

Is It A Loyalty Card?

The question keeps popping up ... is it really a Loyalty Card? Even though many retailers call it such, is it misnamed?

by Brian Woolf (August 25, 2014)

Over recent years I am sure that you, like I, have read comments that suggest Loyalty Cards are incorrectly named. Are they?

One definition of Loyalty Marketing is that it is an information-based approach to retaining and growing customers using various incentives. If so, is it not reasonable to call a card that gathers customer information for the purposes of Loyalty Marketing a Loyalty Card?

For the past two decades loyalty has been at the center of marketing. A plethora of books have been written describing this new computer-based, customer-analyzed era of communication. A brief sampling of titles from Amazon's customer-oriented marketing books include: Customer Loyalty; The Customer Loyalty Solution; Customer Loyalty, How to Earn It, How to Keep It; Winning Customer Loyalty; Loyalty Marketing, The Second Act; The Loyalty Effect; Loyalty Rules; and The Quest for Loyalty. To repeat the point, since Loyalty continues to be an extremely important theme in marketing, should we be surprised that its card enabler is called a Loyalty Card?

So what about a retailer with a Loyalty Program? Building upon the foundation of Loyalty Marketing, a Loyalty Program is a planned marketing effort with rewards and benefits for customers using customer data typically captured from a card. Again is it not fair to describe the card sourcing the data as a Loyalty Card? It would make sense to the company involved.

Let's turn now to the other side of the issue: is a discount or reward given to cardholders of retailer programs a benefit or is it a loyalty builder? If the former, then the card is better described as a company card or clubcard; if the latter, a Loyalty Card. Many would argue

such rewards are better described as benefits from a customer's perspective while, from a retailer's perspective, the cumulative effect of them over time make them a loyalty builder.

Before deciding, let's consider the essence of loyalty. What are the core drivers that encourage customers to return again and again? In my mind, that question was answered best a half-century ago by Ray Kroc, the founder of McDonalds. He told his team that the four foundation stones of loyalty were QSVK: Quality; Service; Value; and Cleanliness. These, executed well, day after day, will have customers returning again and again. Surveying the retail and service scene, we recognize them as the strongest loyalty drivers for almost every business. These drivers don't require a card to build loyalty and they were enunciated long before the modern era of loyalty cards.

So what then is the right term: loyalty card or clubcard (ie, benefits card)? Tesco clearly plants itself in the benefits camp. The launch of its Tesco Clubcard in February 1995, with its understated slogan "Every little helps", positioned it in customers' minds not as a loyalty card but rather as a card offering just a little bit extra in benefits, even though this retail giant's corporate intent, we assume, was to build customer loyalty. It certainly worked out that way for during the following 15 years, Tesco's increased its market share almost every year. It's reasonable to assume that its card benefits were a contributing factor. So Tesco called it a Clubcard offering benefits but with the intention of building customer loyalty.

When American Airlines introduced its AADVANTAGE travel awards program in 1981 their approach was similar. They promoted their program to reward frequent flyers. In other words they featured the benefits and used the term Frequent Flyer Card but with (we assume) the intent to build customer loyalty. And it did provide benefits and it did build loyalty. So do American, and similar airlines, issue a Frequent Flyer Card or a Loyalty Card? (Mind you, it's becoming a little hard to say these days as external transactions, eg, credit card purchases, earn airline miles.)

So is what we call a "loyalty card" best associated with the corporate perspective of building loyalty or is it better described from a customer's benefit perspective and called a Clubcard?

Before deciding, read and enjoy the following "Whiskey Speech". It's brief and it answers the Loyalty Card question. The speech, sourced from Wikipedia/Noah S. Sweat, was given to the Mississippi State Legislature by Judge Sweat in 1952 on the issue of whiskey, which was prohibited at that time ...

"My friends, I had not intended to discuss this controversial subject at this particular time. However, I want you to know that I do not shun controversy. On the contrary, I will take a

stand on any issue at any time, regardless of how fraught with controversy it might be. You have asked me how I feel about whiskey. All right, here is how I feel about whiskey:

If when you say whiskey you mean the devil's brew, the poison scourge, the bloody monster, that defiles innocence, dethrones reason, destroys the home, creates misery and poverty, yea, literally takes the bread from the mouths of little children; if you mean the evil drink that topples the Christian man and woman from the pinnacle of righteous, gracious living into the bottomless pit of degradation, and despair, and shame and helplessness, and hopelessness, then certainly I am against it.

But, if when you say whiskey you mean the oil of conversation, the philosophic wine, the ale that is consumed when good fellows get together, that puts a song in their hearts and laughter on their lips, and the warm glow of contentment in their eyes; if you mean Christmas cheer; if you mean the stimulating drink that puts the spring in the old gentleman's step on a frosty, crispy morning; if you mean the drink which enables a man to magnify his joy, and his happiness, and to forget, if only for a little while, life's great tragedies, and heartaches, and sorrows; if you mean that drink, the sale of which pours into our treasuries untold millions of dollars, which are used to provide tender care for our little crippled children, our blind, our deaf, our dumb, our pitiful aged and infirm; to build highways and hospitals and schools, then certainly I am for it.

This is my stand. I will not retreat from it. I will not compromise.”

Like Judge Sweat, I believe both sides have valid cases. Clubcard is the term I prefer as many companies don't use their customer information to really build loyalty. However, I still use the term Loyalty Card/Program in those situations where it is appropriate. It depends upon the context.

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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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www.brianwoolf.com

E: brian@brianwoolf.com

T: +1 864 458-8277

*Retail Strategy Center Inc.
6 Parkins Lake Court,
Greenville, SC,
29607-3628
USA*

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