

Guide: Loyalty & reward systems

Loyalty and rewards systems are a very real part of customer service in a modern business. Depending on the type of business you conduct, you may use one, or a combination of systems.

What is a loyalty system?

A loyalty system is a system whereby you encourage your clients to stay loyal to your brand and business. Many businesses refer to their system as a 'club'.

Encouraging Loyalty

You naturally encourage loyalty from your customers by providing:

- Excellent service
- Quality products and workmanship
- Fast turnaround times
- Accurate work and information
- Reasonable prices
- Sound advice
- A real relationship
- Trustworthiness

However, in a competitive day and age you may need to reward your clients as well as simply offering these qualities.

Referral Systems

You may also want to reward clients who refer others to your business.

A formal referral system will ensure that clients who recommend your services are rewarded for their trouble.

Common types of referral rewards include:

- Free services
- Subscription costs refunded
- Gifts

Types of systems and rewards

Loyalty stamp cards

This is a very low-cost loyalty card system which is common and works well in food service and retail.

A business card sized card is made up from heavy grade paper with squares on the back to be clipped or stamped.

For every predetermined amount a client spends, a stamp is given or a square clipped and once the card is full the client earns a reward.

Typical rewards:

- A free item e.g. cup of coffee
- A store credit e.g. \$50 off the next purchase

Pro: This approach requires little setup

Con: Customer details are not often recorded

Real life example: Baker's Delight

Loyalty software with swipecard

With an integrated loyalty software system, customers are given plastic loyalty cards which are linked to a customer database. This approach suits larger retail and wholesale businesses.

The cards are scanned or swiped with each purchase, purchases and amounts are recorded, and details can be entered or changed at point of sale.

Customers earn points or are given rewards at certain milestones e.g. \$250 worth of purchases.

Typical rewards:

- Gift vouchers
- Store items

Pro: Integrated with client database

Con: Potentially expensive and requires staff training

Real life example: PostiePlus

Instant voucher

Some businesses prefer to reward their customers instantly by giving a voucher as soon as the transaction is complete. This works well in retail.

This is an excellent way to encourage repeat business.

For example every customer who spends over \$200 receives a \$20 voucher to use with their next purchase.

Pro: This approach requires little setup

Con: Customer details are not often recorded

Real life example: Don Bayliss

Birthday reward

Many businesses record customer birth dates and send the customer a voucher or offer as a birthday present the month of their birthday.

This system not only works well in a retail environment, but also in food service or entertainment.

A report is run once a month and every customer with a birthday in the coming month is sent a voucher or offer, irrespective of purchase history.

Pro: This approach is relatively easy to set up

Con: Customers are not rewarded for increasing purchases

Real life example: Breakers Cafe & Bar

Trade/bulk discount

Many wholesale businesses use a trade/bulk discount system in which the customer signs up as a trade customer and in return receives a permanent discount and special offers.

This system often uses a loyalty card system similar to a typical retail business.

Pro: Appeals to repeat business for large quantities

Con: Applicable to a select type of business

Real life example: Placemakers

Affinity programme

This is an advanced loyalty card system where the customer climbs through ranks depending on amount and

frequency of purchases, e.g. Bronze, Silver, Gold, Platinum etc.

The customer not only receives regular reward benefits, but special offers, further discounts, insider information, event invitations and also the prestige which goes with having a 'gold card'.

Pro: Encourages an elite view toward loyalty

Con: Requires much more organisation and planning in relation to rewards and events.

Real life example: Overland Footwear

Referral reward

A referral reward is where a business rewards both the referring customer as well as the new customer. This is a very easy and effective way to bring in fresh customers.

This is a great reward programme for a service provider, however works well with retail also.

Pro: Brings in new customers

Con: Requires a double-reward

Real life example: Sky TV

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