white paper | 2009

Circumstances and Customers Have Changed

Has Your Loyalty Program Kept Pace?

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Executive Overview

We have all read the statistic that says it costs five times more to acquire a customer than to retain one.[1] And, intuitively we all know that customers are more difficult to get, keep, and grow than ever before—and especially during these tough economic times. Customers have greater access to information, to choices and to each other. It is therefore getting tougher every day to get, keep and grow their attention.[2] Let's face it: if we, as organizations can't influence the communication channels or the customer experience the way we used to, how can we expect to create and nurture loyal relationships the way we want to?

We have all done the math and know the importance of establishing and maintaining loyalty with our customers. As reported in the *European Journal of Marketing*, loyal customers are overwhelmingly more profitable, not only because they buy more,[3,4]—but also, according to Bain & Company, because their cost-to-serve is less.[5] Loyal customers are also a company's most productive marketing channel because they provide authentic word-of-mouth referrals and serve as trustworthy advocates of its brand.[6,7]

Is it a strategy or technology problem? The answer is both.

So, the question is: if we all know these facts as truths, then why haven't loyalty programs kept pace? Is it a strategy problem, a technology problem? In most cases, it's a combination of both. The same old "tried & true" static loyalty strategies aren't working. According to the 2009 COLLOQUY Loyalty Marketing Census, while the average household is *enrolled* in 14.1 loyalty programs, they're only *active* in 6.2 programs.[8] As a matter of fact, in this new world, poorly implemented loyalty strategies can actually diminish customer

Contents

Want to differentiate your loyalty strategy?

Follow the 4 New Rules for High-Impact Loyalty Programs

In this paper, we provide details into how to evolve your loyalty strategy to meet the new realities of the market. As you learn about the new rules, think about how they apply to your business. Below are some questions to consider:

Rule 1: Create Targeted and Relevant Interactions with Customers

Are you treating every customer the same? Do you know which customers are your most valuable? Do you understand their unique needs and motivations? Can you customize your communications to be more relevant?

Rule 2: Recognize and Reward Customers in Real Time Across Multiple Channels

How long does it take for a customer to earn enough points to reach their desired goal? Do they lose interest in the program because they do not receive instant gratification? Can your customers earn points across various channels? What does the cross-channel experience feel like to your customers?

Rule 3: Integrate Partners to Deliver a Differentiated Customer Experience

Do you have partners in your program? If yes, how does their participation enhance your customers' experience with the program? How hard is it for you to add new partners? Change partners? Can you respond quickly to your changing customers' needs?

Rule 4: Develop Communities Using Social Media and Networking

Are you using social networking and communities in your organization? If yes, what is the objective of the strategies? Is it to increase engagement in your loyalty program? Test new ideas? Gather customer feedback? Who in your organization owns the social network strategy? How are you measuring success?

loyalty.[9] In one study conducted by researchers at the University of Auckland, a relationship marketing initiative executed well was found to increase customer satisfaction and loyalty. However, when executed poorly, both customer satisfaction and loyalty decreased *relative to doing nothing.* Implementing the strategy poorly isn't simply a waste of money—it can actually destroy value.

And then there is the technology issue. Legacy customer loyalty systems—those between 5 and 10 years old—are used by half (50 percent) of all companies in retail and associated industry segments surveyed by Aberdeen,[10] hindering their ability to implement strategies well. Consider that only 53 percent of retailers have the capability to capture customer data at the point-of-service.[10] As a consequence, they can't deliver on differentiated customer experiences, can't span multiple channels, and can't support personalized customer interactions. Failure to enable and leverage a 360° customer view, for example, can result in horror stories, because a customer's profitability is viewed by individual product—rather than the by total profitability of the relationship across all a company's products and services. In the case of one bank that rewarded divisions based on product profitability, unprofitable credit card customers received a communication informing them about a new annual fee. Some customers who had multiple accounts at the bank replied with a note saying, "Not only do I not want your credit card, but I don't want my $1 million investment account, and I'm going to refinance my $740,000 mortgage with someone else."[11]

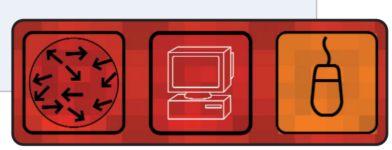
Failure to enable and leverage a 360° customer view can result in horror stories. Now is the time to change!

In this white paper, we'll discuss the new rules of customer loyalty —and the principles on which they are founded. We'll also provide practical tips and techniques for building a more loyal customer base and share examples of companies that are getting it right and breaking away from the pack.

In Brief

Customers are a company's most valuable asset, and keeping them has never been more important. Written for senior marketing executives, this white paper:

- **Explains** why customer loyalty must now be a key consideration for every company
- **Documents** the circumstances and the customer characteristics that have changed—and explains their implications
- **Describes** the four new rules of engendering customer loyalty
- **Provides** practical tips and techniques for accelerating the transition to this new level of customer loyalty marketing
- **Demonstrates** how these principles have been used in companies to deliver strategic and tactical business benefits



The New Rules of Customer Loyalty

The same thinking applied to the same problem is unlikely to yield a different result. This fact is true for loyalty programs as well. The lack of an innovative strategy contributes to programs that meld into the crowd rather than stand apart from it. Mediocrity marginalizes effectiveness, potentially increasing costs and reducing profits. Here is why:

1. Competing on the basis of customers rather than products Competing on customers requires a dramatically new way of thinking and doing. While no company will deny the importance of customers, many execute as if the goal is to sell a product or service to as many customers as possible.

When a company has a strong customer orientation, it seeks to meet the maximum proportion of a customer's needs. To succeed, the business will (1) satisfy a customer need better than the competition and (2) have customers who want that need satisfied. "Rather than creating the most possible value from every product you sell, think about creating the most possible value from each customer," explains Don Peppers, Founding Partner, Peppers & Rogers Group.

Yet, today, many loyalty programs are designed as simply a more efficient way to execute traditional direct marketing using "batch & blast" techniques. "If you're using a loyalty program only as a enhancement to direct marketing," notes Peppers, "then effectively, you're maximizing responses in the short-term—rather than building customer loyalty for the long haul. Customers clearly know the difference, even if some companies' fail to recognize the distinction."

"Many loyalty programs remain trapped in 'version 1.0' thinking. Members can't tell the difference between programs, and as a consequence companies can't realize a competitive advantage."

—Shyam Shah, Director of Product Management, Oracle

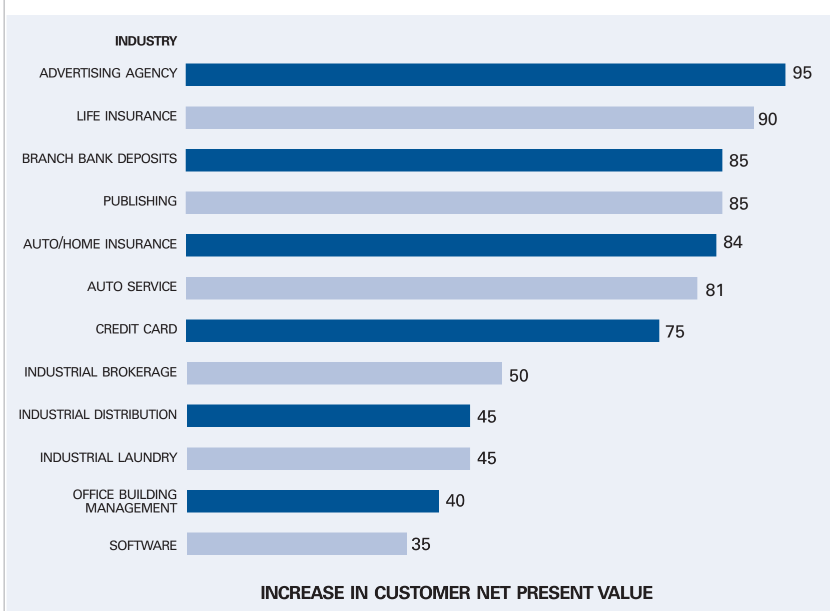
2. Treat customers as financial assets with memories Current and prospective customers should be viewed as financial assets with a very powerful attribute: *memories*. They remember a courtesy, and never forget a calamity. In both cases, their likelihood to purchase again from the company (and thus their lifetime value) is changed—for better or for worse.

Some companies appear to operate in a 'parallel universe' where customers lack the capacity to remember. "In this universe, each customer engages in every business transaction in complete isolation from all other transactions," explains Don Peppers and Martha Rogers, Founding Partners, Peppers & Rogers Group. "In this short term world, you and your customer are adversaries. Your most profitable course for every transaction is to fool or trick your customer into giving you more money for less value, and the customer's most profitable course is to cheat you to the extent possible."[12]

Some loyalty programs appear to operate within this 'parallel universe.' They view each interaction as a transaction, and seek to use customer insight gained through the program as a weapon against the customer's own interests, by offering promotions that maximize the company's current-period profits rather than by engaging in building an authentic and productive relationship.

Figure 1: **Economics of Customer Loyalty**

Across a broad range of industries, the impact of a five percentage point increase in the customer retention rate dramatically increases customer net present value. For example, if a credit card company can retain 5 percent more of its customers, then the total lifetime profits will increase by 75 percent on average.



Source: Reicheld, The Loyalty Effect[13]

Successful Loyalty Programs Are Part of a Bigger Picture

When loyalty programs compete on the basis of customers and maintain a long-term outlook—they are positioned to succeed. These programs view customer loyalty as part of an overall business strategy[14] and have a coherent value proposition.[15] These programs know the precise business outcomes to be achieved, the specific customer behaviors that must be modified, and the incentives required to motivate those changes.

"Gaining customer loyalty requires a customer centric *strategy* that encompasses an integrated view of each customer, the delivery of excellent and differentiated service, the sharing of offerings aligned with customer needs, and an ongoing and relevant dialogue," explains Melissa Boxer, Oracle's Vice President of Marketing and Loyalty Products (see Figure 2).

So why aren't companies able to do this? Why are they still challenged to differentiate and offer innovative loyalty programs, to have the flexibility to dynamically respond to changing market conditions with new promotions, to seamlessly integrate their loyalty programs so they are consistent with their brands, and to manage costs in order to ensure financial viability? "These issues arise because too many companies are constrained by running their loyalty programs on rigid legacy systems as part of siloed organizations which can't be easily altered, can't be easily integrated with sales and service systems, and can't be maintained cost effectively," notes Boxer.

To overcome these challenges, companies need to honestly evaluate their existing loyalty program efforts against a new set of criteria and focus on the new rules of customer loyalty.

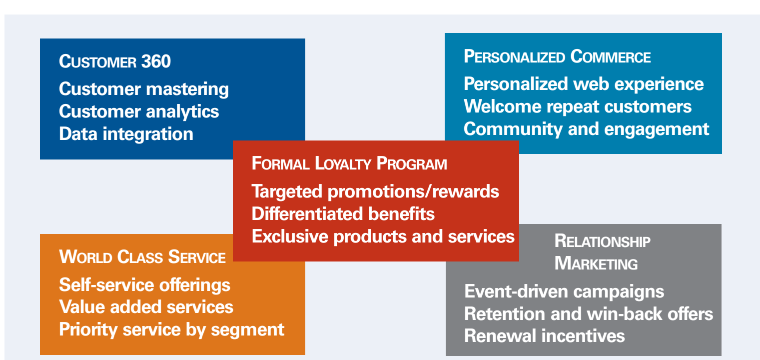
> **"Gaining customer loyalty requires a customer centric strategy that encompasses an integrated view of each customer."**
>
> **—Melissa Boxer, *Vice President of Marketing & Loyalty,* Oracle**

Figure 2: **Loyalty: At the Heart of Customer Centricity**

A formal loyalty program is one dimension of a bigger customer strategy that should include: nurturing and taking care of your best customers; delivering differentiated service experiences; developing targeted and personalized commerce; and fostering relationships through relevant dialog.

Loyalty Begins with a Customer Centric Strategy…

… Implemented through Different Marketing Elements



Source: Oracle

Rule 1: Create Targeted and Relevant Interactions with Customers

Time isn't standing still, and neither is the competition. Winning with loyalty involves continuous adjustment to changing circumstances. It requires flexible, innovative programs based upon a solid understanding of **the 'who'** (e.g., most valuable customers), **the 'what'** (e.g., the desired behavior change), and **the 'how'** (e.g., increasing relevance and personalization of messaging). Here are some examples of loyalty program innovations currently in the market.

- ***Doing well by doing good.*** Capitalizing on the corporate social responsibility trends, members of Tesco's Clubcard loyalty program are now rewarded for making 'green' lifestyle changes: earning points for reusing plastic grocery shopping bags or by recycling used inkjet cartridges.[16]
- ***Crossing boundaries.*** The Blue Sky credit card program by American Express offers limitless travel redemption rewards: flying on any airline, staying at any hotel, and sailing on any cruise line.[17]
- ***Being transparent.*** Scandinavian Airlines provides its frequent flyer members with access to the Award Seat Prognosis tool on their website, a means to view the airline's inventory for reward redemption by destination and date.[18]
- ***Breaking down barriers.*** The RBC Rewards program by the Royal Bank of Canada allows is members to exchange points with the Esso Extra Program.[19]
- ***Caring about customer concerns.*** JetBlue has launched a JetPaws program, providing pets and their owners with TrueBlue points as well as amenities to ensure an enjoyable trip.[20]

> **"There are no sustainable advantages. There is only advantage for the moment. Firms must continuously innovate if they want to survive!"**
>
> **—C.K. Prahalad**

Innovations in customer loyalty can be (and often are) more incremental, focused, and invisible to the competition. These relevant innovations are enabled by customer knowledge gathered through continual interactions. Each time the company does something, the customer does something in response. This back and forth is a "learning relationship" that makes both parties smarter and more connected. The more the company knows, the more it can innovate and be relevant to the individual. These innovations are characterized by the breadth of promotional options available to the marketer and the reduced cycle time from idea to implementation.

The first dimension of innovation is the flexibility to respond to marketplace drivers. "The flexibility to choose from a number of promotion options is highly innovative," explains Boxer. Such promotions may be:

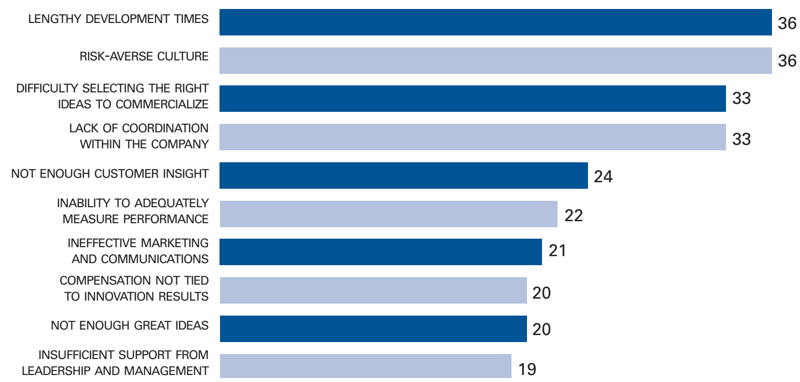
- ***Straightforward:*** for example, double points per dollar spent for shopping on weekdays
- ***Tiered:*** for example, 100 bonus points for spending up to $1,000, 300 for up to $2,000, and 700 for up to $3,000 during a calendar year
- ***Joint:*** for example, spend $1,000 and stay at any participating hotel in the next three months and earn 500 bonus points
- ***Activity-based:*** for example, 10 bonus points for updating your profile

The second dimension of innovation, however, is the ability to recognize and reward customers in real time, and deploy programs with relevant promotions that resonate with individual customers. Boxer continues, "It's critical that companies know who their customers are, can recognize them in real time, and are able to reward them quickly. For many companies, their response—if at all possible—is delivered in days or weeks rather than hours." Real-time recognition and rewards based on true customer metrics (e.g., tier or customer value) are a win-win. They are good for the customer because they get what they want and are recognized for their value and contributions to the company. Recognizing and rewarding customers in real time can often surprise and delight customers—fostering enduring, loyal relationships that deliver long-term value for the company.

Researchers have determined that a company's commitment to customer focus is strongly correlated with its level of innovation (r=0.42, p<.01).[21] In addition, customer focus is correlated with customer retention (r=.30, p<.01) and sales growth (r=0.23, p<.01), as is innovation (r=0.22, p<.01; and r=0.23, p<.01, respectively). So why is innovation so hard? Senior executives cite overly long development times as a top obstacle to achieving a return on innovation (see Figure 3).[22] Because customers are demanding innovation and the technology is available to enable it, the time for a company to get started is now.

Figure 3: **Obstacles to Generating ROI from Innovation**

Lengthy development times are a significant obstacle faced by senior executives when it comes to generating a return on a company's investment in innovation.



Source: The Boston Consulting Group[22]

case study

La Fnac Loyalty Program Contributes to over 90 percent Customer Satisfaction

Founded in 1954, Fnac offers a selection of cultural products (e.g., books, CDs, DVDs and video games) and technological goods (e.g., personal computers) in 145 stores across eight countries as well as on Fnac.com, the number one retail website as measured by visitors. In France, the company is the leading bookstore and music store, attracting 150 million customer visits annually—not only for purchases, but also for interactions with literary, musical, and technological resources. The company's success is due to its innovative positioning as an "impartial advisor" to customers, maintained through the independence of its suppliers, sales force, and test laboratories.[23]

Business Challenge: In 2008, the company launched a loyalty card that provides an enhanced quality of service to its high-spending customers, including: a special service point in the store; a dedicated telephone line; priority bookings for products, events and seats at shows or concerts; and dedicated post-sales service. In addition, the program's 2.2 million members have the option of donating their loyalty points to one of four charities.[23] To make it all work, Fnac needed to overcome several challenges, including:[23]

- Modernizing a technologically obsolete member-management solution
- Cultivating customer loyalty through customer-specific marketing strategies and rewards
- Extending member management services so customers can contact Fnac at their convenience

Results: The selection and installation of Oracle's Siebel Loyalty Management allowed Fnac to address these considerations and thereby enable the growth and development of relationships with its customers through:[24]

- Improved customer insight, driven by analytics of a loyalty program member's information
- Better marketing efforts and campaigns, customized to ensure that the right member receives the right promotion at the right time
- Enhanced customer experience, achieved by expediting member interactions with company personnel at membership stands and customer service counters

These efforts and others by Fnac are contributing to the company's high level of customer satisfaction: over 70 percent of customers were "completely satisfied" with the availability, friendliness and willingness to listen of salespeople; and 91% were "generally satisfied" with their visit to the stores.[23]

Rule 2: Recognize and Reward Customers in Real Time Across Multiple Channels

In our era of instant gratification, the old model of earning loyalty program points today and redeeming them at the end of the year when you have earned a required amount doesn't fly. Customers interact with a company across multiple channels in real time, and expect the company to respond likewise.

Multi-channel interactions are now the norm for many consumers. In retail, for example, most (67 percent) still prefer to make purchases in a store—but many (69 percent) research a product or compare prices (68 percent) online first.[25] In fact, best-in-class retail companies are more likely to have implemented multi-channel initiatives in the past year, more likely to have an executive mandate to develop new channels, and more likely to have the capability to track cross-channel performance. These same companies enjoy a year-over-year change in average order value of 16 percent and a year-over-year change in customer conversion rate of 12 percent.[26]

Loyalty programs need to be multi-channel, too, because multi-channel consumers spend 20 to 30 percent more.[27]

Loyalty programs need to be multi-channel, too, because multi-channel consumers spend 20 to 30 percent more.[27] As a consequence, loyalty programs need to recognize and respond to each customer as a unique individual across every channel the customer uses to engage with the company and over the entire customer lifecycle. That level of customization often occurs in response to events that take place across the duration of the customer relationship. These events include:

- **Scheduled events,** in which the date is known in advance, such as a service contract renewal or a birthday
- **Customer behavioral events,** in which an action by the customer triggers a response from the company, such as a product purchase or a response to a feedback survey
- **Company behavioral events,** in which an action of the company results in a proactive communication to the customer, such as an apology for failing to ship an order on time
- **Complex multidimensional events,** involving two or more discrete aspects of a customer's profile, such as a change of address coupled with the receipt of a customer complaint
- **Algorithmically driven events,** in which the *levels* (rather than the simple occurrence) of two or more facets of a customer's relationship with the company change, such a business rule—e.g., "if purchase amounts drop by more than 15 percent and the number of calls to customer service increase by more than 40 percent, then…"

When companies are able to respond promptly to changes in customer circumstances, their success may be four to ten times higher than conventional direct marketing efforts.[28] According to research by Carlson Marketing, increasing the relevance and the customization of communications to loyalty program members dramatically improves the perception of the quality of the program[29] as well as the strength of customers' relationships to the brand.[30]

For example, consider a situation in which an airline fails to deliver the expected level of customer service (e.g., an unreasonably long delayed flight). A loyalty program may be used to quickly initiate a SMS or email communication to all top tier members, thereby avoiding damage to the relationship—and, in many cases, actually strengthening it. When consumers have a service failure satisfactorily addressed, their propensity to share positive information about the company increases—and, the effect is more pronounced as responsiveness increases.[31]

In retail, an opportunity exists for real-time responsiveness to loyalty program members at the point-of-sale. This is *not* about issuing a standard, store-wide offer to all customers who purchase a specific *product*, but rather is about a recognition or reward tailored to the specific *person* in light of the company's total knowledge of that individual.

"Too often, however, companies find it extremely difficult to execute in real time," explains Boxer. "It requires technology that easily integrates with other applications (e.g., a call center, a website, a kiosk or PoS), supports a unified view of the customer across all channels, and allows real-time responsiveness."

case study

Alaska Airlines Soars by Focusing on Customer Loyalty

It is every traveler's nightmare: weather hazards causing large numbers of unexpected flight cancellations and disrupting the plans of passengers, resulting in anguish and anxiety. It has happened to almost every frequent flyer, but for those traveling on Alaska Airlines on December 20, 2008, the response from the airline was anything but ordinary. Their reaction is one reason why the company has grown from a small regional airline 75 years ago to one that now carries 17 million customers a year among more than 60 cities[34]—all while achieving high levels of customer satisfaction and industry accolades.[35]

When confronted with conditions of duress, customers want to intellectually understand what happened—and emotively feel that the company cares. Alaska Airlines did both in this case. Loyalty program members received emails triggered by the event that offered an explanation and an apology and, in some cases, generated free travel awards based upon knowledge of the customer to ameliorate discontent.[33]

"For our most frequent customers, it's not about the miles—it's about the service we deliver."[32]

—Steve Jarvis,
Vice President of Sales & Customer Experience, Alaska Airlines

The capability to leverage the loyalty program to enhance customers' experience and strengthen their relationships with Alaska Airlines was not always possible. Before the installation of Oracle's Siebel Loyalty Management, the company was burdened with an inflexible home-built legacy CRM system that hindered the creation of customer insight to guide strategic responses to marketplace events. Data was spread across disparate systems, and therefore not readily available for robust analysis to improve marketing decisions by better understanding and anticipating customer needs.

Garnering customer insight is good, but it becomes beneficial only when it is acted upon promptly. With Siebel Loyalty Management, the company now has a complete 360° customer view and is able to quickly respond to changing circumstances, further differentiating its level of customer service and enhancing ROI. The time to deploy new promotions, for example, has been reduced by 120 percent and the time to integrate new partners in the loyalty programs has been lessened by 35 percent.

It all adds up to enhanced experiences for customers—and, reduced costs and improved ROI for the company.

Rule 3: Integrate Partners to Deliver a Differentiated Customer Experience

Integrating partners into a loyalty program benefits both the company and its customers. For the company, it can itself be a revenue stream. For example, the American Airlines AAdvantage program secures over $1 billion of annual revenue from third-party sales of miles.[36] In 2007, it sold approximately 100 billion mileage credits to over 1,000 partners (as well as to program participants).[37] Beyond the revenue, integrating partners into a loyalty program also benefits the company by enhancing its own image and by extending its marketing reach through the marketing activities of the partners.

For customers, partners extend the range of products and services available through an individual company loyalty program. Partners also enable convenience because customers may only need one card to access the wider range of rewards.

Partners extend the range of product and services available through a company loyalty program.

Adding partners into the loyalty marketing mix must be done thoughtfully. It begins with a coherent, member-focused partner strategy. "Do you have the right loyalty program partners to meet the needs of the members?," asks Peppers. "Are you creating value for the members with these partners—and, are these partners helping to strengthen the relationship between the members and your company?"

Since the needs of loyalty program members differ between segments and change over time, the answers to these strategic questions will evolve. It is essential, therefore for a loyalty program to be able to add, modify, or remove partners from its menu in response to changing conditions. In some cases, the complexity can be daunting. For example, Aeroplan, Canada's first air-miles program launched 25 years ago,[38] now has 70 commercial partners representing 150 different brands.[39]

Legacy systems have made the integration of loyalty program partners exceedingly difficult. "Think about the on-boarding process for loyalty program partners and how to reduce its duration, about how partner transactions are processed, and about how transaction dispute are handled," advises Boxer. If the process of managing partners is done manually, it can create slow cycle times and the increased incidence of point accrual or redemption errors. In contrast, when properly enabled by technology, managing partners can provide substantial benefits to the members of a loyalty program, including:

- Extending the breadth of opportunities to earn points, increasing the value of the program
- Expanding the wealth of redemption choices, making the program more relevant and more valued
- Increasing the frequency and variety of involvement in the program, enhancing the engagement of program members and resulting in higher top-of-mind awareness of (and interest in) the program

Rule 4: Develop Communities Using Social Media and Networking

Social technologies are rocking the landscape of marketing, and loyalty programs are not exempt from the upheaval. These places and methods of interactions are numerous,[40] and include groups (groups.google.com), blogs (blogger.com), bookmarking (digg.com), photo sites (flickr.com), texting (twitter.com), virtual worlds (secondlife.com) and, of course, networks (facebook.com). Together, they can powerfully nurture the "friends" of a brand and thereby enhance loyalty.

Communities benefit a company with a loyalty program as well as its customers enrolled in that program. For the company, a community of loyalty program members is an excellent means to engage with customers and, in the process, to listen and to learn from them. Customer feedback may be used to modify and enhance the loyalty program, making it more relevant and rewarding and, as a consequence, strengthening the connection to the brand.

For customers in a loyalty program, a community provides a meeting place for interactions where members can assist one another and share information. This "stickiness" increases the customer's perception of value of program and their engagement with the brand. British Airways, for example, extends the effectiveness of its Executive Club loyalty program by using Twitter[41] and by creating and maintaining its Metrotwin[42] website, linking the cities of New York and London. The website publishes recommendations of the best places to go in New York and London, together with a blog and reviews. Similarly, Jet Blue uses Twitter, Facebook, MySpace and YouTube to actively engage with customers.

Pink[43] by Victoria's Secret has nearly one million fans, over one thousand discussion topics and more than twelve thousand wall posts[44] in its Facebook community, constituting a non-traditional program that engenders an affiliation with and preference for the brand. To heighten engagement, all community members were recently invited to "Pinkapalooza,"[45] an event held at the Santa Monica Pier in Los Angeles to launch the back-to-school collegiate collection. Attendees participated in games and contests at the event, and received a coupon on their mobile device for merchandise.

These companies recognize that loyalty arises from authentic relationships, and each is seeking to use social technologies to develop the frequency and depth of relevant interactions with its customers. If successful, such tactics can assist in converting affiliation with the company to advocating for the company. Customers engaged with a brand are loyal and drive profits.[46] "The ability to create social communities, to share information, to support user-generated content and product reviews are all facets that distinguish leading loyalty programs today," notes Boxer.

> **"Customers are your future, representing new opportunities, ideas and avenues for growth."**
>
> **—Michael Dell, *Founder and CEO of Dell, Inc***

Conclusion

New rules require a new response. Being targeted and relevant, recognizing and rewarding customers in real time, integrating partners, and using social media and networking to enhance customer loyalty do not just happen—and for many companies *cannot* happen in the absence of new enabling technologies. To bring these rules to life and secure their associated business benefits, it is essential for a company to have one unified view of customer behavior to enable excellent analytic insight; to effectively manage membership, point accrual and redemption; and to efficiently integrate partners both strategically and tactically in ways that have been prohibitively difficult in the past.

Building loyalty programs upon this foundation positions the business to meet evolving customers' needs and forges long-term, profitable customer relationships. "When loyalty programs don't get, keep and grow customer loyalty, they become a cost of doing business rather than a competitive advantage," notes Peppers. "Circumstances and customers have changed. Loyalty programs that have not kept pace will no longer deliver the results demanded by businesses today." ■

Top Ten Tips & Techniques

Consider these tips and techniques to evolve and advance your own customer loyalty program.

1. **Do you have the right tools?** Critically examine your company's current technologies, and determine if they are ready to support the four new rules of customer loyalty.

2. **Be clear.** Are you, and everyone in your organization clear on exactly which business problems can be solved through the loyalty program, and which customer behaviors must be altered to achieve those goals?

3. **If first you don't succeed, try, try again.** Test loyalty program communications and promotions constantly; and learn continuously, by measuring each.

4. **Get smart.** Never waste an opportunity to learn more about each individual customer from each interaction, by listening and remembering.

5. **Be transparent.** Openness about your loyalty program is valued by customers and is essential for building trust.

6. **Keep it simple.** Customers want simplicity—easy to understand, and easy to use.

7. **Treat your customers like you would like to be treated.** Manage your program around relationships, the core of customer loyalty.

8. **Monetize data.** Customer insight lessens business risk, improves the likelihood of marketing success, and enhances the customer relationship.

9. **Create excitement.** Keep it fresh and fun, for the customer; and top-of-mind as a strategic platform, for the company.

10. **Plan for tomorrow.** The loyalty program must change and grow to remain effective, so think about the future—defensively and offensively.

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With over fifteen years of marketing experience and advanced study in cognitive psychology, research methodology, and statistics, Thomas Lacki, Ph.D., is privileged to contribute to the creation of higher value solutions through best thinking for the clients of Peppers & Rogers Group. In the role of Senior Advisor, Peppers & Rogers Group Faculty, he leverages his own expertise in understanding individuals behaviorally and analytically to achieve measurable marketing results today, and to elevate the practice of one-to-one marketing tomorrow. Lacki has shared his insights with conference audiences throughout the world, has published research about CRM, and serves on the editorial board of an international marketing journal.