

# Loyalty Marketing

Author

**Preeti Menon<sup>1</sup>, Hetal Machhi<sup>2</sup>**

<sup>1,2</sup>(Faculty of Commerce and Management/SEMCOM College/Vallabh Vidyanagar/Gujrat)

---

## Abstract

*"As a customer's relationship with a company lengthens, profits rise. And not just a little. Companies can boost profits by almost 100% by retaining just 5% of their customers."*  
**Reichheld & Sarrer**

*Loyalty Marketing programmes are known for some of their more obvious effects- such as increasing spend (and therefore customer lifetime value) and better retention but they can also achieve a number of other things that impact the company's business strategy, operational efficiency, human resources policy and more. For example: - Customer acquisition, up selling and cross selling, intelligent deselecting (getting rid of unprofitable customers), winning back defected customers, selection of new outlet locations, reducing advertising costs, stock planning and merchandising, getting relationships and enabling true "best customer marketing".*

---

## Introduction

Loyalty is an abstract concept – there is no single complete definition of it. It comes in different types and different degrees, customers are loyal or otherwise for many different reasons: - some are loyal from choice, some are loyal because their needs are met or exceeded, and others because their needs are most exceeded, and others because the relationship is profitable to both sides.

A number of factors play a part in influencing the loyalty and the commitment of customers, such as quality and value of core offering, levels of customer satisfaction. The loyalty or relationship based marketing initiative, illuminating the traps and pitfalls alongside the paths to profit etc.

The case for increasing profits by decreasing the rate at which customer's defect. By retaining just 5% more of its customers, the article showed how a company could almost double its profits. Furthermore, in a period of only five years, a firm with a 70% customer retention rate will have lost 2-3 times as many customers as a firm with a 90% retention rate. It pays to engender loyalty.

The loyalty programmes also examines the essential goals that may coalition programme may lead to success but depending on rapid market penetration, delivery of attractive rewards, being the first to enter the market in the market to enable the customers and developing an efficient communication channels.

The Best example of the same is *Hero and Honda Motors* have merged to each other for enabling customers to get the expertise the services and technologically up gradation.

Visa International has already launched a standard, entitled *VS3*, for loyalty schemes and other applications operating on Visa credit and debit cards, meanwhile *MasterCard International* has also taken steps toward the development of standards for smart card applications, and offers development assistance to its card issuers. Although smart cards in the field of loyalty have been accepted and there's plenty of room of innovators succeed.

## **1. The Human Aspect of Loyalty: -**

Clearly the human aspect of loyalty programmes is of paramount importance. Loyalty and even satisfaction are human emotions. Actions that might make one person loyal could well repel someone else. Even worse, something that might endanger feelings of loyalty in someone on one day might be the last thing they want on another day. It even calls for a range of research into customer physiology and attitudes, and the knowledge that experience brings, from an array of sources.

For example there are three reasons for a customer opting the loyalty scheme

- |  |                         |
|--|-------------------------|
| • <b>Benefit of being rewarded for products and services</b> | <b>54% of customers</b> |
| • <b>Greater discounts on products and services</b>          | <b>49% of customers</b> |
| • <b>Special member – only perks</b>                         | <b>42% of customers</b> |

## **2. Process of Developing Loyalty Marketing**

### **2.1. Internal Communication and Buy In**

The first stage in implementation was to communicate to others in the company that these enthusiasts existed and to identify the key people who needed to be involved in setting up the loyalty scheme. There was also a need for others to be informed so they could ensure that any offers could be clearly differentiated or identified from other sales and marketing activity and to avoid cannibalization.

### **2.2. Developing New Resources**

The scheme needed branding, membership forms, advertising and a "loyalty pack" to be developed. An early decision had been to launch at a users exhibition, so appropriate display materials were needed and brightly coloured T-shirts were included in the loyalty pack so new members could easily identify themselves.

The exhibition also meant that space and materials had to be available at the show to allow the loyalty packs to be handed over immediately.

Because of the nature of the audience a number of specialist articles were also written by key people in the product and development teams providing an insight into the company and its future ideas and developments.

### **2.3. Implementing Appropriate Systems and Processes**

In the back office, members needed to be identified which meant that forms had to be processed, a membership number allocated and a unique membership card needed to be created for each member and then sent out.

An internal mechanism for processing membership enquiries after the show was also needed to ensure a speedy turn around.

This all had to sit on a database with appropriate mechanisms for change of address and identifying people for mailing purposes to send future newsletters and to target offers. As the scheme needed to be available at the exhibition, a system of taking and recording cash and credit card payments was needed at the show which needed to be manned full-time.

### **2.4. Working Through The Communication To The Market**

The scheme was communicated through a series of PR releases to appropriate magazines supported by advertising and promotion on the Internet. The scheme was to be launched at the exhibition so this was also considered another mechanism to get people to the show, so no early orders were taken.

Once the exhibition was over, adverts continued in the appropriate magazines, but there were already large amounts of news and comment on the company's newsgroups. Specialist members of the channel were invited to take part and support the scheme and were provided with material for their websites and shop fronts, whilst they also contributed materials and offers to the launch pack.

### **2.5. Monitoring and review**

Early monitoring was carried out by counting numbers of members and from feedback generated on the company's newsgroups. The scheme proved such a success at the exhibition that there were continual queues to sign up, and one early lesson was that additional staffs were needed to handle the sign up process.

After the exhibition numbers grew steadily and were vastly helped with the arrival of a full-time manager for the scheme who could devote more time to generating materials and responding and meeting with members.

The scheme became an important way of differentiating a specialist audience from mainstream customers and monitoring showed that members of this group made up a substantial number of early adopters for the company's products.

### **3. Loyalty Programmes –The Exception:**

The benefits of loyalty marketing are beginning to be recognized, loyalty programmes are the exception rather than the rule. The reasons are:

- **Market Structure:** There is no clearly defined structures or formal grouping or lobbies as far as retail environment is concern.
- **Finance:** Both capital as well as operational expenditure is involved in such loyalty programmes.
- **Infrastructure:** Telecommunications infrastructure has historically been less than optimal.
- Coalition loyalty has a national focus.
- Success of coalition loyalty programme depends on key partners.
- Uneven spread of technology.

### **4. Future for Loyalty:**

First of all projection has to be made of what has happen so far? Is it possible to predict what will happen tomorrow? For example future of Fax and Mail: Before two decades was it possible that fax and mail will be so popular? The traps, pitfalls and warnings of the past have always been useful for planning action in the future-the worse the failure, the more widely the lesson is learned. The past has always acted as a role model for future. The future of loyalty is surely facing a challenge looking to the pace of changes in each phase of the business.

Consider this quote, from '**Scoring Points: How Tesco is winning customer loyalty**':

*'... Loyalty marketing is a strategy, not a tactic. The reward is no more a bribe than a birthday present from your partner or a dividend to a shareholder is a bribe.'*

### **Conclusion:**

Loyalty marketing is an emerging trend. Loyalty marketers in African countries are in a unique position that enables them to leapfrog over several of the developmental stages that earlier loyalty programme developers had to overcome. In India also such programme is developing looking to the pace of changing in technology. No doubt it is still in an infant stage in India. Loyalty needs to be implemented in the edging ways to attract the consumers in recent ways so as to enhance the life of its marketing.

**References:**

- [1]. Chaturvedi Mukesh , "Direct marketing" .
- [2]. Machiraju H.R "International marketing".
- [3]. [www.globalinsight.com](http://www.globalinsight.com)
- [4]. [www.loyaltyprogrammes.com](http://www.loyaltyprogrammes.com)
- [5]. [www.thewisemarketer.com](http://www.thewisemarketer.com)
- [6]. [www.adtimes.nstp.com](http://www.adtimes.nstp.com)
- [7]. [www. buildingbrands.com](http://www.buildingbrands.com).