

## The Loyalty Life Raft

By Kelly Hlavinka

As the economic storm continues to unleash its fury, where can marketers turn for a lifeline? The answer is deceptively simple, yet regularly overlooked – your loyalty program.

The members of your loyalty program are your best customers. While they may have to trade down during this recession, take action today to ensure that they shop with you now ... and stick around to shop with you during the inevitable upturn.

In every way that matters, the select segment of customers that have chosen to enroll and engage in your loyalty program can help take the sting out of this economic crunch. Leveraged correctly, this customer segment can be your best asset to create a competitive advantage when financial equilibrium returns. Here are four tips to guide you:

### 1. Knowledge is Power

In this economic environment, it's a mistake to blindly market without insights gleaned from your loyalty program database. For example, if you were to simply take a snapshot of a customer's *current* spending pattern, when consumer belts are unnaturally tight, you might vastly underestimate their potential annual value in future periods, when a semblance of normalcy returns.

Your loyalty program database has the potential to reveal insights that can help you retain sales volume without ravaging your profit margins. Who are your customers? Which customers have been the most reliable? Which customers have always been price sensitive? Among your historically profitable customers, what have they bought? What hard trade-offs are they making now?

If you've been actively managing your loyalty strategy, you've likely already collected information about your customers' needs and preferences. Now, more than ever, it's critical to use the data from your loyalty program to obtain answers that will help you weather the storm.

### 2. Resource reallocation saves budgets.

Right now, every company is trimming their expenditures. Your loyalty program should be the last line item to see the scalpel. Why? Because loyalty marketing is, by its very nature, measurable marketing. Instead of gutting your loyalty budget, shift funds from less defensible mass marketing efforts to better understand what return you're getting for your dwindling budget.

Delta Airlines is doing just that. Delta Vice President of Loyalty Programs Jeff Robertson recently commented on how the Delta *SkyMiles* program is dealing with the tough economic circumstances. "During such times, the last thing you should do is cut the loyalty program. If you have the best program in your industry, you can be pretty tough to beat. And, in our industry, our goal is to be the best," Robertson said.

### 3. Fine-tune your communications.

The wealth of data within a typical loyalty program database offers fertile ground for advanced analytical modeling that can fine-tune your marketing messages to be in synch with an individual customer's shifting buying patterns and needs. In some cases, the most powerful message you can send to your most valuable customers is simply a reminder of the benefits and rewards they already enjoy in your loyalty program. Thank-you messages and emphasis on members-only benefits allow you to stay in touch without bombarding customers with "buy now" sales messages when they simply may not be in a position to purchase.

### 4. Use the power of partnerships.

Engage more partners in your loyalty program to help share expenses and build program value. Multi-sponsor coalition loyalty programs like Canada's *AIR MILES* are the gold standard, but Citi's *ThankYou* partnerships with Expedia and Amazon.com also point to the value of engaging non-competitive strategic partners, vendors and suppliers with your program. By helping them earn rewards and benefits even faster, your customers are the true beneficiaries.

Your company's investment in your loyalty program is a great competitive advantage – even in downturns. Consider your loyalty program a life raft. Don't give it up without a fight.

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