



Powerful Marketing Minutes
50 Ways to Develop Market Leadership
in the 21st Century

Book Excerpt
Chapter 11

Rewarding Customer Loyalty

It is important to reward customer loyalty.....but we have to be careful not to bribe customers into loyalty.

It's kind of like raising children. Once you start to "bribe" your child, as in "if you'll eat everything on your plate tonight you'll get a cookie," there is no ending to the bribe. This one cookie for a clean plate trick works for a week or two, and then the bribe has to be increased to two cookies, or even three before the child will willingly complete his or her entire meal.

Many marketers are making the same mistake when it comes to developing so-called loyalty programs. The airlines were one of the first to make this error.

Once one airline started to capture greater market share with a frequent flyer program, everyone else added similar programs. Now, practically all airlines offer some kind of a mileage program.

There is little differentiation between these programs, and hence many passengers (and certainly most frequent flyers) are no more loyal to one airline than they were previously. Frequent flyers tend to belong to multiple FFP programs. And now with 2-3 major alliances being formed in the industry, it will be easy for everyone to belong to these 2-3 Super League FFPs. So where's the point of differentiation? There isn't one!

All that has happened is that the cost of business has been raised for all players in the airline industry.

We have seen the same thing happen here in Singapore in the petrol and credit card markets. It seems like all the petrol stations, and certainly all the banks offering credit cards, have developed some sort of rewards scheme under the guise of loyalty marketing. It's no wonder that Singaporeans tend to carry credit cards from 3-4 banks in their wallets

and purses, and that they switch from one petrol rewards scheme to another — depending upon the prizes offered — on a regular basis.

These are not rewards programs. They are customer bribery programs and all they do is raise the cost of business for everyone in these particular industries.

And, like the getting the child to eat his dinner....the cost of such programs goes in only one direction ---- up!

Smart marketers will develop loyalty programs that truly reward customers....not attempt to bribe them.

Key Point: It's important to reward customer loyalty, but be careful not to turn your customer loyalty programs into customer bribery programs.

Discussion Topics: how do you reward customer loyalty? Is it with products and services that fully satisfy customer needs, or with points programs that attempt to bribe customers into loyalty?

How easy is it for your customers to match your loyalty scheme?

Do your customers switch back and forth between you and competitors based on the promotional programs being offered? If so, how can you start to compete based on true customer satisfaction, rather than to continue to engage in tactical marketing wars?

If you were a customer of your company, what would entice you to be the most loyal customer in the world? Can this enticement be applied to your customers today?

This Chapter is excerpted from Powerful Marketing Minutes by Steven Howard.

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