

Introducing a loyalty card scheme?

Q: I am thinking of introducing a loyalty card scheme. Any advice?

I was on the team that brought Holiday Inn's loyalty card 'Priority Card' into the international arena. What I learnt from those days, and subsequently, is that you need to be sure what business challenge you are seeking to remedy.

Loyalty programmes can:

- (a) keep customers from defecting
- (b) win greater share of wallet
- (c) prompt customers to make additional purchases and
- (d) yield insight into customer behaviour.

It is unlikely that a scheme can be made to fit all four well, so which attribute is the one that you are focused on?

The design has to be attractive to customers and not too expensive. There are several issues to think about.

- (i) Getting the levels of reward right - if I need five stays to gain a reward, why would I stay for ten to gain a different reward?
- (ii) The slow initial period of point gathering when the customer is a long way off gaining a reward. Perhaps a little earned inducement or signing on bonus will encourage the customer to have an early sense of momentum.
- (iii) The nature of the reward – it should be a treat or pleasure rather than being utilitarian. Not only will be this be better received, but your business will be perceived more positively.
- (iv) It's all too easy to give an extra night's stay after the guest has stayed with you for ten nights; but it doesn't assist you develop the relationship. It's better to offer the guest an experience with a product element that they may not have yet bought.

Finally, note that the design of the programme must ensure you don't:

- reward the disloyal
- reward volume over profitability and
- promise service elements that you can't deliver.

End

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