



incentive automation

Time To Recharge

Using Customer Behaviors
to Energize Your Customer
Loyalty Program

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Time to Recharge: Using Customer Behaviors to Energize Your Customer Loyalty Program

Today, over half of all companies in the U.S. employ a customer loyalty program.

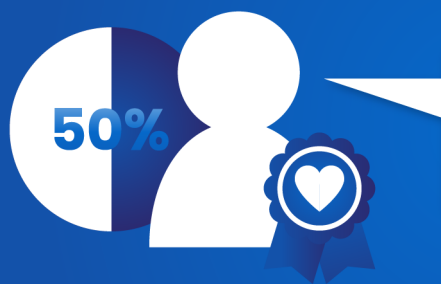
And, even more consumers participate in them.

According to Forrester, over 70 percent of adult digital consumers belong to at least one loyalty program. In fact, those who choose to participate in loyalty programs are typically enrolled in *nine* different ones, on average.

Yet, it has become increasingly difficult for businesses to actually engender the loyalty they're seeking.

Why? Because **businesses are building disconnects into their customer loyalty programs *without even realizing it.***

Here, we'll delve into the most harmful of these disconnects—and how businesses can listen to the voice of their customers to recharge their loyalty programs.



**Half of consumers say
loyalty programs influence
what they purchase**

source: <https://www.forbes.com/sites/tinamulqueen/2018/08/01/beyond-points-companies-are-using-innovative-rewards-programs-to-draw-in-customers/#320a09e9732d>

Disconnect 1: Customer Loyalty Programs Are Often One-Dimensional

Research shows the biggest problem with customer loyalty programs is that they lose steam. Return on investment tends to spike when the program is first rolled out only to plateau over time.

Why is that? Because the overwhelming majority of companies with customer loyalty programs define what “loyalty” means without consulting the people it affects the most—the customer!

Virtually no company offers customers a voice in what defines their relationship with the business or determines their loyalty to it.



“

*I do all these things with companies. I not only buy—I buy **extra** warranties and add-ons. I choose to give that company my business when it comes time to buy (in fact, I don't even check out competitors); I advocate for that company; I offer input/feedback for improving some aspect of their business. Yet, the only thing I'm recognized for is how much I buy.*

They don't care about me as a customer, they only care about me as a dollar sign.

”

- Disgruntled Customer

Too many customer loyalty programs are limited in how customers can express their loyalty. Indeed, most programs are one-dimensional. Customers are typically recognized and rewarded for a singular action, such as:



How Much They Purchase

Exemplified in the customer's sentiment above, most companies employ a total purchase volume (TPV) model in their loyalty programs. This “volume” can be measured in either total number of units purchased or total dollars spent over a period of time. Most companies favor the latter because it speaks directly to their top line.



How Big Their Purchases Are

One model that is not often used today, but is garnering interest, is the “big spender” model. In this model, it's not the amount spent in a time period but the size of a purchase whenever it does happen. The higher the customer's average spend, the higher the reward. This loyalty metric is growing in popularity because companies want to attract and engage the biggest spenders possible.



How Many Transactions They Complete

Who can forget the ubiquitous punch card model? It's essentially a way to count the number of transactions each customer makes. After a certain number of transactions, the customer is rewarded—often with a free or discounted product (or service). Its popularity stems from the fact that it's relatively easy to implement and administer, so it appeals to even smaller retailers, restaurants, and other businesses.

As popular as some of these models may be, the fact remains that they make for one-dimensional loyalty programs. The company defines the terms and customers try (or at least *some* customers try) to adhere to those terms in order to get some reward.

How to Recharge: Use Points to Recognize Various Types of Loyalty

There's another way: **Give customers choice and flexibility.**

Using an intelligent rules engine, a savvy loyalty program administrator can set up a system that rewards customers with points for any variety of ways that they choose to do business.

For the sake of the following example, let's say you've chosen to reward customers for two different factors: How much they spend and how many transactions they make.

Remember, these two factors must be connected with an important operator: "Or." Meaning, the customer can earn their way to a higher reward by spending more **or** by making more transactions.

How to Define a Choice-Based System in Your Customer Loyalty Program

Rules

Each customer earns 1 point
for every dollar spent

OR

Each customer earns 50 points
for each transaction

Customer A: Bob

In a given time period, Bob spends \$1,000 and, as a result, receives 1,000 points. He spends this much during 2 transactions, for which he receives 50 points each. Bob has earned 1,100 points from your customer loyalty program.

Customer B: Mary

In that same time period, Mary spends \$600 over the course of 10 different transactions. She earns 600 points for her spending and 500 points for the number of transactions. Mary has also earned 1,100 points in your loyalty program.

In this example, each customer earned the same amount of points; but they took two very different paths to build the same level of reward, recognition, and relationship with your business. **You've given them choice and flexibility in how they express their loyalty to you.**



Disconnect 2: Customer Loyalty Programs Don't Recognize the Journey

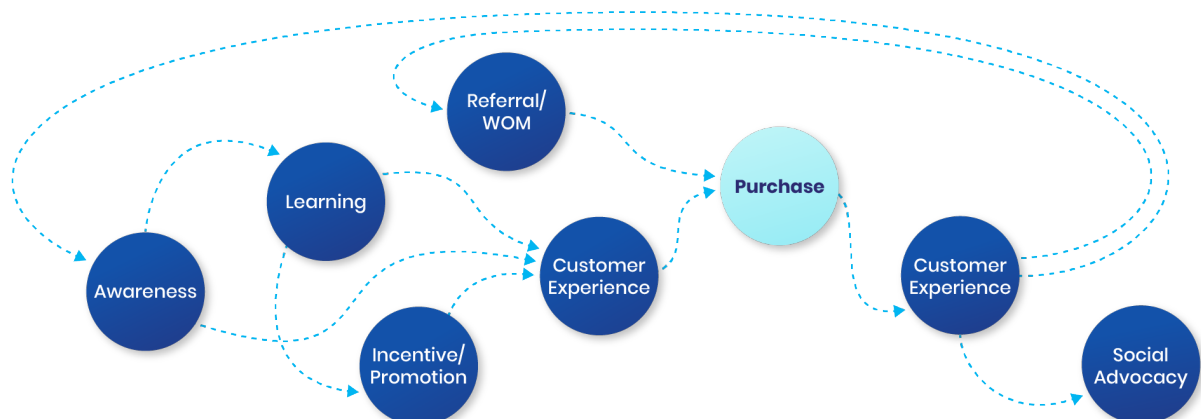
As noted, there are a number of ways customer loyalty can be measured—and rewarded—in terms of purchase behavior.

But, of course, purchases are not the only way customers engage with you.

In fact, a customer's purchase is at the tail end of what can be a long, involved decision lifecycle or “customer journey.”

Why not take advantage of all the steps along that journey to engage with customers and recharge your loyalty program?

A Typical Customer Journey



How to Recharge: Reward Customer Loyalty Throughout the Journey

The customer journey involves all the ways customers interact with your business—both before and after their purchase transactions.

Pre-purchase, customers give you their approval to market to them and they invest time in learning about your products or services. Post-purchase, customers use their new products or services and may interact with your customer experience team during setup or use. If their experience throughout the customer journey is a good one, customers may even become brand advocates who refer other potential customers to your business.

Incorporate behavioral incentivization into your loyalty program by granting rewards—or points, if you go with that system—all along the customer journey.

Some behaviors you may want to recognize include:

- **Initial program participation:** registering for your company's loyalty program
- **Content consumption:** watching educational videos, downloading ebooks, etc.
- **Past program participation:** taking part in past loyalty programs, promotions, etc.
- **Social media advocacy:** sharing your business, or your customer loyalty program, on their social media channels
- **Referrals:** referring your business, or your program, to others



Disconnect 3: Customer Loyalty Programs Go Stale After the Initial Launch

When it comes to customer loyalty programs, the sad fact is that most companies spend all their strategy capital up front. They put *tons* of thought and effort into the initial design of their customer loyalty program and then **never change it**.

It doesn't take long for this "one and done" approach to grow stale with customers. Research even proves that the ROI of this method is high at the beginning but flattens out and tails off over time.

A great strategy for recharging participation in a stale program is gamification.

How to Recharge: Implement Gamification to Keep Members Engaged

Gamification is “... a process for integrating game mechanics into something that already exists to motivate participation, engagement, and loyalty.”

Two gamification techniques that are especially powerful when it comes to reigniting loyalty program enthusiasm are **challenges** and **competitions**.

Challenges

Challenges are more rewarding for customers than immediate or near-term rewards. They empower customers to achieve more, earn more points (or other rewards), and be recognized more.

Think about challenges in the context of sports. Whether it's football, baseball, basketball, soccer, golf, or some other sport; teams (or individuals) compete in some type of “regular season” or “qualifying round.” They do this in order to get into the playoff season or final round where the real recognition is. Large sports franchises didn't adopt this model just because it generates excitement—this type of gamification has been shown to keep interest high, optimize performance, and maximize revenue.

How to Integrate Challenges into Your Customer Loyalty Program

Let's say you design your customer loyalty program with a standard fixed-goal incentive (total money spent, number of transactions, etc.) where customers earn a reward based on how much they achieve in a given time period.

Now, instead of stopping there, position the goal as an opportunity to qualify in a challenge: "Achieve this, and you'll get to participate in a much bigger program."

Customers can still earn the "standard" reward for their performance in the qualifier program, but they'll likely strive to meet an even greater goal so that they can participate in the "championship series," i.e., the bigger challenge.

Customers who don't qualify the first time around don't necessarily have to be booted out of the loyalty program. Your qualifying challenges can be cumulative so that it's not the number of points a customer makes in a single challenge but how many they rack up over a series of challenges that earns them a spot in the "finals." So, even if they fall short in the first challenge, they can re-engage as long as your loyalty program continues.

Competitions

Competition can also be a great motivator for higher participation and performance in your customer loyalty program—if implemented properly.

What you *don't* want to do is set up one universal competition.

While competition can be healthy, competition among thousands or millions of customers can actually discourage participation by all but the top performers. If you have a lot of customers you want to engage in your loyalty program, implement segmentation and benchmarking in your competitions.

Segmentation is the practice of grouping your customer population by similarities such as geographical location, demographics, household income, engagement history, or dozens of other attributes. Segmenting enables customers to compete against other customers with a similar profile to make the competition more even and fun.

Benchmarking comes in several forms, one of which is peer competition. Another benchmark may be time where the customer gets more reward the faster or sooner they achieve a target or goal. And you can even set up a competition where a customer's own past achievements are the benchmark they must outperform in order to earn a reward.

We recommend trying different forms of gamification to keep your customer loyalty program from going stale over time. Change inspires higher interest and participation.

Summary

Loyalty programs can be used to influence customers to buy certain products/services and even spend more money—but *only when businesses avoid the all-too-common disconnects that come with ignoring the voice of the customer.*

To recharge your loyalty program: Give customers multiple paths they can take to engage with your program, use games like challenges and competitions to increase engagement, and remember that loyalty is about *much* more than just the final purchase.

Wish it could be simpler—even *automatic*—to recharge your customer loyalty program?

Increase brand engagement, incentivize behaviors that drive results, and finally achieve desired business outcomes with **Fielo**—the only incentive automation platform that empowers organizations to quickly design, simply manage, and effortlessly scale impactful incentive and loyalty programs.

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