

Seven steps to build sales and profits

One of the biggest mistakes still being made by companies contemplating a loyalty program is that they consider it a clip-on, a fifth wheel, rather than an integral part of the business ...

by Brian Woolf (October 1, 2002)

The primary benefit of a loyalty card program, for many companies, is gathering customer information that is then used throughout the business to improve corporate results. It is not just a targeted mailing tool.

A crucial - yet usually overlooked - question that management should ask when considering a loyalty card program is: *How can we use customer information to help us achieve our strategic goals?*

Asking that question is one of the seven essential steps required in setting up and running a successful loyalty program. These steps are drawn from my observation of the leading loyalty programs around the world. Why don't you take a few minutes and see how many of the Seven Steps your company practices? Then, either pat yourself on the back or start effecting some change ...

Seven Steps to Build Your Sales and Profits

1. **Company Goals:** Spell out what your company's 3-year goals are for customers, sales, and profits. (They are all inter-related!)
2. **Customer Information:** Set out all the ways you can think of how customer information, if used effectively throughout the business, could help in the achievement of these three company goals. Examples might include: identifying your customers' behavior so you can set up a recording system to measure their loyalty; increase the number of higher spending customers per outlet through a program of targeted offers, rewards and recognition; improve customer retention rates by establishing tripwires that trigger appropriate targeted actions; and reducing advertising costs by overlaying advertising distribution over a plot-map of where your Best Customers live and eliminating the

wasted advertising.

3. **Loyalty Program:** Decide whether you want to capture the customer behavior of most of your customers or just of your higher spenders. Then introduce an appropriate low-cost loyalty program that gathers such data, keeping in mind that the best programs are simple and flexible.
4. **Action:** From the data gathered, understand your customers and their behavior. For example, how often they visit, how much they spend on each visit, how much each has spent in the last six months, and how distance (from their preferred outlet) affects the previous three results. Then apply these customer insights to set up programs aimed at achieving your corporate goals (as spelt out above).
5. **Rewards:** Ensure complete employee commitment (from top to bottom of the organization) by establishing recognition and rewards for the accomplishments of these new customer goals.
6. **Review and Improve:** Review the results of these new customer-oriented programs and think how your results can be improved even further by deciding which programs should be jettisoned and which should be refined and improved. Act upon this review. Keep repeating this process.
7. **Benchmark:** After your program has settled down (after 1-2 years), benchmark your results with the world's best programs, both in your industry and in others. Learn from them, adapt others' best ideas to your situation, and move your company to a higher level. Repeat continually.

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About the author...

Brian Woolf is a global leader in loyalty marketing and has written three definitive works on the subject, *Measured Marketing: A Tool to Shape Food Store Strategy*, *Customer Specific Marketing*, and *Loyalty Marketing: The Second Act*. He devotes his time to helping retailers develop, critique and strengthen their loyalty programs.

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