

Is Loyalty only about Points and Rewards



By Salim Khubchandani

Beyond the usual points and rewards, it's an endearing attitude that makes all the difference to the relationship agenda

Loyalty Programs have become a buzzword in today's competitive environment, it being a well-known fact that it is several times more profitable to retain an existing customer than to acquire a new one.

However, do all brands get it right? Is there really any rocket science behind it? The following article is only the first of many to come on this much talked about subject.

Subsequent articles in future issues will elaborate more on some of the points outlined, and more:

One evening, I needed to have a minor repair done on my car, so headed for the garage of my private, small-time car mechanic. I have been his customer, just like many others, for just about 18 months now, having visited him only on 6-8 occasions, for routine car service.

When I had last visited the garage about 3 months ago, Mr. Tan, the proprietor-cum-mechanic had informed me that they were moving premises to a new location. Shortly after this, I received a very simple letter informing me of this move. This new location is hardly convenient, besides the fact that it is further away from both, home and work.

As we headed for his new location for this first time, I was asked by the family whether it would be worth going through the effort heading to this new, distantly located garage for any future services. We discussed other options, for ultimately, as I was told, it is only 'routine car service' - hardly any core product differentiation.

After some effort to find the place, we drove in to find Mr. Tan recognize and greet us from a distance, welcome us (obviously no fancy reception areas as it was a privately run, one man show, small garage) and express warm appreciation and gratitude that we had traced him to his new location. Within minutes, the minor repair had been carried out.

I was ready to leave when I suggested to him that my car was due for its next service. At the same time however, I expressed minor concerns over the convenience of his new location. "Leave your car here and I will arrange to drop you back to your office. And if required, if you're unable to return to pick up your car at the end of the day, just give me



a call, I will even arrange to send it back to you at your office after the service is done. You're an old customer. And from you, I will even accept a cheque hereafter".

Mr. Tan had just retained another customer in me, perhaps for life. And when I went on to ask, he mentioned that over 90% of his customers had come back, despite moving to a distant, not so convenient location. There is no way I can now think of going elsewhere. Why wouldn't I drive that extra mile?

And in the case of Mr. Tan, there are no computers or sophisticated software systems, no points, no redemptions, no rewards - just a great attitude that keeps his customers coming back to him.

Loyalty can be all about pleasant surprises

Whilst there is no doubt that many Rewards based programs run successfully, for ultimately, everybody's favorite channel remains WII-FM (What's In It For Me), often, surprising the customer with an unexpected gesture can do wonders to make them keep coming back.

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One sights the case of a local, retail based loyalty program which as a gesture, sends out to its more active members, vouchers worth varying denominations which can be redeemed at this department store. Invariably when one goes back, one ends up buying even more than the value of the voucher.

Similarly, a friend of mine who carries a Platinum Credit Card recently recalled how she was pleasantly surprised to receive in the mail, a gift voucher worth US\$200, perhaps in return for having been a heavy user of the card. Like me, am sure she has spoken to many more friends of hers.

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Communication is Key

Today even loyalty cards are fighting for 'share of wallet'. One carries several loyalty cards in the wallet for purely rewards based programs, where, leave aside any 'feel good' communication, even the basic points statements may be seldom received.

More often than not, one even forgets to present such cards at the point of transaction, given such low levels of involvement, ultimately resulting in a high percentage of inactive, disinterested members. And it is quite well known, that for any points-cum-rewards based loyalty program, the greater the points accumulated followed by redemption rates, the more successful the program, for when one tastes blood, one keeps going back for more.

Communication is key to the success of any loyalty program, and this means pro-active communication, rather than expecting the member

to visit a website and find out about his points status.

With the availability of the Internet and e-mail, it is today possible to very cost-effectively and in a personalized manner, communicate with members where e-mail addresses may be available rather than expect them to take the step and seek their points status in cyberspace.

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Technology as an enabler

There is often a strong perception that running a loyalty program can be expensive, as a result of which brands often utilize most of their resources acquiring new customers. There is no doubt that with the sophisticated software and data-mining tools available today, a high degree of customization of offers is possible, adding great strength to the program.

Unfortunately however, one may more often than not find that despite heavy investments in technology and large volumes of data available about the consumers, dormancy levels or attrition rates are high, only because some of the very basic 'hygiene and attitude factors' are not in place.

Such companies invariably end up making complex ROI calculations to determine the success of their program, as ROI is one of the evaluation criteria set by them before embarking on the loyalty venture, and often not surprisingly end up being disappointed with the results.

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A Tiger one cannot dismount

Loyalty Programs have become a buzzword in the marketing environment. If one brand does not get it right and continue to hold the 'delight' of the consumer, there is every likelihood that there will be another brand round the corner to woo the consumer and get him or her to switch.

When embarking on a loyalty program, it may be best to start small, wow the consumer with the unexpected, get the basics right and develop on the learnings and successes that are reaped. The very word loyalty suggests building a long-term relationship, whether it's through points and rewards supported with the right attitude and communications, or surprising the customer.

For example, there can be no such thing like a six-month loyalty program or a one-year loyalty program. It wouldn't seem worth it for any business to let go a customer after having invested in the relationship.

If the benefits have to be reaped for the brand, it has to be seen as a long-term commitment and cannot be seen as a 'one-night stand' with the consumer.

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The views expressed in the article are his own.



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