7 Customer Loyalty Programs That Actually Add Value

1) Use a simple point system.

This is the most common loyalty program methodology. Frequent customers earn points, which translate into some type of reward. Whether it's a discount, a freebie, or special customer treatment, customers work toward a certain amount of points to redeem their reward.

Where many companies falter in this method, however, is making the relationship between points and tangible rewards complex and confusing.

"Fourteen points equals one dollar, and twenty dollars earn 50% off your next purchase in April!"

That's not rewarding. That's a headache.

If you opt for a points-based loyalty program, keep the conversions simple and intuitive.

Although a points system is perhaps the most common form of loyalty programs, it isn't necessarily applicable to every business type. It works best for businesses that encourage frequent, short-term purchases, like Boloco.

Case Study: Sephora's Beauty Insider Program

Sephora, a cosmetics brand, is an example of a company who does the points-based loyalty program well. Customers swipe their stylish Beauty Insider card at every purchase, and the card tracks the amount of money spent. Every dollar spent earns the member one Beauty Insider point, and shoppers can redeem points for beauty supply items at checkout. Sephora speaks the language of its audience by measuring points in dollars, and rewards in cosmetic items.

2) Use a tier system to reward initial loyalty and encourage more purchases.

Finding a balance between attainable and desirable rewards is a challenge for most companies designing loyalty programs. One way to combat this is to implement a tiered system which rewards initial loyalty and encourages more purchases.

Present small rewards as a base offering for being a part of the program, and then encourage repeat customers by increasing the value of the rewards as the customer moves up the loyalty ladder. This helps solve the problem of members forgetting about their points and never redeeming them because the time between purchase and gratification is too long.

The biggest difference between the points system and the tiered system is that customers extract short-term versus long-term value from the loyalty program. You may find tiered programs work better for high commitment, higher price-point businesses like airlines, hospitality businesses, or insurance companies.

Case Study: Virgin Atlantic Flying Club

In addition to earning miles, Virgin Atlantic's Flying Club allows members to earn tier points. The club inducts members at the Club Red tier, then bumps them up to Club Silver and then Club Gold.

- Club Red members earn miles on flights and get discounts on rental cars, airport parking, hotels, and holiday flights.
- Club Silver members earn 50% more points on flights and have access to expedited check-in and priority stand-by seating.
- Club Gold members get double miles, priority boarding, and access to exclusive clubhouses where they can grab a drink or get a massage before their flight.

Seem complicated? They created a comprehensive benefits table so customers can easily understand the extra benefits they'll receive as they move from Red to Silver to Gold. The key is to offer benefits in the early stages to hook the customer into coming back. Once they do, they'll realize that "gold" status isn't unattainable and offers really cool benefits.

3) Charge an upfront fee for VIP benefits.

Loyalty programs are meant to break down barriers between customers and your business ... so are we seriously telling you to charge *them* a fee? In some circumstances, a one-time (or annual) fee that lets customers bypass common purchase barriers is actually quite beneficial for both business and customer. By identifying the factors that may cause customers to leave, you can customize a fee-based loyalty program to address those specific obstacles.

According to a study of 500 leading global brands, cart abandonment rates reached 75.6% across retail, travel, and fashion. This abandonment is often caused by "sticker shock" after tax and shipping prices have been applied. Below, we'll take a look at Amazon, the ecommerce giant that's found a way to combat this issue using a loyalty program with an upfront fee.

This system is most applicable to businesses that thrive on frequent, repeat purchases. For an upfront fee, your customers are relieved of inconveniences that could impede future purchases. Amazon's mastered this for ecommerce, but this model also has potential to work forB2B businesses that deliver products to businesses on a regular basis.

Case Study: Amazon Prime

For $99 a year, Amazon Prime users get free, two-day shipping on millions of products with no minimum purchase, among other benefits.

Why is this a great example? Because it provides enough value to frequent shoppers for them to feel like it's really benefitting them. Actually, analysts estimate Amazon loses $1-2 billion per year on Prime. But the company makes up for it in increased transaction frequency: According to a report from Consumer Intelligence Research Partners, Prime members spend an average of $1,500 per year on Amazon.com, compared with $625 per year spent by Amazon customers who aren't Prime members.

4) Structure non-monetary programs around your customers' values.

Truly understanding your customer means understanding their values and sense of worth, and shared valued have a huge impact on if a customer will be loyal to a brand. In fact, CeB surveyed consumers on customer loyalty and found that customers were loyal "not to companies, but to beliefs."

Depending on your industry, your customers may find more value in non-monetary or discounted rewards. While any company can offer promotional coupons and discount codes if they want to, businesses that can provide value to the customer in ways *other* than dollars and cents have a unique opportunity to connect with their audience.

Case Study: TOMS One for One

TOMS Shoes is dedicated to providing resources to communities in need -- namely, shoes. The brand is dedicated to "improving lives" and promise that, for every item purchased, TOMS will help a person in need. The initiative started with TOMS donating a pair of shoes to a child in need for every pair purchased, but the initiative has grown to help ensure clean water access, improving maternal health care, and supporting other organizations through themed products -- like the elephant-dotted TOMS I once purchased that shared profits with the Wildlife Conservation Society.

5) Partner with another company to provide all-inclusive offers.

Strategic partnerships for customer loyalty (also known as coalition programs) can be super effective for retaining customers and growing your company. Which company would a good fit for a partnership? Again, it boils down to fully understanding your customers' everyday lives and their purchase processes.

For example, if you’re a dog food company, you might partner with a veterinary office or pet grooming facility to offer co-branded deals that are mutually beneficial for your company and your customer. When you provide your customers with value that's relevant to them but goes beyond what your company alone can offer them, you're showing them you understand and care about their needs. Plus, it'll help you grow your network to reach your partners' customers, too.

Case Study: American Express Plenti Program

American Express has a huge partner base with companies across the country. The company's Plenti program, launched in May 2015, lets consumers pool their rewards from various retailers like Macy's, AT&T, Rite Aid, Enterprise Rent-A-Car, Hulu, and more. Plenti members earn points for shopping at these stores *and* redeem points at these stores by linking their existing store loyalty card to their Plenti account. For example, customers can use Plenti points they've earned from something like renting a car from Enterprise in order to pay their AT&T phone bill.

Flexibility is the biggest appeal here for customers, since points can be earned and redeemed at a variety of retailers. According to *Fortune Magazine*, "For the companies, even ones like Macy's that already have huge loyalty programs, Plenti is a way to tap into the broader customer base of its partners, save on program costs, and lift sales by offering a more appealing program to customers."

6) Make a game out of it.

Who doesn't love a good game? Turn your loyalty program into a game to encourage repeat customers and -- depending on the type of game you choose -- help solidify your brand's image.

With any contest or sweepstakes, though, you run the risk of having customers feel like your company is jerking them around to win business. To mitigate this risk, it's important to make customers feel like you're not duping them out of rewards.The odds should be no lower than 25%, and the purchase requirements to play should be attainable. Also, be sure your company's legal department is fully informed and on-board before you make your contest public.

When executed properly, this type of program could work for almost any type of company -- even anoff-the-beaten-path B2B company. If your audience enjoys having a little fun and purchases frequently, this type of program can make the buying process both fun and engaging.

Case Study: Swarm Perks

Swarm, a check-in app, uses Swarm Perks to gamify and incentivize users to check-in to different locations and share what they're up to with friends. With Swarm Perks, users can get discounts for locations they check-in to -- like a 20% off coupon at Best Buy.

Users can also compete in sweepstakes challenges every week, where they are entered into a drawing after check-in at a participating location to win things like dream vacations, spa days, and shopping trips.

7) Scratch the "program" completely.

Considering how many marketers offer loyalty programs, one innovative idea is to nix the idea of employing a program altogether. Instead, build loyalty by providing first-time users with awesome benefits, hooking them in, and offering those benefits with every purchase.

This minimalist approach works best for companies that sell unique products or services. That doesn't necessarily mean that you offer the lowest price, or the best quality, or the most convenience; instead, I'm talking about redefining a category. If your company is pioneering a new product or service, a loyalty program may not be necessary. Customers will be loyal because there are few other options as spectacular as you, and you've communicated that value from your first interaction.

For example, one of the most innovative companies on the planet implements this strategy: Apple.

Case Study: Apple

Even the most loyal Apple customers don’t get special rewards or discounts ... because it doesn't offer them to *anybody*. Apple "enchants" customers by delighting them with a product or service the very first time.

"The loyalty is voluntary and long-lasting," explains Apple evangelist Guy Kawasaki.

Apple has plenty of supporters, both online and offline, ready and willing to rave about its product. For them, loyalty happens organically.