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Time to Rethink Customer Loyalty

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Most businesses understand the tremendous value associated with highly loyal customers. That is why businesses of every size and shape have implemented loyalty programs to keep their best customers coming back again and again. Unfortunately, this traditional loyalty model has grown tired and provides little differentiation in the market today. As a result, it's time to rethink customer loyalty.

The Loyalty Flood

Unfortunately for many businesses, any advantage that was originally gained through loyal programs has quickly eroded. While airline, hotel, and car rental agencies were the pioneers of mainstream loyalty programs, other businesses were quick to jump on the loyalty program bandwagon. The result is a business environment where every restaurant, gas station and pet store has some form of loyalty card or program.

As a result, having a loyalty program is no longer a competitive differentiator. It has become a mainstay of a business environment where loyalty programs have become a commodity and a potential detractor to the overall customer experience. They get in the way of business efficiency - often requiring an additional step in the customer experience process. They have become nothing more than another way to offer a price promotion. Loyalty programs can also create disdain for customers that can't receive the benefits or special pricing offered exclusively to program members.

When Loyalty Programs Bite Back

Some loyalty programs miss the point entirely and can actually drive customers away. Hilton Hotels, for example, has a long-standing loyalty program called Hilton Honors that accumulates points based on the number of overnight stays at their network of hotels. For a career traveler, these loyalty points may continue to accumulate over a 10 or 20-year time span.

On the surface, Hilton's loyalty program appears simple and straightforward; The more a customer stays - the more rewards they will receive. In certain circumstances, however, the fine print can really bite back. If changes to a customer's travel habits keep them out of a Hilton property for 12 consecutive months, the customer will lose ALL accumulated points and privileges. This policy, in effect, erases 20 years of loyalty and any associated rewards or benefits.

The customer may have been loyal and may even have been an advocate for Hilton. Penalizing a loyal customer for lack of activity for 12 months will certainly damage any good will that may have been accumulated over the prior 10 to 20 year time span.

It's Time to Rethink Customer Loyalty

If companies want to reap the benefits of true customer loyalty – it's time to rethink what customer loyalty really means. Customer loyalty is not obtained by holding a card, accumulating points, or redeeming rewards. Furthermore, loyalty can not be measured simply by customer longevity, frequency, or purchase volume. Customer loyalty is not a one-way street; it cannot be determined solely based on what the customer has done for the company.

Instead, customer loyalty should be turned upside down. Perhaps more companies would get it right if they measured loyalty in terms of the degree to which the COMPANY is loyal to the customer rather than vice versa. Companies should strive to remember repeat customers, address them as individuals, call them by their name, and treat them special.

Think about the simple lesson of customer loyalty that was demonstrated each week on the 1980's sitcom "Cheers" - the bar where everyone knows your name: At the beginning of each show, the bar's best customer, 'Norm', would enter the bar and proceed to 'his' barstool. There was no loyalty program, no card to scan, and no 'platinum' level required to gain entry. Everyone indeed knew his name, he had his own seat at the bar, and the bar owner knew exactly what he wanted to drink. 'Norm' was indeed loyal, but the establishment was extremely loyal to him as well.

In order to create a competitive differentiation, companies should begin to rethink customer loyalty:

Old School: "What has the customer done for me lately?"

New School: "What have I done for my most loyal customers?"

Summary

Individual customer loyalty is a simple concept that is often overlooked in today's business environment comprised of multiple touchpoints, channels, and markets. When businesses get large and complex, the customer becomes nothing more than a number, a body, or an inconvenient commodity. When that happens, it becomes increasingly difficult to treat truly loyal customers differently.

With the overabundance of loyalty programs today that offer nothing more than price discounts, it's no wonder that customers are becoming decreasingly loyal to any one brand.

With so much at stake, it's time to rethink customer loyalty.



Robert G. Howard, the founder of [.has more than 20 years of experience solving customer-centric business problems for some of the world's largest and most well-known companies. Mr. Howard is the author of the . and . \[Blog: \]](#)

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