

Loyalty by Design

Payments, engagement, points, delivery, support, shopping... loyalty programs today are everywhere and everything. We're a little exhausted, too.

To make the most of yours, step back to understand what "loyalty" actually means to your customers. Ready to build your own? Use our tool to start a conversation on where to begin.



Loyalty isn't what it used to be.

LOYALTY IS BECOMING DIFFUSED

In the restaurant industry, for instance, delivery apps are fracturing traditional ideas of customer loyalty. Once “getting pizza” meant walking to the funky local pizza joint. Now when you crave a pie, you open an app to choose from any number of pizzerias. Virtual restaurants and ghost kitchens are [on the rise](#). The customer loyalty and profits are spread across increasing access points. Who owns loyalty here? The corner pizzeria? UberEats? An algorithm?

LOYALTY HAS BEEN HEIGHTENED

Today's customers risk being judged for how they spend their dollars. Brands are deeply part of [customers' identities](#), and the wrong associations carry much risk. [Equinox and Soulcycle](#) are among companies recently associated with actions that clashed with some of their customers' identities. Loyalty is serious business.

LOYALTY IS COMPLICATED... BUT WORTH IT

Stickiness keeps your customers coming back and allows your company to grow into something great. In the complex world of loyalty, some organizations are attempting to simplify customer interactions by standing up loyalty programs. Some integrate payment for quick transactions. Some help customers win free burgers to surprise and delight them. Others have tiers customers must climb to make them feel like a VIP. How do you know which approach is right for your business?

A loyalty program should be carefully designed to reinforce beneficial behavior and enhance your relationship with your customers. The most successful ones are based on a company's brand and historical pattern of customer interactions.



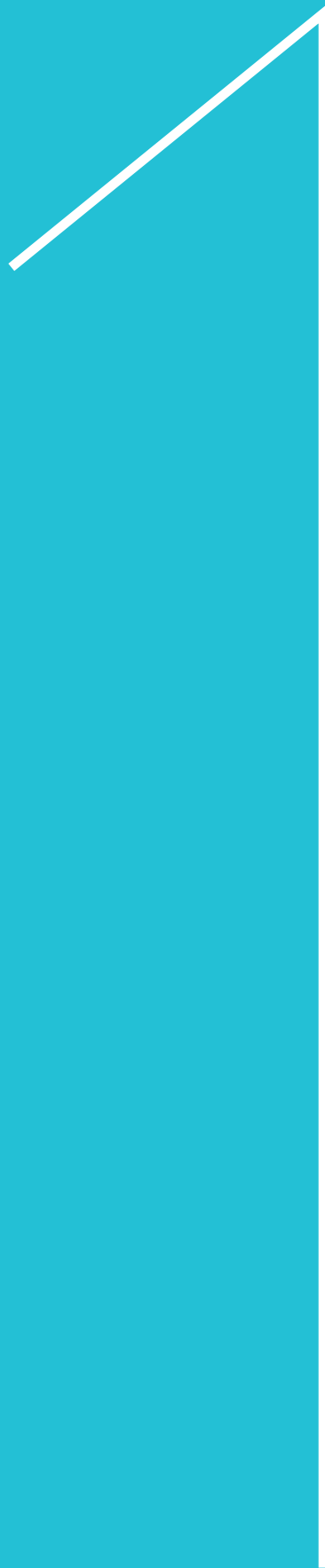


Program

Loyalty

Brand

Loyalty programs should be designed with an architectural stability. First, lay a foundation of **brand** definition and experience. Then understand your customers and their **loyalty** relationship to your offering. Finally, you can design the loyalty **program** itself (if you even need one).



Brand

If brands were friends, people would follow.

Brand has to come first. Your brand definition is how people know to give you their business in the first place. Your mission, value proposition, and brand voice, among other things, signal to customers that you're a company that they hang with. Without a distinct brand, customers won't be inclined to build a relationship with you—loyal or not.

WE DESIGN THIS:

Definition
+
Experience

TO INFLUENCE THIS.

Perception

Ultimately, the way your offering is perceived by consumers determines your success in the market. Unfortunately, you can't control this directly. But by having a clear understanding of who you are (your brand definition) and by activating that through tangible experiences, products, and messaging, perception can be influenced and guided. We did [similar](#) work with Jamba, creating a holistic wellness experience that upheld the brand's new restaurant [experience](#) to create a refreshed brand perception in an ever-changing health food market. For forces outside your control (looming recessions, emerging competitors), brand perception will help you weather many storms.



Loyalty

To build a relationship, take it one step at a time.

Once you've established a brand for customers to gravitate towards, they can begin to understand building a relationship around it. Loyalty comes in three flavors:

- A. Transactional**
- B. Emotional**
- C. Identity**

Not all are appropriate for every brand. Some brands have the ability to build a following that deeply connects an offering with their customers' own sense of self (see our [work](#) with the MFA), whereas others see only shorter-term benefits.



Let's break down the three different kinds of loyalty, and how they can be created.

Transactional loyalty is earned by reducing effort, increasing speed and savings, and enabling personalization. In this case, think about the Starbucks mobile [app](#), which makes it super easy to get a cup of coffee exactly the way you want, while earning points along the way.

Emotional loyalty is a relationship built through an experience of belonging, recognition, or exclusivity attached to a purchase. For example, using your American Airlines [credit card](#) might lead to a family vacation, cherished both in anticipation and in memory. Purchasing a Volvo through the [European Delivery Program](#) could set you off on the roadtrip of your dreams.

Identity loyalty comes from offerings so compelling and important to customers that they incorporate it into their own selves and the images they project to the world. This can come from world-class customer service, like the [AMEX Centurion Card](#), or extreme stickiness, like the walled-garden of your preferred mobile OS.

The goal is to climb the ladder of customer loyalty as high as is appropriate for your brand—from transactional to emotional, and, where relevant, identity.

Program

A simple thanks for playing the long game.

Different types of customer relationships should be met with different types of loyalty programs. If you have a deep connection with customers, or a premium offering, a points- or rewards-based program can work against you. It cheapens the bond. If your interactions are generally functional, make it a game: use stars, tiers, or streaks to build the stickiness that keeps customers returning.



Games that work well

When we interview customers, we often hear people talk about their same favorite things, whether we're asking them about healthcare or smoothies. One we often hear about: the Disney Rewards Program and Vacation Club. Parents love to talk about waking up at 5 a.m. on the day their points drop to book their next vacation. They watch DVDs, visit parent forums, and spend considerable time researching how to plan, with their Rewards Points, the best vacation for their family. Disney Rewards Club allows families to travel to Disney more than they could otherwise and makes parents feel like they have achieved a sense of mastery.



Games that don't work well

Marriott Bonvoy is making customers mad, and it's not just because of the [name](#). Marriott Bonvoy is the new loyalty program for the Marriott family (including Ritz-Carlton and Starwood Preferred Guest) and is off to a rough start. Initially customers of other loyalty programs, especially SPG, were upset that their points were being devalued and grouped in with Marriott. Since then, Bonvoy has regularly [adjusted](#) the rules to the loyalty program and has made drastic changes, such as adding barriers for people close to a lifetime status. Thus, many customers are [left feeling deflated](#) and confused about how to use their points or even how much they are worth.

Brand Loyalty Program Quiz

Different loyalty programs are appropriate for different kinds of brands and customers. So what's right for you? We created a quiz with three key factors of customer love that can help you understand the appropriate loyalty program for your business.

Are you the easiest stop along the way, or are you worth the detour?

MY OFFERING IS A
CONVENIENCE

WHAT IT IS
INCLUSIVE
OPEN TO EVERYONE

WHAT IT ISN'T
UNAPPROACHABLE
UNAVAILABLE

THE PROGRAM
Low-stakes, passive points systems with no barriers to entry. Enhanced with an app but should be easy to start with something as simple as a phone number. Example: Jet Blue allows anyone to earn and redeem points in several ways.



MY OFFERING IS A
DESTINATION

WHAT IT IS
EXCLUSIVE
THE SMARTEST CHOICE

WHAT IT ISN'T
FOR EVERYONE
UNCALCULATED

THE PROGRAM
Membership or credit card programs where customers don't mind having to do more work because they feel smarter for it. Example: Costco members save big and treat Costco as a weekend destination.

Are you needed every day or are you something to save up for?

MY OFFERING IS A **NECESSITY**

WHAT IT IS
A NEED SERVES A PURPOSE

WHAT IT ISN'T
A WANT SUPERFLUOUS

THE PROGRAM
Small savings every visit or occasional freebies with a credit card or app. Example: The Starbucks Rewards app allows users to earn towards free Starbucks drinks and food, along with free drinks for their birthdays and other special events.

MY OFFERING IS AN **EXTRA**

WHAT IT IS
BONUS ICING ON TOP

WHAT IT ISN'T
A BOX TO CHECK EVERYDAY MONOTONY

THE PROGRAM
Membership or credit card programs where members can accumulate points over larger periods of time. Best if accompanied by a service or website that can help with the planning. Example: Disney Rewards Club is a credit card that accumulates points over years to be spent all at once on a Disney vacation.



Are you part of your customer's identity, or do you fade into the background?

MY OFFERING IS A **UTILITY**

WHAT IT IS
TRANSACTIONAL
PRACTICAL

WHAT IT ISN'T
EMOTIONAL
HARD TO USE

THE PROGRAM

Savings every time users buy that are just big enough to keep them coming back. Keep savings so simple they don't need to be managed—no need for an app or a membership paywall. Example: Booking.com's .Genius program gives discounts to all customers who have booked twice in a two-year span.



MY OFFERING IS A **PASSION**

WHAT IT IS
HAS A CULT FOLLOWING
PART OF CUSTOMER'S IDENTITY

WHAT IT ISN'T
PEDESTRIAN
AN ERRAND

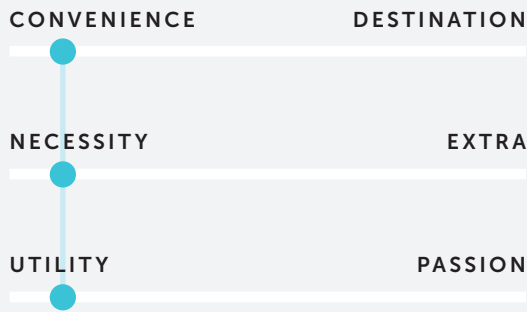
THE PROGRAM

A points system that rewards users more as they spend more. If typical purchase size is large, this can be accompanied with a credit card to earn even more points at checkout. Example: Sephora's Beauty Insider and VIB programs increase the percentage of rewards as customers spend more, amplifying their customers' love.



The Results

Thoughts to consider
when you bring
everything together.

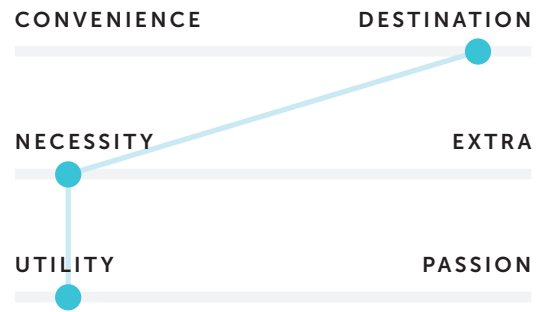


YOU HANG OUT WITH JET BLUE!

People like you because you fit into their lives nicely. When shopping for everyday goods and services, consumers don't want to switch modes in order to manage a [program](#) that is more complex than the task they're already engaged in.

Considerations:

Do give many ways to earn and redeem points. Consider referral programs and automatic discounts or rewards, without adding an extra step.

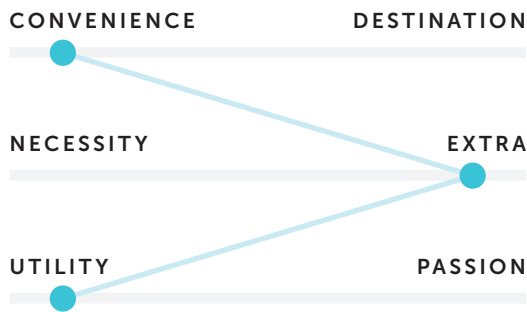


YOU HANG OUT WITH COSTCO!

People love you for your utility, and that's why they travel to visit you. You're worth the trip, so you may be worth a few extra steps that make [members](#) feel even smarter for choosing you.

Considerations:

Some low barriers to entry are OK: they set you apart! Consider membership fees, additional profile information, and an app for seamless payments tied to a rewards credit card.

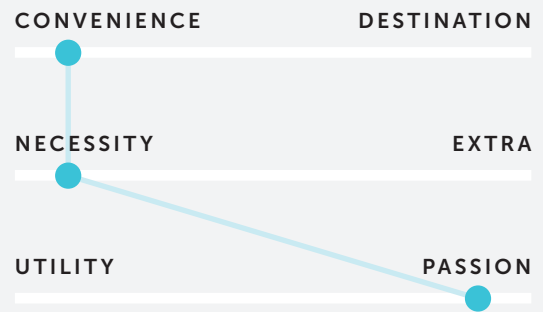


YOU HANG OUT WITH LYFT!

People choose you because you make their lives easier. You are so helpful that customers want to [pay in](#) so they can have access to you forever.

Considerations:

Grant customers varying levels of access. Consider offering a free version, with tiers that unlock new access or discounts.



YOU HANG OUT WITH TARGET!

People are passionate about you, but at the end of the day, they need you because you fill a need. Allow your program to feel above and beyond the basic service—[a sweet bonus](#) to an already delicious partnership.

Considerations:

Minimize entry-barriers: auto-apply rewards, have a referral program, avoid pay-to-play memberships.

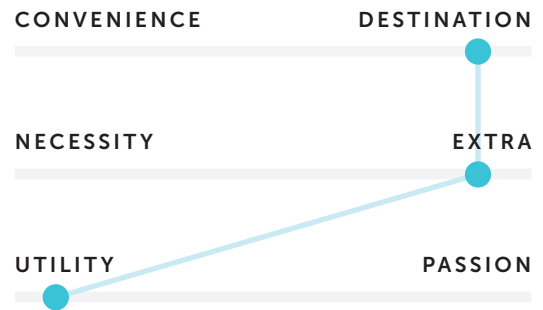


YOU HANG OUT WITH REI!

People love you because you make living out their passions even easier. If customers could spend all of their money on you, they would, so make their dollars go [further](#).

Considerations:

Give customers open access to what they love and discounts for coming back.

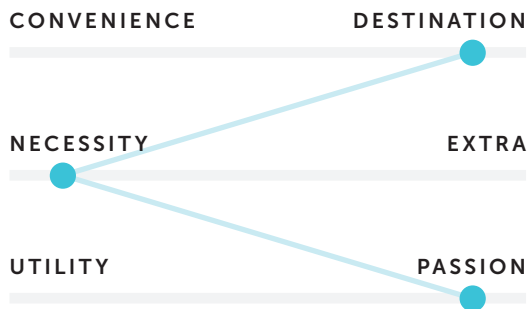


YOU HANG OUT WITH TESLA!

People could buy a product that's inferior to yours, but you represent something more than just mere utility. Customers gravitate towards you for the emotional [benefits](#) of loyalty.

Considerations:

Treat customers like royalty for their loyalty—play up their feelings of recognition, novelty, and belonging to the cool club. Points as rewards will reduce the benefits of membership.

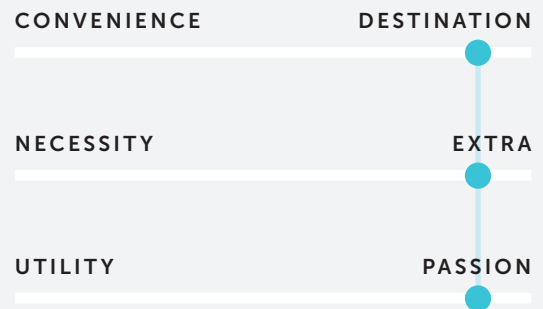


YOU HANG OUT WITH SEPHORA!

People choose your product because you fill a need better than anyone else. Customers want permission to spend and engage with you [more](#), so make it easier on them to love you.

Considerations:

Encouraging more spending through tier programs where the more you spend the more you save. Help customers to spread the positive vibes through referrals and community building.



YOU HANG OUT WITH DISNEY!

People look forward to getting to spend money on you. You are worth saving and planning for, so help customers enjoy the anticipation.

Considerations:

Complex rules and helping customers save monthly through a [credit card](#) or membership keeps them engaged and waiting for their next big interaction with you.

Loyalty by design

To truly drive loyalty, create a solid brand and surrounding experiences. Know your customers and build a great product. Loyalty programs are monetized relationships: they reflect the tension between customer needs and your business' bottom line. But before you can construct the program itself, first you need to build a reason to follow.

Know Your Loyalty Lane

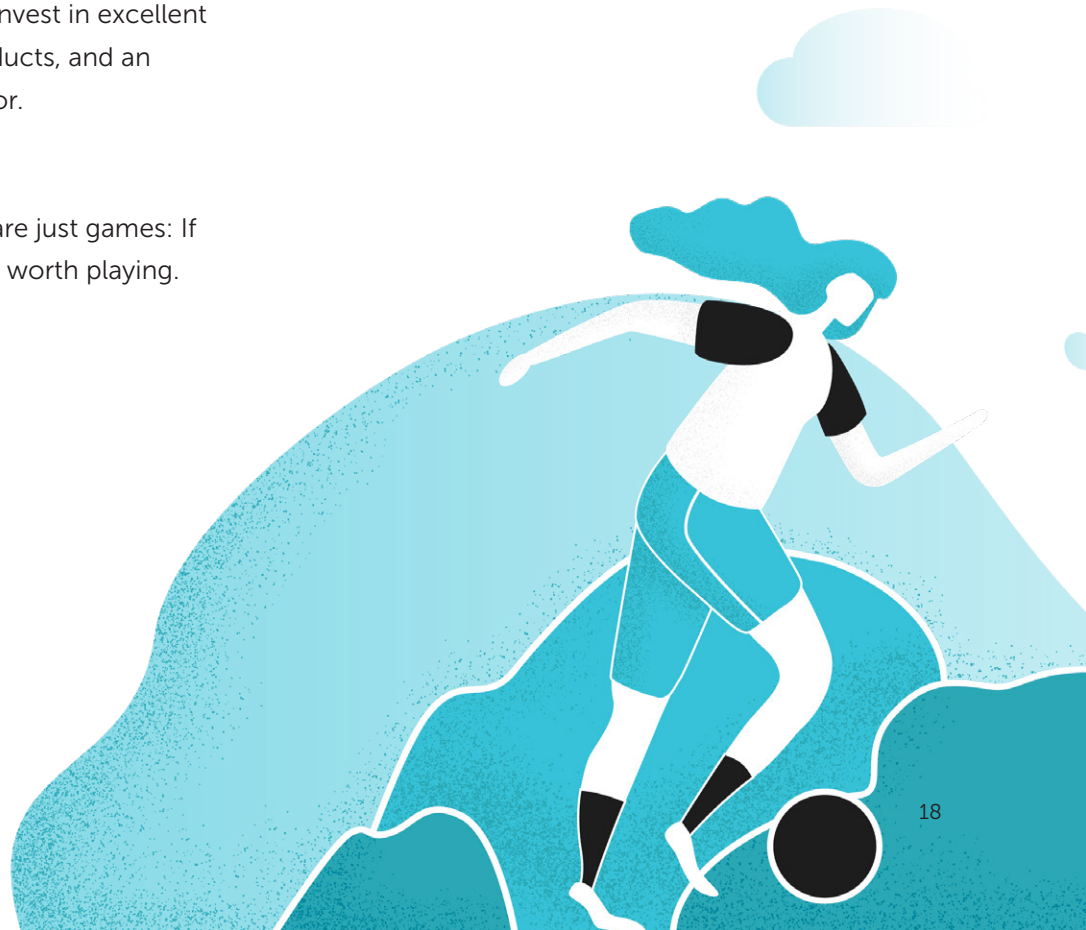
Trust is built on a shared understanding. Get out into the field and deeply learn about your customers and the type of relationship they actually have with you today.

Consider No Program at All

If you want truly deep and lasting relationships, instead of rewarding purchases, invest in excellent customer service, incredible products, and an experience worth coming back for.

Everybody Gets a Prize

And remember, these programs are just games: If your customers can't win, it's not worth playing.



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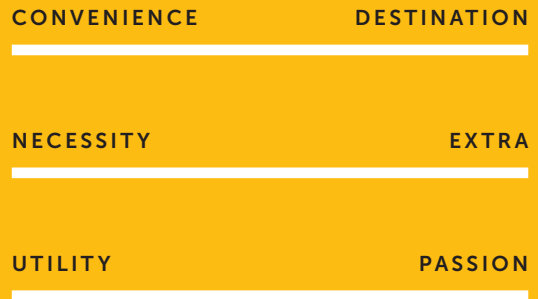
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MY OFFERING IS A...



YES NO
 Is this what you expected?

YES NO
 Is this where you want to be?



What's your loyalty shape? Fill out the diagram above, snap a picture, and send us your results!

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