Rewarding with Points:
Making the Most of Customer Loyalty

simply thank you
corporate

Contents

simply thank you
corporate

İntroduction

Simply Thank You create bespoke reward programs with the overall objective of developing schemes which are powerful enough to halt customer bleed and encourage customer switch.

As an engagement specialist we are frequently approached to assist organisations large and small in putting together programs which help build loyalty by creating memorable moments and building on customer relationships. Some companies reward customers with cashback or discounts, but the key differentiator for successful programs is a unique, git-based approach which promotes and celebrates customer individuality. Not only does this set organisations apart from competitors, it's also more effective in increasing loyalty thanks to the provision of a personalised experience.

A points reward program allows customers to feel personally recognised for their everyday transactions, and creates positive feeling for a number of reasons; it's an opportunity to thank customers and make them feel valued, show that you are listening, communicate an appreciation for value and quality, and provide an experience that's superior to other options including branded wrapping, personal messages, clarity of offers and a smooth user journey.

The Simply Thank You USP is to create reward opportunities which are low cost with high perceived value and also based on the principle of creating surprise and delight. We know that people do business with people they like, and using a reward program that offers the personal touch is invaluable in creating experiences that create an emotional connection with customers, which ultimately keeps them coming back.

Key to the delivery of a program offering choice and personalisation is the availability of market leading products and services; a unique mix of desirable and relevant offers available from Simply Thank You allow the program to truly appeal to individuals in every audience demographic. Creating a program this way leads to the growth of a loyal customer base which drives revenue and transforms customer bleed into switcher acquisition thanks to a comparatively low cost, high return and sustainable program.

simply thank you corporate

Customer Rewards

Organisations without a rewards program are now at a competitive disadvantage.

Did you know that 84% of consumers are more likely to visit the site of a retailer with a reward program? A third say they wouldn't be loyal to a brand if it wasn't for the rewards, and 70% modify when and where they shop to maximise rewards. In response, almost two thirds of retailers increased their 2015 budget dedicated to enhancing their loyalty offering.

A successful rewards program is meaningful and adds value – and it's evolving. Reward programs should undergo regular review and development to satisfy the tech-savvy consumer and contribute to the unified, several-platform, interactive experience shoppers now expect.

The Experience

Customer reward is all about experience. Delivering a positive experience for your customer generates the spark needed to create an emotional connection, and secure their long term loyalty.

We know that customer loyalty isn't driven by the same things for everyone, but the main drivers are:

• **Cashback**
• **Discounts and offers**
• **Loyalty currency (points, air miles and so on)**

Loyalty currency is the only loyalty driver that connects with the customer emotionally, and helps build lasting trust.

Why?

Points lead to a tangible reward. While cashback disappears into everyday spend and a discount is over and done with, a physical reward provides an experience, desired item or keepsake that arrives to delight. Often selected from a loyalty gifts site, a points-led reward is also the result of choice; points allow you to treat each consumer like an individual, and take the opportunity to personalise the moment with branded wrap and signed correspondence.

The Outcome

Reward programs improve the customer experience by creating, and capitalising on, positive feeling. A loyalty program is therefore an extension of exemplary customer service, fulfilling needs on a customer centric level and leading to significant increases in Net Promoter Score, whereby customers rate the service as one they'd be very likely to recommend to friends. A higher Net Promoter Score is generally associated with a better customer-facing performance overall.
Simply Thank You programs have reported an increase in NPS of 45 points over a period of 3 months following the implementation of a loyalty program.

simply thank you
corporate

Creating a Program

In building a points reward program, the ultimate goal should be to underline your overall brand strategy, which helps reward and emotional positivity become synonymous with your organisation over time, building loyalty, increasing revenue and ultimately reducing customer churn. But in order to maximise take up, you have to effectively engage customers with its design and offering.

What do customers want?

Transparency

Make points values clear, so it's easy to calculate when considering making a purchase. Not only will customers be more likely to opt in when they can make an easy mathematical evaluation of what their loyalty is worth, they'll also make more effort to earn them and watch them add up. Consider Martin Lewis' infamous experiment – the fictitious MACS credit card which offered 12 points per pound. Sounds fantastic! Each point was worth only 0.0001p, highlighting the ineffectiveness of valueless, meaningless rewards.

Fair Reward

As above, people will feel cheated if your rewards are misrepresented – when you offer fantastic gifts, offer points redemption at a fair equivalent price. Consideration should also be given to gifts discounted below the normal RRP so customers can see they are getting good value when they redeem.

Wide Ranging Earning Opportunities

Provide the right earning opportunities, and include those which appeal to every customer demographic: shopping with certain brands, buying travel money, making mortgage payments, insuring the home and so on. A recent CrowdTwist report revealed that 60% of the Millennial audience would like to earn points for their non-purchase interactions with the brand; opening emails, watching videos and leaving product reviews. As an extension, implement a Magic Moments initiative, sending additional points free of charge to celebrate birthdays, weddings and other life events.
Though small costs are incurred by their inclusion, these experiences are invaluable in creating positive feeling which leads to very strong brand advocacy, subsequent recommendations to friends and family, and valuable social media endorsement with statuses, shared images and reviews. The delight generated by a tangible gift is incomparable to cash rewards which disappear into everyday spend.

Ease of Use

Most importantly of all, customer take up of your points program will be maximised by ease of use. Make opt-in easy using a responsive website or app, make program information readily available in store, online and on mobile, and offer an easy-to-follow points to pounds equivalent. Once the points scheme is established, use collected data to highlight appropriately personalised offers for segmented audiences. In a Bain and Company study of retail banking customer loyalty, people were found to be most delighted by using a mobile or tablet application for their interaction, and using an online tool.

simply thank you
corporate

Underlining Brand and Getting Social

- **Each share by social-savvy participants has a media value of around £800**
- **Prompt social media interaction by including social handles on each message card**

Above all, your points rewards program is in place to reinforce your company brand and spread the word that you're the best in show, reminding customers why they chose you, why they remain loyal and encouraging others to do the same.

Effectively marketing a rewards program is the key to maximising take up so designing a scheme that closely matches your brand values and identity – both in how it looks and what it stands for – then creating opportunities to introduce it to customers are the paramount first steps to reward program success. Target marketing to existing customers in store, by email and over the telephone maximises awareness, and above the line advertising via television, radio and print reaches potential customers too.

Following establishment in the market, the power of a gift rewards program is twofold: its tangibility, and its ability to reward customers for completing their everyday activities; paying bills, making purchases and so on. The combination leads to a level of delight when customers browse the catalogue, make a redemption and especially when their gift arrives.

Company branded wrapping is a powerful visual that tightly associates delight and excitement with your organisation, and frequently makes its way onto social media. An effective prompt is the inclusion of social media handles on each message card.

As the online destination where users have found a voice to publish comment and complaints, Twitter, Facebook and Instagram are also the platforms where many rewards gifts are shared by social-savvy reward scheme participants.

The average Twitter user has 208 followers. Over on Facebook, that number is 338.

If a sponsored post costs around £1.50, the equivalent advertising value of each delighted tweet is £312, and a delighted status £507.

That's an average grand total of £819 worth of social media coverage from just one rewarded customer.

simply thank you
corporate

Customer Data and Management İnformation Reporting

The data collected using Management İnformation Reporting on a rewards points program grants unrivalled insight into customer behaviour, and most afford the data volume as to be very reliable.

Statistical data collected can be used to analyse various aspects of the points program, its take up and its users – this can lead to the segmentation of audience by grouping together those who exhibit similar behaviour, and targeting demographic-specific offers most likely to be taken up by each group.

Identifying audience segments also allows for prediction of future behaviours, and on a larger scale the identification of the 'most desirable' customer group, to improve future marketing efforts and program profitability.

What should you measure to learn about your users, and determine where your marketing focus belongs?

- Percentage of customers who are members, or Participation Rate
- Percentage of members actively earning and redeeming points, or Activity Rate
- Length of membership, or Tenure
- Attrition over a defined length of time
- Percentage of points issued that members are expected to redeem prior to points expiry, or Ultimate Redemption Rate (URR)
- Breakage rate
- Cost per redeemed point
- Average inactivity period in users who are not 'Inactive'
- Frequency of points-accruing activity
- Revenue per member
- Average member spend per transaction
- Total monetary cost of points awarded as a percentage of total customer spend

Customer segments with a lower breakage rate, higher frequency of use, longer tenure and other behaviours that equate to a better 'consumer performance' overall are the most desirable.

You can also measure program success, in terms of profitability, using overall KPIs and comparing incremental profit with incremental costs. A well-functioning program will achieve a balance between the two, and attract the most desirable customers to bring maximum profit.

İncremental Revenues	İncremental Costs
Revenue including membership fees, sales, partner payments	Rewards redemption and accrued liability
Increased purchase frequency	Cost of perks, recognition, member events
Increased purchase volume	Advertising, mailing, email and other communication costs
Reduction in customer churn	IT investment and maintenance
Willingness to pay premium	Enterprise training and support
Increased advocacy and referrals	Business unit overheads
	Research and development

simply thank you corporate

Case Study

A rewards scheme implemented by a leading digital media company called for £434,341.85 in points to be awarded to scheme participants over a one year period.

Of the points awarded, **£302,465.30** of them were redeemed.

The redemption percentage was therefore **69.64%**

The average order value in this time was £113.47, with some evidence to indicate that participants were saving points over a time in order to redeem against a gift of choice. This suggests product awareness, and an engagement with the scheme which enabled users to actively accrue points towards a desired item.
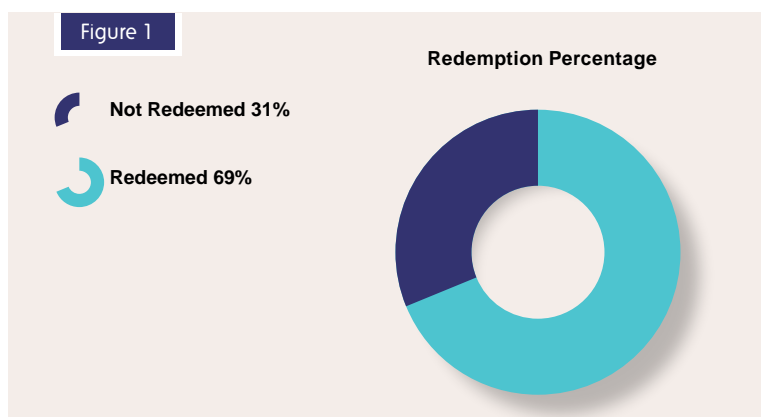
Figure 1

Redemption Percentage

Not Redeemed 31%

Redeemed 69%

Figure 1

70% of points were redeemed, highlighting the most appealing categories and informing future development of the offering.
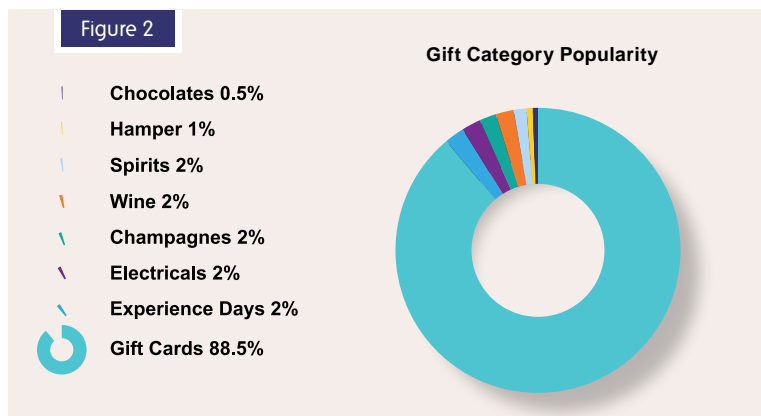
Gift category popularity was as shown:

Figure 2

Gift Category Popularity

Chocolates 0.5%
Hamper 1%
Spirits 2%
Wine 2%
Champagnes 2%
Electricals 2%
Experience Days 2%
Gift Cards 88.5%

Figure 2

We can see that gift cards and experience days are an extremely popular choice in this case.

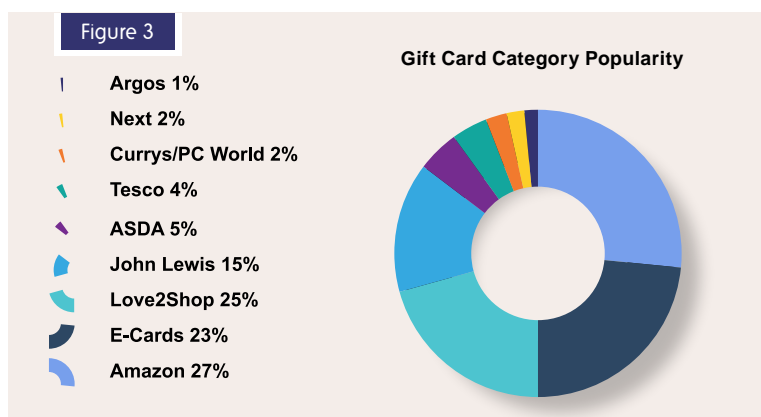To break the information down further, the most popular gift cards were as shown:

Figure 3

Gift Card Category Popularity

Argos 1%
Next 2%
Currys/PC World 2%
Tesco 4%
ASDA 5%
John Lewis 15%
Love2Shop 25%
E-Cards 23%
Amazon 27%

Figure 3

The company was able to use MI reporting to further break down this information by a variety of customer demographics, and further market rewards on a more individual level.

simply thank you
corporate

Points Liability

Issuing rewards points leads to a key consideration: liability. In other words, unredeemed points.

When you issue points you incur liability for future rewards, which is always in flux and is affected by the following factors:

- Forfeiture, i.e. accounts can be cancelled and points voided in the event of, for example, long periods of inactivity or closure of user account
- Breakage. There is a level of breakage in any program – some points earned will never be redeemed, even by active users

These factors help organisations to identify the actual potential exposure of points earnings, and operate a certain amount of control over issued points.

Remember that unused points are not a negative feature of a reward points program, but can help establish how points are used. You can use customer data, as outlined above, to look at usage across demographics, and identify where to develop the program to increase take up or issue points differently.

simply thank you
corporate

Ongoing Development

Rewards programs reap the benefit of undergoing development to meet evolving company needs or goals, and remain successful.

There are two types of evolution for observation: the method of delivery, and what's delivered.

1. Technological

In an increasingly digital world, program users expect their rewards program to be accessible online and on the go, meaning your program has to be exciting and relevant for the most tech-savvy users and the least, which is no mean feat. Keeping user experience in mind will help you to come up with a simple but well-refined solution every time.

Be prepared to regularly review your points reward program, and develop as necessary to

2. Offering

Evolving a rewards offering is to directly affect the user's ability to spend and redeem their points, so introduce levers to increase usage. Evolution in this sense is to offer additional products or services which allow users to earn more, redeem differently, or make the most of bonuses or promotions. We also suggest the introduction of VIP access, a free demonstration of premium access and limited edition reward ranges alongside the more pedestrian developments: increased reward portfolio, bonus points at off peak times of year.

It is possible to take program evolution further the more established it becomes. Possibilities include integrating the scheme with social media to engage with customers, forming partnerships with retailers to gain access to in-depth transactional data, and offering contextualised rewards based on customer spending history.

simply thank you corporate

Summary

A successful rewards scheme is simple in design and use.

In sum, the essence of a successful points based scheme is to keep it extremely simple and for the customer to understand how and when they will earn points, what the points are worth and what they can get for them. The rewards then translate into an actual, physical item which oftentimes has a keepsake value attached.

Calculations of points based upon spend can be complex and can lead to confusion which causes abandonment of the program, or attrition. Similarly, setting pedantic or complicated thresholds and ring fencing the program with strict conditions can be off-putting – this also creates a program which is inaccessible to customers who are looking for an easy program in a familiar format, with meaningful reward points and items.

Making the most out of a rewards program is as simple as making it fit for purpose: easy to use and access, led by customer insight, constrained only by necessary and clear parameters, and engaging with a worthwhile, choice-led offering.

simply thank you
corporate