

# Customer Loyalty Solutions

**Mayank Manish**  
[mayankm@infy.com](mailto:mayankm@infy.com)

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### Who is the Customer?

This is simple. Anyone can be a customer. It is not just the old lady who goes to the baker to buy the muffins. It is not just the busy traveler who checks into the hotel. It is not just the net savvy teenager who orders a CD from Amazon.com. It is not just the passenger who travels on the bus. The employee is a customer of the manager. The college going student is a customer of the university. Your friend is your customer in many ways.

Anyone can be a customer. It is not just a one-way relationship in this case. It can be a two-way relationship also. Take the simple case of an employee and a manager. The employee may be like a customer to the manager but the manager can also be a customer to the employee. Both needs to understand each other's needs and build loyalty towards each other for a successful combination.

In true business sense it is important to treat everyone as a customer would be treated. The basic essence of a customer relationship is that both parties must benefit. Customers make or break a business. A business that is not focussed towards the customer can never succeed. Small time businesses do not grow until their focus is purely on the customers. Never forget - your customer is your king.

### What is Customer Loyalty

**Customer Loyalty is winning the confidence of the customer in favor of an organization such that the relationship becomes a win-win situation for both the organization as well as the customer**

**CUSTOMER** Loyalty is winning the confidence of the customer in favor of an organization such that the relationship becomes a win-win situation for both the organization as well as the customer.

Customer Loyalty is not a process that finishes with the customer joining the Loyalty Program but actually a process that starts with the customer joining the same. Customer Loyalty is something more of what an enterprise must get from the customer. As opposed to what the name suggests,

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is not just something that the customer has to build towards the enterprise. It is not just the customer who is being loyal to the company in the progress but also the company that has to maintain its loyalty to the customer.

### What it means to the establishment

**REVENUE** - that is the key to starting any firm! Anyone and everyone who opens a new firm have one goal in mind - to earn money. The driving force behind opening a hotel is not just that tired people can get a room to stay in when they need it - the purpose is to earn money from it! Loyalty programs account for increase in revenue for companies.

Customer Loyalty is about retaining customers, which means earning more. Various researches have already shown that companies need to focus on customer retention more than grabbing new customers. It is more difficult retaining a customer than it is getting a new one.

What often goes unnoticed is the word of mouth that good loyalty programs generate. History says - word of mouth advertising cannot be beaten. Here again - note that it is not only keeping valued customers with the company but also getting new customers without having to separately invest on marketing. Companies do tend to ignore these small percentages and they themselves are the only ones who suffer.

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Loyalty does mean spending - not only money on the infrastructure for an effective loyalty solution, but also means spending the effort and time on making employees realize the worth of the "practice" and how the Customer Loyalty Programs directly impact the employees earnings also. It would make sense to add that companies

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that go for Customer Loyalty Programs first need Employees Loyalty well in place. Unless the company employees are loyal to it - they will never be able to generate the Customer Loyalty. An investment on a Customer Loyalty Program without investment on employee's education about the same is bound to fail!

It does mean an investment that the company has to make. The returns will be directly proportional to the investment. Just a point of caution though - the investment made is not just financial - its also that of time and effort!

Increases investment? Not really - if one were to look at all the effects that a Customer Loyalty Program will have eventually on the company - the company would definitely go for it. No Company ever shut down because of investing in a Customer Loyalty Program!

### What Does A Loyalty Program mean to the customer?

**A happy customer at a departmental store is as good as a hungry customer in Food Store! The customer will always buy more!**

**THE** first and foremost thing - the customer feels important at the establishment. Importance gives rise to feeling happy too! This works wonders. For instance - a happy customer at a departmental store is as good as a hungry customer in Food Store! The customer will always buy more!

However - to the customer, one of the first things that will strike, is the saving in money. This is the reason that more often than not - establishments tend to advertise their Customer Loyalty Programs as Money Saving Schemes. "Enroll today and save as you buy" - is one of the most common themes of Customer Loyalty Programs. These are the smaller Customer Loyalty Programs but not to be discounted. Nothing attracts a customer more than a saving.

Benefits and awards that Customer loyalty programs carry with them attract some customers. A free cruise, or an airline class upgrade are all awards that customers would look forward to.

### Customers Rarely Report Bad Experiences

**THIS** is not the universal truth but a fact. Customers who have not had a good experience with some employees of the store or maybe some products will not report the bad behavior to the management of the store. The more likely reaction would be that the customer would stop visiting the store. That is not the only problem - the customer will also start discouraging near and dear ones from using the services of the stores! Nothing can be worse if there is a competition available nearby! This however is a behavior governed by the geographies. For instance, in the Americas - it is likely that customers exchange or return defective products. In Asia - this is not so prominent. It is a difficult task - exchanging even defective merchandise.

The tough part is where the merchandise is not involved. Take hotels as an instance. What would you do if the hotel staff of a hotel were rude to you or if the towels in your bathroom were not replaced by the end of day? You probably will not leave a note citing this instance. If you had an option - you will stay at some other hotel in the future. Losing a customer is definitely easier than getting one. The toughest challenge is retaining one.

### Educate your employee

**The customer is the king and the king needs to be served happily not forcefully!**

**FOR** one, ensure that the employee is happy. An unhappy employee can never serve customers the way they deserve to be served! Remember - the customer is the king and the king needs to be served happily not forcefully! Kings who have kept their subjects happy are always famous and popular. Others are temporary invaders.

Secondly identify the troublemakers. All employees are not good customer-handlers. Companies all over on this Earth have always

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monitored employee behavior in many innovative ways. I am not going to get into those here. But companies must do that - especially in case of employees who have direct interaction with clients.

## Geographies of Customer Loyalty Programs

**ARE** all loyalty programs the same? Will the same system work for USA and India? These are some basic questions that crop. With very few minor differences (which arise more due to difference in business practices) the objective of Loyalty Programs stays pretty much the same across the globe. The owner of the Customer Loyalty Programs must create a situation for the customer where the customer keeps feeling special.

It is essential to have a system that caters to the world anyway. Travelling abroad on a holiday is in. If you could use my local restaurant loyalty program points to buy a meal at London Heathrow Airport - you definitely would be pleased!

There is the concept of tie-ups between Customer Loyalty Programs. A customer is happier if not forced to spend all the money earned on one airline to be able to use the facilities on the same airlines only. That is the reason for so many tie-ups in Customer Loyalty Programs in the airline industry. Relevant industries also need to have the right tie-ups. The benefits of air miles can be used at hotels.

**A tie up between a grocery store program and a hotel program is unlikely to yield results.**

This makes sense because people travelling by air would in all probability need places to stay while away from home. A tie up between a grocery store program and a hotel program is unlikely to yield results.

### Traditional Loyalty Systems

**THE** most common ones are the ones where customers get benefits for frequent purchases. For instance if you were to shop at Grocery Store X, and had a Loyalty card - you would get a standard discount of 5% on all bills! This appears as a saving to the customer! It guarantees future business to the store!

The other type is the more innovative ones that keep coming up with special offers for the customers. The customers would be excited going to the store when they see special discounts on some needed stuff! What is carefully hidden is the lesser discounts on the more expensive (read higher profit earning articles) on the store. The smaller ones are always the bait.

**A holiday for two at Las Vegas would invite customers to start saving with the Loyalty Program!**

Loyalty programs can get complex by giving customers the choice to use all benefits in discounts or gather points for a bigger bonus for the future. A holiday for two at Las Vegas would invite customers to start saving with the Loyalty Program!

With the Internet becoming an integral part of society now - the loyalty solutions need to be web enabled. Seeing points, claiming awards, making suggestions are the common services that loyalty web sites must offer.

Telephones are another way to keep the customer happy. In the Americas - the toll free numbers are considered a must so that the customer just dials in and has full access to the loyalty program options.

Loyalty systems also use various techniques like snail mail to keep customers informed and also to send alerts about new attractions in the establishment with special offers for the loyalty program customers.

### Who needs to have a loyalty system?

**Be it a hotel or a grocery store, an airline or a travel agency, a taxi service or a car rental. Almost every business in the world runs on repeat business**

**THE** answer is simple - everyone! Be it a hotel or a grocery store, an airline or a travel agency, a taxi service or a car rental. Almost every business in the world runs on repeat business. The famous 80:20 rule which formulates that 80% of the customers are responsible only for 20% of the business for a firm. Only 20% of the customers make up 80% of the business of any establishment. The friendly next door car mechanic could start offering discounts to ensure that you get all your car work done by him! The sweet toothed baker could start offering free doughnuts for every 10<sup>th</sup> doughnut that you purchase. You would look forward to buying more doughnuts from him in anticipation of the free tenth one! Anything in the world that comes free is welcome. And Good things in life are always free!

If it is a restaurant that you own, you might start with innovative ideas like serving free tea to all members of your loyalty program (unless of course tea is all that you sell!)

If it is a grocery store that you own - you could offer free grocery options in exchange of Loyalty Points!

Stores on the highway are less likely to be convinced of investing in a Loyalty Program because the customers carry so much. Repeat business from travelers is rare but not unthinkable.

### What the recession means to Customer Loyalty Programs

**CUSTOMER** Loyalty Programs need to capitalize on this now. Consumer spending is going to be low and it is best for all businesses to acknowledge this fast! Customers need to be shown that extra bait to get them to use the services of any enterprise.

Discounts are going to be the rule of the day - not unless owners start understanding more innovative ways of marketing at the same prices. People are going to spend less. But what consumers need to

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be made aware of is the fact that their lesser spending would fetch them more returns from the company. Mere advertising gimmicks where discounts are advertised may not work in these turbulent times. If the customer is given a feeling of being able to use these lesser ways to get more productive returns in the future - this will yield a lot of business.

**Customer loyalty will be hard to get in these times. At least, harder than it was when the consumer had enough to spend**

### Customer Loyalty in hard times

**CUSTOMER** loyalty will be hard to get in times of a recession. At least harder than it was when the consumer had enough to spend. All Loyalty programs that expect the customer to pay a membership (to join the Loyalty System) for the additional small benefits better start planning again. Small reasons will be enough for customers to turn away from putting money into a business.

Customers will not put Loyalty first but the price will be a major driving force. Also the bigger problem will be the fact that Customer Loyalty Programs normally drive at long-term benefits and as of now - the consumer confidence being so low - the customer will be influenced by immediate benefits. As such Customer Loyalty Programs will need to adapt to quicker and possibly immediate awards to the customer. Lower prices as part of the Loyalty Program will definitely boost membership to the Loyalty Programs but this must be a carefully advertised campaign. Discounts in the store must be treated separate from the benefits of lower price to loyal customers.

Loyal customers must be given a feeling that they are being treated specially, even in these times of recession. That is the key to keeping the customers with the business even in these times. Customers need to be better informed now of the benefits that they are getting because of being with the loyalty program.

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The key to any business doing well in times of less consumer confidence is definitely innovation.

### Unusual Business Practices A Must

**Times have changed. Innovative and unusual business practices are the new business growth strategies**

**TIMES** have changed. Innovative and unusual business practices are the new business growth strategies. Wal-Mart is a live example. Customers want a change - so do "Loyal" customers. They do not want the same stereotype behavior from the business establishments. What they are looking for now is a change - a definite, positive change! New ideas are more likely to catch attention of consumers rather than conventional ones. Though - consumers may not receive new ideas with the fear of having to spend money - they definitely would like to try new ideas where they feel that the returns are high. This must not be confused with the promotional offers that companies might try in hard times. Offers within a Loyalty System are different from that category. For instance - a loyalty program offer could evolve during hard times where the customer gets a higher return faster than it would have come in normal circumstances, Consider the following example:

A coffee chain offers a free cup of coffee for every 10 cups of coffee purchased. This specialized coffee chain could now start targeting to give free coffees for every 6 cups purchased! This sounds as a far more reachable figure and clients would easily get into trying this scheme! This is not the end. After working out the economics - the company needs to identify other items that they can offer to the customer as options. Customers always want to see the business flexible to their needs. Nothing evokes more praise than a business that is ready to adjust as per customer needs. For instance - a customer might want a free bagel with every 6 coffees purchased. The company needs to identify these options and work their plans accordingly.

With the advent of the web - more innovations came through. MyPoints.com as a web site did

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wonders by having a loyalty program for various sites managed by it as an entity. This innovation became popular with the customers feeling the advantage of mixing loyalty points over different programs.

Consider the case of web sites. Most customers would wait for a few days more if the shipping were free. This could be a potential idea for loyalty programs. This might lead to increased customer spending.

## Track Customer Behavior

**THIS** will be a must in the hard times. While the going gets tough for companies - they cannot afford to keep spending without thought on their customers. They might end up offering customers exactly what they do not need and then end result might be losing more than they gain. Customers are going to spend lesser and every penny spent needs to be carefully tracked (without infringing on the Customer's privacy). The customer browsing web sites for electronics being shown ads related to that industry is one of the most common examples that can be quoted here. But for instance a customer travelling by an airline and always choosing the aisle seat, should be offered an aisle seat by the person checking in the passenger. A pleasant "And would you like your favorite aisle seat today" would work wonders for the passenger. Of course it must be emphasized that getting too personal is dangerous. This is a practice that is to be followed very carefully.

**Understanding customer needs and catering to their expectations is not enough. The need now is to surpass computer expectations.**

Tracking customer behavior is important to use the funds effectively. Customer behavior is linked to Customer Loyalty because it is the loyal and frequent customers who have to be taken care of in these times. Understanding customer needs and catering to their expectations is not enough. The need now is to surpass computer expectations. Surprise them with innovative benefits that reflect customer desires.

**Finally**

**CUSTOMER** Loyalty Solutions will always be an essential part of business relationships that successful businesses want to have with their clients. The customer will always have to be kept at the top of all strategic planning because whatever the planning, whatever the strategies, whatever the management, whatever the infrastructure - in the end - The Customer is the King!

**The Customer is the King!**