

ACTIVATE

ADVANCING SHOPPER, PROMOTION, AND EXPERIENTIAL MARKETING :: SPRING 2016

PLUS

WIN IN-STORE:
HOW TO REACH
MILLENNIALS

STAND OUT:
ELEVATING
A LOYALTY
PROGRAM

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HOW FAR WILL HE GO?

Tim Collins Pushes
the Limits of
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LEADING EDGE

6 TIPS FOR A SUCCESSFUL LOYALTY PROGRAM

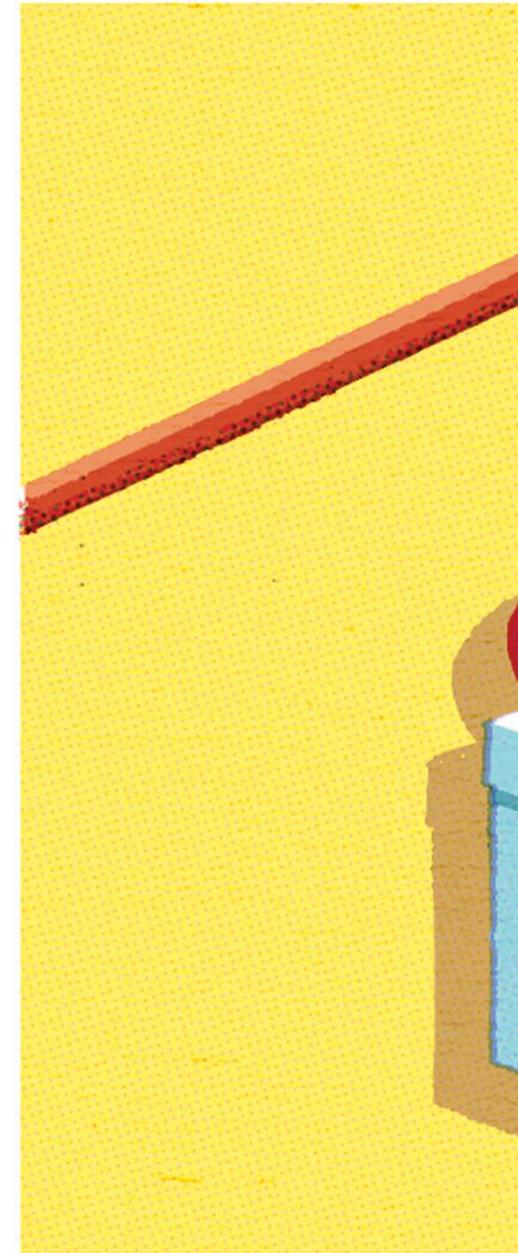
EVERYONE SEEMS TO HAVE ONE. HERE'S HOW TO MAKE YOURS
STAND OUT AND DELIVER BY ERIK SHERMAN

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HE KELLOGG COMPANY built its Family Rewards program faster than you can say snap, crackle, and pop. The company has built a membership of more than nine million people in less than four years through promotions and tapping its opt-in email database, among other efforts. But, as any company with a successful loyalty program learns, making it work well enough to stand out from the crowd takes ongoing effort and learning.

1. WATCH TECHNOLOGY. Kellogg's rewards program is a big business driver. Based on points, consumers can earn discount coupons, merchandise, and be entered for large prizes like cruise vacations. But the company doesn't get entranced by technology. A number of their loyalty club members don't own a smartphone, so a mobile app made no sense. "For easy participation, we've customized the mobile site to behave similarly to an app," says Dan Keller, vice president of lifetime value. "The only advantage the app would give you is that it wouldn't make you sign in." Still, Kellogg pays attention to what technology can do. Shifting from printing unique codes on packaging to making use of the cameras found even on regular feature phones provided a big benefit. "For the reward program itself, we took out about half the cost [of running it]," Keller says. Not shabby at all.

2. ENCOURAGE, AND CONSIDER, THE BEHAVIOR YOU WANT. When jewelry manufacturer and retailer Swarovski originally started its loyalty program, the intent was to drive traffic into the stores through a rewards program. That rewarded people for location, not behavior, says Uri Weingarten, vice president



of digital strategy at Red Tetterer O'Connell + Partners, the agency that helped rework the program. "If someone came in three times during the year and made no purchases, they were rewarded the same as someone who came in three times, spent \$1,000 each time, and talked about the brand to their friends," Weingarten says.

CHRIS GAISH/THEISPOT.COM



Now the program is better rounded, offering points for purchases, but also for sharing information about the brand on social media. “These days, engagement and sharing branded content onto your social graph has value for the brand if you do them, so rewarding that too makes sense,” Weingarten says.

3. ASK FOR A RESPONSE. Tom Edwards, chief digital officer for Epsilon’s agency business, also believes in the power of users spreading the word, but waiting for them can be a mistake. “There’s a misconception with user-generated content that it just happens,” Edwards says. “What I found over the years is that people need to have a trigger or reason.” In working with a sporting goods company, Epsilon analyzed mentions of the company and its competitors on social media. Only 2 percent of the time, for any company,

5. SURPRISE YOUNGER AUDIENCES. Another assumption in loyalty marketing is that everything has to be spelled out in advance. But Caribou Coffee has a “surprise and delight program,” according to Caroline Larson, director of CRM and loyalty. The structure of the program is unpublished. After a certain number of visits, program members get a surprise — maybe a free drink or a discount on something. “We know the surprise and delight cadence appeals to a younger audience,” Larson says. How-

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— STEVE DAMEROW, Incentive Solutions

did customers promote a product purchase. So Epsilon gave its client’s buyers a nudge by recognizing some of them on the brand’s website and social media accounts to boost attention.

4. KEEP LOYALTY AND INCENTIVES SEPARATE. Steve Damerow, CEO of Incentive Solutions, which creates and manages incentive and loyalty programs, says there is an important difference between the two. A loyalty program aims at the top 20 percent of customers who drive most of the business and who won’t necessarily buy more. They get an ego-driven set of benefits to make them feel special. Next comes the middle 60 percent, who get an incentive program. “A loyalty program is a long-term relationship program,” Damerow says. “An incentive program should be a short-term call to action that is associated with a new product introduction, specials, seasonality, inventory deletion, promotion of higher-margin product lines.” The bottom 20 percent of customers are unlikely to be affected by either type of program.

ever, part of the program is also predictable. That prevents older demographic customers from feeling left out. There are also other perks, like the ability to pay by mobile phone, which is not available to consumers not enrolled in the program.

6. CONSIDER ASKING FOR SOMETHING IN RETURN. In some cases, a loyalty program, with incentives, can be something you charge for. Both Barnes & Noble and Amazon.com do. So does Frankenmuth Bavarian Inn Lodge, a destination Bavarian-themed hotel and restaurant in Michigan that hosts families and serves an astounding 600,000 meals annually at its 1,200-seat restaurant. Despite that volume, the company has over 22,500 families enrolled in its loyalty program. Membership is \$10 annually to enroll and then \$5 to renew with benefits that more than offset the charge. The result: active customers provide transactional data that helps the company better understand all consumers. ■