

THE FUTURE OF CUSTOMER LOYALTY BUILDING A NEXT-GENERATION REWARD PROGRAM

A customer loyalty program is that program in which the company offers their most loyal or punctual customers with free merchandise, rewards, coupons etc. But in this developing age of technology and high expectations from customers, these programs were based on transactional rewards that would soon be recognized for what they really are that is underutilized loss-makers. In most cases, the retailers justify the cost of their loyalty programs by the yielded data that would be able to inform decisions in business, selling to the vendors etc.

The first half of this article deals with the case for change while the second half deals with what retailers require to be thinking about when it comes to customer loyalty programs.

**PART 1: The Case for Change:**

1. **NEW COMPETITORS ARE DISRUPTING THE MARKET**

With the addition of new competitors in the markets, the traditional retailers are under pressure in order to find new methods to stay close to their customers as these new competitors are going after owning customer relationships, that is something that the traditional retailers had taken for granted for so long. They feel it as a humiliation upon their status being the owner of those customers. Now many of the retailers are trying their best to develop direct relationships with their customers. They noticed that if they do not immediately tend to the needs of their customers, the customers loyalty decreases and they end up siding with their competitors instead, hence gaining back loyalty is something that is important for their survival as well as their future success.

1. **CUSTOMER EXPECTATIONS ARE CHANGING**

The customers require a different relationship with the businesses that they chose, they are not only after rewards. Hence in order to address this, loyalty programs are changing from transaction-based exchanges to an ongoing relationship between retailer and customer.

1. **THE RIGHT TECHNOLOGY USED IN THE RIGHT WAY**

Previously before the technical advancement, the customers used to get their plastic cards scanned during payment, and then they would receive rewards as coupons or in emails. But in the world today, technology and smartphones has been able to change this methodology. As now the customers are connected online and integrating across the channels. First discounts and time limited offers are made, which are later on automatically shared on Facebook that ends up making the app viral across the internet hence making it even more popular with customers.

**PART 2: GETTING IT RIGHT IN THE REAL WORLD**

The truth lies in the fact that rather than delivering an exceptional and effective loyalty program it is much easier to just describe it. But it is still possible to do so. An example is of the US health and beauty retailer Walgreens offering Balance Rewards. The program is built around rare, non-purchase rewards and creating additional value for the retailer as well as the customer. Some programs are successful while others are not, let us pick two themes that separate leaders from the lagers.

1. **A FUTURE-FLEXIBLE APPROACH TO TECHNOLOGY**:

The cost of technology in order to run a loyalty program used to be quite expensive in the past but today it has decreased to a certain level. This provides the retailers many choices for how the wish to set a loyalty program, that is either outsourced or in-house or both, each covering a different aspect of the program.

* **BE FUTURE-FLEXIBLE, NOT FUTURE-PROOF**

Rather than designing solutions ahead of time with the uncertainty that the technology is changing, peoples demands are changing, great as-yet unknown challenges and opportunities that lay ahead, it is quiet better to design a future-flexible loyalty ecosystem that enables for new components to be plugged in within a modular architecture.

* **DELIVER EXCELLENCE IN CUSTOMER ANALYTICS AND ITERATIVE DEVELOPMENT**

Customer analytics would provide better, long-term competitive differentiation, underpinning more innovative services along with products for the consumers, as well as improved decision making in core business.

1. **A START-UP MINDSET**

Investment is a necessity to make an effective loyalty program with an enabling IT. Retailers keep a strict check and balance between the expenditures and investments. Though it might seem a reasonable decision, the direct sales benefit might be difficult to quantify using management apps.

**CONCLUDING REMARKS:**

Today the customer loyalty leaders are moving towards more varied and flexible customer engagement systems. The heart of this movement is technology. In the new world, many retailers will require new KPIs to assess the returns they make in their loyalty programs to make long-term investments possible.