**1) Use a simple point system.**

This is the most common loyalty program methodology. Frequent customers earn points, which translate into some type of reward. Whether it’s a discount, a freebie, or special customer treatment, customers work toward a certain amount of points to redeem their reward.

Where many companies falter in this method, however, is making the relationship between points and tangible rewards complex and confusing.

*"Fourteen points equals one dollar, and twenty dollars earns 50% off your next purchase in April!"*

 It works best for businesses that encourage frequent, short-term purchases, like Boloco. Food-coffee

too many cards in wallet, maybe add custom photo

**2) Use a tier system to reward initial loyalty and encourage more purchases.**

Finding a balance between attainable and desirable rewards is a challenge for most companies designing loyalty programs. One way to combat this is to implement a tiered system which rewards initial loyalty and encourages more purchases.

Present small rewards as a base offering for being a part of the program, and then encourage repeat customers by increasing the value of the rewards as the customer moves up the loyalty ladder. This helps solve the problem of members forgetting about their points and never redeeming them because the time between purchase and gratification is too long.

The biggest difference between the points system and the tiered system is that customers extract short-term versus long-term value from the loyalty program. You may find tiered programs work better for high commitment, higher price-point businesses like airlines, hospitality businesses, or insurance companies.

**Case Study: Virgin Atlantic Flying Club**

In addition to earning miles, Virgin Atlantics' [Flying Club](http://www.virgin-atlantic.com/us/en/flying-club.html) allows members to earn tier points. The club inducts members at the Club Red tier, then bumps them up to Club Silver and then Club Gold.

* Club Red members earn miles on flights and get discounts on rental cars, airport parking, hotels, and holiday flights.
* Club Silver members earn 50% more points on flights and have access to expedited check-in and priority stand-by seating.
* Club Gold members get double miles, priority boarding, and access to exclusive clubhouses where they can grab a drink or get a massage before their flight.

Seem complicated? They created a comprehensive [benefits table](http://www.virgin-atlantic.com/content/dam/VAA/flying-club/FlyingClubMigration/Virgin-Atlantic-Flying%20Club-Membership%20Benefits%20V2.pdf) so customers can easily understand the extra benefits they'll receive as they move from Red to Silver to Gold. The key is to offer benefits in the early stages to hook the customer into coming back. Once they do, they’ll realize that "gold" status isn’t unattainable, and offers really cool benefits.

**3) Charge an upfront fee for VIP benefits.**

Loyalty programs are meant to break down barriers between customers and your business ... so are we seriously telling you to charge *them* a fee? In some circumstances, a one-time (or annual) fee that lets customers bypass common purchase barriers is actually quite beneficial for both business and customer. By identifying the factors that may cause customers to leave, you can customize a fee-based loyalty program to address those specific obstacles.

According to [a 2015 study of 500 leading global brands](http://www.salecycle.com/remarketing-report-q1-2015/), cart abandonment rates reached 75.6% across retail, travel, and fashion. This abandonment is often caused by "sticker shock" after tax and shipping prices have been applied. Below, we'll take a look at Amazon, the ecommerce giant that's found a way to combat this issue using a loyalty program with an upfront fee.

This system is most applicable to businesses that thrive on frequent, repeat purchases. For an upfront fee, your customers are relieved of inconveniences that could impede future purchases. Amazon's mastered this for ecommerce, but this model also has potential to work for B2B businesses that deliver products to businesses on a regular basis.

**Case Study: Amazon Prime**

For $99 a year, [Amazon Prime](http://www.amazon.com/Prime) users get free, two-day shipping on millions of products with no minimum purchase, among other benefits.

Why is this a great example? Because it provides enough value to frequent shoppers for them to feel like it's really benefitting them. Actually, [analysts estimate](http://www.nytimes.com/2014/01/31/technology/amazons-shares-fall-as-revenue-disappoints.html?_r=0) Amazon loses $1-2 billion per year on Prime. But the company makes up for it in increased transaction frequency: [According to a 2015 report from Consumer Intelligence Research Partners](https://files.ctctcdn.com/150f9af2201/bf283d9e-4cbb-4306-8645-b2dc9a16d805.pdf), Prime members spend an average of $1,500 per year on Amazon.com, compared with $625 per year spent by Amazon customers who aren't Prime members.

**5) Partner with another company to provide all-inclusive offers.**

Strategic partnerships for customer loyalty (also known as coalition programs) can be super effective for retaining customers and growing your company. Which company would a good fit for a partnership? Again, it boils down to fully understanding your customers' everyday lives and their purchase processes.

For example, if you’re a dog food company, you might partner with a veterinary office or pet grooming facility to offer co-branded deals that are mutually beneficial for your company and your customer. When you provide your customers with value that's relevant to them but goes beyond what your company alone can offer them, you're showing them you understand and care about their needs. Plus, it'll help you grow your network to reach your partners' customers, too.

**Case Study: American Express Plenti Program**

American Express has a huge partner base with companies across the country. The company's [Plenti program](http://about.americanexpress.com/news/pr/2015/plenti-announcement.aspx), launched in May 2015, lets consumers pool their rewards from various retailers like Macy's, AT&T, Rite Aid, Enterprise Rent-A-Car, Hulu, and more. Plenti members earn points for shopping at these stores *and*redeem points at these stores by linking their existing store loyalty card to their Plenti account. For example, customers can use Plenti points they've earned from something like renting a car from Enterprise in order to pay their AT&T phone bill.

Flexibility is the biggest appeal here for customers, since points can be earned and redeemed at a variety of retailers. According to [*Fortune Magazine*](http://fortune.com/2015/03/18/macys-hulu-loyalty-program/), "For the companies, even ones like Macy's that already have huge loyalty programs, Plenti is a way to tap into the broader customer base of its partners, save on program costs, and lift sales by offering a more appealing program to customers."

**6) Make a game out of it.**

Who doesn’t love a good game? Turn your loyalty program into a game to encourage repeat customers and -- depending on the type of game you choose -- help solidify your brand's image.

With any contest or sweepstakes, though, you run the risk of having customers feel like your company is jerking them around to win business. To mitigate this risk, it's important to make customers feel like you’re not duping them out of rewards. The odds should be no lower than 25%, and the purchase requirements to play should be attainable. Also, be sure your company's legal department is fully informed and on-board before you make your contest public.

When executed properly, this type of program could work for almost any type of company -- even an off-the-beaten-path B2B company. If your audience enjoys having a little fun and purchases frequently, this type of program can make the buying process both fun and engaging.

**Case Study: GrubHub's Yummy Rummy Sweepstakes**

GrubHub, an online food ordering and delivery website, has run its successful [Yummy Rummy sweepstakes](https://www.grubhub.com/Sweepstake.action) since 2011. Once customers place three unique orders through GrubHub, regardless of price, they get to play a game for a chance of winning free stuff. Players choose one of four cards and have a 25% chance of winning a free dessert, drink, GrubHub credit, or other cool stuff.

Casey Winters, who was part of the GrubHub team that launched the sweepstakes in 2011, [advises in a LinkedIn post](https://www.linkedin.com/pulse/loyalty-marketing-part-ii-making-program-keeping-casey-winters), "You should strive to think of your program as constantly evolving to stay interesting to your users. This will make your program stay effective for longer as well as give you the flexibility to tweak elements to make it more interesting to you as the business. I have seen many companies stuck with a program they no longer think is effective, but too afraid to shelve it because of potential user backlash."

*Source:*[*GrubHub*](https://www.grubhub.com/Sweepstake.action)

(Want to learn more about how to run a contest on social media? [Read this blog post](http://blog.hubspot.com/blog/tabid/6307/bid/33352/Everything-You-Need-to-Run-a-Successful-Social-Media-Contest.aspx).)

And why wouldn't we? We, the well-informed customer, have come to realize that the majority of these loyalty programs exist solely to collect and store your valuable personal information and spending habits. That’s not to say there aren't some great loyalty programs worth giving up that information for, but sorting the worthwhile from the worthless can require time, effort, and an exhaustive (and expensive) amount of trial and error.

Bloomingdale’s Loyallist is a new rewards program that allows customers to earn multiple points on every dollar spent (in-store, online, and at their outlets), no matter what you buy, and no matter how you pay (cash, credit, etc.). A simple and hassle-free program, Loyallist gives you exactly what you want from a rewards program: the ability to earn points every time you shop, then turn them around and easily use them to save money no matter what you buy. For every 5,000 points you accumulate, Bloomingdale’s will present you with a $25 gift card at checkout (5,000 points = $25 Bloomingdale’s gift card). You get double points on cosmetics and fragrances, 3 points per dollar if you use a Bloomingdale’s Store Card, as well as bonus Power Points on select and specialty qualifying purchases. Should you come to spend more than $3,500 in one calendar year with Bloomingdale’s you’ll automatically achieve [Top of the List](http://www.bloomingdales.com/lty_assets/top-of-the-list.html) status, allowing you to earn four points per dollar and free shipping with no minimum purchase. Bloomingdale’s also has an excellent [suite of mobile apps](http://www1.bloomingdales.com/media/about/mobile.jsp), like the The Big Brown Bag app for [iPhone](https://itunes.apple.com/us/app/bloomingdales-big-brown-bag/id525536985?mt=8) and [Android](https://play.google.com/store/apps/details?id=com.bloomies.android&hl=en), and an [online Loyallist profile management tool](https://www.bloomingdales.com/loyallist/accountsummary); each designed to help you track your points balance and the rewards cards you've accumulated over time.

double points for bh brand products

[**Best Buy**](http://www.bradsdeals.com/stores/best-buy-coupons)**-**[**Reward Zone**](https://myrewardzone.bestbuy.com/)

At a big box electronics store like Best Buy, it’s not very hard for your spending to add up quickly. Whether you’re spending thousands of dollars on a brand new HDTV and entertainment system or $60 on a single video game, Best Buy’s Rewards Zone program helps you rack up savings and rewards almost as rapidly as you spend. Once you sign up in-store upon checkout or [enroll online](https://myrewardzone.bestbuy.com/enrollregister) you’ll start earning 1 point for each $1 spent, with every 250 points = $5 reward certificate. Should you end up spending $2,500 in a year in their program, you’ll automatically become a Premier Silver member. Premier Silver membership grants you 25% more points (1.25 points for each $1), free expedited shipping and delivery, and one free house call from a Geek Squad agent to help you with everything from setting up your TV to an hour of personalized training with any devices you purchase. $2,500 may sound like a lot, but keep in mind that you may very well spend that much, if not more, on any new appliances or HDTV in a single trip to Best Buy, netting you at least $50 in rewards certificates AND Premier Silver status. And with the [Best Buy mobile app](https://myrewardzone.bestbuy.com/offers/offersandpromotions/info/0900a76f800a92d3) for[iPhone](http://itunes.apple.com/us/app/best-buy/id314855255?mt=8) and [Android](https://play.google.com/store/apps/details?id=com.bestbuy.android&hl=en) you can easily track your Reward Zone points, redeem them for reward certificates, check their weekly ad for featured sales and deals, all on the fly.

Ulta Beauty is a much better loyalty rewards program. You also get 1 point for every dollar BUT you can use the points as money off future purchases. You're not obligated/restricted to only the specific item/gifts offered like Sephora does.

someone buys something for your birthday off your wishlist get extra rewards

D & Rach ( WWW.DNRACH.COM ) has fabulous rewards program. The first order is 20% OFF and on subsequent orders you get 4X rewards points - 4 points for every $1 spent. They redeem rewards at every 200 points so you don't have to wait that long to use your rewards. You can also earn additional rewards by sharing your product experience on their website. Hope its helpful Happy Holidays! -Suzy

I still think Nordstrom has thes best Loyalty program. During sales members get triple points and when you spent 2,000 you get a 20.00 Nordy Note. I have the Visa and get points wherever I shop. Plus at different levels you get freebies. Like 100 in alterations, private shopping sprees and lunch. I use it all the time, love Nordstro!

All of these rewards program reward fairly low for spending high amounts of money. Just my opinion, but REI's membership program should have been listed because REI membership has much greater benefits for just a $20 lifetime fee. The $20 fee would break even when you spend $200 in store since you would receive a 10% annual dividend on whatever you buy at full price. Compared to Best Buy's reward program, you only earn $5 for every $250 you spend, which is only 2% of the amount you spend, and that means you have to buy enough to get over the 250 point threshold

Gilt does an amazing job encouraging their customers to engage with their loyalty program. They do this with an[effective tiered program](https://www.sweettoothrewards.com/blog/tiered-program-loyalty/). By providing great rewards for moving to the next tier, Gilt is motivating customers to spend more and be more active with their program. Some rewards include early access to sales, an exclusive first look at new products, and preferred customer service.

A loyalty program is meant to boost an ecommerce sites profitability! Predator Nutrition is able to increase its profitability by rewarding more points for high margin/preferred brands. A customer may come to the site to buy their favorite brand but once they sign up for your program you can motivate them to buy the brands you prefer. You can read more into how [Predator saw an 85% increase in revenue](https://www.sweettoothrewards.com/resources/predator-nutrition-case-study/).

D’Addario has one of the coolest ecommerce loyalty programs I have ever seen! They allow customers to earn points online and through retail using unique codes that are entered online. The program also rewards customers for creating a profile that outlines their musical preferences and products they love.

The **basic benefits** of using a loyalty program to obtain customer information are summarized below:

- Shift - Acquire new customers

- Lift - Increase the spending of existing customers

- Retention - Improve the natural churn rate of customers

- Profit mix - Shift spending to higher margin products

Concurrently, consumers have shifted, to some extent, away from a desire for possessions to a desire for [experiences](http://www.crmtrends.com/loyalty.html#ExperientialAwards) - partly due to [changing demographics](http://www.crmtrends.com/ConsumerDemographics.html). Overall, consumers are looking for the meaningful (which includes value and relevance).

It is estimated by [Colloquy](http://colloquy.com/%22%20%5Ct%20%22_blank) (2015) that there are over three billion loyalty program memberships in the US (a 26% increase from their 2013 census) - with the average US household participating in 29 programs. Approximately 58% of those memberships were **inactive** (defined as no engagement within a 12 month period), bringing the average household active participation to 12 programs.

Many confuse "loyalty" with "rewards." This is a fundamental mistake of many marketers. Loyalty denotes advocacy and commitment not points.

Program differentiation starts with the **positioning** of your program. Most programs don't have one - hence why so many programs look and act the same. Examples of program positionings are:

* Air Miles: "Help Collectors enjoy life more, everyday"
* Citi: "Thank You"
* Tesco: "Every Little Helps"
* Hilton HHonors: "Rewarding Experience"

Your program's positioning affects everything you do from how you communicate, to what you offer, to how you want to be perceived. We can't emphasize this enough. Develop a [vision](http://humanresources.about.com/cs/strategicplanning1/a/strategicplan.htm%22%20%5Ct%20%22_blank) or [positioning](http://www.quickmba.com/marketing/ries-trout/positioning/%22%20%5Ct%20%22_blank) for your program, before you even begin developing the mechanics. What do you stand for?

**Building a Winning Loyalty Program Strategy**

Regardless of how you develop your loyalty program - based on hard benefits (e.g. a currency) or soft benefits (e.g. access, special privileges, exclusive partner benefits and offers) - make sure there is alignment between your customer and the loyalty program i.e. the program supports the customer experience and not the other way around.

There truly is a sequence you need to go through in developing a loyalty program. Too many program designers take short cuts and jump to platform selection or program execution and don't do the basics:

Program Objectives
[Program Positioning](http://www.crmtrends.com/loyalty.html#Position)
[Program Strategies](http://www.crmtrends.com/loyalty.html#pd)
Financial Analysis
[Value Proposition](http://www.crmtrends.com/loyalty.html#valueprop)
[Currency Strategy](http://www.crmtrends.com/loyalty.html#programoffers)
[Business Analysis](http://www.crmtrends.com/loyalty.html#EV)
Data Analysis
Platform Selection
Segmentation & Test Plan
[Measurement Plan](http://www.crmtrends.com/loyalty.html#Measurement)
[Exit Strategy](http://www.crmtrends.com/loyalty.html#ExitStrategies)

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[Currency Strategy](http://www.crmtrends.com/loyalty.html#programoffers)
[Business Analysis](http://www.crmtrends.com/loyalty.html#EV)
Data Analysis
Platform Selection
Segmentation & Test Plan
[Measurement Plan](http://www.crmtrends.com/loyalty.html#Measurement)
[Exit Strategy](http://www.crmtrends.com/loyalty.html#ExitStrategies)

## Discount Programs

As is implied by the name, discount programs are programs that offer a specified percentage off (or a dollar amount for large purchases) of the retail purchase price. This can be product specific or offered on the total basket of purchases. The distinction from rebate programs is rather than accrue the benefits, discount programs typically apply instant benefits to participants at the point of sale.

**Pros 5**

- Simple to consumers

- Instant gratification

- Deeper discounts can be used tactically

- Usually easy to administer

**Cons**

- Discount implies that regular prices are too high

- Difficult to exit the program

- Can be easily duplicated in the marketplace

- Can alienate infrequent shoppers

- Discounts affect margins

Discount programs are typically the easiest to administer loyalty program offering. However, discounting products for members is expensive and it is difficult to exit such a program once it is launched. An example of a successful discount program is Canada's oldest, best known, best loved reward program - [Canadian Tire Money](http://www2.canadiantire.ca/CTenglish/ctmoney.html%22%20%5Ct%20%22_blank) - often suggested as a replacement for the nation's weak currency.