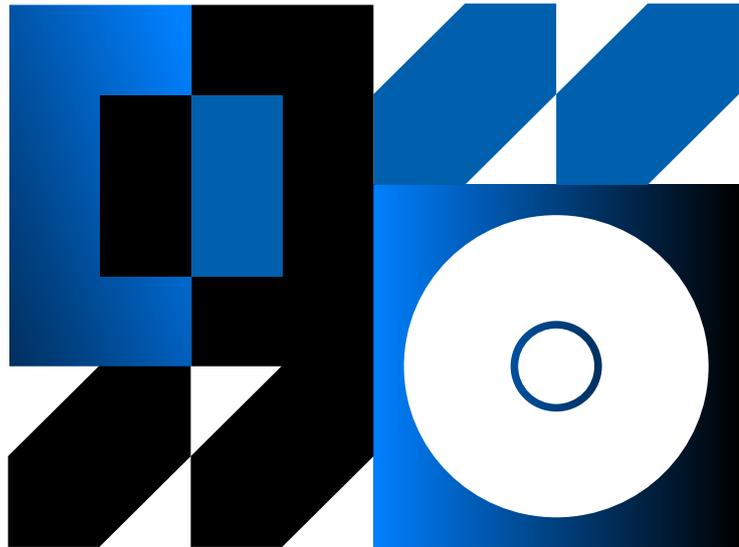






# Intro



The loyalty programs are enduringly popular among both organizers and customers. Their number in the market is constantly growing. A loyalty program is no longer just nice to have, but a must have – even 75% of consumers say they would change to a company with a better loyalty program. Besides, the loyalty programs are a popular part of marketing to build long-term relationships with the customers.

The loyalty programs are not only important for building loyalty itself, but also for understanding customer needs. They are not just occasional discounts, but their role is evolving into a customer activation center.

A loyalty program is an effective solution mainly for two reasons. **First, a customer who registers in the program is 60 percent more likely to make a purchase. Second, loyal customers typically spend up to 50 percent more than new customers.** This alone should be a reason enough for the brands to launch a loyalty program for their customers. However, there are many more benefits.

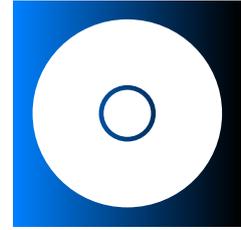
As third-party cookies are phased out, the loyalty programs are becoming the most cost-effective method of capturing data. This gives the company access to information about customers' behavior, preferences and buying patterns, so it can target its offers and campaigns on this basis. The more data criteria are included in the database, the easier and more accurate it will be to select the segment which will be targeted with a specific promotional activity. Tailored offers make the customer see their true value, and, for the company, the cost incurred turns into an investment in a loyal customer. A loyalty program also helps in budget planning, providing the opportunity to personalize communication in terms of form and frequency. In this way, you do not "burn through" budgets and only those consumers, for whom the offer is best suited, are communicated.

Simply implementing a loyalty program does not guarantee immediate success: there are several areas that need to be considered when planning the strategy and launching the project to maximize its value. Learn practical tips and charm consumers with a great loyalty program!

1.

**Data-Based  
Program Strategy**





# 1 Data-Based Program Strategy

**The customer data are the foundation of any loyalty program. Without their proper analysis, it is difficult to create a strategy that would convince many customers to register in a loyalty program.**

The development of a loyalty program strategy should be based on in-depth data analysis. This is especially true of consumer transaction data and data regarding the operation of the organization itself. Sometimes the companies are unaware of the arsenal of data they have access to.

EXAMPLE

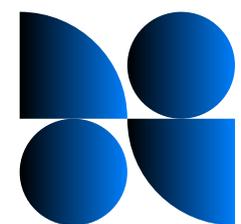
**A client approached Loyalty Point with what they thought was an (almost) finished idea for a loyalty program. They prepared their strategy based on data, but as it turned out, it was not the right set of information. Unaware that they could build a complete picture of their customer base, the client used averaged values, analyzing the value and structure of each shopping cart separately. The client was convinced that without a loyalty program, there was no way to identify individual consumers.**

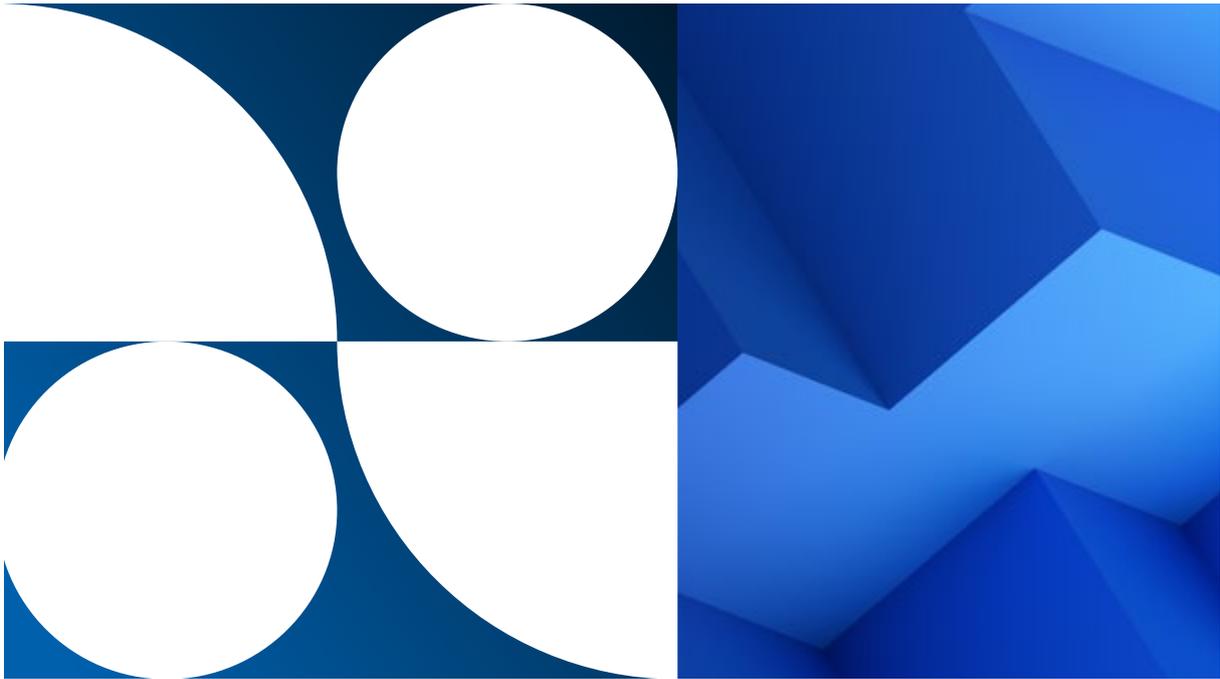
**70%** of managers believe that data and analytics have transformed the nature of competitiveness in their industries.

(McKinsey Global Survey)

**93%** of executives expect that data analytics will bring additional benefits to the business.

(Forbes)





At Loyalty Point, we looked at the consumer profile a little differently. Taking advantage of the fact that many payments were made with payment cards, it was possible to build a Single Customer View. Taking into account how many transactions were made, in which stores, and in what time interval, we were able to prepare customer segmentation based on which it was possible to create realistic assumptions for the loyalty program.

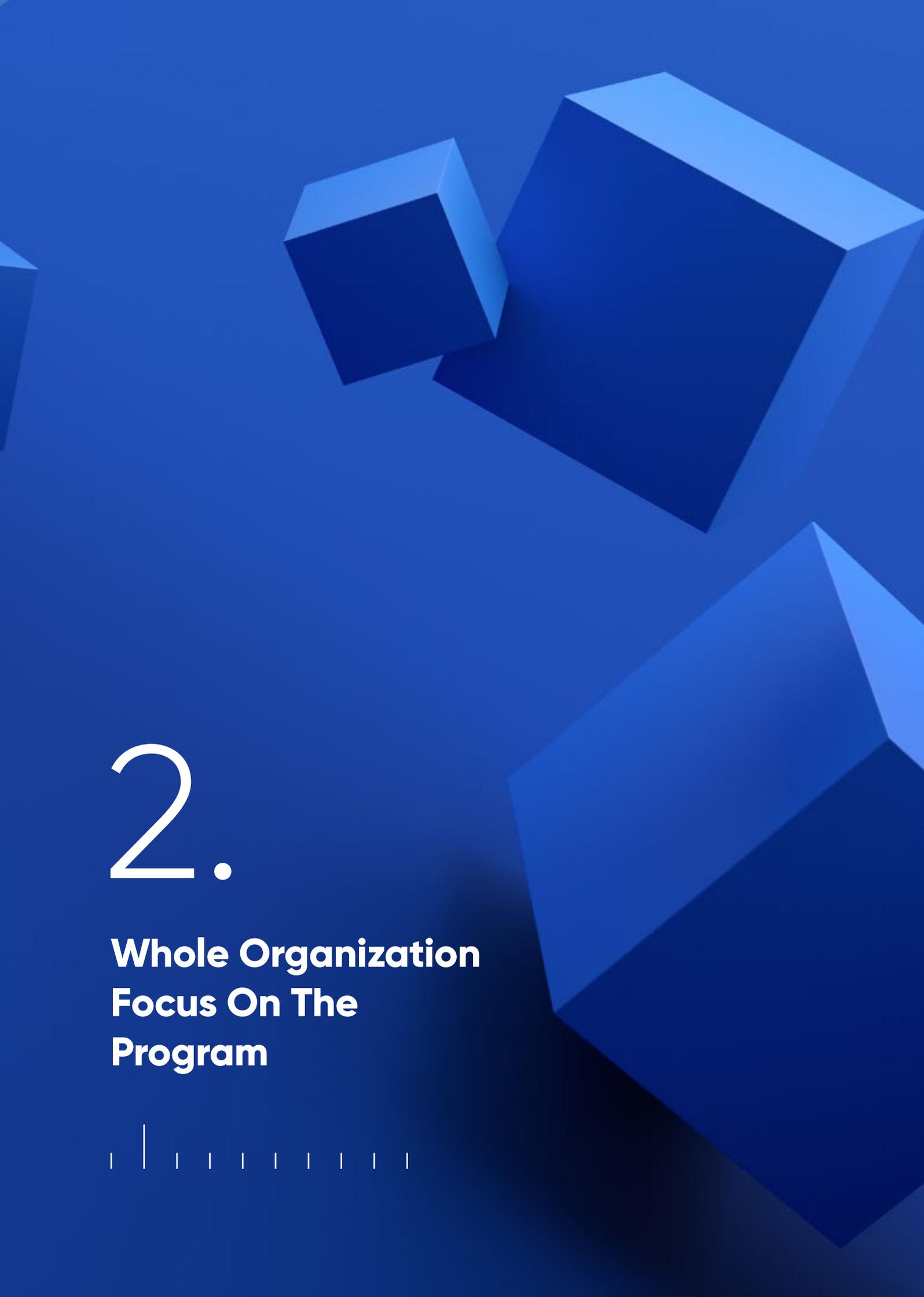
In order to identify consumer behavior, you need to analyze features that are repeated over time. Non-obvious ways of tracking, such as identification based on payment cards, boarding passes at the airports,

or assessing the frequency of shopping center visits based on license plates in underground parking lots, can help with pre-implementation analysis.

The Client's belief in no way coincided with what the store's consumer data said. A strategy based on the Client's model would have been unattractive to most potential program participants, as the assumptions were very different from what the thresholds should actually look like in a loyalty program. If the program had been created based on the Client's analysis, most consumers would never have received a reward.

## **R E M E M B E R !**

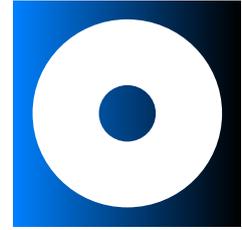
Verify each concept with numbers and a business case. Don't just rely on intuition and averages. Poor use of data is one of the main reasons why a loyalty program fails to meet customer expectations. Failure to use data appropriately results in the creation of inadequate offers in relation to customer expectations, and improper segmentation of the consumer group can contribute to program failure.



2.

**Whole Organization  
Focus On The  
Program**



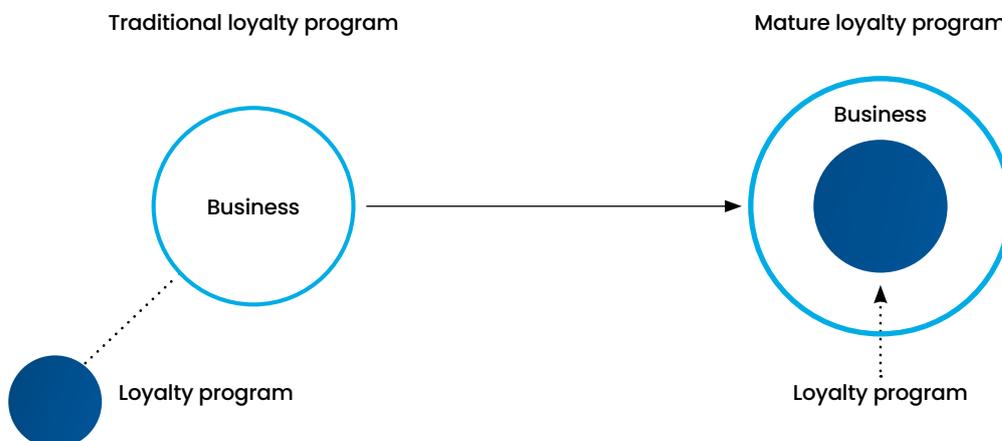


## 2 Whole Organization Focus On The Program

**At Loyalty Point, we believe that loyalty activities must be the essence of the company, and not just one of the many projects carried out to promote its products. Involvement of the entire organization is one of the elements of a successful loyalty program. A program at the center means that the customer is at the center. Knowledge of the customer and the relationship with the customer help build business. This reflects the idea that a brand should be loyal to the consumer.**

The implementation of a loyalty program should be based on an interdisciplinary approach. The whole company should understand the idea of running a loyalty program. The project managers, consultants, developers, administrators, but also salespeople in brick-and-mortar stores should strive for a common goal: to offer customers the greatest value from using the offers in the loyalty program.

### Evolution Of The Role Of Loyalty Programs In The Organization



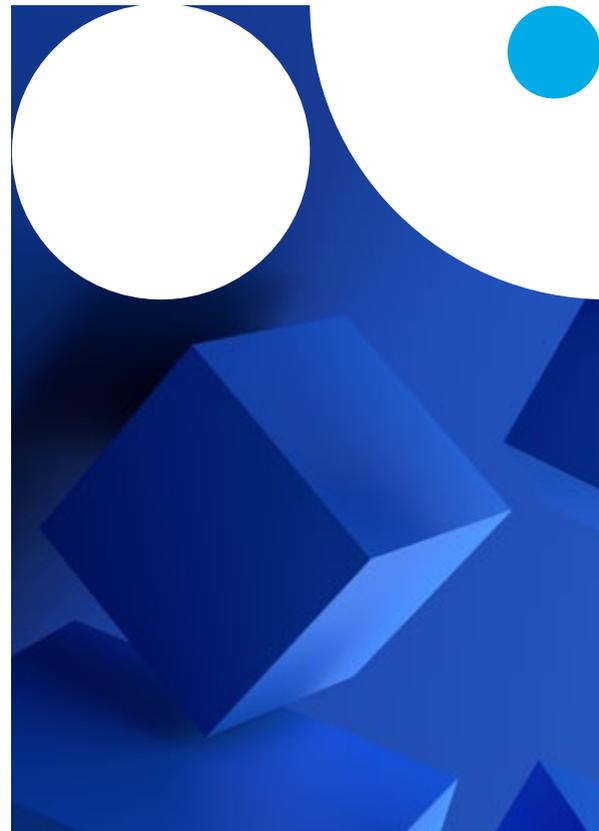
When preparing the strategy and delivering offers, the team responsible for the loyalty program cannot compete with the sales team. Unfortunately, often, within a single brand, there are offers aimed at all customers and those available only to program participants. A company that runs a loyalty program, on the one hand, encourages customers to register in the program because the “participant always has it better”, and on the other hand, fails to deliver on that promise, as it makes offers available to all consumers. And often they are even more attractive than the offers in the loyalty program, for fear of lack of interest in the latter.

by communication in the loyalty program, so activities that influence the acquisition of new program participants make sense. From our perspective, the member-only offers are the motivator to join the program. A special offer does not always have to be a price reduction. It could be faster access to a new collection or a limited edition available only to program participants. A mature program, in which the organization believes, should move toward member-only offerings.

EXAMPLE

**One of our Clients decided to dedicate promotional offers only to program participants, where only 40 percent of the transactions were registered on loyalty cards. This Client was not afraid to take the risk resulting from the fact that 60 percent of the transactions were with customers who did not participate in the loyalty program.**

Effect: The program has definitely started to grow faster and improve its quality. It generated a lot of additional sales, so the customer base grew and new segments and new personalized promotions could be created. The sales are directly influenced



**R E M E M B E R !**

**A program participant should always have better and/or more!** The offers in a loyalty program cannot compete for attention with other promotions or discount offers available to all consumers. The offer is not just price promotions, but the right mix of financial, rational and emotional benefits.

IKEA Family or Empik Premium dedicate most promotions to program participants only. In this way, they show that the loyalty program is at the heart of their business.



3.

**Every Employee  
Is An Ambassador  
For The Program**





# 3 Every Employee Is An Ambassador For The Program

**In the loyalty programs, especially retail ones, the role of staff and analysis of salespeople's actions is very important, as they are the ones who have direct contact with the customer. The employees must know well the program, understand its principles, and like it, so that they will recommend it to consumers on their own initiative and in good conscience.**

In most companies, the salespeople are rewarded for sales. A loyalty program improves customer value over time (they spend more, and come more often), so it's good for the employees to be aware of how much the company earns from a loyal customer and how attracting program participants affects meeting sales goals.

One measure of the success of a loyalty program is the customer knowledge resulting from the work of the staff, who should encourage customers to register and show their card when shopping.



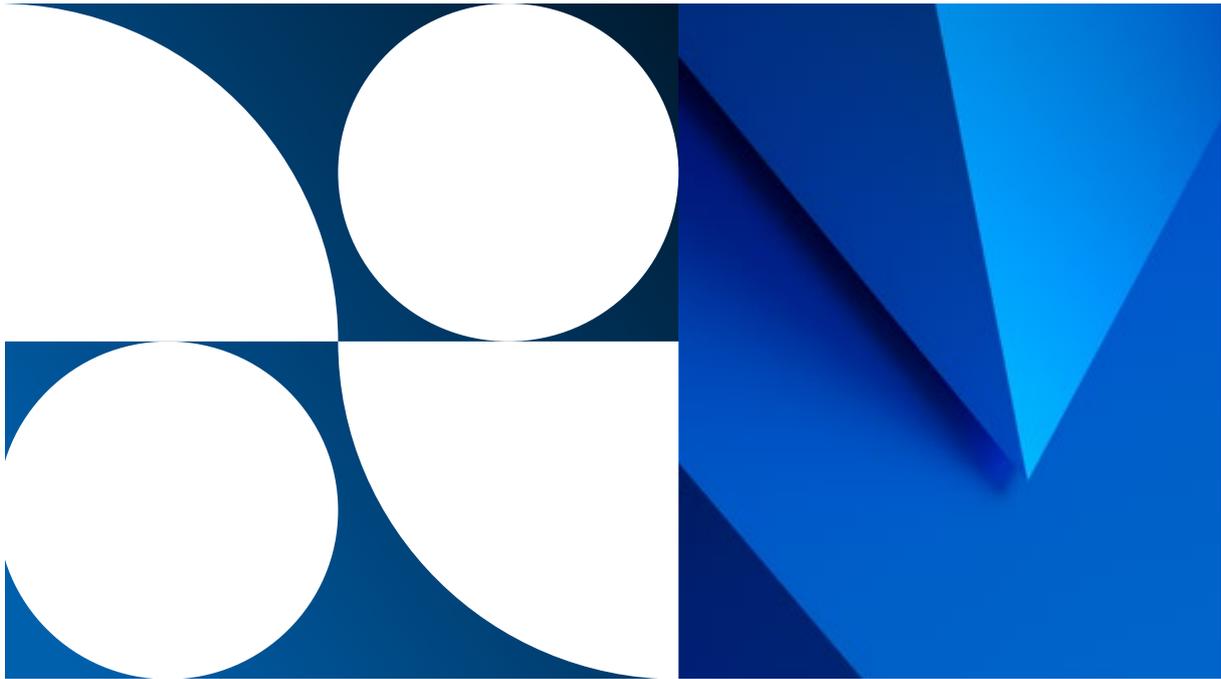
**Average loyalty program:**

**20-30%**  
**of card transactions**



**Mature/Developed loyalty program:**

**70-80%**  
**of card transactions**



EXAMPLE

One of the projects, we have recently worked on, involved two months of employee testing organized at the Client's initiative. A full-fledged loyalty program in the form of an app with offers, access to discounts and the ability to accumulate points in an individual account has been provided to salespeople.

On the one hand, the employees had access to offers within the program before the official launch of the project, so they could get to know and like the project. On the other hand, the company was able to test the performance of the program and the

application on a "living organism", so that all possible bugs or incompatibilities were verified before releasing the program to the market.

The result? Thanks to the involvement of employees at the stage of creating the loyalty program and piloting the application, as well as through comprehensive training, they became the ambassadors of the program! They recommend, explain, propose, and remind the customers to show their card at the checkout and don't ask questions like "Why are you giving me this card?". Also the application works flawlessly.

REMEMBER!

**There are more people responsible for the program than those two or three persons from the marketing department.** All employees of the company are the ambassadors of the program. Thousands of people are the face of the program, especially those on the front lines - the salespeople and consultants in brick-and-mortar stores - who have direct contact with customers.



4.

**Clearly Defined  
Success Criteria**





## 4 Clearly Defined Success Criteria

**Quantitative and qualitative KPIs help to understand how the loyalty program is performing and growing over time.**

The key to the success of any loyalty program is to have measurable indicators and to review them periodically. Constant and frequent measurement of the effectiveness of the activities undertaken enables constructive evaluation of the loyalty program's progress and planning of the next development steps.

The goal should not be, for example, just to get as many people into the program as possible. The quality of the customer base being created is equally important, which includes adequate data describing customers, in line with your intentions, and obtaining consents for marketing communications. The indicators

must be consistent across all activities and must complement each other.

When setting KPIs, it is worth keeping in mind the following questions: How big is the customer base? How active is the customer base? What is the value that the program brings to the organization?

**6 KPIs that provide a general understanding of project development, regardless of the industry and mechanics:**

1. Acquisition of program participants (quantity, but also quality)
2. Presenting of loyalty card when shopping
3. Increase in customer value over time
4. Reward redemption rate
5. Churn reduction
6. Incremental margin growth

### **R E M E M B E R !**

In analyzing KPIs, it is necessary to be able to work from the big picture at the level of the entire organization, the region, down to the detail at the level of each store or even the individual employee, his or her involvement in acquiring new program participants, or the percentage share of transactions with the card.

# 5.

## **P&L (Profit and Loss Statement)**



# 5 P&L (Profit and Loss Statement)

**Once a loyalty program is in place, monitor how it affects the company's bottom line.**

The loyalty programs are a long-term investment that takes time in terms of ROI. The marketers should be able to prove at any time that the program is earning money and is profitable. Establish an unquestionable reporting method at the very beginning.

The company must prepare a clear financial plan for the project to know at what point, under what conditions, the loyalty program will earn more than its costs. The P&L statement will help monitor the financial effects of the loyalty program on an ongoing basis.

At the strategy preparation stage, you need to develop a business case that calculates the costs to be incurred and benefits to be generated under various scenarios. During the implementation of the program, new data will appear on the basis of which further assumptions can be estimated.

Historical transaction data, collected from e-commerce or a previous loyalty program,

can be used to model the future and imagine how specific actions will influence customer behavior.

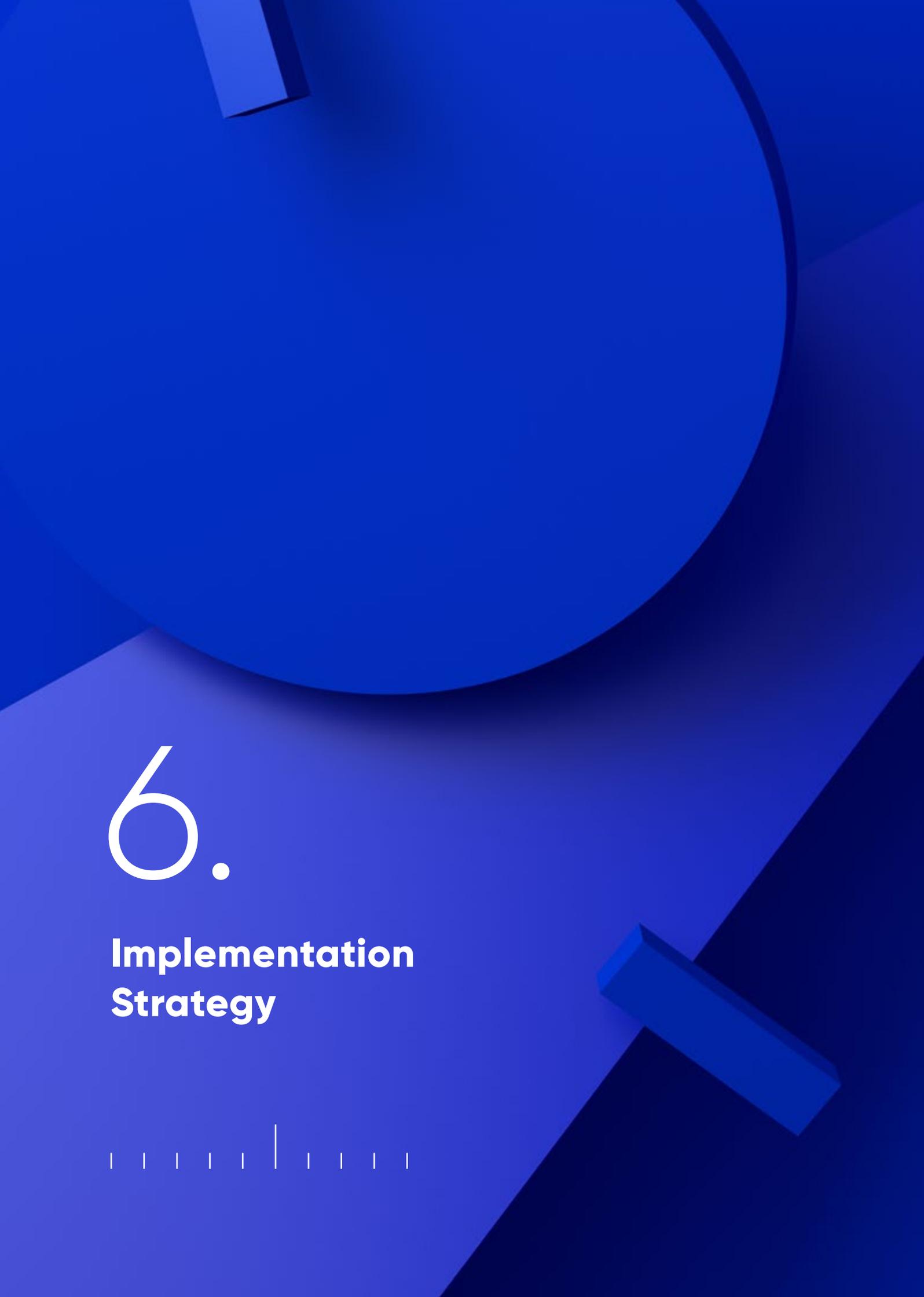
By developing a strategy based on historical data from a specific store or organization, it is possible to simulate the impact of new mechanics on changing customer behavior at the level of individual consumers. This allows the company to see what and how affects the program and consumers' activities by controlling various program parameters. In this way, costly actions that would not have the intended effect can be avoided.

The Loyalty Program's Business Impact Simulator gives you the opportunity to see what would happen if you increased the value of your rewards or cashback. Would the customer spend more? Would a higher reward generate additional store visits? Or, on the contrary, will an increase in the reward value only result in additional costs on the part of the organization?

The simulator is also a useful tool for calculating the cost provisions needed to secure the right outcome.

## **R E M E M B E R !**

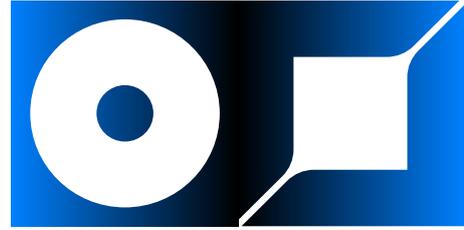
Check periodically to what extent the established vision is being achieved. Change the assumptions made if the planned ROI is not in line with the P&L.



6.

**Implementation  
Strategy**





## 6 Implementation Strategy

The success of any loyalty program depends on its attractiveness to the customer. This includes the visual layer, as well as the ease of use of the offerings in the program, or the usability of the application.

The implementation strategy should include contingency scenarios and testing at each stage. Ongoing verification of progress will help deliver the best version of the final product.

### First impressions are only made once

If there are errors, and difficulties in using the application at the very beginning of the program's operation, the customers will get easily discouraged and abandon the program. So take care of your consumers' first impression.

### The implementation of one of the loyalty programs involved:

- **A massive and wide application test before launch,**

- **Preparation of a leaflet dedicated to the loyalty program, extensive explanation of even the simplest rules of the program,**
- **ATL (TV) ads in the prime time,**
- **Preparation of a great offer.**

Effect: 6 times higher-than-targeted enrollment rates in the first month of the program's launch. Good materials, good offerings, and in the end, strategic and thoughtful implementation will result in massive interest in the loyalty program!

### Turning To Mobile

Currently, the lion's share of programs is based solely on mobile applications. The consumers transfer their experiences between industries. Since many applications (including Instagram, Netflix, Spotify) work flawlessly and are very refined, the consumer's expectations for loyalty program apps are rising. This includes the visual side, usability, as well as the process of communication and personalization of offers.

## REMEMBER!

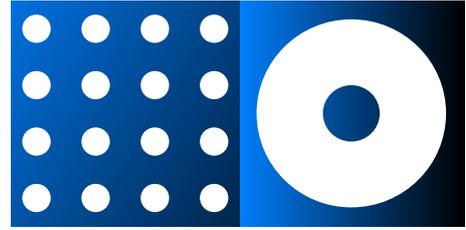
Even the best strategy won't convince the customers if the program is visually unattractive and difficult to use during daily shopping.

A 3D blue staircase graphic on the left side of the page, ascending from the bottom left towards the top right. To its right is a large, light blue circular graphic with a dark blue inner ring, resembling a stylized 'O' or a ring. The background is a solid dark blue.

7.

**Mechanics**





# 7 Mechanics

The mechanics must be engaging to positively influence consumer behavior and encourage them to use the program. An easy-to-understand, uncomplicated mechanism and simple reward rules are the key to winning customer recognition. If a loyalty program is to be a business driver, only the simple things have a chance to work. Every consumer should quickly

understand what is expected of them and how they will be rewarded for that. The fewer deviations from the main rules, the better. Taking into account the specific features of the company, the constraints present, the profile of its consumers, you can choose the best way to reward the participants. The mechanics must fit into the natural behavior of customers.

## The most commonly used mechanics in loyalty programs:



cashback



status mechanics  
(membership levels)



point-based  
mechanics



offer and free gift-based  
mechanics



gamification



hybrid

**Not every type of loyalty program mechanics will benefit every brand**

On the one hand, the mechanics should provide a good experience for program participants, and on the other hand, it should not be problematic for employees to use.

From a participant’s perspective, all loyalty programs are similar. From a marketer’s perspective, even small details can make the participant’s experience completely different. Knowing what type of loyalty program best fits a particular brand gives you a head start in designing the concept and increases the likelihood of delivering an experience customers will want to identify with.

Recently, gamification has been gaining popularity, making it possible to diversify the basic mechanics in the loyalty program (points, cashback, membership levels) and engage customers beyond the purchase cycle. Accomplishing the set tasks gives the program participants a sense of satisfaction and increases their motivation to make a purchase, and makes it easier for the brand to achieve its business goals.

**The main benefits achieved by the company are:**

- **Consumer motivation for periodic actions and activities**
- **Engagement beyond transactions**
- **Building a positive experience**
- **Encouraging customers to produce their program card**



You can read about the benefits of using the other mechanics at <https://www.loyaltypoint.pl/en/1de-program-types/>

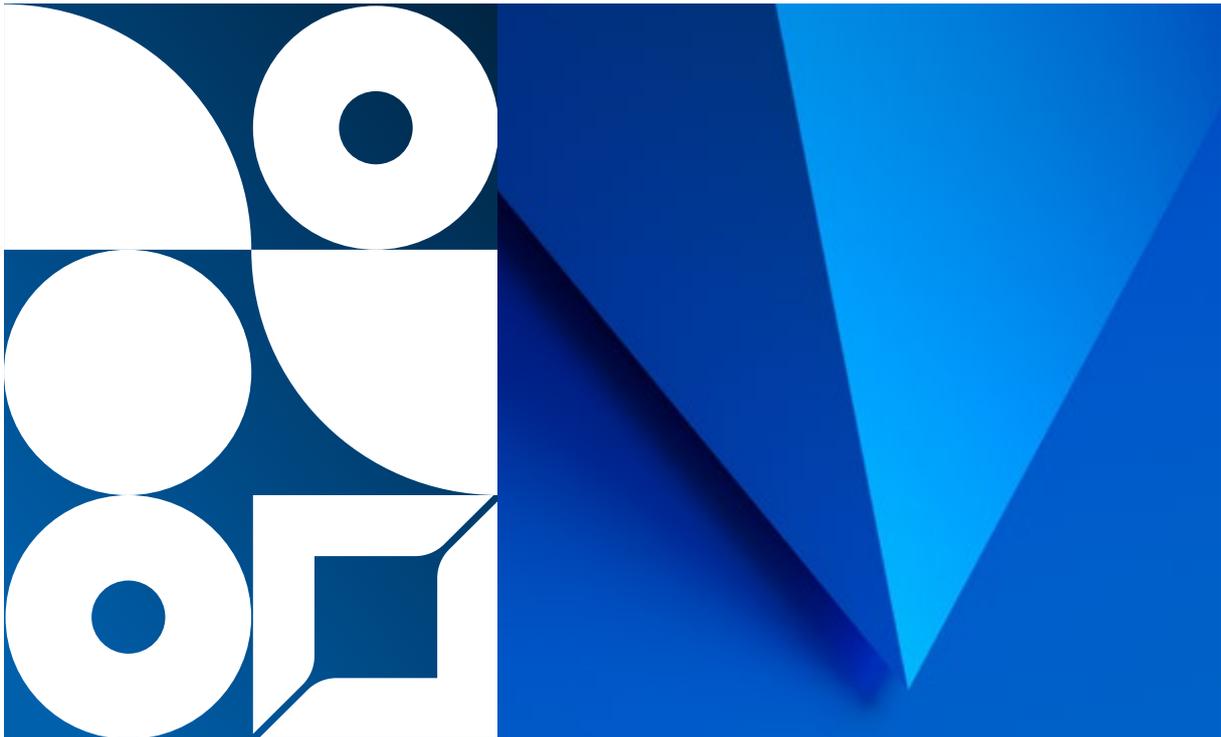
**R E M E M B E R !**

When deciding on a specific solution, analyze well the technical and operational capabilities on your side.

# 8.

## **The Right Relationship Between Participant Involvement And Benefit**





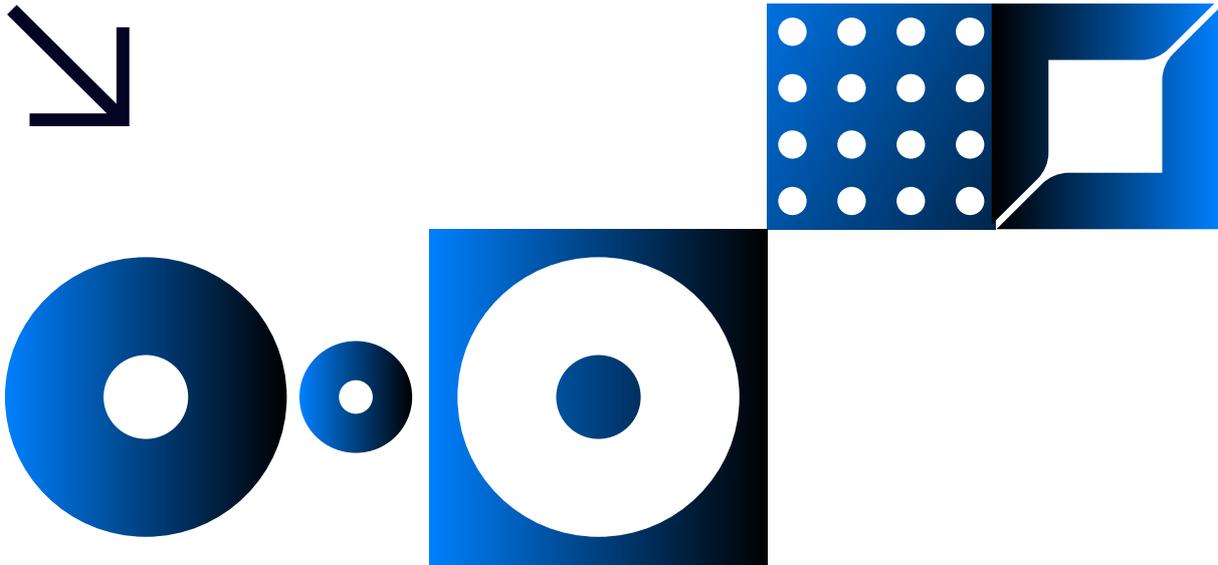
## 8 The Right Relationship Between Participant Involvement And Benefit

The effectiveness of the program may depend on the type and value of the benefits available. Above all, the reward should meet the expectations of the program participant, with the important thing being that it should be adequate to the degree of commitment.

Common mistakes should be avoided consisting in, on the one hand, **inappropriate selection of rewards** in terms of the needs and expectations of the target group of the program, and, on the other hand, having an unfavorable **conversion rate** that is the value in relation to

the time and expenses that the average customer must incur to obtain the reward.

Almost anyone is able to point out the programs in which receiving a reward is a long way off in time or its value is completely inadequate to the effort and cost it takes to get it. Excessively high requirements in the context of receiving a low-value reward discourage participation in the program. On the other hand, very valuable rewards in the form of expensive electronic equipment, unreachable by an



average customer in a measurable amount of time, can also have a de-motivating effect on program participants.

Some of the first loyalty programs in the Polish market used a point-based mechanism, where, unfortunately, the value of one point was inadequate for the participant's expenses. After a while, people began to see the irrationality of the conversion rate, and that is why point-based programs ceased to be attractive in their eyes for a long time. However, the point mechanics will have some advantages: this solution is clear, transparent and easy to understand, which is why many successful loyalty programs still use it. For the organizer, the currency in the

form of points offers great flexibility in terms of the costs associated with the rewards. This allows companies to offer products from their own product range and select them based on their own business goals.

The ideal catalog of in-kind rewards and membership benefits should be the happy medium between the value of the customer's spending, the exclusivity of the benefit, and accessibility in terms of the company's logistical capabilities.

The reward does not always have to be an in-kind award. Nowadays, all sorts of privileges, better treatment, or unique and personalized rewards, the value of which is difficult to estimate, work great.

## **R E M E M B E R !**

### **Underestimating loyal customers will cause the loyalty program to fail.**

The program participant deserves more, such as extended return time, lifetime warranty, faster identification in the complaint process, stored shipping address. A loyalty program can be an effective tool for improving the customer experience.



9.

**The Right Mix  
Of Rational And  
Emotional Benefits**



# 9 The Right Mix Of Rational And Emotional Benefits



**The discounts do not tie customers sufficiently to the brand. Rewarding your customers for the transactions only with more points in their account may not be enough. So how do you build an engaged community?**

The customers who buy more often and spend more should be rewarded for their loyalty. The price discounts can't generate long-term commitment, so the entire customer service process for the participants should offer additional value, from in-kind rewards, through rational benefits in the form of extended return time or better identification during the complaint process, to emotional benefits related to, for example, supporting local charitable initiatives. It's worth rewarding customers outside of the purchasing cycle, for example, by rewarding them for product reviews or recommending the program to their friends.

**9/10**

**loyalty programs is based on transactional rewards only**

(Capgemini „Reinventing Loyalty Programs for the Digital Age“)



**77%**

**of loyalty programs based only on transaction discount actually fail in the first two years**

(Capgemini „Reinventing Loyalty Programs for the Digital Age“)



## **R E M E M B E R !**

When you offer more than just price discounts, it will help you to differentiate your business from the competition and influence emotional attachment to the brand. Seemingly simple benefits that cost little can significantly improve the experience. An inspirational newsletter, contextually tailored to the consumer's needs or the brand's involvement in local communities, supporting schools, orphanages or shelters in the consumer's neighborhood make them want to be identified with the brand, eager to use the offer and, most importantly, stay loyal for a long time.

# 10.

**Understanding  
The Phases And  
Development Of The  
Program Over Time**





# 10 Understanding The Phases And Development Of The Program Over Time

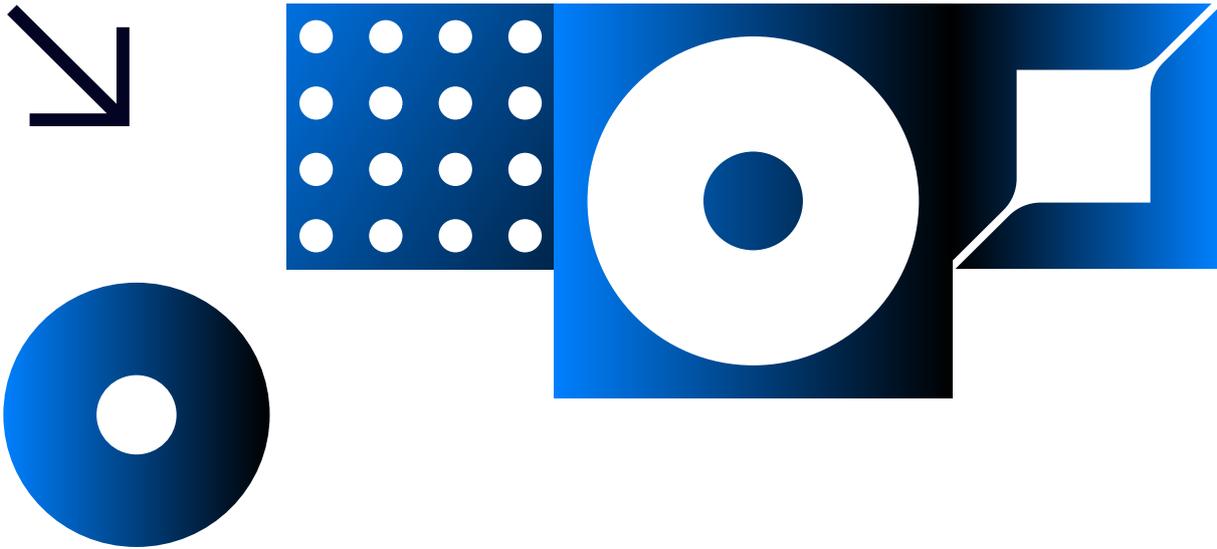
**The number of areas and things you can and would like to secure when implementing a loyalty program sometimes exceeds your time and budget.**

It is important to understand the phases of program development, prioritize activities and allocate budget in appropriate areas consistent with the project development phase.

A loyalty program is a long-term process that evolves over time depending on many factors. It is therefore important to observe and understand the successive phases

of development in order to match the activities carried out within the program to its capabilities. Knowing that the resources of time, people and money are limited, it is necessary to match activities to the stage of the project accordingly.

In the beginning, first of all, you need to focus on building quality customer base. Only when the customer base is large enough, filled with qualitative data and communication consents, will it be possible to implement advanced analytics and deliver personalized offers on an increasingly large scale.



A loyalty program can have many phases depending on how complex it is.

**The basic stages include:**

- 1. Database creation**
- 2. Building knowledge (collection of information from all touch-points, not only in the context of transaction data)**
- 3. Communication and use of knowledge to increase the efficiency of the entire organization**

In addition to the enrollment to the program, the producing of the card during purchases also matters, enabling the brand to gain knowledge about the customer, what they buy and how often. It is up to the organizer to make all stakeholders aware of the project and get their interest, i.e.: the sales

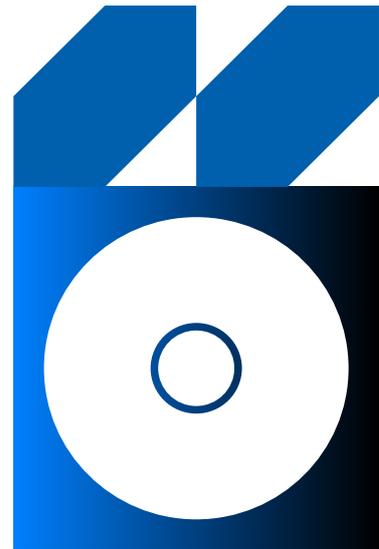
department, which prepares the offers, the marketing department, which takes care of the program's visibility, the operations staff, and the employees at the points of sale responsible for interactions with the customers.

Good implementation of the first phase provides the program organizer with a scale of data, adequate knowledge of customers and their behavior, so they have evidence that the program is making money.

Every employee will be eager to get involved in the program if the company can show how much the program earns, how much additional revenue it generates and what individual employees gain from the effective operation of the program.

**R E M E M B E R !**

**It will be as costly to calculate scoring on an undersized database as to do it on a database which is dozens of times larger.** The difference is that it is only on a large group of program participants that the offer will bring a profit, rather than being a generator of unnecessary costs. You can only afford niche, select offers and promotions once the customer base has reached an appropriate level of numbers.



## Choose A Flexible And Scalable Tool To Develop The Program Over Time

**The loyalty programs have been set up in a “closed way” in the past. The mechanics and benefits were planned as permanent solutions and it was difficult to modify anything. The current dynamics of events is forcing organizers to make more frequent changes and more personalized offers. The traditional solutions do not provide adequate differentiation and personalization.**

It is important to ensure that the program can grow over time. The loyalty programs should change to attract attention using the freshness effect. The businesses must have a tool to differentiate their offerings in a world of rising customer expectations.

[Loyalty Drive Enterprise](#) is a no-code CRM tool that is designed for business users to have a real impact on the operation of the program without the need for developers. The marketer receives ready-made software, where he or she can extensively test and make changes to the program’s offerings or within the mechanics on his or her own, and develop the program as the size of the customer base grows. The wide functional range and modular design of the platform allow you to choose the most suitable model of loyalty program, depending on the type and size of the project, its structure and the number of users.



**Loyalty Point** is the most awarded integrated marketing agency. We create long-term relationships of brands with consumers and consumers with products. We have nearly 20 years of personal experience in building and managing customer loyalty. If you have any additional questions, after reading this guide, don't hesitate to contact us. If you are thinking about implementing a loyalty program in your company or want to validate your existing loyalty-building activities, email us at [kontakt@loyaltypoint.pl](mailto:kontakt@loyaltypoint.pl)

# LOYALTY POINT

We will be happy to get to know your customers and your business and, based on a deep analysis, propose the best solution, tailored to your business. The approach we offer at Loyalty Point is very methodical, and in addition to analyzing the data available in the organization, it also involves reviewing the available IT tools, team structures and processes.