Implementing a Profitable Customer Loyalty Program

Customer loyalty means everything in the business world, and the formula for success doesn’t seem that difficult. While some companies have mastered the art, others lag behind. Predictability and performance may sound dull, but it keeps the customer coming back.

By: Dr. Jan Stringer, Ph.D.

If the benefits of customer loyalty are ever fuzzy, skeptics only need to sit down and have a talk with the brass at Southwest Airlines and Harrah’s Entertainment.

These two are giants within their industries and are prime examples of companies that actively make customer loyalty the center of their business strategies. It’s a formula that has been proven in numerous studies: Implementing a customer loyalty program delivers stock market growth that outperforms the market average.

In the case of Southwest Airlines, the up-start airline has always realized what impacts customer loyalty and has been held up as a model of study for executives and business schools across the land. Its ability to turn an industry on its head – going from cut-rate carrier to the third largest airline in the world in passenger numbers – has inspired several books and media attention since its first flights in 1971 from a dusty Love Field in Dallas.

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Meanwhile, further west, Harrah’s Entertainment languishes in the spotlight of the star-studded casinos of the Las Vegas strip. While U.S. gaming companies battled each other to build the biggest, most extravagant hotels, Harrah’s put its emphasis on something more than concrete and polished marble. Harrah’s focused on customer loyalty.

The results have been staggering. Its investment in the customer, including a strategy to go after the low-roller instead of the high ones, turned Harrah’s into the world’s largest gaming company with annual revenues of more than $7 billion.

Harrah’s has put a major emphasis on technology that benefits the customer, and that translates into customer loyalty. Its Total Rewards card is the industry standard and its recent patent that customizes hotel pricing is another step that plays into the hands of its customer loyalty campaign.

“This patent is an example of Harrah’s innovative use of technology to enhance the customer experience by leveraging our unique understanding of the customer’s value across our enterprise, not just the casino floor,” David Norton, senior vice president of relationship marketing, told Forbes Magazine in September. “This method is a valuable addition to our revenue management system, which helps us realize greater returns on our new and existing hotel assets.”
Assets, returns and customer loyalty. It’s the trifecta for a successful business. But just paying lip service to the factors affecting customer loyalty won’t do. Specifics need to be laid out according to a company’s customer base. And all companies are not created equal.

“The most important step a company can take to earn customer loyalty is to treat each customer as an individual, by providing customized service and designing its products to include various options so customers can select what’s right for them,” said Lisa Levey, Manager of Customer Relationship Services for an Arizona-based consulting agency. “The biggest mistake is to assume one size fits all. Organizations must design products and services, approach error resolution, and make business decisions with the expectation that customers have unique needs and expectations.”

Expectations from the customer will always be there. Fulfilling them takes definitive rules for maintaining loyalty, including five sure-fire ways of keeping the customer coming back.

1. Communication Connection
   A “failure to communicate” was a bad idea in the famous prison film “Cool Hand Luke,” and it can be a disaster when trying to keep customers loyal. Keeping customers in the loop about a product or service is vital, whether it’s through email, websites or birthday cards. Reaching out to customers will keep them in tune with a company, both consciously and unconsciously.

2. Incentives Pay Off
   Harrah’s did it with a little card that became one of the top national loyalty programs in the world. Incentives work, giving faithful customers their just rewards and fussy customers a reason to return. Never underestimate the value of free stuff. The $25,000 Oscar bags passed out every year to celebrities is a great example that people love free things, even when they can afford to buy it themselves. But rewards are not a sure-fire cure to keeping customers loyal. It takes more than a flashy gift program. “Customer loyalty is larger than reward cards,” said Levey. “However, all customers and people in general love to be recognized and appreciated for their business.”

3. Happy Employees, Happy Customers
   The trickle-down theory isn’t just economic rhetoric, it works here, too. If employees are not happy, you can be sure that the product or service isn’t going to be up to its full potential. And if employees don’t care about the fate of the company, then they certainly won’t care about the customer, or their loyalty.

4. Make Your Humans Available
   Outsourcing and technology have forced customers to push dozens of buttons on the phone trying to get a hold of a breathing person. Technology is great, but when customers become frustrated because they can only communicate with a telephone robot, then you can kiss that customer goodbye.

5. Service With a Smile
   It’s the customer, stupid. The bottom line in implementing a customer loyalty plan is making that customer happy. From the lowest-level intern to the CEO, company representatives should be trained to treat the customer with kindness and respect and to go the extra mile. When a customer has to deal with grouchy, uncooperative staff, their next move will be a call to the competition.

Dr. Jan Stringer is a member of the American Psychological Association, and she has authored numerous articles and publications about surveys, training, and employee and customer satisfaction.