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CUT STRAIGHT TO YOUR NEWS

Rewards target customer loyalty

TAO LIN

Growing a customer base can be as straightforward as setting up a loyalty scheme but it requires a bit more thought than simply handing out a stamp card.

Loyalty programmes are numerous, from airpoints, Fly Buys and Onecard to the basic buy 10, get one free, coffee card.

PWC director of digital strategy and data Greg Doone said loyalty programmes encourage repeat behaviour from people, giving companies insight into what brings customers back and why they may stray.

Due to the nature of how rewards schemes work, they work best for businesses that offer repeat services, like retailers, cafes, restaurants, hairdressers but a well thought out loyalty programme can also benefit a range of other businesses, Doone said.

"Start simple and learn as you do it. While I naturally sit there and suggest people have a simple cloud-based mobile loyalty platform, there's nothing wrong with starting off with cards," he said.

The benefit of choosing a technology-based system is that businesses can access more data on consumers and they can also do away with cards in favour of smartphone apps.

Doone says the basics of a good rewards scheme are:

■ **A points system:** "Humans are ingrained to ensure they don't lose what they've earned".

■ **Expiry date for points:** One which ties in with people's loss aversion.

■ **Tiers:** ranking the awards plays to people's feelings of achievement and self-gratification for being part of something more exclusive.

Whatever the programme, it must be cost-effective, Doone said.

Businesses also needed to differentiate themselves in some way, and make sure they were giving rewards that aligned with their brand.

"Try to make it about you and who you are, especially if you're a small business."

Auckland University of Technology senior marketing lecturer Helene Wilkinson said while there were plenty of benefits, such as reaching new markets, greater sales, expanding customer base and measuring customer information to inform business decisions, there were also potential disadvantages.

These included:

■ The cost of belonging to an externally run programme.

■ The time require to set up and manage a programme.

■ Being seen as "the same as everyone else".

■ Not meeting customers' reward expectations.

There was a danger that a loyalty programme could be superseded by a better offer.

The Entertainment book was an example of this due to the range of businesses involved, a broad target market and being both a first-mover and established in the market, Wilkinson said.

A business that starts a loyalty programme as a "lifesaver" would do well to rethink that strategy, she said.

"Unless the business operates well, has a good business strategy and is focused on people – the staff and customers – then it will not survive."

To make the most of loyalty programmes focus on the basic principles of customer satisfaction and good customer service, supported by decision-making based on customer information.

Wilkinson said some good loyalty schemes include Fly Buys because it was spread across multiple members businesses, it was long-established and offered a variety of rewards.

Countdown's latest "Dominos" promotion works because it is tangible, great for engaging children and parents.

It was a good learning tool and had the "surprise" element when customers opened the packaging, Wilkinson said.

"They have also had considerable success with their cutlery and some of their collector cards programmes.

"Others like the glasses and animal noises ones have been less successful because of the lower perceived value to the shoppers," Wilkinson said.

Both Doone and Wilkinson said cloud-based start-up Goody was a good group scheme aimed at small businesses.

Goody founder Gorran Marusich said Goody had clocked up 370 retailers nationwide in 14 months and there were 170,000 people using the card.

Rewards schemes can help businesses gain, maintain and analyse their customers.