5 Challenges to Building a Loyalty Program — and How to Overcome Them

Today's customer has an ever-exploding choice of companies to do business with. As a result, finding an answer to the age-old marketing question of, "How do I remain top of mind for my customers, and what programs help me build lifelong buying relationships?" is more pressing than ever.

For almost any market segment with two or more competitors, one solution to this challenge has been loyalty programs. Done right, a great loyalty program can tip the scales during key buying decisions and centralize a customer's spend behavior.

So why doesn't every company spend the time and money on loyalty programs? For starters, big programs cost millions of dollars each year to operate, and it's hard to justify in the world of increasingly smaller, faster companies. Many believe the product and experience simply have to be overwhelmingly superior to "earn" loyalty.

Yet for many companies there's a middle ground that presents an opportunity to solidify relationships for years without resorting to printing millions of plastic cards and discounting your products and services. New-school marketers understand that a differentiated experience for their best customers will demonstrate their core commitment to customer satisfaction, which absolutely affects buying decisions over time.

So if loyalty is achievable by companies of all size, why aren't marketers doubling down? Let's look at a few common challenges, and some strategies to overcome them.
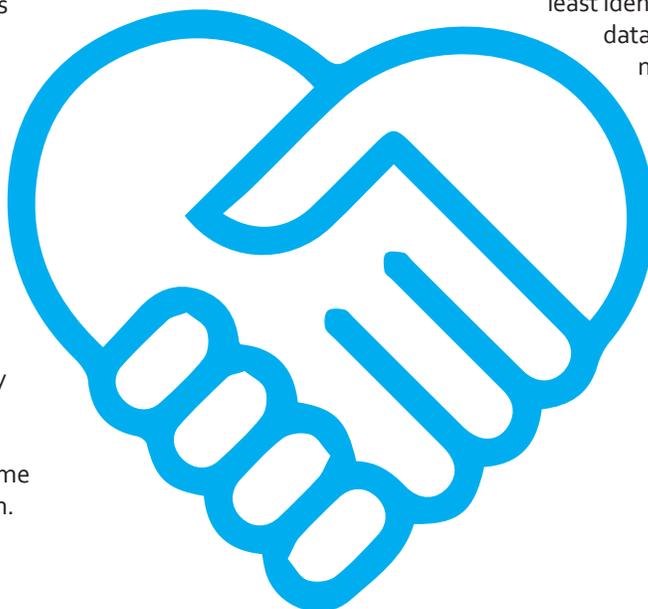
CHALLENGE #1 — ## No Cross-Channel Customer ID

Among the most fundamental reasons brands can't get traditional loyalty programs in place revolves around understanding customer behaviors (particularly spend) across channels. Something as simple as tying ecommerce purchases to call center buying events can be tough when you don't have a fully baked identity schema that flows across multiple technology systems and customer groups. Even understanding when a prospect is deeply researching a purchase online but ends up converting in another channel is a use case that many marketers can't solve.

THE SOLUTION: If you're in growth mode, take the time to put a Customer ID project on your product road map. It might not have immediate revenue lift the way a pure acquisition program would, but understand the combination of cost savings and incremental lift during the next 18 months.

Think through making your site login process include the key identity elements of your site-based cookie strategies – for both known and anonymous users. Ensure your touch points can all at least identify your users, and begin to aggregate data in a central place — whether that's a marketing automation platform, CRM or other central repository. Don't let perfect be the enemy of good — just get started soon!

Dave Walters
Marketing Evangelist

Working Toward a Single View of Your Customers
View the video >>>

CHALLENGE #2 Marketing Department Bandwidth

Few marketing departments have the time to implement a wholesale revamp of their approach while still executing their plan. As marketers, you're swamped and there isn't usually a cavalry coming to your rescue. This is where you have to simply buck up, and start small.

The Solution: Force yourself (and your group) to spend a minimum of one day a month on future-state marketing — do it two to three times monthly if you really want to accelerate your progress. Map out your key segments and dig deeply into how they interact with you. What are their objectives (research, purchase, problem resolution, etc.), and how can your marketing help them complete the task faster and with a few unexpected moments of delight? Don't wait until you're 100 percent confident you can execute the entire program before taking the first customer analysis steps.

CHALLENGE #3 Low- or Variable-Margin Business

Most discounting models are built on everyone on your list receiving an offer and then calculating what percentage of recipients will redeem it. This can be a tenuous line for even great marketers to walk — understanding the perfect balance between audience size, margin giveaway and top-line revenue growth. As a result, many retailers lament the fact that they feel their competitors are forcing them into a discounting strategy.

5 Post-Purchase Messages That Build Loyalty after a Sale

If a customer hasn't enrolled in your loyalty program yet – or you're still working on creating one – use these post-purchase emails to help build the relationship:

1) **Post-Purchase Welcome:** Warms new customers to a company's email program, educates them about what to expect from future messages, and incorporates the fact that the new subscriber made a purchase within the content. In this email – or as part of a series of onboarding messages – you should also promote your loyalty program if you have one.

2) **Profile Enrichment:** Invites recipients to provide demographic information, brand and category preferences, general interests and related data – which you can then use to send the kind of relevant content that drives engagement.

3) **Post-Purchase Support:** Provides tips that customers can use to get the most out of their new purchase, thereby extending the quality and experience of the relationship and the use of the product and services you offer.

4) **Share Your Experience:** Invites customers to share photos or stories, related to products they purchased from you, via social forums. This is a great way to boost "stickiness," spread the word about your company and identify possible brand advocates.

5) **Best Customer:** Sent when a customer crosses a previously determined threshold indicating this person ranks among the upper echelon of a company's customers; usually includes a special offer or gift designed to surprise and delight the customer. It can be used in conjunction with a loyalty program or as an interim step.

For more ideas for driving loyalty and revenue, check out Silverpop's "Ultimate Guide to Post-Purchase Messages" ebook.

The Solution: Build on your deepening customer knowledge, and focus your best offers on the smallest, most qualified audiences. Conceptualize and test offers for users displaying overt buying behaviors — and be thrilled to give away a strong discount to a highly qualified user whose repeat business you now have a chance to earn.

In addition, if your company has a mobile app, consider using in-app inboxes to send time-constrained offers and single-use promotional codes to specific users. For example, if you wanted to send out an aggressive coupon to your best customers, you could place an offer for 40 percent off in the app inbox of select contacts. Then, when you hit a threshold where a certain number have been redeemed, you could pull the offer back out of the inbox. This concept of "narrowcasting" gives you the ability to provide your best customers with some amazing offers while helping avoid situations where you give away more margin than you're comfortable with.

If your margin is so small you simply can't (or don't want to) discount, think about how you could enhance a buyer's experience via VIP treatment. Often the best customers aren't motivated by price alone, so try alternatives like having early sale hours, double loyalty points or access to a personal shopper. If your customers aren't clamoring for discounts, do yourself an epic favor and don't even start the conversation. Only in rare cases are coupon-driven customers the type you want to build your business on.

CHALLENGE #4   Lack of Executive Support

In some cases, marketing departments are plagued by a mismatch of priorities between marketing practitioners (typically managers and directors) and business executives (typically VPs and above). Often it's around staffing and relates to the bandwidth challenges discussed in #2, but there are also a small percentage of old-school executives focused on database size, as if there's an incremental 20 cents of revenue for every person on their list. Some VPs even have their variable compensation tied to list growth.

The reality is every person in your database who hasn't interacted with you in the last six to 12 months is much more likely to represent a risk to the overall health of your marketing programs by messing up your deliverability scores. And it goes without saying that delivering a better buying experience to an existing customer to drive incremental revenue is less expensive (and risky) than trying to double your list every 12 months.

The Solution: There are plenty of issues to manage upward, but the bottom line is that success levels all playing fields. If you can demonstrate money saved, revenue grown or customer satisfaction elevated, you'll have a much better chance of changing the conversation around topics like hiring and list growth.

Loyalty Success Story: 1-800-GOT-JUNK?

1-800-GOT-JUNK? is a full-service junk removal company whose friendly, uniformed drivers have set the standard for professional junk hauling and great customer service. Prior to implementing Silverpop, the 1-800-GOT-JUNK? team's email program consisted primarily of batch and blast messages with little strategy, segmentation or customer experience in mind.

Looking to increase customer loyalty and retention while generating new leads, the 1-800-GOT-JUNK? marketing team launched an automated loyalty program. Customers who reach a certain Net Promoter Score are placed in a four-email, automated program that runs for 90 days. The messages contain both organizational and recycling tips that link to the company blog, and soft promotions.

The emails also use dynamic content based on the recipient's location – either U.S. or Canada – and include a social share option. When a customer shares

to social from the email, he or she receives a gift card via direct mail, making the campaign multi-touch and multichannel.

The Customer Loyalty Program has been a big success for 1-800-GOT-JUNK?, tallying an open rate of 20 percent and contributing nearly 4 percent to the total revenue driven by email.

Become the execution expert in your management chain, test and refine new program approaches, and think holistically about your business — not just the marketing of it. There's an interesting moment of transcendence for a marketer when you understand the audience so well you can go to the business leadership and initiate conversations around offer strategies. Not only does it beat not being the order-taker all the time, but it demonstrates your ability to think beyond your position — and that's how you get promoted quickly.

CHALLENGE #5 ## Quantification Is Difficult

One of the cornerstones of a great loyalty program is its ability to measure the financial impact of multiple customer behaviors on the bottom line. In addition to being able to run a full-blown ROI analysis on the program itself, the resulting customer segments then require their own ROI-based offer strategies that perfectly balance "cost to deliver" and increased revenue. Too often, though, companies don't even have hard cost metrics for events as simple as inbound support phone calls or a salesperson visit.

The Solution: If you're lucky, you may have someone on your marketing staff that has loyalty experience. Often, though, quantification means recruiting advocates from other parts of the business — finance can be a particularly useful area — to build these cost models.

Take on the hard work to quantify the top five to 10 customer touch points, and you'll find almost any company can afford to run a decent sized loyalty program based on the magic combination of reduced customer support calls (generally a minimum of about $8 per call if you're really good at call centers) and increased spending of your top 5 percent to 10 percent of customers. Again, you don't have to build a model to withstand MBA-level scrutiny, just get the big numbers right so you understand how much you can afford to spend to drive this new revenue.

So, don't let the challenges associated with loyalty programs prevent you from launching a new initiative and delivering the kinds of experiences that will amaze your customers. Implement the solutions outlined here, think deeply about what offers might really excite your contacts and brainstorm all the really smart ways you could use marketing automation to help you build out a high-ROI loyalty program.

Dave Walters
Marketing Evangelist

Using Behavioral Marketing as an Interim Step to Creating a Loyalty Program
View the video >>>

Silverpop, an IBM Company, is a cloud-based digital marketing provider that offers email marketing, lead-to-revenue management and mobile engagement solutions. Silverpop Engage — the foundation of the IBM Marketing Cloud — uses customer data and individual behaviors, collected from a variety of sources, to inform and drive personalized interactions in real time. IBM Marketing Cloud powers the delivery of exceptional experiences for customers across the buyer journey by leveraging key data, providing analytical insights and automating relevant cross-channel interactions. As part of IBM Marketing Solutions, Silverpop helps make it easier to design meaningful customer experiences across applications, devices and time, accelerating today's results and tomorrow's ambitions. Silverpop is trusted by more than 5,000 brands around the globe.
For more information, view our demo and visit silverpop.com.