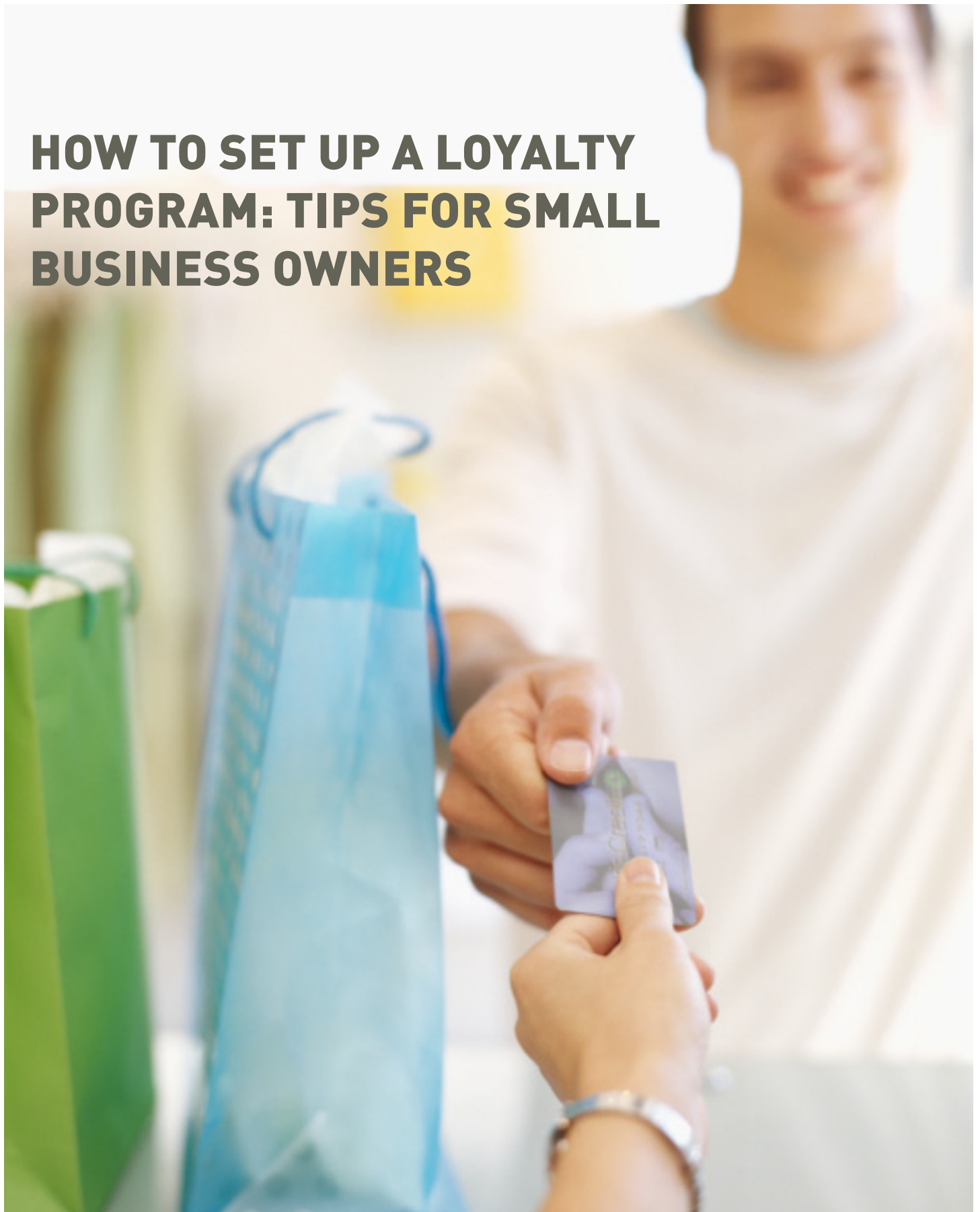


HOW TO SET UP A LOYALTY PROGRAM: TIPS FOR SMALL BUSINESS OWNERS



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HOW DO I KEEP MY CUSTOMERS COMING BACK?

It is a question that concerns every business owner, and it is especially important when you are a smaller business. Loyalty programs can be a hugely effective tool for customer retention, and big businesses spend millions of dollars a year building customer loyalty. The good news is loyalty programs are not

off limits to small business owners. It is more than possible to establish dynamic and interactive customer loyalty programs on a budget. We created this resource to give you some ideas about basic program types, as well as some tips and thought-starters for creating your own.

WHAT'S IN IT FOR YOUR BUSINESS?



A loyalty program helps you build relationships with your customers and gives you an edge over the competition. This makes loyalty programs particularly valuable in categories where it is difficult to gain a competitive advantage through product features or price alone.

A well-managed program can also give you insights into your customer's behavior and preferences, making it easier for you to give them what they want. Regular program newsletters, emails, mailings and social media updates enable you to keep the lines of communication open between you and your clients, and encourage feedback and suggestions.



DIFFERENT TYPES OF LOYALTY PROGRAMS

Because loyalty programs come in a variety of different types, small businesses can set up affordable, easy-to-manage programs to suit their particular category and clientele. Here are a few examples:

- **Buy 10 get one free** – The traditional punch-card is popular with independent businesses like coffee shops, greeting card stores and beauty salons.
- **Points for purchase** – Customers earn points based on how much they spend, which can be applied as credit against future purchases.
- **Partner rewards** – Create partnerships with businesses in your area that your customers may have an interest in. A winery that offers vineyard tours might offer discounts coupons for a local bed and breakfast, for example.

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By giving regular customers a little extra, whether it's a free coffee, a discount coupon or a gift card, you are showing them that you value their business – making them feel like they're getting a bit of personal attention. That can help to keep them coming back, and it can also encourage good word-of-mouth advertising.

SETTING UP YOUR OWN PROGRAM

When deciding what kind of program is right for your business, think about what most of your customers buy and how often they buy it from you. If you sell raw materials in bulk twice a year to most customers, a frequent buyer program probably doesn't make sense. But, you want to reward their loyalty so consider offering a discount on the product if they buy a certain amount. You might also send a thank you gift, unrelated to your product, such as a gift card for popular retailers.

If you own a bakery, restaurant or coffee shop and serve the same customers several times a week, a frequent buyer card is ideal. Since every consumer is different, you should provide various ways for people to participate in your loyalty program. Some people might prefer to build up points and redeem them online. Others prefer a physical card you check off or punch.

Here are some factors to consider when planning your own loyalty program:

1. THINK ABOUT THE CUSTOMERS YOU'RE TARGETING.

As with any marketing program, you'll need to determine who the target audience is for your loyalty program. You want to know what their interests and preferences are so that the rewards you're offering will be of interest and value to them. Their purchasing behavior is equally important; how often they buy from you and how much they spend may determine whether your program rewards are based on frequency of visits or total spend. You can gather this information through a variety of means, from studying their purchase history to conducting online or informal in-person surveys.



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Understanding your customers better will also help ensure that you're targeting the various segments of your customer base appropriately. The key factors that determine the value of your repeat customers are "recency," frequency and monetary. Recency refers to how recent their most visit was. Frequency refers to how often they visit, and monetary is how much they spend with you. Analyzing these factors will help to give you a complete picture of your most valuable customers.

2. LOOK AT THE NUMBERS.

Your loyalty program will have costs associated with it: advertising and marketing costs, the value of your incentives, the cost of setting up a point-of-sale card system if applicable, and of course the value of your own time. Create a marketing plan with a projection of the cost of the program in dollars and cents, and then define what kind of return you'll need from your customers in order to make the program viable. Like any marketing plan, this is something you'll want to come back to and re-examine regularly once the program is up and running.

While you're doing your calculations, keep in mind that in addition to encouraging more frequent visits and increased spending, your loyalty program can help encourage upgrades to more profitable products. This is particularly true of points

programs, which give you the opportunity to influence the purchase of slower-moving or higher-margin items with bonus points.

3. MAKE THE MOST OF AVAILABLE RESOURCES.

There's no reason you have to start from scratch when creating a loyalty program. As mentioned above, there may be a potential for valuable reward partnerships within your business network or local business association. Your colleagues within your industry may also be able to provide you with insights into customer behavior and preferences, and what sorts of incentives have worked for them in the past.

Digital technology is also invaluable as a low or even no-cost resource to supplement your program. Social media platforms like Facebook and Twitter are free channels to promote your program, and they can also be used to listen to what your customers are saying about you to their peers. Location-based services that offer check-ins can be great indicators of loyalty and some, notably Foursquare, allow merchants to promote specials offers to customers through their services.

KEEPING THE RELATIONSHIP FRESH

Keeping your program fresh and interesting will help stave off boredom and attrition among your customers. One of the most important aspects of your program will be communication. Regular updates will let your customers know that the program is active and evolving. And any responses you elicit from them will help you fine tune the program so that it's relevant to their needs.

You can promote and monitor the health of your program through:

- **Newsletters** – Regular email newsletters allow you to stay in touch and promote program offers.
- **Surveys** – Informal polls and surveys on your website, your Facebook page, or in-store can help you gauge customer satisfaction and preferences for future promotions.
- **Transactions and redemption** – Measurement is an important part of any marketing effort. How members are making use of the program, and how their purchase behavior compares to that of non-members, will be the true gauge of your success.

Stay in touch with program members to make sure the program is providing them with the kind of value they're looking for. Take advantage of all the channels at your disposal – if

“One of the most important aspects of your program will be communication.”

you don't have a Facebook page and Twitter account for your business yet, your new loyalty program is another good reason to get started. All relationships thrive on communication, and customer relationships are no exception.

WHAT NEXT?

Read more about customer loyalty at pbsmartessentials.com.

Discover how Pitney Bowes can help you stay in touch with your most valuable customers with our Small Business Marketing Solutions.

Ready to start communicating with your customers and building loyalty? [Sign up for your 60-day free trial of Pitney Bowes' email marketing tool and start creating your own email newsletters, event announcements and promotions.](#)



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