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Column: **"After the Phone Rings ..."**

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Topic: **Using Loyalty Clubs to Acquire and Retain Customers**

Highly competitive businesses like airlines and supermarkets know loyalty clubs can “hook” customers to spend more money with them instead of competitors. The same can be true for direct response marketers. Loyalty clubs encourage longer customer retention and incentivize customers to buy more, helping you to increase the lifetime value of each customer you acquire via DRTV or radio.

Having established a loyalty club, it can also help you acquire customers when positioned properly in your front-end spot, infomercial or other acquisition media. Membership may be included free for a time, or free when customers upgrade to a deluxe package or continuity. If there are desirable unique member benefits in the club, this can help increase upfront response.

It’s critical to be aware that loyalty programs can’t create loyalty. Sounds contradictory, but true loyalty is garnered by positive experiences your customer has with your brand: your products, your customer service staff, your web site, etc. If your products don’t deliver value, your customer service staff is rude, or your web site is confusing.... all these will reduce loyalty. No formal loyalty program or club can make up for poor quality or low value products or services.

What can loyalty programs do? Loyalty programs can enhance existing brand loyalty, increase customer retention and lifetime value, and increase “share of wallet” (the percent of dollars in the product category that the customer spends with your brand) over competitors. When they are done right, formal loyalty programs can help you achieve multiple goals by converting more prospects to buyers, and getting buyers to behave more like your best customers.

The first step in crafting any loyalty program is to start with the end in mind – what goals are you trying to achieve? It’s important to look at a loyalty program as part of the bigger picture of customer retention. Be specific in defining your goals such as “Increase number of purchases from 1.5 to 2.25 per year” or “Gain referrals from one of every 4 customers”. The more specific your goals, the easier it will be to evaluate each loyalty club activity against them. A good database and good reporting are “musts”.

Loyalty programs should include both “hard” benefits (discounts, free shipping, etc.) and “soft” benefits (special phone lines or web sites, access to products or discounts before other customers, etc.). Without soft benefits you have a discount club, not a loyalty club. A discount club is easy for a competitor to copy. It’s much harder to copy a loyalty club with a unique mix of hard and soft benefits.

Once you define the benefits for your club, make sure they are clear to your customers and prospects. Put your “customer hat” on, and scrutinize how customers join your program, as well as how they gain access to membership benefits. Make sure things



853 Academy Street, Rural Hall, NC 27045-9329
Tel: (336) 969-9538 E-Mail: SAltman@AltmanDedicatedDirect.com
Fax: (336) 969-0187 Web: www.AltmanDedicatedDirect.com



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are straightforward, and that you've put enough "meat on the bone" in terms of real value in the benefits offered.

For those who may be thinking continuity programs and loyalty clubs are the same thing – they aren't. Any given direct response program can utilize one or both for connecting with customers. A continuity program is a pre-agreed upon delivery schedule for a certain product. Although many continuity programs include loyalty tactics, a loyalty program represents a much broader relationship with the customer, and encompasses an entire brand's product lines.

Loyalty clubs aren't simple to set-up but the benefits in terms of customer lifetime value can be significant. If your brand already has loyal customers, it may be time to establish a formal loyalty club and start reaping the rewards of great brand loyalty already generated.

Shari Altman is President of Altman Dedicated Direct, a direct response marketing consultancy specializing in continuity and auto-replenishment, retention and loyalty marketing. She can be reached at 336-969-9538 or via e-mail at SAltman@AltmanDedicatedDirect.com.



853 Academy Street, Rural Hall, NC 27045-9329
Tel: (336) 969-9538 E-Mail: SAltman@AltmanDedicatedDirect.com
Fax: (336) 969-0187 Web: www.AltmanDedicatedDirect.com

