

All Digital Rewards



2022 Loyalty and Incentive Solution Buyers Guide: Part Two - *Developing Loyalty and Incentive Program Strategies* Guide

Copyright © All Digital Rewards

Developing Loyalty & Incentive Program Strategies

This chapter will assist you to set the expectations for the research needed to create strategies for your organization's incentive program. It's clear from Chapter One that loyalty and incentive programs are essential. Next, we will evaluate the internal metrics, employee and customer behavior connected to motivations that drive the outcomes your business objectives require.

Fact-finding and involvement.

The first step is to establish the foundations of your loyalty and incentive programs is by conducting internal research on business operations, employees, current customers, and competitors. A Program is always more effective if you can get input from representatives of the participant audience. Inviting input on the rules, rewards, and other aspects of the program will increase ownership and engagement in your research. What programs are running now? Can they be improved upon? Do the participating managers have the resources they need to run their program? Do they need a loyalty or incentive program?

Set goals and objectives

Meet with departments across the organization to identify what goal/objective needs to be accomplished for each, for example: increase sales, improved attendance, healthier employees, etc. The objectives must be simple, specific, and obtainable. Begin with not more than five clearly, briefly stated objectives.

Identify the audience

While setting goals, identify which individuals or teams can achieve that department's organizational goals and objectives; those are each department's program participants. Sales are focused on customers and sales channels, and HR wants to engage employees. Marketing is generating leads and creating product promotions, etc.



Program structure & budget

Work with management to build the foundation of the Incentive Program carefully, expanding on the methodology to be used. You will help them to understand whether they will need an open-ended or closed-ended program design and identify the organization's fixed and variable costs. A closed-ended program is easier to budget. It may allow for offering higher perceived value rewards because there is a set number of participants or winners. Still, it may not motivate the participant audience if the rules are not carefully structured. And whereas an open-ended program is harder to budget but can be funded with incremental sales or other gains. If they have programs up and running, get a better understanding of them. Can you improve on the operational efficiencies? Increase engagement with another type of scheme?

Reward selection

Rewards should be consistent with participant demographics and the organization's brand and appeal to the participant audience. Has management surveyed the participants? The more input from your audience on the types of rewards they'll appreciate, the more effective your organization's incentive programs will be. Of course, your reward management technology solution will need to fit within the budget parameters you've set

Administration and

Ask them which elements in their program need to be tracked and measured. Your goal is to fill gaps and enhance or build a system to meet their needs. The administration could account for approximately 20% of their program budget. If the organization has the right technology solution – the technology can help to reduce the time spent on administration.

Measure and evaluate

Are the management incentive programs achieving their goals and objectives? Were the audience participants motivated to change their behavioral outcomes? Were there outside factors that contributed to the program's success (or not)? Every measured element can influence your next program parameters to ensure greater success in the future. What reporting and insights is the incentive system providing them? What are they compiling manually?

Financial modeling

Financial modeling is an essential part of the buying process. Determining the ROI of loyalty and incentive programs can be complex. It will be necessary to partner with your organization's finance team to identify and build out the key metric models.

Engagement

Focus on five key metrics: attrition, retention, satisfaction, reviews, active social ambassadors, and absenteeism.

Revenue

Focus on three key internal metrics: repeat purchase rate, average order value, and customer lifetime value.

The financial models should showcase the risks and rewards of a loyalty solution Platform. Consider various variables, including transactional and reward costs, data storage, regulatory, liability, churn prediction, and more. To project ROI and determine how your redemption schemes and points economy will offer value to your participants, customers, and your organization you need to understand your KPIs.

Conduct user surveys

If organizational cohort analytics aren't providing the qualitative behavioral insights you need, using a participant or consumer (participants) survey can help. Because emotion drives action, understanding your participant sentiment offers insight into how your program performs. Organizations need to account for how their users feel about the brand and how they act toward it.

Ask participants in their respective incentive silos what they care about and what they'd want from your brand's loyalty and or incentive program. Share the survey to drive engagement.

For repeat participants, you might ask questions such as:

- What types of benefits would you like to see in a loyalty and incentive program?
- What would you prefer to redeem points on brand experiences or product redemption?
- Do you prefer SMS reward product redemption to email?
- Do you prefer to redeem for digital or physical reward products?
- What reward products do you prefer?
- What VIP experiences would you enjoy?



For non-active participants, you might ask questions such as:

- What would excite you to increase participation frequency?
- What would incline you to make another purchase?
- What products do you prefer?
- How do you prefer to engage with the brand?
- What type of reward products do you prefer?

Define business objective

Define the business objectives you want to achieve with a loyalty and incentive program, from increased revenue to deeper emotional connections with the participants.

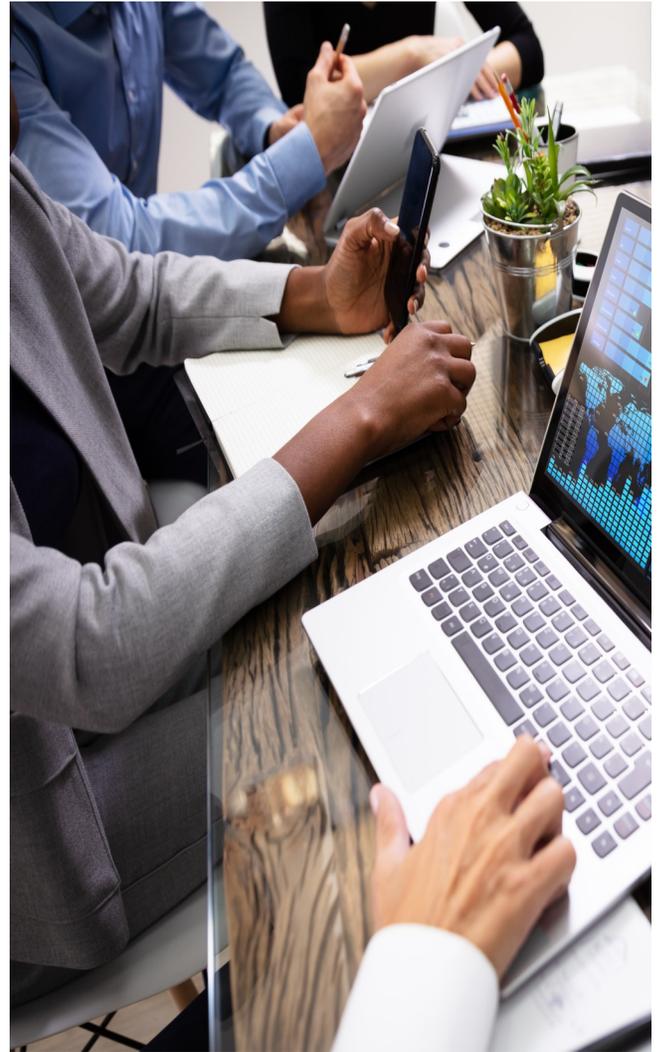
As you analyze current participant behavior, be sure to gather both participatory and earn rates, redemption value, and engagement data. It's essential to build a complete understanding of your participants, not just their point transactions, to understand how they connect with your brand and what their motivations are.

Important questions to consider

When starting the foundational work to establish your program, you need to understand current business operations. The research is not complicated, but what is collected should be thoroughly gathered. Work with teams to evaluate the sales and engagement journey funnel, then consult the analytics and relevant team influencers. Goals should be to establish a baseline understanding of your current participant behavior.

- What are our program participants doing today?
- What do we want participants to do tomorrow?
- How can we effectively motivate our participants to change their behavior?

Analyze existing data, conduct good market research, and use tactical modeling to establish your framework.



Key metrics

Hopefully, there is an endless supply of data your team can evaluate to understand behavioral insights. To simplify, the following are the key metrics your team should use to understand current participant retention.

- Repeat behavior rate: What % of current participants repeat the desired behavior (purchase, sale, claim)?
- Behavior frequency: What is the average frequency of the behavior per participant per behavior?
- The number of items: How many items does a participant purchase or redeem per transaction?
- Average earn rate: What is the average number of points or rewards earned day/week/month/year?
- Average action value: How much does a participant spend or redeem per transaction?

It's critical to build a program that achieves business objectives and effectively appeals to customer motivations. Determine reward incentives that will drive engagement & inspire program participation.

Many organizations fail to build a program that can work because they don't find the loyalty formula that fits their organization's needs. Or they fall back on a "forget it" approach because they can't adapt to changing business needs or shift in consumer behaviors because of their lack of understanding in need to understand.

They need to design a unique program that aligns with their business goals while effectively

and continuously engaging participants with meaningful experiences, even as their priorities and interests change.

Program type

Incentive programs have similar components, including points, codes, batch files, games, redemptions, claims, validations, QA, tiers, rewards, and fulfillment. However, they're engineered differently based on what goals your business wants to achieve and the value exchange you can provide. Identify and quantify the behavioral outcomes your organization requires and the value you can provide in return.

Start by understanding what behaviors drive high-value participants. For example, a manufacturer that sells in multiple categories may realize that customers willing to purchase in one product category are also probably ready to shop in three adjacent categories. The business can design program incentives to drive that specific behavior now knows this customer behavior attribute.

By evaluating their engagement analytics, companies can identify specific behaviors they want to encourage through their loyalty program. By acting on these insights, businesses can drive relevant engagement without giving their strategy to the customer.

Expected outcomes

Define the loyalty your organization wants and what it will look like for the organization. Identify which participant category cohorts to target and what type of behavior outcomes you'd like to see from them, like employees living a healthier lifestyle and selling more of company products, or customers purchasing more profitable products, or increasing their cart size with each transaction. Ensure that your organization's strategy and brand messaging work toward meeting your business objectives and goals.

After undertaking the necessary research and determining program type, your business can expect the following outcomes.

Expected outcomes

Define the loyalty your organization wants and what it will look like for the organization. Identify which participant category cohorts to target and what type of behavior outcomes you'd like to see from them, like employees living a healthier lifestyle and selling more of company products, or customers purchasing more profitable products, or increasing their cart size with each transaction. Ensure that your organization's strategy and brand messaging work toward meeting your business objectives and goals.

After undertaking the necessary research and determining program type, your business can expect the following outcomes.

Customers:

Connection to brand values

Use loyalty to educate customers about business brand values. According to research conducted by All Digital Rewards, over 80% of the consumers do business activities with companies that align with their values.

If the organization partners with a foundation or are mission-driven, consider incentivizing actions that support those causes, such as rewarding donations with points. The organization can consider inviting higher-tier VIP members to function as ambassadors for your brand and mission in return for exclusive experiences.

Share of Wallet

Define the essential milestones internally to reward customers and encourage incremental habits, like increasing purchase frequency and order size.

Consider leveraging a strategy to maximize average order value and continually increase the share of wallet with your loyalty program.

Deeper emotional loyalty

Emotional loyalty should be critical for an enterprise businesses' qualitative performance indicator. The program should foster a sense of exclusivity and belonging. Consider creating a community specifically for loyal members who agree to be a part of your brand's story.

Customers that feel connected to the incentive program will advocate for your brand by leaving positive reviews, referring friends and family to the program, and engaging with the brand on social. Emotional loyalty should be a marketing channel for your business.

Participants:

Drive engagement

When employees are appreciated, spirits are uplifted. They feel recognized and, in turn, become engaged in their work. More importantly, it fosters trust. Employees who trust their managers and leaders are more involved in the workplace.

Increased productivity

Employees disengage themselves from work once they become demotivated. But when they are appreciated and praised for their contribution, it increases



their motivation that drives their focus towards achieving their workplace duties and goals.

Better employee retention

A disengaged or hostile work environment can prove costly for an organization. For instance, if an organization is experiencing a higher than average loss of employees, the costs of hiring and training new ones can affect the company's bottom line.

Foster good workplace culture

When team members are praised, appreciated, and recognized for their contributions, it goes a long way toward adding to a workplace where they want to be. It helps create a healthy and happy environment.

Conclusion

The gathering of valuable foundational information and the creation of internal metrics to work towards the organization will see employee and customer behavior connect to motivations that drive the outcomes an organization to successfully meet the business objectives and goals.