



The Beginners Guide to Customer Loyalty

Brought to you by Goody

Introduction:

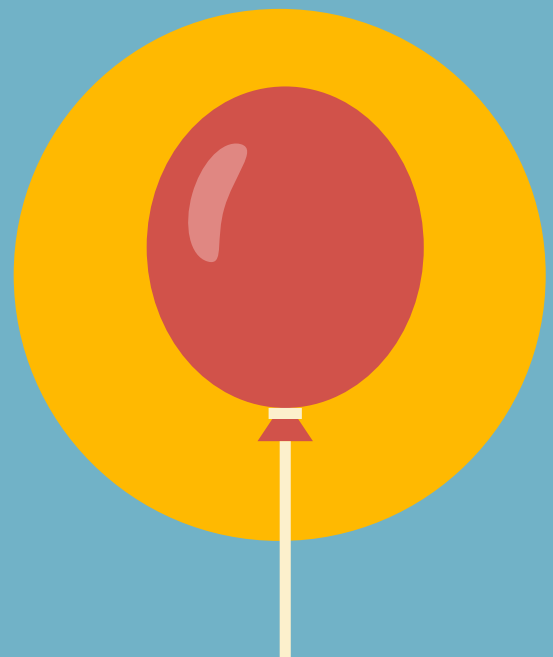
In this guide, we'll explore what defines a loyal customer, why it pays to focus on your best customers and how you can create an unbeatable loyalty system, that turns customers into brand ambassadors.

Why should I read this guide?

Today's customers are more empowered than ever before. They engage with many different companies and brands which do their best to retain them. The truth is, that for many businesses, customer retention is a battle between your business and someone else's. The strategies you employ, usually make the difference between a successful business or one dependent on continuously acquiring new customers.

This guide will outline:

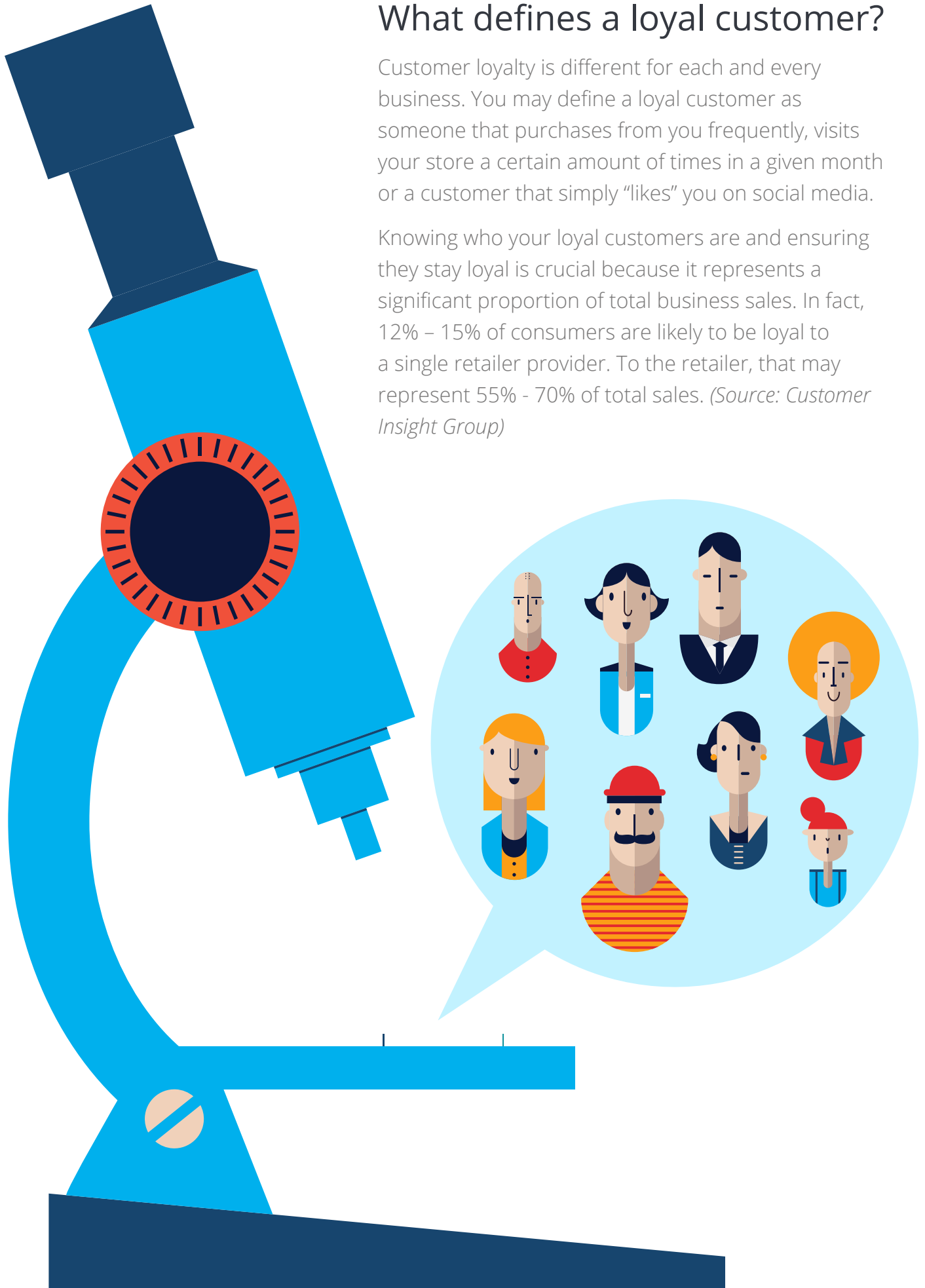
- The importance of customer loyalty
- Strategies to ensure your customers keep coming back
- How to set up a customer loyalty system
- Measuring customer loyalty and;
- Utilising new technologies such as Goody to improve customer retention



What defines a loyal customer?

Customer loyalty is different for each and every business. You may define a loyal customer as someone that purchases from you frequently, visits your store a certain amount of times in a given month or a customer that simply “likes” you on social media.

Knowing who your loyal customers are and ensuring they stay loyal is crucial because it represents a significant proportion of total business sales. In fact, 12% – 15% of consumers are likely to be loyal to a single retailer provider. To the retailer, that may represent 55% - 70% of total sales. *(Source: Customer Insight Group)*



Why are your loyal customers important?

Customers that are engaged with your business are much more likely to become repeat buyers and promote your brand. Research suggests that of your loyal customers, 78% are likely to spread the word about your business, 68% are likely to buy more and 54% refuse to buy a similar product elsewhere. *(Source: Customer Insight Group)*

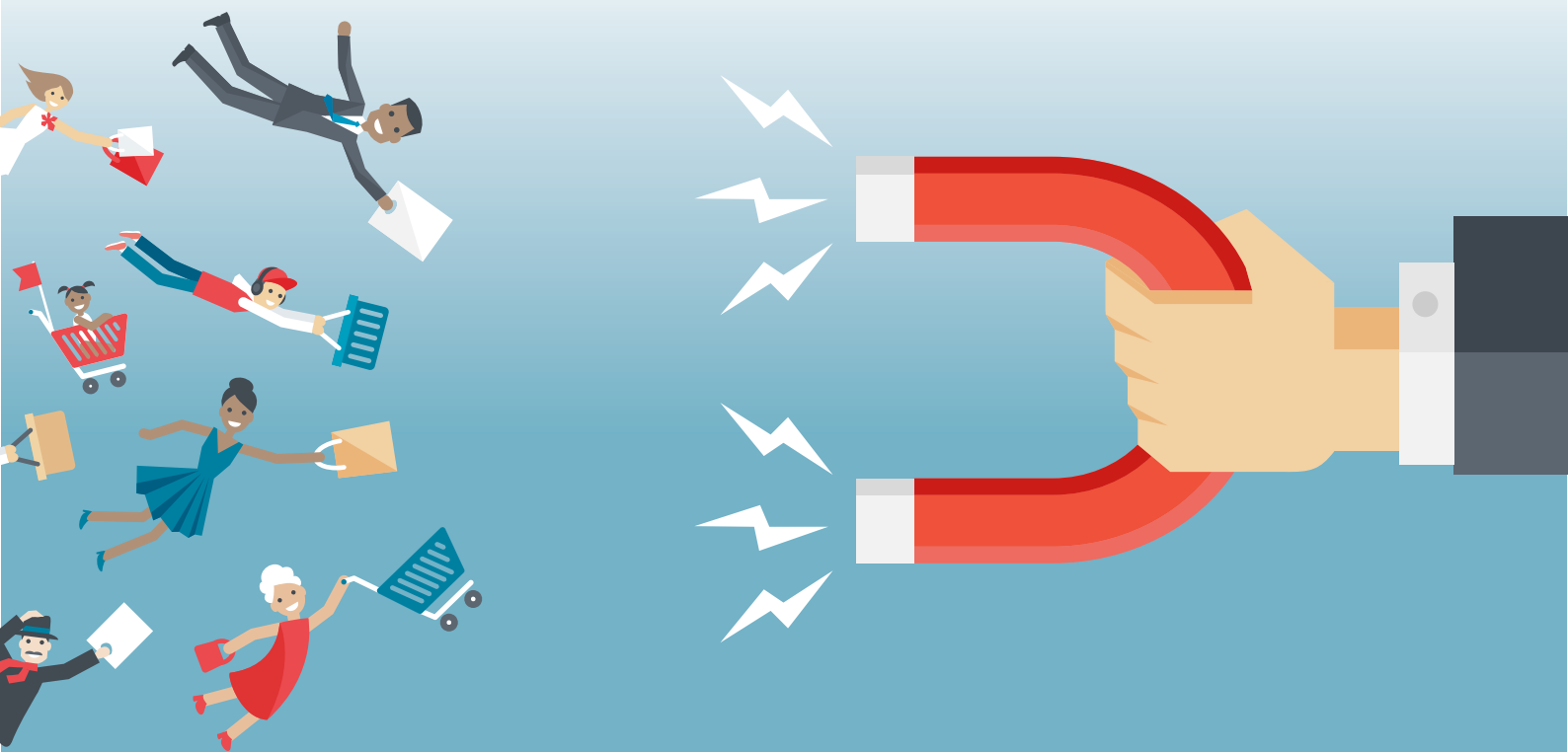
Further, it can cost up to 5-7 times more to acquire new customers than what it would cost to retain one. Going the extra mile when a customer walks in the door, really does make a difference to your bottom line.

Repeat customers are important to the growth and longevity of any business. If staff and your loyalty schemes are set up for a great customer experience, this should have a positive impact on the overall perception of your business.

Why customer retention is critical to your business:

Over their lifetime, loyal customers are likely to spend up to 10 times more than a single visit customer. Your new customers are much more price conscious and thus, are less willing to be upsold to. Not surprisingly, up to 50% - 60% of all new customers, simply don't return.

Returning customers, however, have a much higher lifetime value because they know your business. That's probably the reason why almost 60% - 70% of returning customers are likely to make an additional purchase and 82% don't mind hearing from you or receiving email promotions. *(Source: Customer Insight Group)*



That's important because....

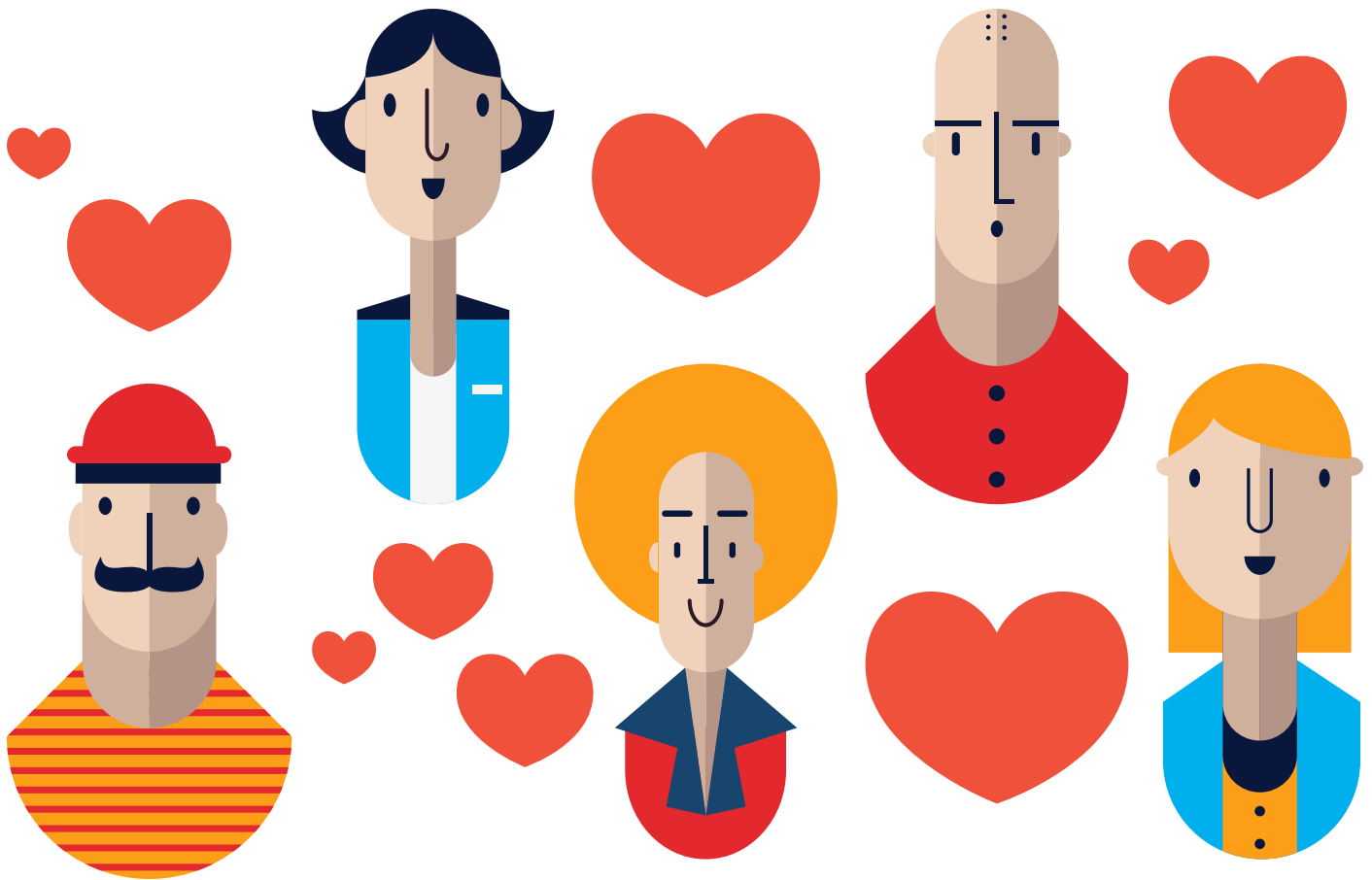
Your monthly revenue is made up of:
new customers, returning customers and the **customers that you've won back.**



For a business that mean's...

- Focussing on customer retention is usually cheaper and easier
- Whereas trying to get new customers is actually really expensive without a solid retention program in place. If you get a lot of new customers through the door, but none of them stick around, then businesses tend to spend a lot to keep more new customers coming back.





How do you create customer loyalty?

Creating customer loyalty is something every business can achieve. With the right staff training, communication and offers, you should be able to keep your good customers coming back again and again. Here at Goody, we've broken these down into a few things your business can and should focus on:

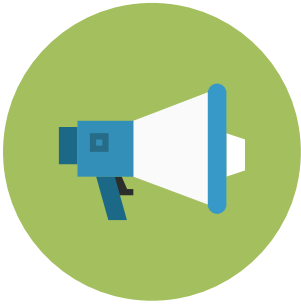
1. Deliver a world class customer experience

Creating loyal customers starts with giving each and every customer a world class experience. This comes down to the 5P's of customer service excellence:

- **Process** – ensuring you have the right processes in place to cater for your customer's expectations
- **Product** – having a unique and appealing product or offering
- **Presentation** – making sure your product or service delivered looks as good as it sounds
- **Price** – meeting the pricing expectations of your product or service and ensuring your customers see value in what they are buying
- **People** – having staff trained to meet your customers' needs and ensuring a world class customer experience from start to finish

2. Bring customers back with an offer

Consider how long it's been since you last thanked your customers after they've left your store? Creating unique and customised offers, at the right time, is a great way to keep customers engaged. Here are a few recommended campaigns you might like to try:



Announcement campaign

These campaigns help keep your customers up to date with the latest news or changes about your business. These are typically newsworthy items such as:

- New services
- Change in locations
- New menus or products



Bring them back campaign

Sending your customers an offer so they can redeem them in store, ensures a percentage will return to claim their offer and rewards your good customers. Here are a few suggested ideas:

- Coupons – offering customers vouchers only redeemable in store.
- Deals – i.e. Buy one get one free.
- Freebies – a free gift with a purchase can be a great way to give additional value to your customers. It can also help remove some of your slow moving or old stock that might actually be costing you money to keep.



Birthday campaign

Create loyal customers by giving them personalised messages directly from your brand. Setting up automated email offers on their birthday is a great way to drive brand loyalty and customer engagement.



Event promotion

Do you have an event coming up which you think your customers would like to attend? Shout-out about it and let your customers know. Whether it be:

- New store openings
- Special occasions or;
- Upcoming sales

3. Evaluate your offering

Before even looking at a customer loyalty system you may want to consider whether your customers see value in what you're offering? Otherwise, setting up a customer loyalty system may not be the answer to your problems.

Take a hard look at:

- Competitors in the same market
- How your customers perceive your product / service?
- Whether your customers see value in it?



Setting up a customer loyalty system:

If your spending money attracting new customers, only to find that your current customers aren't always coming back, then you might have a customer retention issue. Having a customer loyalty system allows you to drive customers back to your store and enrich their experience.

Businesses that have growth but focus on attracting customers, rather than rewarding their current ones, often suffer from:

- Low customer retention rates
- Poor customer satisfaction scores
- A disjointed customer experience
- Misguided decision making based on lack of knowledge about their customers

Things to consider before selecting a customer loyalty system:

1. Do you know your customers?

It seems like a silly thing to ask, but it's one of the biggest mistakes people make. If you don't know who your customers are, then you won't know how to appropriately market to them, send them offers or perform basic functions your business needs. This means you need to understand their demographics and buying behaviours. If you're in retail, you should be looking at the foot traffic outside, looking at customers that go into nearby stores and then looking at the way your customers are purchasing and engaging with you.

The best way to understand your customers is simply to talk to them. Figure out how they heard about you, why they came into the store and whether this was for something unique your competitors can't offer.

2. Can you identify your repeat customers?

You should know these guys by name. If you can identify your repeat customers, then already you know where the majority of your money is coming from.

3. Understand the numbers.

As the old saying goes "if you can't measure it, then you can't manage it". A key part of customer retention is ensuring you have the systems in place to be able to effectively track and manage how frequently your customers are returning to you. A big part of growing your business is ensuring things like your customer conversion rates (how many customers are passing through your doors compared to sales) are high. You want to be able to constantly assess your conversion rates and monitor what percentage of those are returning customers.

4. Keep things simple.

One of the most common loyalty programs businesses use is a simple points system. Frequent customers simply earn points, which translate into a reward. That can be in the form of a discount, a freebie or a gift you would like them to redeem in-store.

Did you know?

Points based loyalty programmes have been around since the 1930's, when a company called S&H 77 Green Stamps, sent stamps to customers when purchasing stamp booklets from participating retailers. The stamps acted as a form of currency which could be redeemed for products when they had enough accumulated. This drove customer loyalty because they were giving something away for “free”.

Brick and mortar selling and marketing has changed:

The approach to selling has fundamentally changed since the days of simply selling through brick and mortar stores. Customers have a wider choice to base their purchase decisions on such as price, shopping experience, trust signals, and reviews. Businesses that stand out from the crowd, do so by finding what works for their customers and extending that experience past the physical store.

It also means that customer loyalty doesn't start when a customer returns, it starts at the very beginning. When a customer first walks into your store, being able to communicate with them and personalise their experience long after they've left ensures higher customer retention.





Creating a customer loyalty program that works:

The key thing to remember when embarking on driving back your loyal customers is that customer loyalty isn't created it's earned. For years, brands have tried tactics to better engage their customers and ensure they keep coming back. So where do you start and what should be the focus?

Focus on three things:

1. The Customer

What does it mean to be customer-focused? It means offering your customers a consistently great and relevant experience. Right from when a customer first discovers your brand to every time they interact with you, their experience should be customised, simple and easy.

"We see our customers as invited guests to a party, and we are the hosts. It's our job every day to make every important aspect of the customer experience a little bit better."

- Jeff Bezos, Amazon.com

2. Communication

Email still the best way to talk to your customer after they've left your store. To this day, there hasn't been a better way to stay in touch. A direct Marketing Association's 2013 study, showed that 90% of consumers (with access to email) subscribe to email from trusted brands.

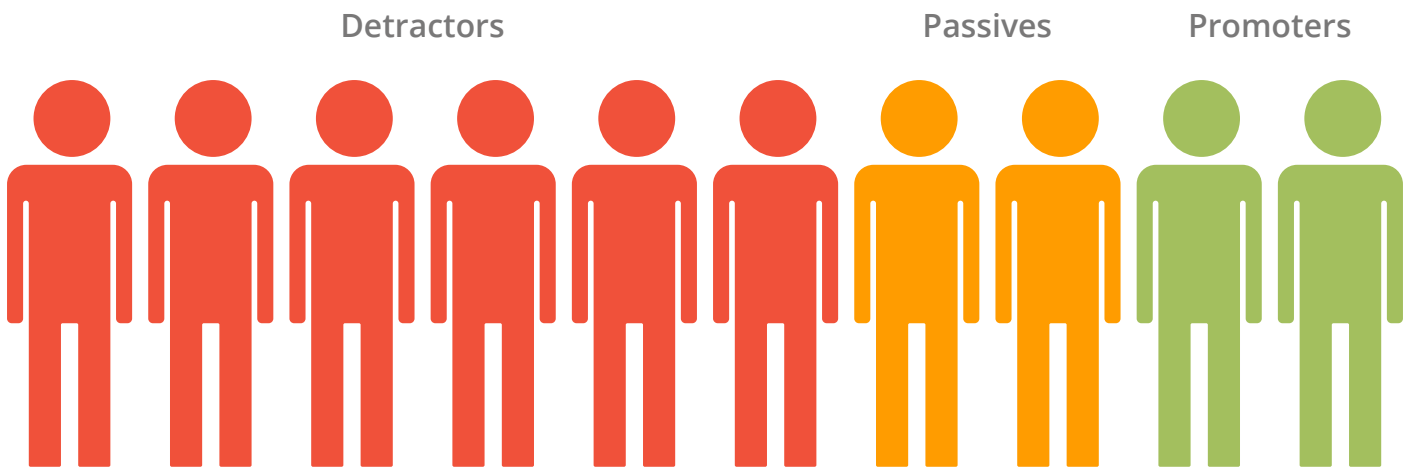
But don't just go ahead sending emails, thinking they will perform. Creating emails is an art form and you want to make sure you've got the right system and people helping you through it. At Goody, we help hundreds of merchants send unique offers to their clients, ensuring they have the platform and tools they need to acquire email addresses and send personalised offers.

3. Customer Service

As we mentioned earlier, creating loyal customers starts with ensuring you deliver a world-class customer experience...at all times!

How do businesses measure customer loyalty?

Generally, businesses use a survey method called the net promoter score to measure customer loyalty. The net promoter score is simply the percentage of promoters your business has, less the percentage of detractors (passive customers are generally ignored from this calculation). The question a business would usually ask is: “how likely are you to recommend us to a friend or colleague”?



$$\text{Net Promoter Score} = \% \text{Promoters} - \% \text{Detractors}$$

Why use a Net Promoter Score?

When you ask your customer a net promoter score question, you're basically asking them whether or not they're taking the time to say good things about your business or brand. Finding out your net promoter score is one of the easiest ways to see how your business is doing in the eyes of your customers. Businesses that usually have a good NPS score, are generally more profitable because they have happier customers.

Other important metrics:

Customer Retention Rate:

Your customer retention rates, show you how long your customers are likely to stay with you. Tracking these metrics draws a baseline so you know whether all your efforts are improving your retention rates over time.

To calculate this really depends on your business but [here's](#) more information on how this is calculated.



Learn More About Goody's Customer Loyalty Platform:

Goody is a revolutionary new way to help good businesses, keep good customers returning. Goody is a universal loyalty card system, that replaces the need for traditional punch cards with a fun and unique rewards program, personalised for each business. Customers can use a physical card, iPhone App or Android App to scan in on the provided in-store tablet and earn points at every store Goody is accepted. Better yet, Goody empowers business owners with a central solution to improve customer retention with email offers.

See how Goody works:

www.goodycard.co.nz