

# SOMETHING TO DO TOMORROW: LOYALTY EXERCISE STEP ONE

To help you define a loyalty strategy, we've developed a series of questions and steps to take with your team or organization.

## **1. WHAT IS THE GOAL OF LOYALTY?**

**Define the purpose.** Carefully consider what your loyalty program is aiming to do. Are you trying to prevent defection, gather actionable data on customers, encourage additional purchases, or motivate customers to give more of their business to your company? Will you use attitudinal or behavioral loyalty to accomplish these goals? What metrics will you measure, and how will you determine success?

**Understand limits.** Not every brand has the capability to leverage every loyalty motivator. Incentives can dilute a customer's experience if they're done poorly, and commodity products probably don't lend a strong sense of identity. Know which ones are right for your brand.

## **2. WHO DO WE WANT LOYALTY FROM? WHAT ARE THE NEEDS AND WANTS OF THESE CUSTOMERS?**

**Know your customer.** Brands that capture hearts and wallets have a deep understanding of

customer needs and desires, and they actively try to fill them. All too often companies design incentives that work for their business, but are unattractive to their customer. Make the program work for both, leading with customer needs first.

Additionally, recognize that customers are different. Good loyalty programs appeal to individual needs. Understand how your customers are different from each other, and design for those differences.

**Attract, don't trap.** Strong loyalty programs attract customers by focusing on the carrot rather than the stick. Negative forms of loyalty—such as high switching costs—might seem to improve behavioral loyalty, but they usually negatively impact attitudinal loyalty.

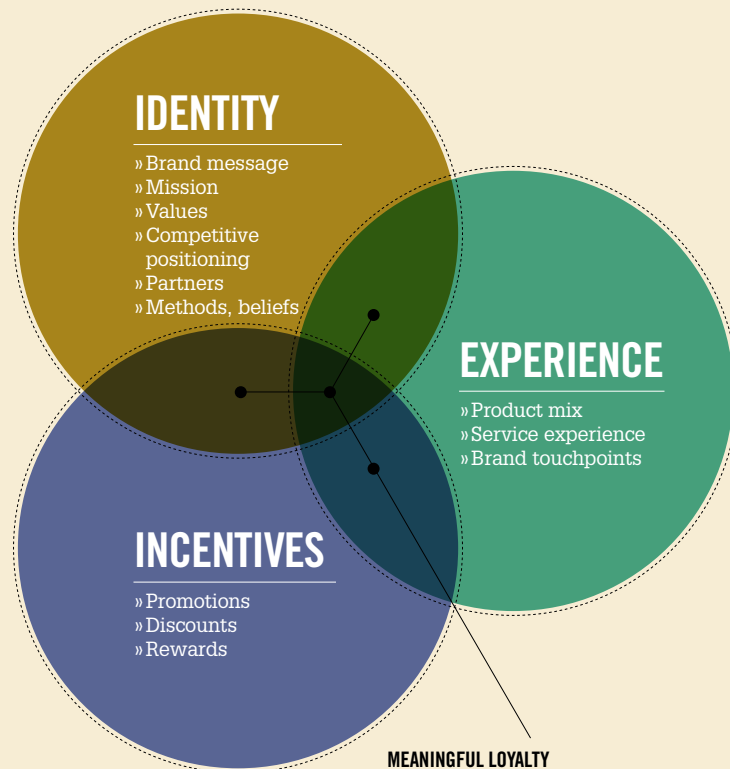
## **3. HOW CAN AND WILL OUR LOYALTY STRATEGY (AND PROGRAM) EVOLVE OVER TIME?**

**Think ahead.** People evolve. So, evolve with them. Embrace the tension people feel between sticking with what's reliable and wanting to try something new. Give them room to grow by changing your offering and incentives over time.

# STEP TWO

Map your loyalty strategy to the loyalty motivators map. Will identity and experience get you the loyalty you want? Or, should you consider emphasizing certain incentives?

Where does your brand have permission to go? What is executable and defensible? Additionally, clearly establish how you will define success. What metrics will you use?



**MEANINGFUL LOYALTY**

- = identity + experience
- = experience + incentives
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# STEP THREE

Begin to design, using the principles behind each motivator.

## IDENTITY

### PRINCIPLES

#### The “Other”

Consider how what you stand for can play off of a competitor

#### Aspiration

Think about who your consumers want to be, not who they are

#### Stories

Build ways for consumers to publicly share their identity with others

### TOOLS

- » Brand message, look and feel
- » Marketing communications
- » Sponsorships
- » Personal connections
- » Partnerships

## EXPERIENCE

### PRINCIPLES

#### Trust

Deliver on promises and meet expectations

#### Meaning

Address what’s happening in the broader cultural context and in consumers’ lives

#### Engagement

Get consumers excited about what you offer and how it’s unique

### TOOLS

- » Product mix
- » Product features
- » Service experience
- » Merchandising
- » Packaging
- » Other brand touchpoints

## INCENTIVES

### PRINCIPLES

#### Economic

Price reductions, purchase vouchers, coupons

#### Social-Relational

Special events, exclusive access

#### Informational

Personalized advice, new product launches

#### Hedonistic

Spa services, games, sweepstakes

#### Functional

Priority checkout, home delivery

### TOOLS

- » Rewards
- » Programs
- » Loyalty “programs”
- » Discounts

Framework by Lars Meyer-Waarden and Christopher Benavent, “Rewards That Reward,” MIT Sloan Management Review, 22 September 2008.