

Presents:

State of the Loyalty Industry: July 6, 2009

The Bar Is Low...But It's Always Open: It's Time To Improve Loyalty Marketing



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“80% of Success is Just Showing Up” – Woody Allen

Everyone with an appreciation for loyalty marketing gets the 80/20 principle, as observed and cited by Vilfredo Pareto. As we look at the landscape of loyalty programs out there, this principle is in full effect as most loyalty programs out there are of the “so what?” variety.

Yet there has never been more opportunity for connecting with customers and building business. The key is for marketers and those of us in the industry, to keep raising the bar, which heretofore has been set quite low.

This is not meant to be an indictment of the industry but rather a reflection of its youth. As my friend and colleague Bill Hanifin noted in his State of the Industry piece a few weeks ago, we are only post-adolescent in terms of age.

Coming on the heels of the deepest recession in at least a few decades, marketers have an unprecedented opportunity. Customers are in play. There has been research published recently supporting the idea that brand loyalty has declined. Clearly this is partly due to economic conditions but it's our conviction that it is also because “loyalty marketing” has been on autopilot for too many, for too long.

How many industries are there, whether retail, credit cards, travel or telecom, where there are a bunch of me-too programs? How many programs can you think of that are truly breakthrough? That are truly “on brand”? And let's not forget the most important questions: Are they meaningful and valuable for customers? Are they truly generating incremental revenues and profits?

So as we consider the state of the industry, let's look at opportunities for us to grow and improve what we do – for our stakeholders and most importantly, for customers.

Setting the Bar with Strategy

"Always remember, you're unique. Just like everyone else." – Margaret Mead

Loyalty marketing needs to be more brand-centric. Customers have relationships with brands, not with loyalty programs. Way too many loyalty initiatives are formulaic. The right program for one brand should be different than the one its competitor is (or could be) offering. Take a look at your industry and see what your competitors are doing. Whatever you do shouldn't work for a competitor and vice versa.

Loyalty marketing needs to go beyond programs. Too often loyalty marketing is solely defined in programmatic terms: points and rewards, cards and key fobs, credentials and collateral.

There is certainly a time and place for traditional programs, but more often than not, there is opportunity to create and execute "programs" that are un-programs. Whether unpublished or simply integrated into a brand experience, there is more than a wide berth of opportunity here in terms of innovative strategy and program design.

Loyalty should be more natural and easy for customers. Make it easy rather than cumbersome as each successive touch point or transaction should make a customer feel better and better about doing business with your brand. For those running reward programs, make rewards easy to redeem and make them useful. Lose the excessive restrictions and don't let customers feel like they are second class because they are using a reward (it should really be just the opposite but it rarely is).

Loyalty should be integrated into the business. Many loyalty programs are still incidental to how companies operate and make decisions. Every day there are promotions offered to all customers *and* prospects indiscriminately. This is also increasingly seen in how companies promote through social media – where they provide offers via platforms like Twitter that are as good or even better than what they offer existing customers. We see this as detrimental to existing customer relationships. At its most successful, companies focused on customer loyalty will weigh the impact of most key decisions – both strategic and tactical – on how they impact customer relationships.

Last, loyalty should tie to profits. While this should need no explanation, there are still a majority of loyalty efforts out there that are either not being measured or not being measured properly. As a completely measurable way to drive organic growth, loyalty must be measured in terms of incremental profits. Beyond profits, using metrics like CompCustomers™ are essential in directing marketing investments, targeting campaigns and understanding where opportunities lie and threats appear.

Raising the Bar with Execution

"Strategy gets you on the playing field, but execution pays the bills."-- Gordon Eubanks

While the right strategy can help you break out from the competition, execution helps you stay there and increase the gap. And when it comes to executing loyalty initiatives, one of the reasons that so many companies can offer me-too programs (and succeed) is their ability to execute.

So what are the basics that set the bar for execution?

Fake it 'til you make it. Companies need to at least pretend to know who their customers are, even if they don't. And they don't do either often enough. It's important to be presumptive about recognizing customers because at least that way you don't make the mistake of not knowing a

real one. Better to treat a prospect like a customer – assuming you can't tell the difference – than to treat a customer like a prospect.

Listen and act accordingly. Companies love to do surveys and customers, especially loyal ones, love to respond to them. But too often we see and experience for ourselves companies not paying attention to what customers tell them.

Think (and act) customers first. If companies are going to be promotional, they need to consider existing customers and especially members (if they have a program) before proffering special values to prospects. The car companies were notoriously bad about this for many years before they started offering a “loyalty bonus” to existing owners. Specifically there are or should always be opportunities to create customer exclusives, whether they are offers, soft benefits or events.

Test and learn. Just like the basics of direct marketing, companies need to try new things. Different tactics, different ways to execute these tactics, and most importantly – they need to measure the outcomes. It's simple but then again, loyalty marketing (and marketing in general) should be about breaking new ground.

Be relevant. The biggest hurdle in raising the bar is relevancy. Companies need to do a better job of making their brands, promotions, communications, partnerships and services more meaningful to specific customers. Not all customers, but the specific ones that will drive growth. When companies treat (invest in) every customer the same in terms of customer marketing, that's called advertising.

Much of loyalty marketing comes down to answering a pragmatic question that every company should ask, and answer: How do we profitably deliver more value for our customers so that they continue to deliver more value for our firm? None of this is rocket science but rather is about being thoughtful about how to go about your business, with those thoughts keeping the customer in mind.

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