

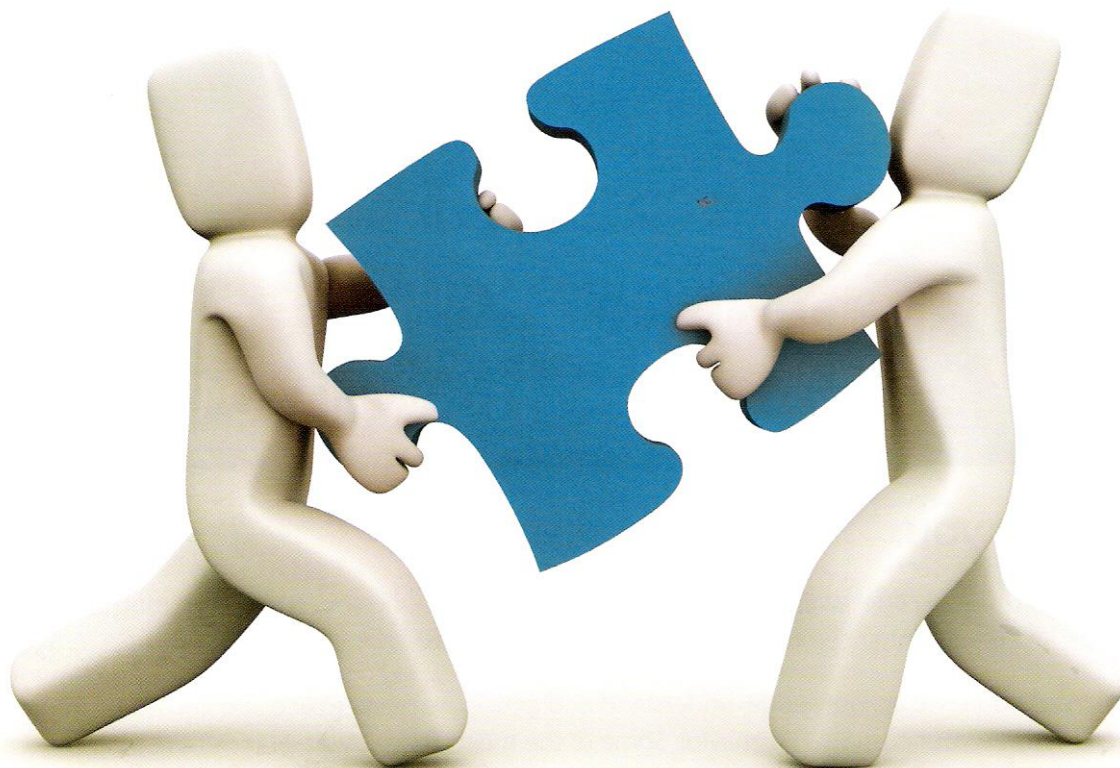
LOYALTY MANAGEMENT

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THE VOICE OF THE
**LOYALTY
INDUSTRY**
LOYALTY EXPO 2008
IN REVIEW

PREMIERE ISSUE
FEATURING
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Understanding Fuel Rewards
Tackling Common Misconceptions

PREMIER ISSUE

Loyalty: a “Symbiotic System” Not a Program

by Paul Hebert – i2i

Customer loyalty has been around for some time—over 100 years according to some sources. Starting with stamps given to customers who paid cash for purchases in the 1800’s to the more formal programs such as Green Stamps and the well-known frequent flyer programs of today. Some studies indicate that over 75% of consumers belong to a loyalty program of some kind. A Jupiter report from 2003 showed that companies spent over \$1 billion on loyalty programs.

LOYALTY IS BIG BUSINESS. Customer loyalty is the holy grail of marketing. If a company has loyal customers their cost of customer acquisition almost disappears, price sensitivity is reduced, customers’ tolerance for mistakes increases and the company realizes higher profits. Customer loyalty is good business.

Because customer loyalty drives so many great business benefits it’s no surprise that the industry continues to grow—more programs, more offers, more rewards, more points. But we’re not really getting all we can out of loyalty.

Service Profit Chain

Way back in the dark ages (1997) an idea called the Service Profit Chain was proffered by some Harvard academics—Heskett, Sasser, Jr. and Schlesinger—linking customer loyalty to employee loyalty and customer loyalty to profits and growth. Their basic premise was that customer loyalty was driven by employee loyalty, customer satisfaction was driven by employee satisfaction and profit was driven by customer loyalty. The typical representation of this idea was a “chain of events” that led to profit. This revelation drove an increase in attention on employee satisfaction and employee loyalty.

Separate But Equal

The Marketing Department typically drives the customer loyalty program and helps the business drive sales. With the new-found connection to profit through the Service Profit Chain,

Human Resources can now focus on employee loyalty and satisfaction and feel like they are contributing more to the business than just making sure W-4 forms are completed. Unfortunately—they don’t talk much. There is no connection between what the HR department is doing to drive loyalty and engagement with employees and what Marketing is doing to drive loyalty with consumers. But let’s really complicate this—Sales (sometimes Marketing) typically has the responsibility for driving sales within a distribution system—dealers, distributors, wholesalers, etc. There are a variety of promotions and incentives offered to distribution channels to drive sales. Sometimes called “frequent buyer programs,” sometimes they are hidden within “co-op” programs. By whatever form they are presented, they bear an eerie resemblance to loyalty programs—do “x” get “y,” hit a goal and be crowned a “Gold” member.

But alas, and a lack—they aren’t connected. In other words...

- HR runs employee loyalty programs
- Marketing runs consumer loyalty programs
- Sales runs distribution loyalty programs





No one runs the strategy that links these initiatives together. Now is the time to make that happen.

It's a Symbiotic System— not a Program

Loyalty is a system of initiatives that connect to, and rely on each other to be successful. Individually, programs can work—and work well. When you think of your programs in terms of a symbiotic system you can multiply the affect of any one program to create results that are greater than the individual results of each program.

By definition, symbiotic systems are any interdependent or mutually beneficial relationship between two persons, groups, etc. A true loyalty strategy is symbiotic. If you're really serious about loyalty with your customers—you then must also be serious about loyalty with your employees and distribution partners.

One without the other is incomplete and less effective.

The loyalty strategy is less a chain than a network, with interactions

between all audiences. Loyalty strategies must take advantage of the fact that employees not only deal with consumers but with the channel partners and vice versa. In addition, loyalty programs targeted

to consumers must take into account that for a majority of businesses, consumers probably interact more with the distribution channel than the sponsoring companies themselves.

It's the White Space

There is a lot of information and there are a lot of companies that provide loyalty program services from design and reward fulfillment through data analysis and business intelligence.

“A true loyalty strategy is symbiotic.”

There are also a lot of companies who can put together a great employee recognition program designed to increase engagement. Distribution incentive programs are very common and can be implemented easily. Each of these discrete pieces can be designed and implemented flawlessly—and effectively. But it is less about the individual pieces than the white space that is between them.

Do yourself a favor and look for ways to connect the white space between your programs; take advantage of the symbiotic nature of loyalty and enjoy a greater return on your program. **L**



Questions that need to be addressed include:

- What links the program for the consumer back to the employee?
- Do the consumers have a way to interact and reward great customer service? Does your employee recognition program include customer input?
- Do consumers have a way to interact with each other? Can one customer drive another customer's behavior? How are you leveraging the social networking aspect of the new economy?
- Do non-customer facing employees understand the loyalty program? Do they know what their role may be in driving loyalty?
- Does the distribution channel have a way to connect to employees at the sponsoring company?
- Are the members of the distribution channel consulted on how the customer loyalty program is designed and delivered?
- Do members of the distribution channel have any way to customize the consumer program for their audience? (Within the scope and strategy of the base program of course.)
- How does the program pull in the channel members and make them want to support the consumer program?