

Chapitre 5.

From Loyalty to Loyalty programs

Chapter structure

- 1. Definition of loyalty**
- 2. Measurement of customer loyalty**
- 3. Which loyalty strategy to choose?**
- 4. Loyalty programs : main objective**
- 5. The purpose of a loyalty program**
- 6. Omni-channel loyalty programs**
- 7. The main principles of a loyalty program**
- 8. The 4 levers of loyalty programs**
- 9. The effectiveness of loyalty programs**
- 10. How are retail loyalty programs perceived by customer ?**

What does brand loyalty mean?



What does brand loyalty mean?

- 1. A certain regularity of purchase,**
- 2. An interest in the products offered,**
- 3. An attachment by the product, by the experience and by the proposed customer relationship,**
- 4. Regular use of loyalty programs,**

Loyalty: a real challenge

- A customer costs five to ten times less to retain than to win.
- A loyal customer's basket can be 10 times greater than the company's average basket.
- A loyal customer becomes a brand ambassador
- By engaging their best customers, brands would secure up to 75% of their turnover

Loyalty: a real challenge

- An engaged consumer inevitably becomes your:
 - Ambassador,
 - Relay of company communication ,
 - Influencer who attracts loved ones and acquaintances
- To reach this stage, you must be able to constantly surprise your customers with new offers that can satisfy unexpressed needs.

Definition of loyalty

1. Semantically

- The word comes from the Latin “**fides**” (faith)

- It underlies an idea of trust or more exactly a lasting commitment of trust (faith) (Crié, 2002)

Definition of loyalty

2. According to the literature

► **Definition 1:**

“Loyalty characterizes a consumer relationship with an object, and reflects both :

- **Repetitive behavior**
- **Positive attitude towards the object in question.**

► **It is this affective component (or attachment) that makes it possible to distinguish true loyalty from redemption by inertia >>**

Definition 2 :

Loyalty to the brand is :

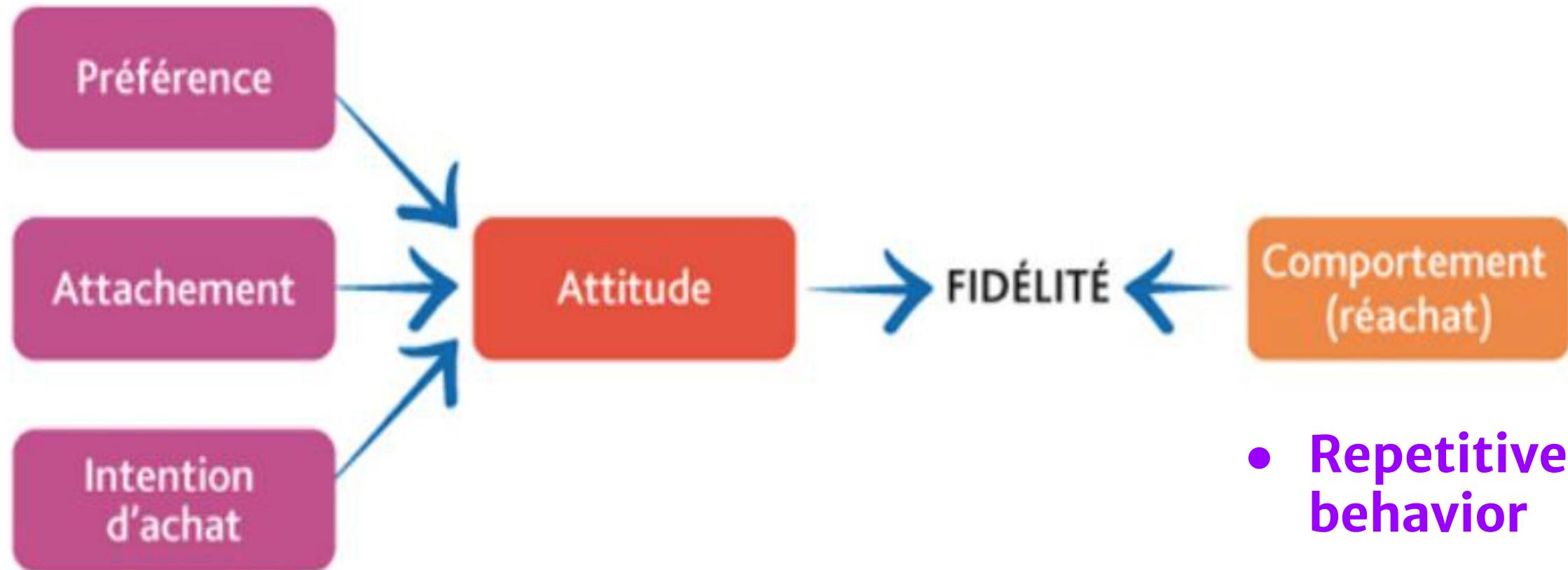
“A deep commitment to frequent this brand regularly in the future, despite the influence of situational factors and despite the efforts of competitors that may eventually lead customers to change brand (Oliver, 1999) ”.

- ▶ **Loyalty is characterized by three conditions** (Jacoby and Chestnut, 1978)
 - ▶ **Cognitive:** the consumer has information that demonstrates that the chosen brand is far superior to its competitors
 - ▶ **Affective:** at the emotional level, the consumer must clearly prefer this brand
 - ▶ **Conative:** at the conative level, he must intend to buy it again

► The three dimensions of loyalty:

- Cognitive (preference)
- Affective (feeling of attachment or proximity to the brand),
- Conative (purchase intention)

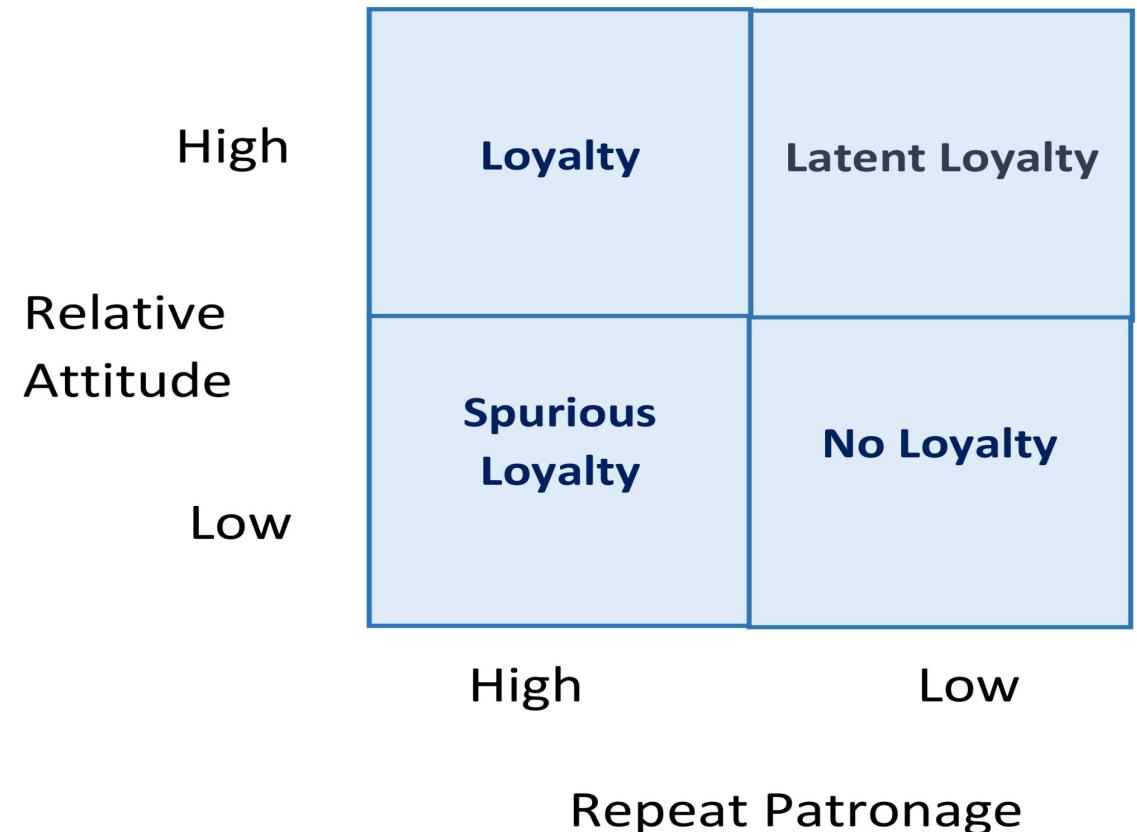
- A loyalty program can act on these three dimensions
- By making consumers prefer, love and act (purchase).



- Repetitive behavior

Four Categories of Loyalty

- True loyalty,
- False loyalty,
- Latent loyalty
- Non-loyalty

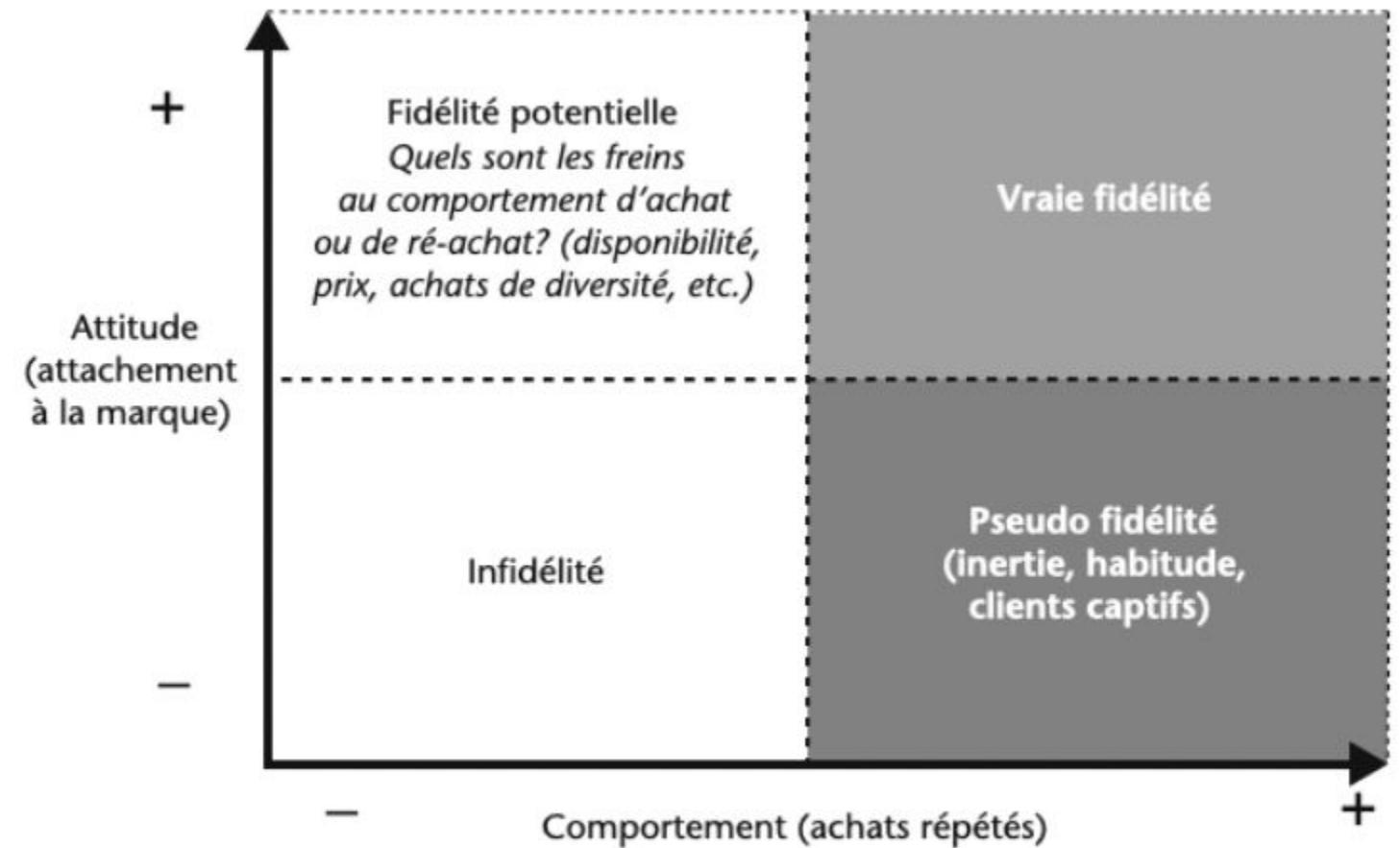


Source: Dick, A.S. and Basu, K. "Customer Loyalty: Toward an Integrated Conceptual Framework," *Journal of the Academy of Marketing Science*, Vol. 22, no. 2, 1994, p. 101

Four Categories of Loyalty

Based on repeat purchase and relative loyalty (Dick and Basu, 1994):

- true loyalty,
- false loyalty,
- latent loyalty
- non-loyalty



D'après Dick et Basu, 1994

Figure 1.3 – Une typologie de la fidélité

Measurement of customer loyalty

NPS (Net Promoter Score): refers to customers likely to recommend a product, service or brand.

- ▶ It takes the form of a simple recommendation question:
- ▶ On a scale of 0 to 10, how likely are you to recommend our brand to those around you?

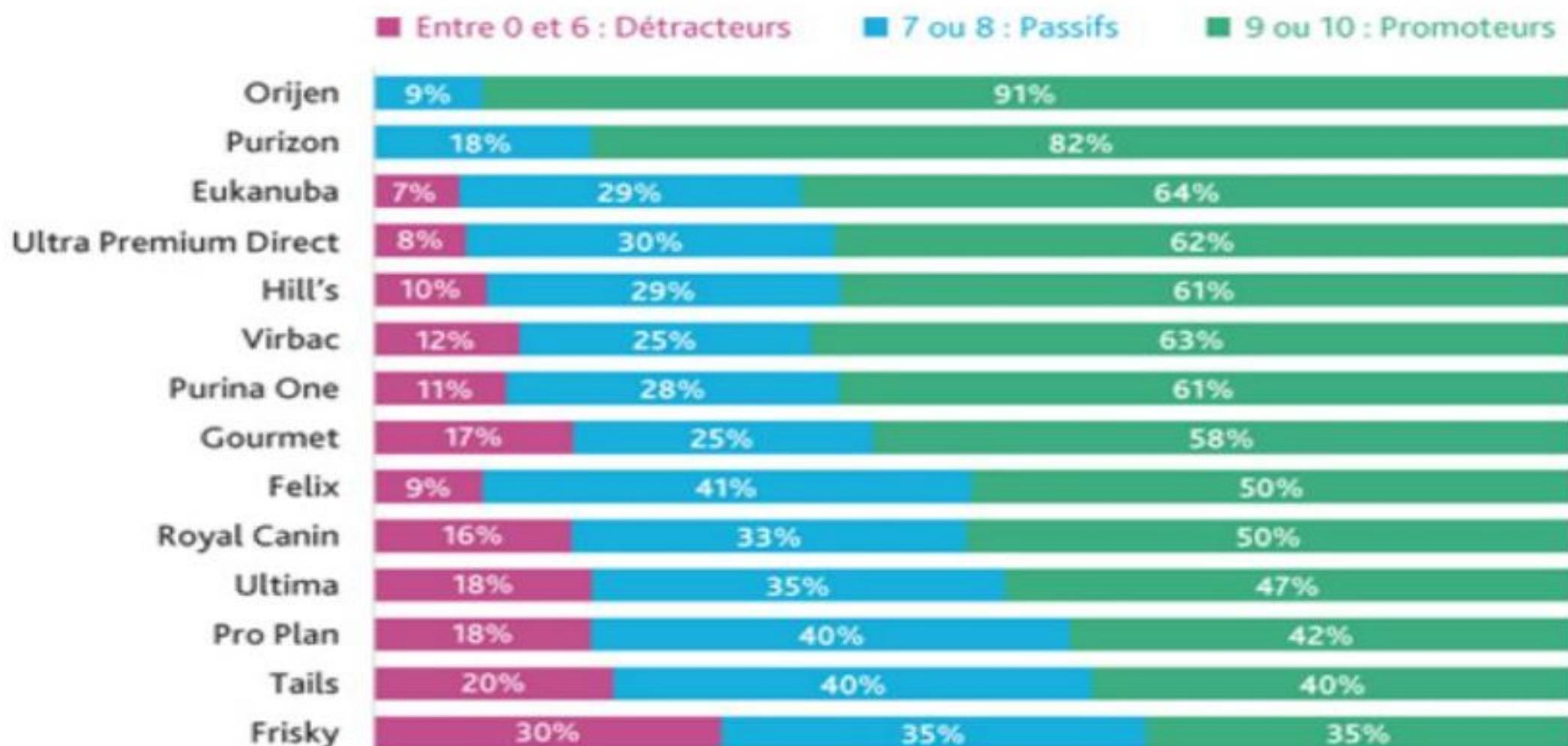


Le NPS = % des promoteurs - % des détracteurs.

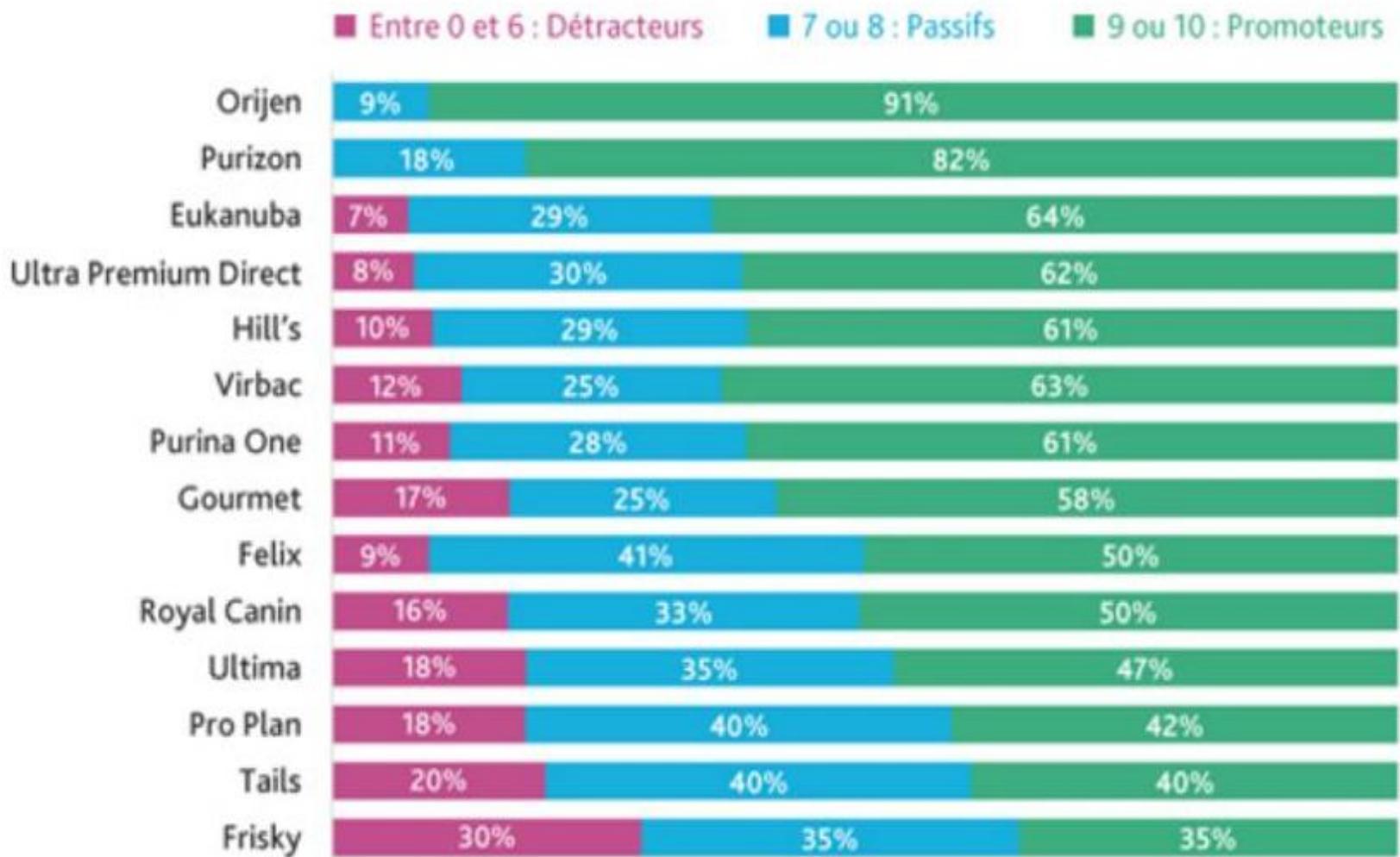
Measurement of customer loyalty

- ▶ Only great satisfaction or great dissatisfaction are predictive of customer behavior.
- ▶ Do not put attention for average satisfaction figures: they often reflect indifference.
- ▶ This single question is insufficient to understand the determinants of satisfaction or dissatisfaction

Calculate the NPS for each of the brands and identify the brands that have little or no loyalty.



NPS



NPS
91%
82%
57%
54%
52%
51%
50%
41%
41%
34%
29%
24%
20%
6%

Why calculate your Net Promoter Score?

- An indicator of customer satisfaction and loyalty that is increasingly used.
- It has an influence on the company's future performance.
- A satisfaction survey with only one or two questions: the famous NPS question and a complementary question allowing customers to justify their answers.
- The ability to predict repeat purchases: A high NPS boosts :
 - positive word-of-mouth
 - customer recommendations
 - the probability of repeat purchases.

Why calculate your Net Promoter Score?

- ▶ **Monitoring the evolution of customer satisfaction over time:** measuring the NPS once or twice a year (study its variability over time)
- ▶ **The NPS can naturally go up or down at certain key moments of the year.**
- ▶ **A comparison of results between teams:** The NPS can be calculated for the entire company or for a specific unit or department.



How to calculate the NPS?

- ▶ Distribute your satisfaction survey with the NPS question.
- ▶ Classify the responses according to the three customer categories: promoters (responses of 9 and 10), detractors (responses of less than 6), passive customers (responses of 7 or 8)
- ▶ Total the number of responses for each category.
- ▶ Calculate the corresponding percentage with each category.
- ▶ Deduct the percentage of detractors from the percentage of promoters to get your NPS score.

The formula for calculating the Net Promoter Score is as follows:

Responses positioned on a scale of -100 to +100



Interpretation

- ❖ A positive NPS means that you have more promoter customers, who are willing to recommend your company, than detractor customers
- ❖ A score of -100 means that all your customers are detractors.
- ❖ A score of +100 means that all your customers are promoters
- ❖ Any NPS higher than 0 can therefore be considered as "correct". The average company has an NPS between 5 and 10." :
- ❖ NPS higher than 50 is "good" or even "very good "
- ❖ NPS higher than 70 is "excellent".

How to calculate the NPS?

Example

- Let's say you got 100 responses to your NPS satisfaction survey.
 - 15 customers answered 9/10 or 10/10,
 - 50 answered 7/10 or 8/10 and
 - 35 customers answered less than 6/10.

Calculate the Net Promoter Score ?

How to calculate the NPS?

Example

- ▶ So you have 15 promoter clients, 50 passive clients and 35 detractor clients.
- ▶ The percentages associated with each category are as follows:
- ▶ 15% Promoter customers $((15 \times 100)/100)$, 50% Passive customers $((50 \times 100)/100)$, 35% Detractor customers $((35 \times 100)/100)$.

- ▶ Then apply the Net Promoter Score formula: (% Promoters) - (% Detractors) = NPS
- ▶ This gives you a Net Promoter Score of: $15 - 35 = -20$

Compare and track your NPS internally

- ▶ Depending on your sector of activity, your country or the region in which you are located (and many other factors!), your reference NPS can vary from simple to double
- ▶ The most important thing is not to compare your NPS to the results obtained by other companies, but to follow the evolution of this indicator over time, internally. No matter what score you got in your first customer survey, the objective will be to continuously improve it.
- ▶ Another good practice is to perform an internal benchmark, in other words, to compare the Net Promoter Score obtained by each of the entities that make up your company: establishments, departments, business units

Quel benchmark externe pour le Net Promoter Score ?

	<u>NPS Min</u>	<u>NPS Moy</u>	<u>NPS Max</u>
Concessionnaires	22	48	63
Logiciels	28	41	55
Entreprises d'investissement	30	40	49
Supermarchés	20	39	59
Compagnies d'assurance	19	37	68
Compagnies aériennes	18	37	55
Hotels	4	37	55
Retail	1	35	59
Location voitures	22	34	49
Services livraison colis	20	34	42
Banques	17	32	62
Restaurants fast food	-1	30	53

résultats d'une étude NPS réalisée par le [groupe Temkin](#) en 2016

Exercise 2 - NPS

- ▶ **Your NPS question was answered by 150 people:**

- ▶ **80 customers gave a rating of 9 or 10**
- ▶ **30 customers gave a rating of 7 or 8**
- ▶ **40 customers gave a rating between 0 and 6**

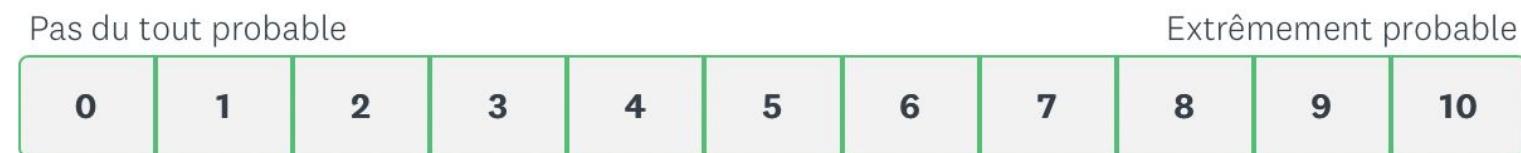
- ▶ **Your customer base is therefore made up of 80 promoters, 30 passives and 40 detractors.**

- ▶ $80/150 * 100 = 53\% \text{ promoters}$,
 - ▶ $40/150 * 100 = 27\% \text{ detractors}$.
-
- ▶ All you have to do is subtract the percentage of detractors from the percentage of promoters to get your Net Promoter Score:
 $53 \% - 27 \% = 26$

% of promoters = number of promoters / number of participants * 100
(Number of Promoters - Number of Detractors) / (Number of Respondents) x 100 . $(80-40)/150$

Sondage NPS

1. Quelle est la probabilité que vous recommandiez ce service à votre entourage ?



2. Quelles améliorations vous inciteraient à attribuer une meilleure note à cette société ?

ANSWER

3. Qu'est-ce que cette société fait vraiment bien?

Avis client



4. Quelles améliorations vous inciteraient à attribuer une note encore meilleure à cette société ?

5. Quel est votre sexe ?

Femme

Homme

6. Quel est le revenu mensuel moyen de votre ménage ?

0 €-500 €

2220 €-5950 €

500 €-1 000 €

5950 €-12600 €

1000 €-2220 €

Plus de 12600 €

7. Quel est votre âge ?

Entre 18 et 24 ans

Entre 55 et 64 ans

Entre 25 et 34 ans

Entre 65 et 74 ans

Entre 35 et 44 ans

Plus de 75 ans

Entre 45 et 54 ans

8. Dans quel pays habitez-vous actuellement ?

France

Suisse

Belgique

Canada

Luxembourg

Autre (précisez)

Which loyalty strategy to choose?

- ▶ There are many loyalty strategies that can be implemented.

Which loyalty strategy to choose?

- 1. Work on the customer experience**
- 2. Personalize communication**
- 3. Propose a complete offer**
- 4 Mastering customer service**
- 5. Animate your community**
- 6. Create your brand identity** (what makes you instantly recognizable to your customers)
- 7. Use marketing tools**
 - carrying out one action at a time is rarely synonymous with efficiency
 - You have to use several tools and combine them to find the optimal configuration.

Chapter 5 : Loyalty programs



Loyalty programs and loyalty policies

- ▶ If customer loyalty is the result of an overall marketing policy,
- ▶ Loyalty programs are a particular aspect of this policy which seeks, ultimately, to act on repeat purchases.

Introduction

- ▶ Since the launch of the first Frequent Flyer Program (FP) "AAdvantage" in 1981 by American Airlines, FPs have been widely developed
- ▶ They now extend to many sectors such as retail, airline, hospitality , petrol stations, car rental companies and financial services.
- ▶ These programs have become the dominant tool of loyalty marketing globally.

Managerial objective :



- The fundamental of these programs is to reward loyal customer behavior with special services or rebates

With the aim of increasing the company's revenue growth.



Definitions :

- 1. A defensive strategic mechanism used to counter the defection of top customers, with the aim of increasing the company's revenue growth.**

- 2. FPs are marketing strategies whose objective is to provide mutual benefit to companies and customers through the relational capacities they generate (Chaudhuri et al., 2019).**

The purpose of a loyalty program

- ▶ Increase their sales,
- ▶ Reward their loyal customers
- ▶ Collect detailed information about their customers
- ▶ Implement targeted marketing actions



Some figures

- ▶ American companies spend more than two billion dollars on FP each year (Baker and Legendre, 2021),
- ▶ and the average US household subscribes to 29 different FPs and uses only 12 (Bruneau et al., 2018).
- ▶ In France, the Carrefour retail chain devotes approximately 80 million euros of its annual marketing expenditure to the management of its FP (Meyer-Waarden et al., 2013).
- ▶ In the United Kingdom, the retailer Tesco spends approximately £60 million on the management of its FP (Bijmolt et al., 2010).

- Nearly 90% of US consumers and European consumers participate in at least one FP.
- In France, according to the 2019 loyalty observatory report, 63.2% of women hold more than 10 loyalty cards compared to 37.2% for men

Is a loyalty program mandatory?

Do every business needs a Loyalty program ?

- **Their banalization is not always a proof of their effectiveness?**
- **Mimicry is not a strategy**

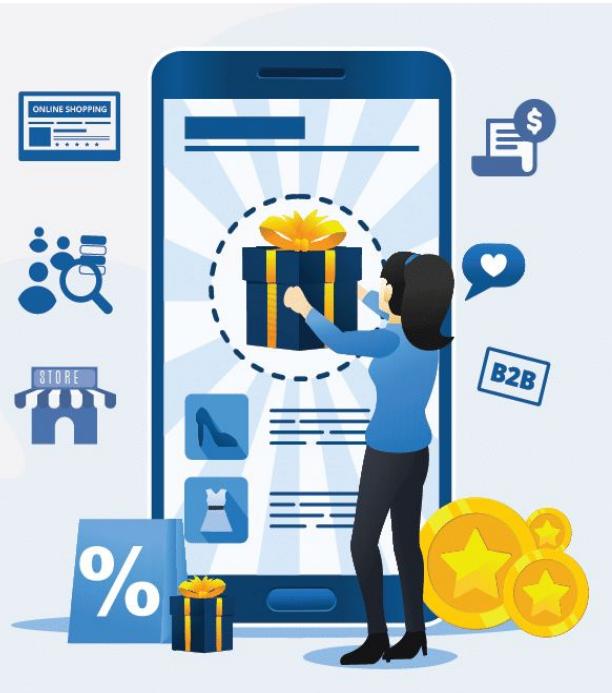
LP is a part of the customer relationship

- It completes a marketing policy but does not compensate for a bad offer.



Is a loyalty program mandatory?

Why Every Business
Needs A Customer
LOYALTY PROGRAM?



- A decade ago, People based their purchase decisions mainly on how much value they got for their money.
- This in turn gave rise to the traditional spend-and-get model of loyalty programs

- ▶ Slowly but surely... **customer experience became more important**



CUSTOMER EXPERIENCE generates LOYALTY



- ▶ **Customers no longer make purchase decisions based solely on the price**
- ▶ **They evaluate the entire purchase experience taking into consideration convenience, branding, quality, or reputation....**
- ▶ **Loyal tendencies are developed through accumulations of these individual experiences**



CUSTOMER EXPERIENCE

How maintain long-term loyalty ? The word "loyalty" has a strong emotional connotation

- ▶ More businesses are becoming aware of a customer's emotions on how they connect with a brand.
- ▶ As a result, a successful loyalty program should now go beyond transactional incentives.
- ▶ it must develop extraordinary experiences that touch all points

Omni-channel loyalty programs

- ▶ Focus on developing an **delivering the best loyalty experience across all channels, seamlessly.**

- ▶ Through every touchpoint :
 - **in-store point-of-sale (POS),**
 - **online transactions,**
 - **mobile app.**



Benefit Omnichannel Loyalty for business

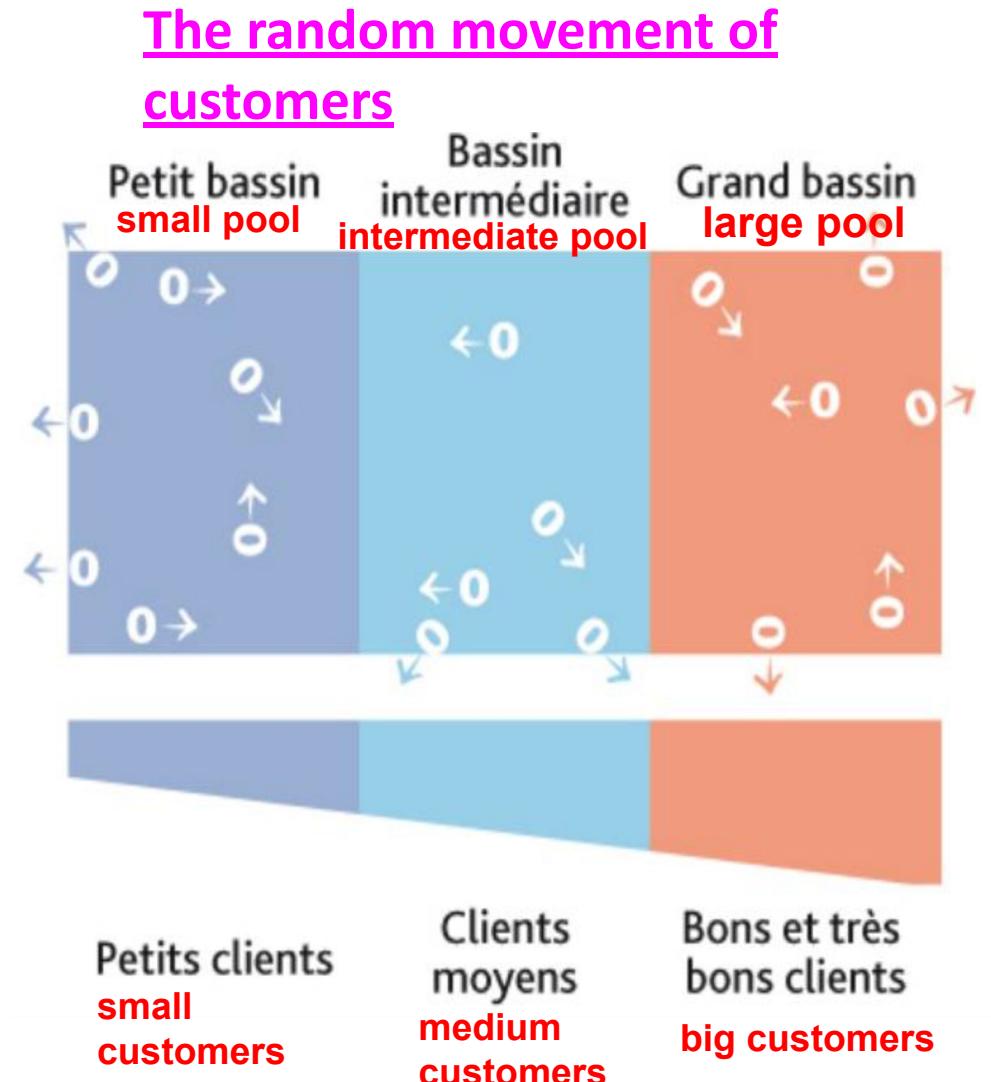
71% of brands that use omnichannel loyalty programs reported



that transaction volume increased by more than **50%** over the previous year

The main principles of a loyalty program

- ▶ **Metaphor of swimmers in three pools of a swimming pool.**
- ▶ **Before the establishment of a loyalty program, the movement of swimmers is random**



a. First principle: create a current

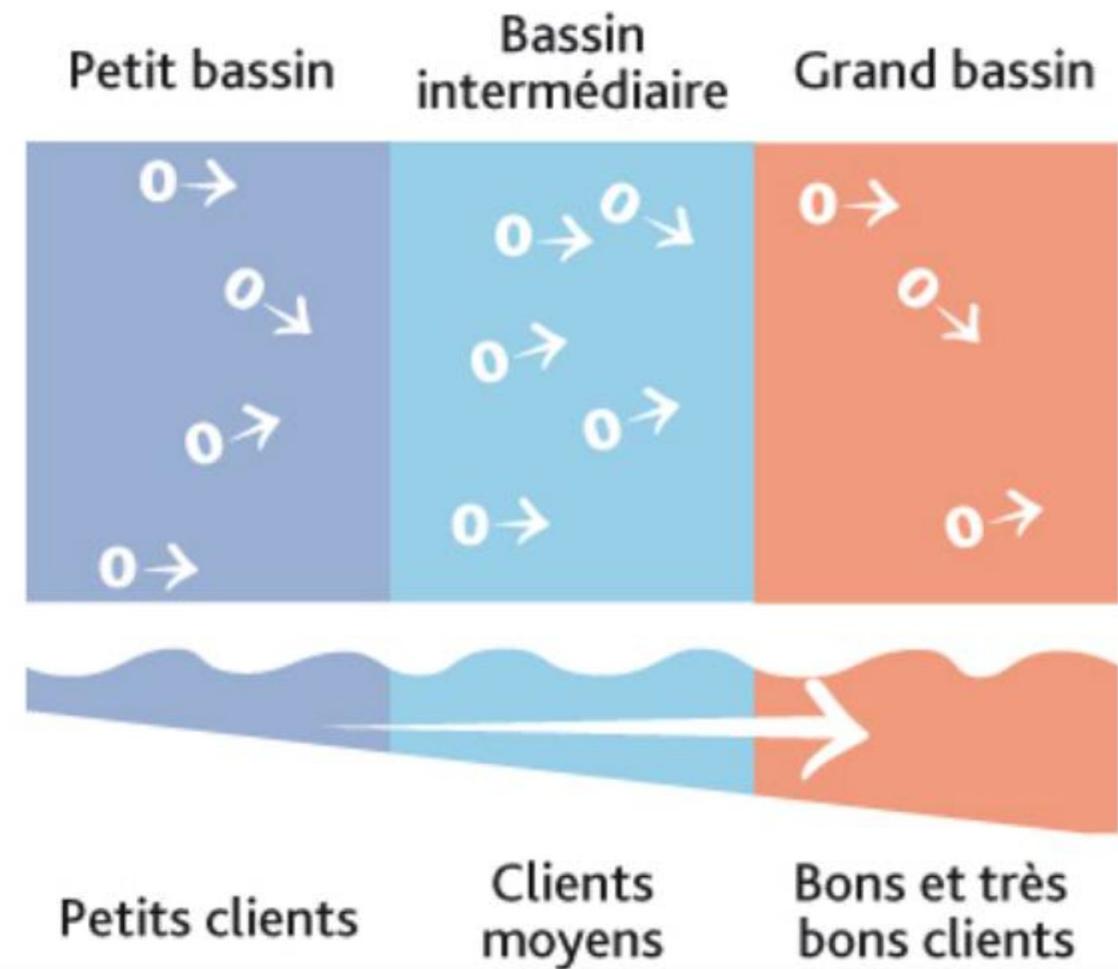
► Avoiding :

- customer defection
- reduction of their spending

► Create a current so that :

- small customers become medium
- medium customers become large

- with rewards:
purchase discounts,
loyalty points,
miles, gifts, etc.



The first major principle is to act to :

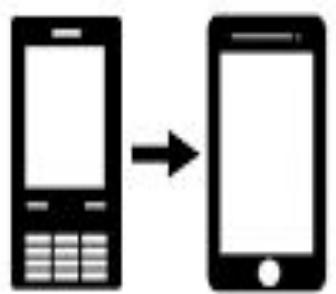
- ▶ **Reduce attrition by analyzing the causes of dissatisfaction**
- ▶ **Increase the frequency of customer purchases;**
- ▶ **Encourage cross selling and up-selling behaviors**



Up-sell & Cross-sell

by prod from a higher rang
buy other products

a computer and a mouse



UPSELL

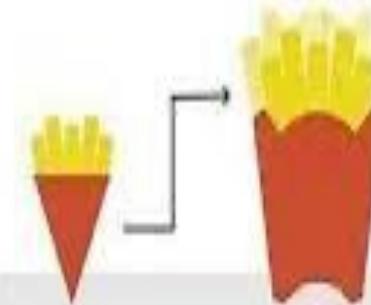


CROSS SELL

Cross-sell vs. up-sell



CROSS-SELL

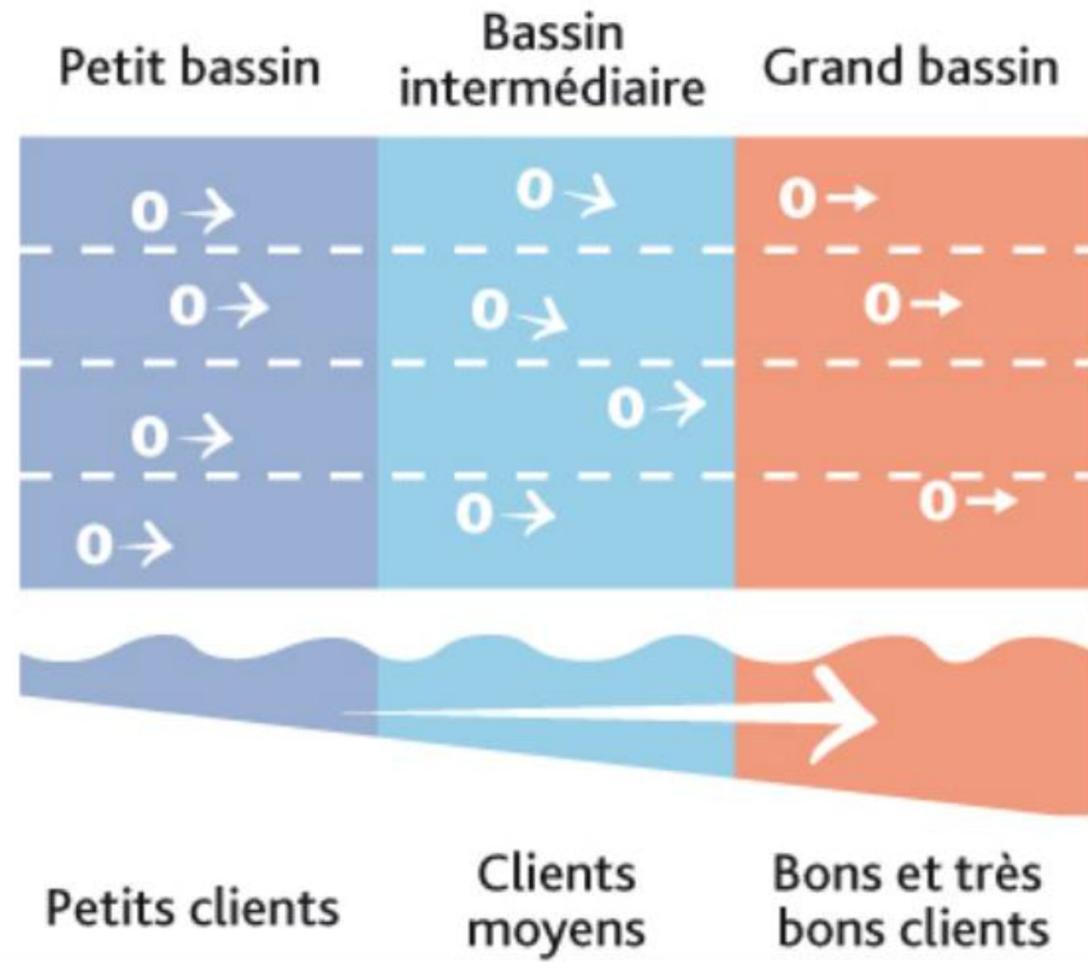


UP-SELL

b. Second principle: accompany customers

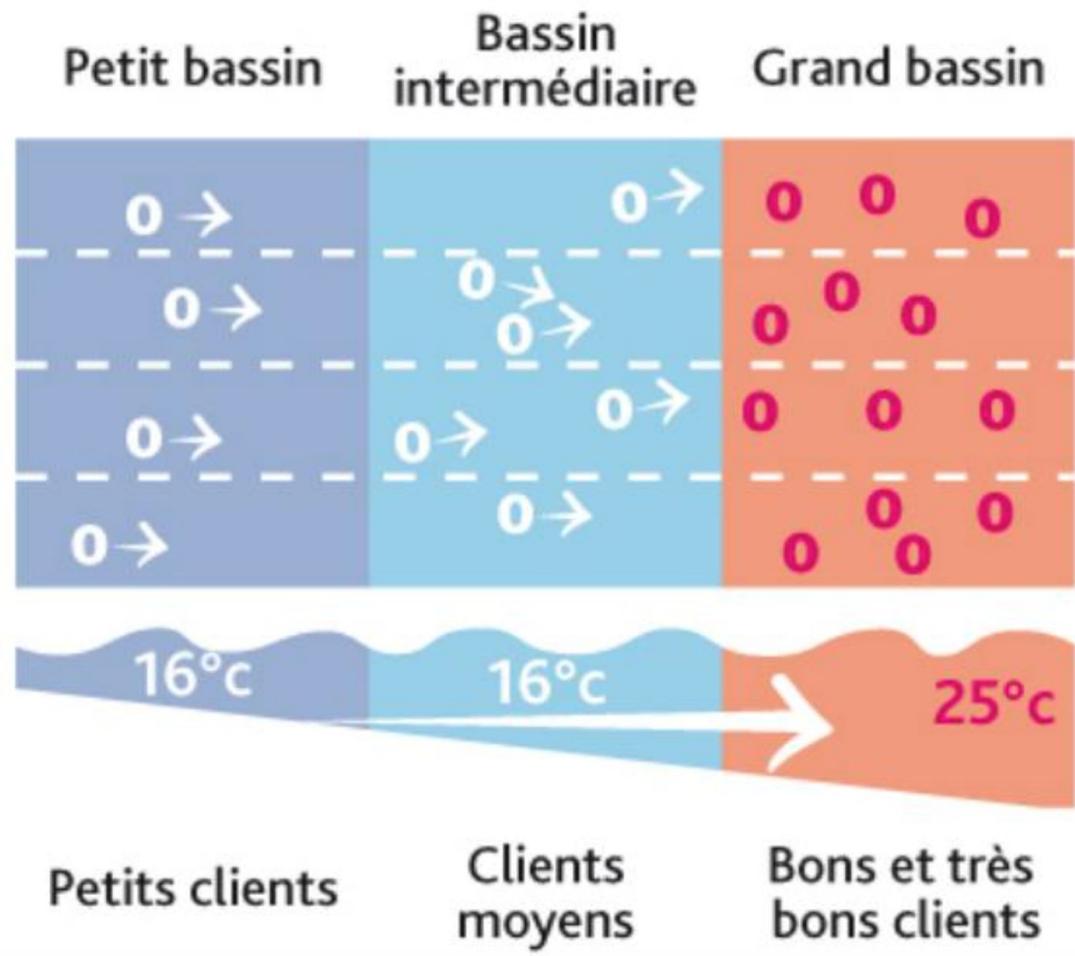
- ▶ The implementation of a reward system is insufficient.
- ▶ Customers need to be guided to facilitate their journey from small to large pools: thematic clubs, information tools (newsletters, magazine, website, etc.), advice, personalized assistance, etc.
- ▶ Accompaniment has a more general dimension than the reward system.

Here, the loyalty program stops being purely behaviourist, or even Pavlovian, to better integrate the complexity of a relationship between customers and the company, and enrich the brand experience



c. Third principle: create a no-return zone

- ▶ Heat the large pool to the right temperature to discourage backtracking:
 - ▶ A cost is created that penalizes the best customers for defection or reduced purchases (status and privileges).
-
- After the reward and the accompaniment, it is the **statutory dimension** of the LP.
 - Good customers benefit from specific advantages, have privileges



Les 4 leviers de la fidélisation

The 4 levers of loyalty programs

RELATIONNEL

Entretenir la relation

Relational lever:
Maintain the relationship

- personalized communication, newsletters, invitation to events

ENGAGEMENT

Créer un lien affectif avec la marque

Engagement lever:
Creating an emotional bond



- awarding benefits in exchange for reviews, likes, posts,

TRANSACTIONNEL

Développer le chiffre d'affaires
cashback vouchers, discount, gifts

levier Transactionnel :
offers to increase sales

SERVICIEL

- free delivery

Faciliter l'expérience client

Service lever:
facilitating the customer experience

The four drivers of loyalty programs

- **The Transactional Lever** : offers to increase sales **such as** vouchers, discounts, gifts, cashback
- **The Service lever:** Proposal of services dedicated to the members of the loyalty card for example free delivery, alterations
- **The Relational lever:** Maintain the relationship through regular, personalized communication, such as newsletters, regular calls to review progress, satisfaction surveys, information on the benefits earned (number of points)
- **The Engagement lever:** Creating an emotional bond with the brand by sharing values, inviting the program's customers to get involved (awarding benefits in exchange for reviews, likes, posts,

Three levers to influence the loyalty with LPs

1. A transactional aspect: allowing you to benefit from promotions, price reductions or a new offer;
2. A relational aspect: reinforcing the links and interactions between the brand and the customer (newsletters, invitation to events, etc.);
3. A statutory aspect: which signals to the customer its importance for the company, thus allowing him to access exclusive services

Exemple

Le programme de fidélité Accor implique des points recensés au moyen d'une carte de fidélité. Selon le nombre de nuitées effectuées ou de points gagnés, le statut du client évolue vers davantage de services et d'attentions. Ce programme s'entoure d'une triple dimension :

- Dimension transactionnelle : pour récompenser les bons clients, une nuitée est offerte dès l'acquisition de 2 000 points Rewards.
- Dimension relationnelle : l'accompagnement des clients et la relation client sont facilités au moyen de services permettant de rendre le parcours client plus aisé. Des services sont développés pour faciliter le *check-in* la veille de l'arrivée du client et le *check-out* lors du départ.
- Dimension statutaire : dès l'obtention du statut Gold, les clients peuvent bénéficier d'un surclassement en obtenant une chambre de catégorie supérieure.

Source : <http://www.accorhotels.com>.

VERTONE : Publisher of the most comprehensive loyalty benchmark on the market

VERTONE carries out a multi-sector study of loyalty programs every two years to detect the major trends in this major marketing lever.

VERTONE identifie 5 tendances principales



Mobile first



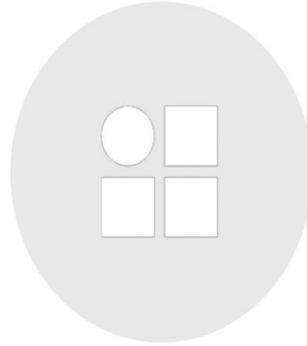
Récompense de comportements responsables



Développement de communautés



Plus d'avantages émotionnels et expérimentaux



Plus de personnalisation et de discréetionnaire

Analyse de chacun des programmes selon 7 principaux axes



Nos sources



Site web



Points de vente



Services clients



Presse spécialisée



Mise en situation

Le périmètre d'étude

Monde entier

1118
acteurs

550 programmes

Périmètre France

637
acteurs

312 programmes

14%

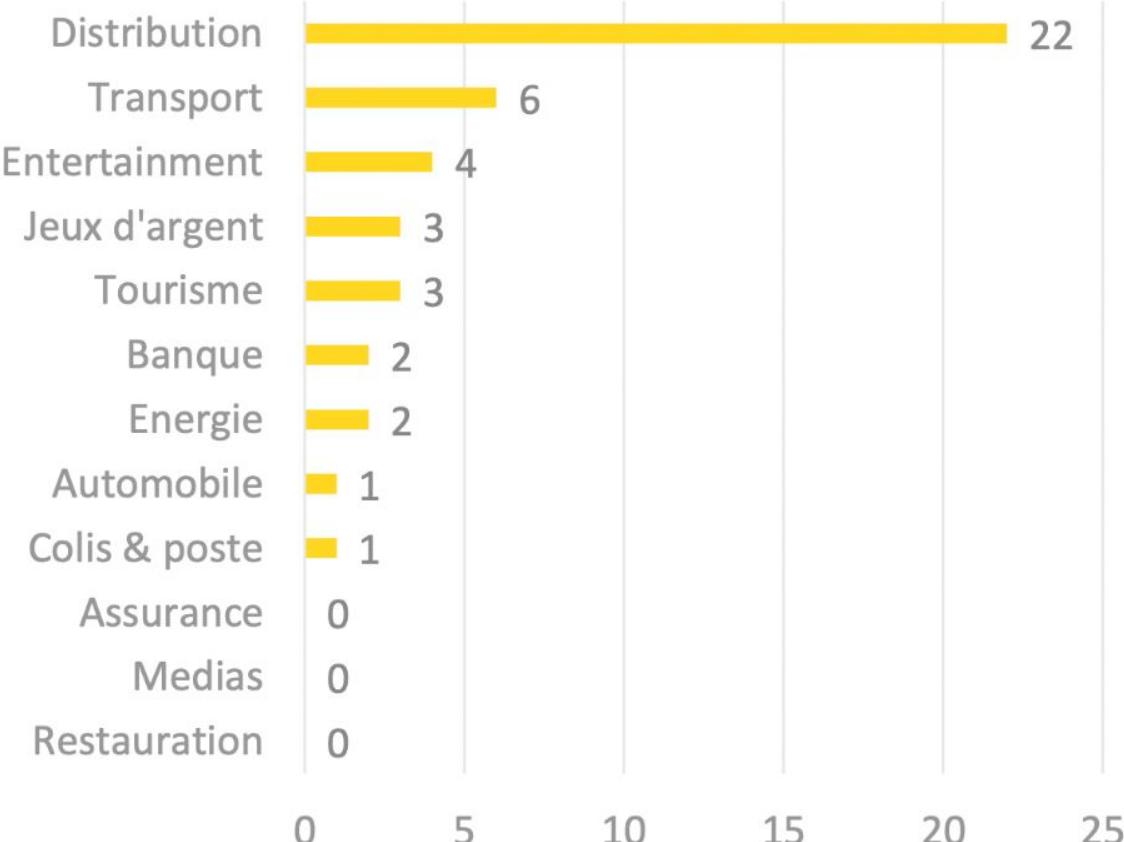
vs 21%
en 2018

de programmes
ont été
refondus entre
2018 et 2020

Distribution



Refontes par secteur



La Redoute

Cdiscount
N'ÉCONOMISEZ PAS VOTRE PLAISIR.

Refonte d'un programme
gratuit à payant



Casino Max eXtra

Nouveau programme
payant

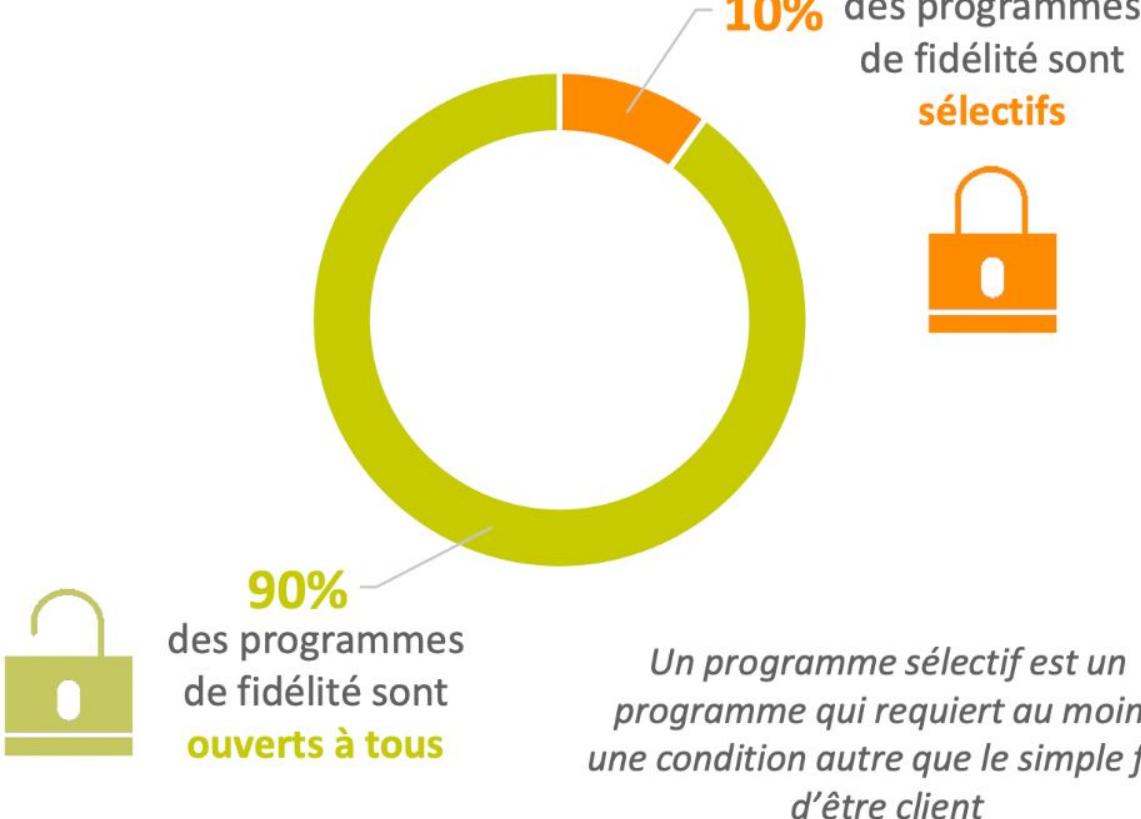


CA MATCHE !

Refonte d'un programme
payant à gratuit

Segmentation and targeting: 90% of loyalty programs are open to everyone

Proportion de programmes sélectifs



Différents types de sélectivité

Achat spécifique

Cartes Infinite et Premier seulement



Être détenteur d'un véhicule de la marque



Caractéristiques client

Réservé aux familles



Minimum d'achat ou de fréquence

Avoir effectué au moins 2 séjours



Avoir séjourné 3 fois en 36 mois



Ancienneté

2 ans d'ancienneté



The cost of paid programs is justified by access to services or discounts reserved for program members



Segmented programs are up slightly with 29% and are still mostly status



de programmes
segmentés en
2020

92 %



STATUTS

Blue 0 pts	Gold 500 pts	Platinum 2500 pts	Diamond 7500 pts
En-tête de ligne			
Flexible Cancellations			
Price Protection on UberX between your two favorite places			

8 %

COMMUNAUTES



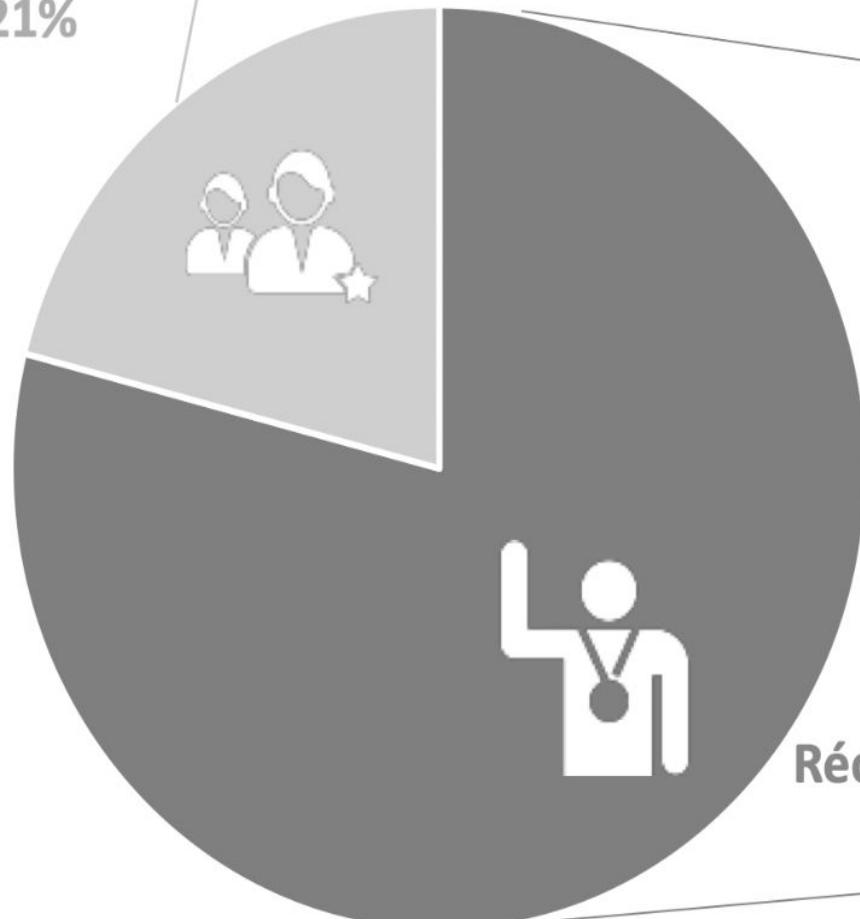
Carrefour

Intermarché

Mécaniques des programmes de fidélité

Reconnaissance

21%



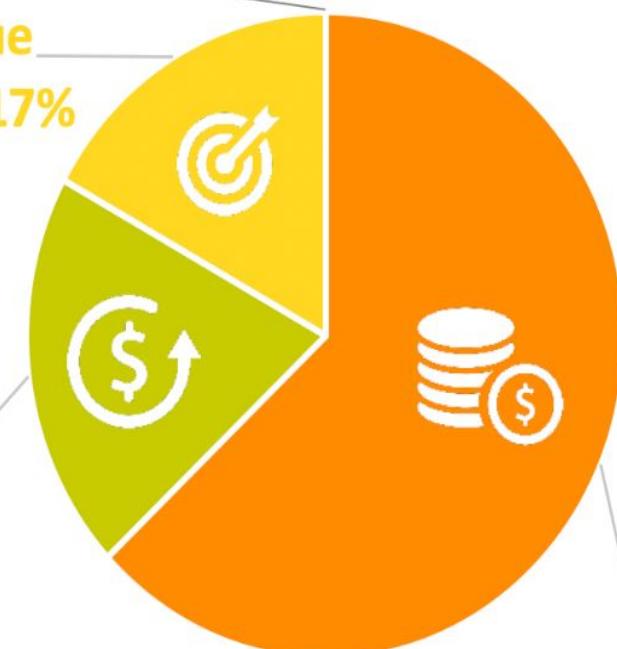
Récompense

79%

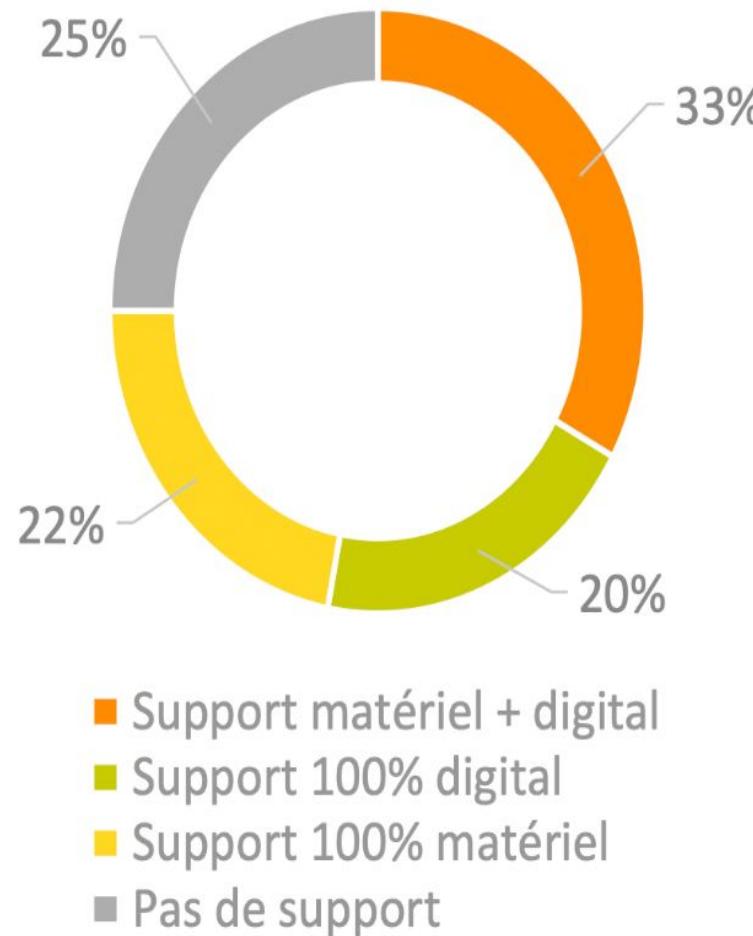
Mécanique
spécifique 17%

Cashback
20%

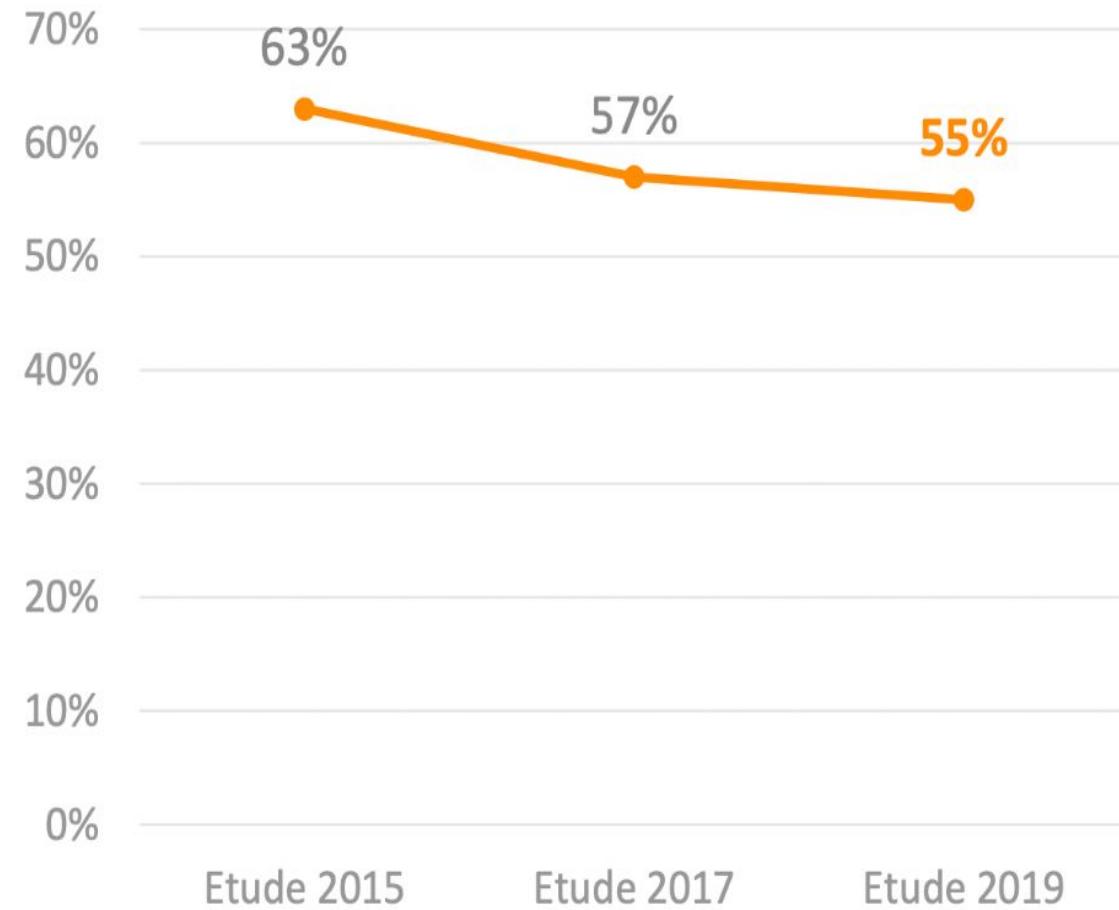
Points 63%



Répartition des programmes par **type de support utilisé**

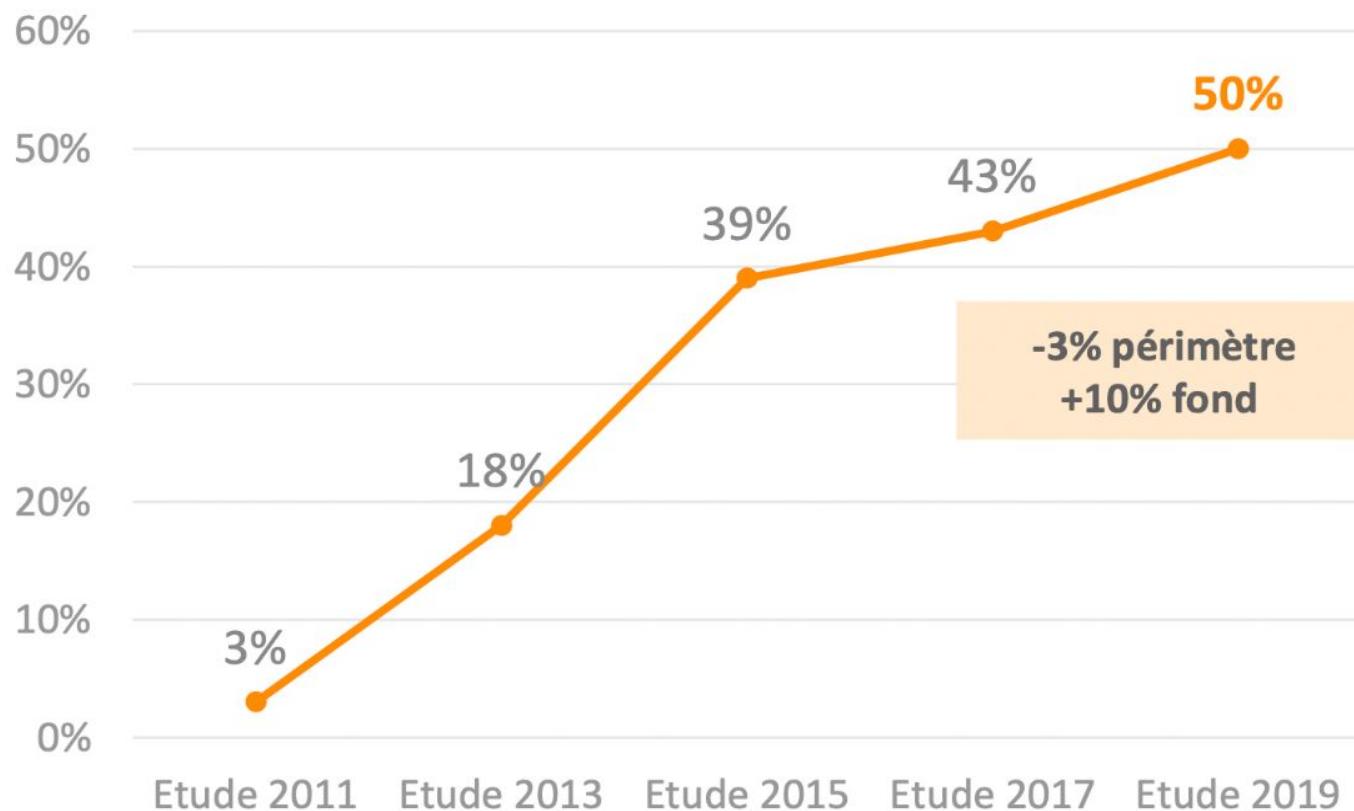


La proportion de programmes de fidélité utilisant une **carte physique** est **en baisse**

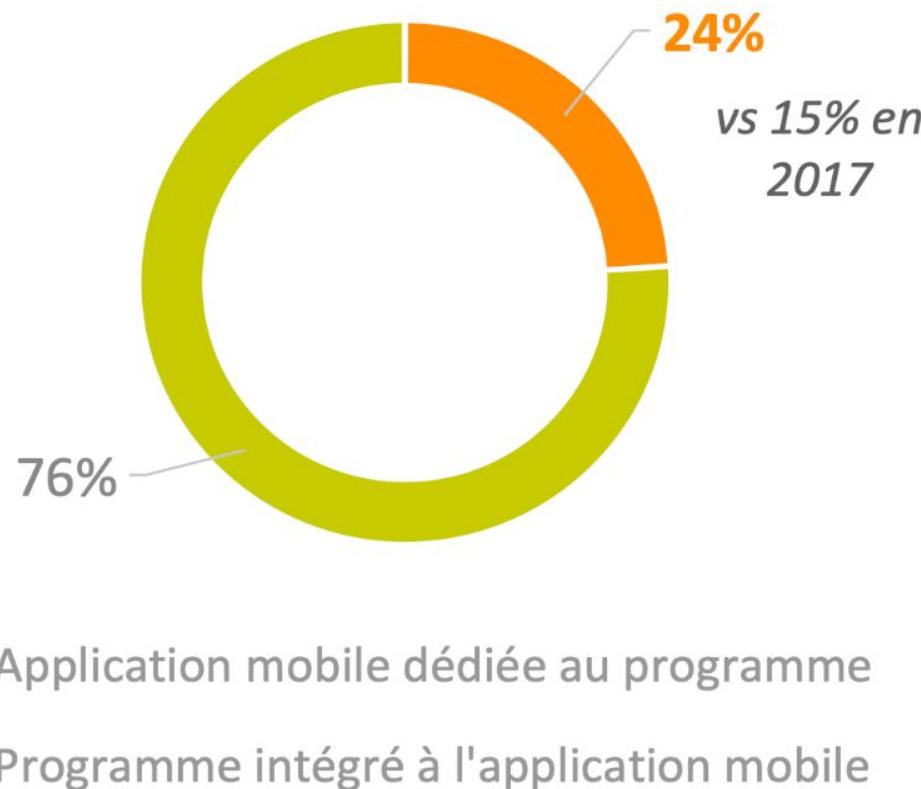


Mobile applications within loyalty programs are developing strongly

La proportion de programmes de fidélité utilisant les applications mobiles est **toujours en hausse**



La part d'applications mobiles dédiées a fortement augmenté depuis 2017



A vous de jouer : exercice

- ▶ Establish a benchmark on loyalty program practices in the retail, airline, cinema and ready to wear sectors
- ▶ identifie the main trends

Analysis of each of the programs according to 7 main axes



Towards a new generation of loyalty programs

- The loyalty contract is no longer enough: :
- It is no longer enough to offer a dematerialized loyalty card, to reward with euros and to ensure a presence on social networks to satisfy
- The customer wants to be recognized.
- Yes but how ?

a new generation of loyalty programs

whether he is preoccupied
with the end of the month or
the end of the world,

- A study shows that 55% of French people adhere to a consumption ideal of “less but better”.
- A new era dawns: Une nouvelle ère qui s'ouvre :
 - The reconciliation between economic performance and sustainable development.

Brands are rethinking their positioning

- ▶ In the era of service transformation where **selling a product is no longer an end in itself,**

- ▶ Brands are rethinking their positioning **to combine their activities with current ecological and social requirements.**

New loyalty programs to convey new brand commitments

► They aim to:

- convey new commitments
- offer customers the opportunity to invest themselves, with the brand, for a more desirable and more sustainable economy.

Recycling and the second hand as a customer loyalty tool

- Example:
 - textile and cosmetics distribution sectors.
- Loyalty systems offer a “responsible commitment” component, which particularly promotes recycling and second-hand

Recycling

Chez Jules et Mango

- ▶ Customers receive points for each deposit in the collection bin.
- ▶ Mango also promotes the choice of in-store delivery, which is more ecological than home delivery.



The recycling Example: H&M

► Earn “Conscious” points for:

- the purchase of products from their “Conscious” range, which is more environmentally friendly than the classic range,
- bring your own bag to carry your purchases.
- Drop off your clothes in the collection bin, plus a 15% reduction voucher.



Le recyclage Exemple: H&M

► Gagner des points « Conscious » pour :

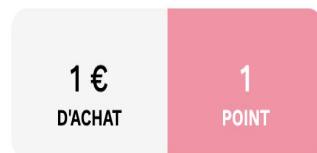
- l'achat de produits de leur gamme « Conscious », plus respectueuse de l'environnement que la gamme classique,
- apporter son propre sac pour emporter ses achats.
- Déposer ses vêtements en bac de collecte, plus un bon de réduction de 15%.



The recycling Etam Example

- Offers a 10% discount voucher on the purchase of a bra for dropping off one or more bras at a collection point.

CUMULEZ DES POINTS SUR LE MONTANT ET SUR LA FRÉQUENCE DE VOS ACHATS. C'EST SIMPLE.



REJOIGNEZ NOTRE PROGRAMME ETAM CONNECT :
VOS 100 PREMIERS POINTS OFFERTS

Recevez en cadeau de bienvenue 100 points, soit 5€ de réduction sur votre prochain achat
en magasin ou sur etam.com

JE M'INSCRIS

JE ME CONNECTE

The second hand

- ▶ Double virtue for the company
 - be éco-responsible
 - increase the value of its customers

The second hand Example: Kiabi

- Offers two reward mechanics depending on the channel:
 - **In store**
 - second-hand purchases made are counted in a **kilo pot** of clothes purchased, at the rate of 5 euros in vouchers per kilo
- **Online**
- 20% of the transaction amount is credited as a Kiabi voucher

Acting for the planet: Example: Decat'Club

- ▶ In 2018 when the mechanics of the Decathlon loyalty program were stopped
- ▶ The program being perceived as obsolete, mimetic and not very generous.

The “Decat’Club”, launched in the summer of 2021.

- ▶ Invites in particular to act for the planet
- ▶ Offers bonus points for each responsible action:
 - purchase of an “eco-designed” label product,
 - used product,
 - participation in an eco-responsible activity.



Comment gagner des points avec Decat'Club ?

Cumulez au travers de plusieurs activités : achat d'équipement, séances de sports, activités éco-responsables et partages de vos avis !



Équipez-vous

1€ = 10 points

Chacun de vos achats en ligne ou en magasin vous rapporte des points



Bougez

1h de sport = 100 points

Dépensez-vous et déclarez votre activité pour gagner des points



Agissez

1 action = 100 points

Realisez une action positive pour la planète (achat, vente, activité éco-responsable...)



Partagez

1 avis = 10 points

Partagez votre expérience après achat avec les autres clients Decathlon

Example of Fiat 500

- ▶ Electric Fiat 500. This fully digital program rewards those who drive in an environmentally friendly way.
- ▶ Each kilometer traveled by electric car earns points and bonuses which are awarded to drivers with the best eco-driving score.
- ▶ Users are rewarded with KiriCoins, a virtual currency usable on the marketplace of the start-up Kiri Technologies, offering ecological and responsible products.
- ▶ It is possible to accumulate the equivalent of €150 for every 10,000 kilometers travelled.



Programme de fidélité : une opportunité pour créer un écosystème de marque engagée

- ▶ Fiat 500 électrique. Ce programme entièrement digital récompense celles et ceux ayant un mode de conduite respectueux de l'environnement.
- ▶ Chaque kilomètre parcouru en voiture électrique rapporte des points et des bonus qui sont accordés aux conducteurs avec le meilleur score d'écoconduite.
- ▶ Les utilisateurs sont récompensés en *KiriCoins*, une monnaie virtuelle utilisable sur la marketplace de la start-up [Kiri Technologies](#), proposant des produits écologiques et responsables.
- ▶ Il est possible de cumuler l'équivalent de 150€ tous les 10 000 kilomètres parcourus.



IKEA example the IKEA Better Living app

- ▶ It is a real recognition program which presents an exhaustive list of eco-responsible acts and customers inform those they carry out as they go.
- ▶ On his profile, the user finds his total personal impact in terms of CO2 savings, kilograms of waste avoided and liters of water saved.
- ▶ The more responsibly the customer acts, the more badges and medals they can collect that they can share with their community.
- ▶ Each act allows you to earn points representing the euros of savings made



De son côté, IKEA propose l'application IKEA Better Living

- ▶ C'est un véritable programme de reconnaissance qui présente une liste exhaustive d'actes éco-responsables et les clients renseignent ceux qu'ils réalisent au fur et à mesure.
- ▶ Sur son profil, l'utilisateur retrouve son impact total personnel en termes d'économie de CO₂, de kilogrammes de déchets évités et de litres d'eau économisée.
- ▶ Plus le client agit de manière responsable, plus il accumule de badges et de médailles qu'il peut partager auprès de sa communauté.
- ▶ Chaque acte permet de remporter des points représentant les euros d'économies réalisés



The effectiveness of loyalty programs

How can loyalty programs increase sales?



Three mechanisms that increase sales through the loyalty program

Loyalty programs can increase sales:

- ▶ by a short-term impact or “point pressure effect”
- ▶ by a long-term impact, called the "rewarded behavior effect".
- ▶ By developing personalized marketing actions for FP members

The point pressure mechanism

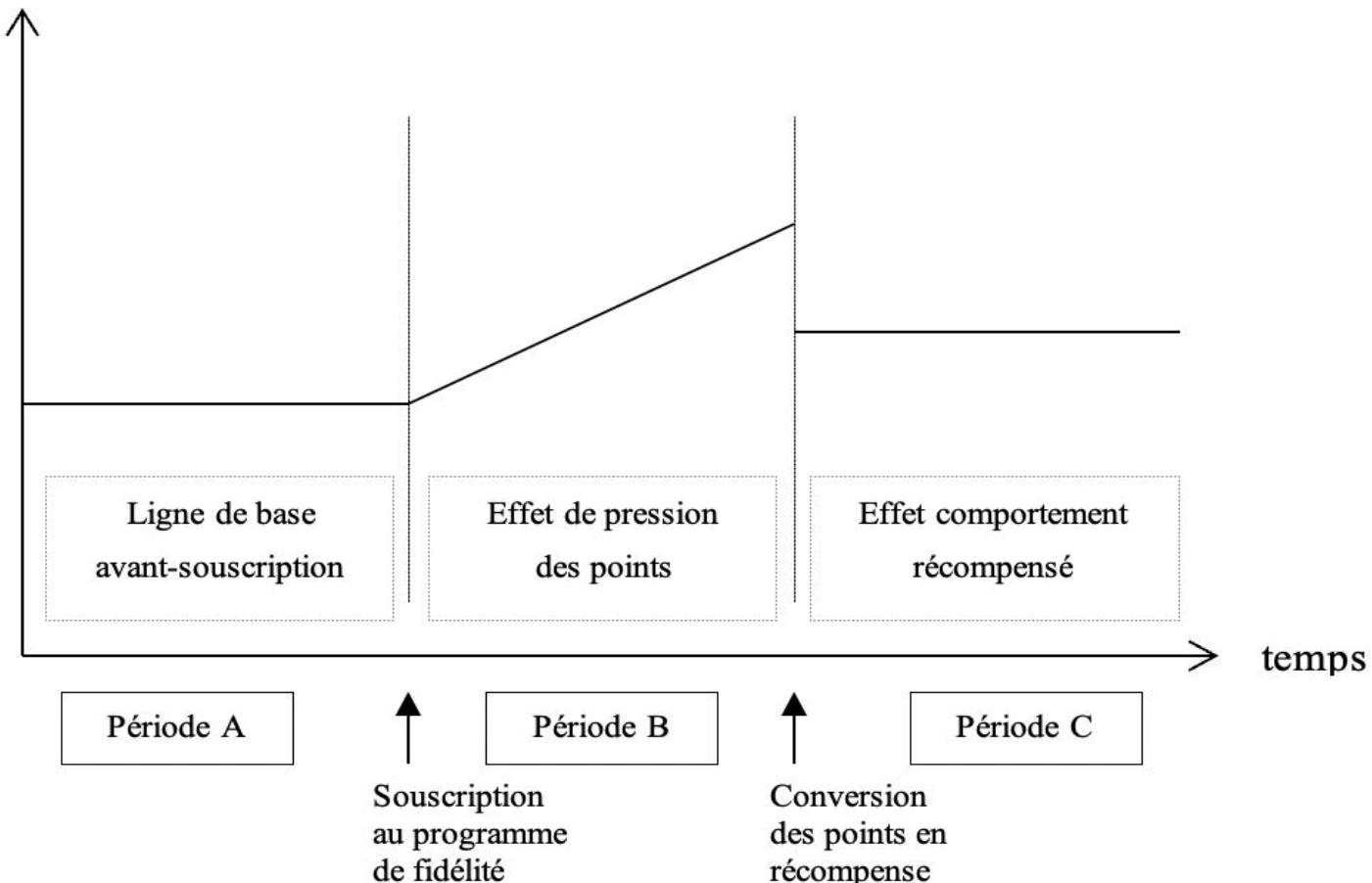
- Represents a temporary shock in spending, when consumers increase their level of purchase in order to qualify for a reward
- The closer the members get to the threshold of obtaining a reward, the greater the pressure effect becomes.
- The more likely they are to accelerate their purchase frequency

Rewarded behavior effect

- ▶ Materializes when customers increase their purchase rate once they receive the reward.
- ▶ Schematically, the impact of “rewarded behavior” refers to levels of purchases above the baseline,
 - The customer must first make repeat purchases to receive the first reward and must reproduce the same behavior to obtain another one.

The “point pressure” and “rewarded behavior” effect

achats



- Period A represents the base purchase rate of a customer who is not a member of the loyalty program.
- In period B, the consumer can increase his purchases in order to satisfy the conditions for obtaining the reward, i.e. a “point pressure” impact.

Obtaining the reward at the end of period B depends on the level of its expenditure during this period

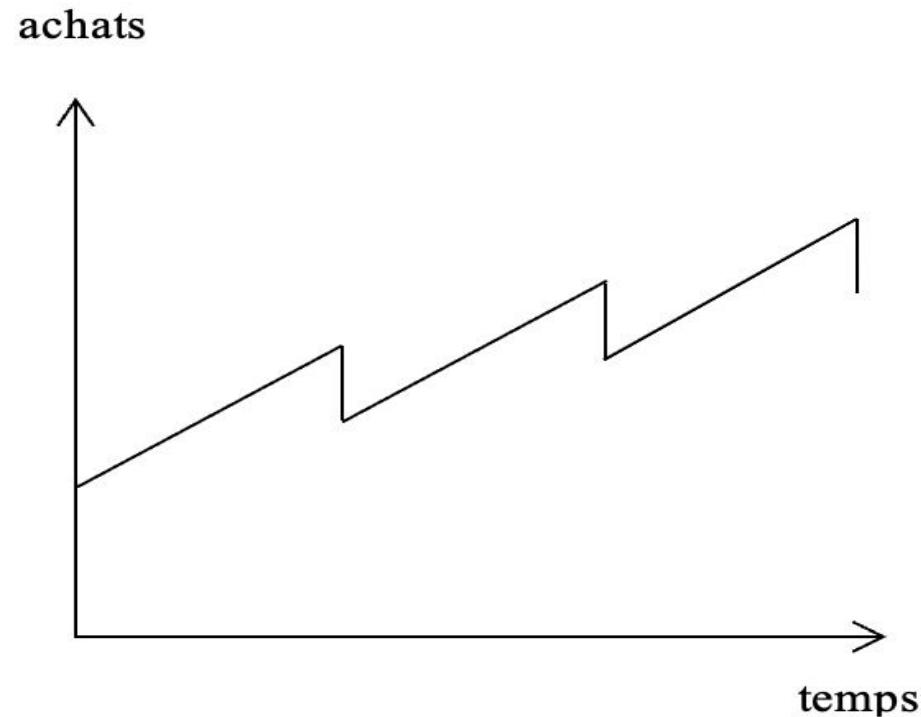
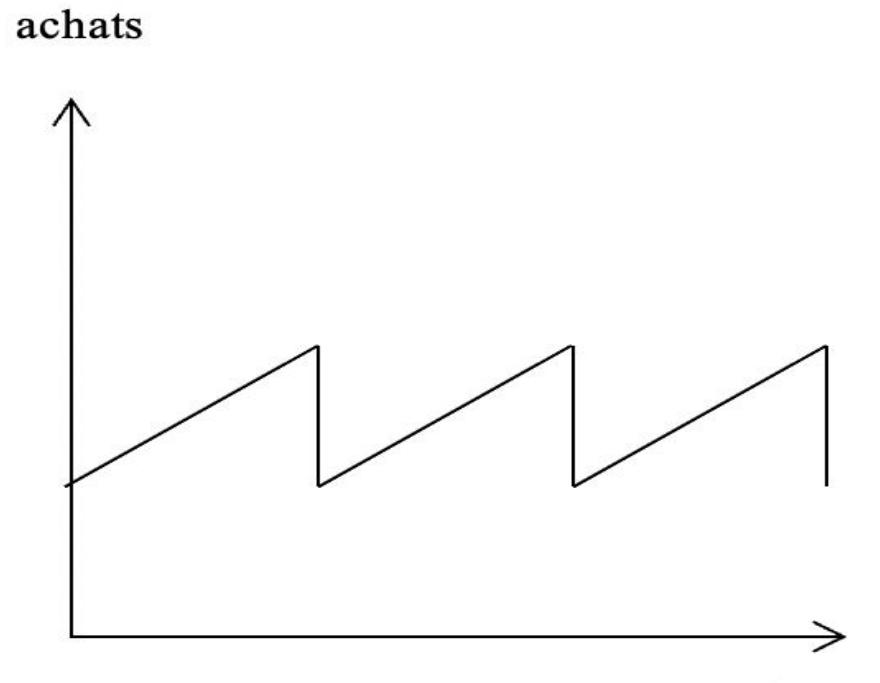
- period C; in this period the buying level could be equal to the baseline, which would mean that there is no rewarded behavior effect, as it could be positioned somewhere above the baseline

Source : Taylor et Neslin (2005)

Personalized marketing effect

- ▶ LP offers a multitude of data on the individual purchasing behavior of customers (e.g., baskets, frequency of visits, reactions to communication actions)
- ▶ By transforming LP data into customer knowledge, distributors increase the ROI and thus optimize the allocation of their marketing resources.
- ▶ Personalized communication through direct mailing or newsletters helps to stimulate behavioral loyalty

Potential impact of loyalty programs on participant spending levels



How are retail loyalty programs perceived by customer ?

