

# Loyalty schemes: What you need to know

Could a loyalty scheme offer your business a boost? Richard Warburton is an advocate.

From coffee, to shopping, to petrol, to restaurants, to flights; it seems nearly every end-consumer orientated company has some sort of scheme encouraging customers to come back for more. It makes sense, otherwise, there wouldn't be so many. There are only so many customers, marketing can reach and loyalty systems offer a comparatively low cost approach for turning one sale into two or more.

**Spread Dependency – Create another income stream:** If the majority of your bookings are coming from a single third party source, i.e. a popular web booking engine, you're income may be at risk. For example, online systems currently charge between 10 and 20 percent, but as they merge and become more powerful, the fees may rise. If they're your only source of bookings, you're powerless when they decide to raise their fees, or divert bookings to a competitor.

This is where loyalty schemes can help; and if done correctly, can save money in the process. Most loyalty systems cost less than 10 percent per booking. As customers come through your usual channels, join them up to your loyalty scheme. Explain the benefits of booking direct – i.e. not only save them money, but earn points towards future visits. Over time, the number of customers who book direct builds up and the companies who you were dependent on for every booking, become predominantly new business. As reps benefit personally from their loyalty bonus, they will more likely advocate for your group when a choice is available.

**Be part of a group:** There's only so much space in someone's wallet. If the loyalty card can only be used at one establishment, it's unlikely to be kept or even wanted. However, if the card can benefit the user in multiple places across the country, it just makes sense to hang on to it.

**Look professional:** It's not the 80s. Paper membership cards with handwritten names and numbers don't impress anyone, even if it is laminated. Modern plastic cards are cheap and still look new after months of sitting in a wallet or purse. Each card needs its own computer friendly identifier (barcode, mag-stripe or chip) so they can be associated to the customers without some manual cheap looking process.

**Embrace mobile:** Customers are embracing modern technology. To remain competitive, so should you. Your loyalty system may include a customised mobile app that can take the place of a card, but can offer so much more. Think of it as an accommodation companion; one that knows where all the group's properties are, and which ones are



the closest, providing booking links to your website. And of course they'll want to book with your group's properties, to use up the points balance displaying in the corner, that just happen to be expiring soon.

**Simplify processes:** Modern loyalty systems store each customer's details in the

your group appear leading-edge or, as it becomes common place, those without may seem antiquated.

**Keep in touch with customers:** Loyalty schemes worth their salt, will have a clause in the terms and conditions allowing the group to email (and possibly text) cus-

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cloud. Depending on your loyalty scheme your property management system may be able to link to it. This way, new customers need only have their card swiped or scanned and the booking record is automatically populated. Soon some online booking systems will support certain schemes, allowing the customer to just type in their ID and password to make a booking. Such systems can make

tomers periodically. This may include special deals, monthly statements, upcoming events – essentially anything that may lead a customer to come back and stay another night at a member property – including warning them that their points are about to expire. This is amongst the cheapest marketing your group will ever do and it's one of the most effective. These customers are

already familiar with your brand and, as they belong to the scheme, they are open to returning; you're just helping them back with a light push in the right direction.

**Use statistics:** Use your loyalty scheme's provided statistics and analysis tools to make sure everything is running smoothly. If there's a drop of activity in a town, perhaps a targeted email drop is in order. Additionally, compare the number of loyalty customer referrals versus the cost of the scheme. This can often justify the fees or be a flag that changes need to be made. There are many other ways to review the data, gain insight and increase profits. If you are managing the scheme you must learn how to drive the statistics interface to your advantage. No one understands your group like you do, so it's important that you can obtain the information that you need, when you need it.

**Include everyone:** Every customer is a potential re-sale, not just regulars or corporates. For example, consider an overseas visitor touring the country. If the scheme is compelling enough, he or she may cancel their next stays, and re-book with properties in your group. Even if it's not the case, a loyalty card can double as a business card when talking about how wonderful their overseas trip was. If they, or their friends, return to our country, if not in your town, it's

likely someone from the group will benefit. Eventually, if everyone does their job, the seed you planted will grow, and return to you in the form of new customers.

**United we stand, divided we fall:** Loyalty schemes only work properly if everyone is involved. It is likely that your efforts to sign up a customer won't immediately benefit you directly, but someone else in the group. Likewise, other's efforts will benefit you.

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Any group member not contributing to the pool of loyalty customers, is essentially just taking from the scheme and not giving back. This hurts the profitability of the scheme, increasing the costs for the other members. Fortunately, modern loyalty systems are able to provide stats, allowing the group leader to see who isn't performing and work on remedying the problem, either through encouragement, training or attrition.

Essentially, if you are lucky enough to be part of the group with a quality loyalty system, sitting back and waiting for new customers to arrive is not an option. Work hard to contribute and encourage others to do the same.

**Final Thoughts:** Ultimately, there's no point being part of a loyalty scheme if it doesn't make you money. With so many companies now using some type of loyalty scheme, plenty of options to choose from have appeared. It's important to choose wisely. Ask questions like: Do they have any experience with your industry? Do they understand your customers? How reactive are they if things go wrong?

As the right choice may make you the hero of your group, the wrong one can cost you dearly. Do your research, then get behind the scheme. A fantastically designed scheme can still fall apart if your members are not as equally sold on the scheme as you are. However, with the right scheme, and if everyone does their part, it may be one of the best marketing choices you've ever made. ■

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## LoyaltyMate

"The loyalty solution about you"

LoyaltyMate is the power behind your group's loyalty scheme.

A scheme written around your needs, run for you.

Our infrastructure provides you with what you need:

- Commission free transactions
- Membership cards with your brand
- Free iOS and Android app
- Web sites for guests, group members and your HQ
- Up to the minute statistics

If you're considering a loyalty scheme, you should probably talk to us.



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