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The dos and don'ts of customer loyalty

Sometimes, good service is all it takes to keep customers loyal. But as many small business owners have learned, sometimes it takes more.

Whether it's the ubiquitous stamp card offering a free burger after 'X' number of visits, or a personal 'thank you' note delivered to a valued customer, loyalty programs provide an extra touch that help differentiate one's business from the competition.

Rewards and membership programs, community involvement and event sponsorships are just some of the popular ways to foster customer loyalty. According to David Frey, author of *The Small Business Marketing Bible*, customer loyalty programs could mean a 20 to 30 percent increase in one's business, and it costs five times more to find a new customer than it does to get a current customer to return.



Fill the service gap

"Very few companies have truly great customer service," says Bette Price, president and CEO of The Price Group, Addison, Texas. "We talk about it, we write about it, but quite frankly, rarely deliver it. If a company truly provides great customer service, that alone will keep customers coming back, but why not surprise them with something they didn't expect and give them that 'wow factor.'"

Implementing a loyalty program can be as simple as presenting coupons or special deals to valued clients, starting something like a stamp card, or sending them a hand-written note thanking them for their patronage.

Price says that retailer Nordstrom does that very effectively. "I can buy something as simple as hosiery and get a note a week later," says Price. "If Nordstrom can do that, a small business can certainly do that. If there's a local dress shop that I visit, they're really going to stand out if I get a personal, hand-written note. An e-mail doesn't stand out in the crowd."

If you make a customer feel special, they'll return the favor with repeat business or the ever-important referral.

Small businesses must look at loyalty programs as part of their marketing costs, according to Price. They have to be planned like any other expenditure. Marketing costs are also tax-deductible, she says.

"The main thing is you want to look at the program you have and ask, 'Can I prove that it brought me more business?'" says Price. "Chances are it will increase revenue overall. If I can keep you coming into the store, I can guarantee it's going to increase revenue."

Some things to consider

Price provides a list of what to do and what not to do when it comes to customer loyalty:

Do:

Loyalty Begins With You

Customer loyalty often originates independently of a strategic program—Mitzi Chollampel, manager of customer loyalty at The Loyalty Group, a Sherman Oaks, Calif.-based consulting and training firm, says customer loyalty often starts with employee loyalty. She cites Deloitte Consulting research that says there's a strong correlation between employee satisfaction and customer satisfaction. This tenet applies to your suppliers and vendors, as well. She stresses good communication with clients as a loyalty-building tool. She says that you build loyal customers by simply talking to customers and being open to all kinds of feedback, complimentary or critical. She says most clients still prefer to speak to an actual person. "Ask yourself: 'Am I really providing wanted customer service...or just making things more efficient for me?'"

- Maintain consistency. If you intend for your loyalty program to acknowledge customers twice a year, establish when it will happen and be consistent.
- Develop loyalty programs for all customers—even if you have to layer the value. Think of it as a tool to make your unprofitable customers profitable. Small customers have the potential to become big customers over a period of time. Plus, they can be great referral sources if they feel valued.
- Offer choices. Not all customers like the same things—give them options.
- Remember that no incentive can replace the value of employees with great, service-oriented attitudes. Create an environment in which the customer truly wants to shop with you.

Don't:

- Offer discounts without examining their financial impact.
- Ignore face-to-face encounters and underestimate the power of a smile.
- Stop an incentive program without having a better one to replace it.
- Make a promise and fail to deliver—this includes letting too much time pass before delivering on your promise.
- Avoid complaints. Complaints give you the opportunity to retain loyalty as long as they are handled efficiently and with favorable results.

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