

Approaches to Capturing Customer Loyalty

Companies find that a little measurement goes a long way.

Current best practices in loyalty marketing focus on customization and maximizing the benefits from points programs. However, many organizations are taking their loyalty initiatives to the next level by better examining customer value, by testing those initiatives as they would a marketing campaign, and by better understanding customers' expectations.

Some organizations are taking customers' **potential value** into account by embracing the concept of "incrementality," or purposefully encouraging incremental business. According to Dennis Gonier, CEO of loyalty marketing firm TARP, any loyalty program that does not focus on incremental purchases may actually be devaluing the customer base. "Companies screw up the economics of loyalty," Gonier says. "Too many customers are rewarded for business they would have given the company anyway." He believes companies should identify areas in which they

want to grow incremental business and then survey customers to identify the behaviors that will drive it.

Testing is a growing area of focus. According to Loyalty Lab CEO Mark Goldstein, most companies should test loyalty programs more often than they currently do. For example, loyalty think tank Colloquy and a top five U.S. retailer tested five different loyalty programs simultaneously in late 2004 before they moved forward with one that mixed the "hard benefits" of point-based rewards with "soft benefits" like exclusive in-store events. Not only will testing provide insight about whether the initiative will produce the desired business results, but it will also provide insight about what consumers think about a company's loyalty program.

Companies are also becoming obsessed with how the finer details of **customer experience** impact loyalty, according to Zachary Conen,

Companies should identify areas in which they want to grow incremental business and then survey customers to identify the behaviors that will drive it.



director of marketing at loyalty consultant LRA. Take the Tournament Players Club Network, for example. Until last summer it was operating under the impression that clean locker rooms and well-groomed courses were the most important customer experiences. After it surveyed its high-end guests the marketing team was surprised to find that service in the bag drop area, where golfers store their golf bags when they finish a round, was more important. "Now instead of putting a kid with his hat pulled over his eyes in the bag drop area, they spiffed up the personnel and made sure that part of the experience was improved," Conen says. ✓ *John Gaffney*