

VIEWS

UNCOMMON SOLUTIONS FROM QUAD/GRAPHICS
FALL 2009

PUMPING UP YOUR BRAND

How loyalty programs make a lasting
impression and increase ROI *PAGE 2*



TRIMMING THE FORMAT


HOW TO DO IT RIGHT
AND SAVE MONEY

ANALYZING YOUR RESPONSE

IS YOUR PRINT
DELIVERING ROI?

PROBLEMS AHEAD FOR THE USPS?

WHAT MAILERS CAN
DO TO HELP

A photograph of a woman's back, showing her dark hair tied up. A tattoo is visible on her upper back, featuring the text 'Loyalty Programs Strengthen the Bond' in a cursive font, with 'BY KATE KOTECKI' in a smaller, sans-serif font below it. The text is framed by ornate, symmetrical scrollwork flourishes.

Loyalty Programs
Strengthen
the Bond

BY
KATE
KOTECKI

THE GRATEFUL DEAD HAVE THEIR DEADHEADS. JIMMY BUFFETT IS HAILED BY PARROT-HEADS. HARLEY-DAVIDSON CUSTOMERS TATTOO THE BRAND ONTO THEIR BODIES.

OH, TO HAVE CUSTOMERS AS LOYAL AS THOSE.

For most businesses, the premises behind early loyalty programs – think frequent-flyer promotions that began in the 1970s – still hold true. It costs far less to keep existing customers than to acquire new ones. Loyal customers typically spend more, refer others and cost less to serve than other customers.

As people are barraged with more marketing messages than ever, it's all the more important to keep those customer relationships strong and healthy. It also helps to stay on top of the latest tools for retaining loyal customers – from data analysis to advanced customization techniques – as they become more sophisticated. It's challenging and exciting at the same time. Could your business benefit from a loyalty program?

THE GOAL OF LOYALTY

Companies from airlines and hotels to apparel, consumer products and booksellers all have loyalty programs. Some companies offer customers the option to join their program at no cost; others invite membership for a fee.

Before considering what kind of loyalty program you'll implement, what are your specific goals for the program?

A loyalty program could help improve brand experience and value. Or maybe you're looking to increase your brand's presence within a niche. Has revenue from your most loyal customers been increasing, decreasing or flat? A loyalty program needs to generate cost-effective, valuable results for your company. The most successful loyalty programs provide meaningful rewards to their participants. They're also sustainable and sensible for both the marketer and the customer.

One of the most common types of loyalty programs shows appreciation by giving loyal customers more of the company's own products or services. Some programs reward customers with items unrelated to the company's products or services. A rebate approach can encourage loyalty by giving money back whenever customers buy more from you.

You can also team up. With a "coalition" loyalty program, customers can choose their awards from a coalition of companies who share customer data that will allow them to jointly target a specific customer demographic. One such classic partnership is that of Marriott International, Inc. and SkyMall, forming one of the world's largest loyalty programs with more than 20 million members. For every dollar they spend on Marriott Hotels and other partner marketers, Marriott Rewards Program members can earn points for hotel stays or redeem them for frequent flyer miles, cruises, car rentals and select merchandise presented in SkyMall. The SkyMall catalog is seen on approximately 90 percent of domestic flights by about 620 million passengers a year. The Marriott Rewards Program was introduced in 1997 and is still going strong, earning nine "Freddie Awards" in 2009 – an annual worldwide competition among frequent guest and frequent flyer programs.

DIG THE DATA, REACH THE RIGHT PEOPLE

To be sure, loyalty programs are built with accurate, reliable customer profiles based on their transactions as well as demographics, psychographics, ethnographics and other data. But to garner a viable response and return on investment, you need to connect with each customer on a personal level. Which product or service attributes are most important to your customers? How well does your brand perform compared to that of your competition? Why do some loyal customers suddenly shop elsewhere? How the heck do you find all that out, and (the clincher) what

do you do with that data?

Not every business has the resources to professionally collect, house, analyze and disseminate the data needed to execute a substantial, ongoing loyalty program. Quad/Graphics' direct marketing subsidiary, QuadDirect, along with Quad's 1-to-1 marketing capabilities and advanced versioning and personalization capabilities, have helped businesses grow

and profit through well-researched loyalty programs.

Regional retailer Shopko launched its loyalty program in 2007. Customers sign up at no charge in Shopko stores or online, earning points automatically as they swipe their membership cards to purchase Shopko merchandise. The My Extra Savings™ program now has 2.6 million members. Since Shopko began the program it has added a pharmacy option to the main loyalty program.

LOYALTY PROGRAMS ARE BUILT WITH ACCURATE, RELIABLE CUSTOMER PROFILES... BUT TO GARNER A VIABLE RESPONSE AND RETURN ON INVESTMENT, YOU NEED TO CONNECT WITH EACH CUSTOMER ON A PERSONAL LEVEL.





“We wanted to introduce a channel that would give added benefits to customers whenever they filled or refilled a prescription at Shopko Pharmacy,” says Leslie Smithers, Director of Customer Relationship Management/Loyalty for Shopko. “We’re interested in providing meaningful communications to our customers.” She notes that before its loyalty program began, Shopko customer communications relied mainly on circular inserts.

“We look to Quad/Graphics as a partner, not just a vendor. They have done a fantastic job in helping us optimize areas such as offers, postal format and personalization. We’ve seen very positive results, including testing, personalization and format recommendations.”

Ms. Smithers says Shopko measures its loyalty program results by identifying incremental sales when the company sends direct mail to customers versus when it doesn’t mail. The company then looks at the expense and calculates incremental margin.

COST CONTROL

As you improve the quality of the data you use for your loyalty program, your communications will become more precisely targeted and effective. You’ll also reduce the cost per response.

If direct mail is part of your loyalty strategy, deliverability is one area that presents major cost-saving opportunities – a critical consideration as postal rates rise. Using the latest in address correction, standardization and sortation software helps eliminate undeliverable mail. This can significantly reduce printing and postage costs while improving response

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rates. Many loyalty programs apply barcoding and other tracking mechanisms to direct mail to accurately and cost-effectively collect data. That way, they can get the offer, the customer and the timing just right.

“The Quad/Graphics team comes to us with ideas on how to save money on our direct mail programs,” Shopko’s Ms. Smithers says. “For example, when Quad dug deeper and did

extra research, we learned that 64 percent of our customers qualified for saturation mailing rates, saving us a huge amount of money,” she explains.

When it comes to strengthening customer loyalty, you’ll need to clearly set your goals, be ready to add value at every point, and innovatively apply your customer intelligence. With truly personalized communications, you can maintain a relevant dialogue with your customers across all print and online channels, including direct mail, catalogs, magazines, inserts, e-mail, Web sites and social media. You’ll position your business to build stronger, more profitable relationships without wasting time and resources trying to sell to individuals who are unlikely to buy. ■

Loyalty Program Basics

Whether you want more loyal customers or want to do more with the loyal customers you already have, here are some big-picture basics to keep in mind.

1 PINPOINT CUSTOMER PREFERENCES. Find out what your most loyal customers really want, and plan to only send them those things. Nothing kills a loyalty program (and business) faster than wasting money on sending one message to all customers, most of whom probably don’t want what you’re offering.

2 GAIN LOYALTY BY DELIVERING UNIQUE ADVANTAGES. Learn how to make each customer more valuable to you by making your company more valuable to them. This can also help you get an edge on your competition.

3 KNOW THAT CUTTING COSTS CAN ALSO IMPROVE RESPONSE. It’s hugely important to identify opportunities for reducing costs through efficiencies as you communicate with the most loyal customers.

4 CHOOSE YOUR PARTNERS WISELY. Consult with experts in areas where you need the most help, whether it’s response analysis (see page 8), digital printing, direct mail design or integrated follow-up strategies.

5 MEASURE RESULTS CAREFULLY. Long-term loyalty doesn’t depend on response rates alone. Continually assess your loyalty program, test whenever possible, and look for ways to improve the program – that is, give those loyal customers what they’re looking for, and keep them coming back!