As such, he's purchased a bunch of merchandise from a well-known multi-channel retailer of cooking gear, along the way joining the loyalty program. So the retailer "knows" John—or thinks it knows John.

At some point, John starts thinking about investing in a really high-end knife set. His initial research tells him that doing this may cost upwards of \$1,000, so he really wants to understand his options and get the best value for his money. In addition to surfing through the knife section of the retailer's website, he starts paying attention to some of its promotional emails. In the past, he's typically received four emails per week, but had a really low open rate. Now, all of a sudden, he starts opening those emails whose subject lines are related to knife sets — and sometimes he even clicks through to the website. He may have even gone so far as to put a particular knife set in a shopping cart, but then abandoned it.

Basically, by this point it should be blindingly obvious that John is in the market, right now, for a knife set. But his behavior also shows that he is not quite ready to pull the trigger. So how does the marketer push John over the edge? By customizing a message for John, delivered through his preferred channel, which helps him overcome any doubts he might have. For example, the value points in the message may be:

- a. Subject line reads "Knife Set Sale for You Only!"
- b. John, as a valued member of our loyalty program, we would like to offer to you \$100 off our best price on a knife set of \$500 or more, as well as free shipping.
- c. We also know that investing in a knife set is a complex decision, so we can also provide a 30-day money back guarantee.
- d. Finally, our store in your town is having a knife skills class next week. We will waive the normal fee of \$75 if you decide to purchase a set from us.

For this particular retailer, this message might apply to 1,000 customers at any given point in time. But imagine the cumulative power of being able to regularly detect such consumer "tipping points," automatically help prompt a purchase and in the process strengthen brand loyalty.

How do we do this?

Admittedly, this level of content customization is difficult, and should be thought of as a goal rather than an immediate outcome. But by adopting this goal, marketers can take the steps necessary to achieve breakthrough results. Here's how to get started:

First, you need to enhance your marketing database by converting it into an audience database. This involves rethinking your data strategy to include all consumer-related content. For instance, as consumers come to your website through search, understand all of the search terms they are using and use keyword expansion tools and match those terms to your content. Are there gaps there? Can you close those gaps?

Do the same with email and off-site visits across the web. Create meta-data about each email, so downstream analysis can help guide subsequent strategies. What calls to action worked? How much do price points matter? Look at typical patterns of behavior on your website, and map those to the content on each page.

And don't forget social media. Determine how consumers are discussing your brand by using listening tools. Track the effectiveness of each of your social-media posts. Identify bloggers who can be great distributors of your content and champions of your brand.

All of this is possible with the development of an audience database.

Second, begin to identify and personify patterns of behavior within your audience database by tying in transaction data (purchases, registrations, etc.), with all of the other behavioral data. The development of these logical personas is critical. It doesn't matter if you can individually identify consumers to get demographic-type data. Behavioral data around the consumption and distribution of your content is far more important. Demographic data should be used only to personify behavioral segments.

Finally, develop a solid content strategy. This means not only the development of appropriate content, but also describing all content correctly with meta-data. If you fail to describe your content appropriately, then you can't expose that content to analytics and reap the benefits of that exposure. When analytics can access, prioritize and select content based on consumer personas, then you can begin to start communicating with your consumers in engaging and relevant ways, in real time.



Moving to this level of marketing is a journey, but one that will provide huge returns.

Best of all, your loyalty efforts will delight your consumers, because you can offer benefits far in excess of any points-driven program. That's the beauty of analytics-driven loyalty programs: At their best they can be optimized to achieve maximum benefit not only for your company, but for your consumers.