



Retain Your Clients With These 4 Essentials to an Engaging Customer Loyalty Program

Steve Sanduski: My guest today is Ginnie Roeglin. Ginnie, welcome to the show.

Ginnie Roeglin: Thank you. I'm very happy to be here.

Steve Sanduski: Well, we're excited to have you as well, and we've got a great topic here. We're going to talk about loyalty programs and how to build a successful loyalty program to engage and retain your clients and customers. You've got a fantastic background in this area having worked for Costco for many, many years in helping them build their program. Of course we all know Costco as an amazingly-successful company, so I'm excited to hear your thoughts about how to do this.

Why don't we just start with why should someone create a loyalty program?

Ginnie Roeglin: Well, for many decades many companies thought that they needed to really focus on customer acquisition much more so than anything else, than retention or any type of a loyalty program. Over the years extensive research really has shown that it costs about ten times more to acquire a new customer than to retain an existing customer.

Certainly it's almost important to continue to grow your customer base, because people ... Not all customers will continue with you, but certainly a greater percentage of your time and your budget should be spent on engaging and retaining your existing customers because actually they spend about 67% more than new customers.

If you have even a single digit increase in the percentage of customers that you retain your bottom line profits can increase by as much as 25 to 95%, so it's really very important to focus on making your good customers happy and keeping them because it's very valuable to your business.

Steve Sanduski: Now, as you go back to your time at Costco, what was the thinking at Costco? When did Costco first implement a loyalty-type program?

Ginnie Roeglin: Costco implemented an executive membership program, which was a higher level of membership, and it's also not free. It costs more. It costs \$60 more than a regular membership. The thinking behind that really was we wanted to give an additional value. Costco of course is all about giving value, so we wanted to give an additional value to our best customers, our best members as we call them there.

We implemented that in the late 90s, so it's been around for quite a while. It's turned out to really be a terrific loyalty program. I think it's actually been a great example of a loyalty program to even other retailers out there. When a person signs up for an executive membership they get a 2% rebate on their purchases, and they also get a variety of other discounts on services.

A great value, very, very high retention rate. What we found was that members when they upgraded, members simply shopped more often, they spent more money, they became more engaged in general with Costco, which was really the end result.

Steve Sanduski: Okay. Now, this is really interesting because you used the word executive membership program. We've got a membership, we've got a loyalty program, we've got ... Maybe some people might say, "Well, there might be a difference between quote a loyalty program and just a quote nother marketing strategy or campaign." Do you make any distinctions between marketing, membership programs, loyalty programs? How are you defining what a loyalty program is?

Ginnie Roeglin: They certainly are all related. I think even if you look at, say, the Amazon Prime program. I look at that as a membership program because you pay \$99 a year and you get a variety of benefits. I think they refer to it really as a subscription program. There even are other subscription-type programs, such as HP Instant Ink and Amazon Subscribe and Save. Things where you enroll to make a purchase on a recurring basis. Even those are all sort of related.

They're all a little bit different, but the fact is they're all ways to try to better engage. I think the loyalty programs really are all about engagement and trying to pay attention to your best customers, get them even more engaged, make them feel even more special, reward them for really being your best customers.

I think that's really the distinction is it's not just a membership program that anybody can join. You certainly get some benefits. It's a step above that.

Steve Sanduski: Okay.

Ginnie Roeglin: It's just greater engagement. It's really an awareness of who are your best customers and how you're treating them.

Steve Sanduski: Okay. Let's dig a little deeper into that. When I think of quote a loyalty program, it could be something as simple as I go to the grocery store and I get this little punch card, which is a total pain and I typically don't do it because I don't want to have a whole bunch of punch cards that I have to carry about, or it could be an airline points-based reward program. It could be maybe even a credit card and I get all these other benefits.

Can you give us a little more distinction in how we need to be thinking about the different types of loyalty programs here? Maybe there's even behavioral-based-type programs as well. Maybe a little more color there.

Ginnie Roeglin: Right. There are so many different types. The real key is to figure out what is valuable to your customer. I guess it all starts with ... It certainly starts with your brand. Whatever the promise is your brand makes should really extend into this loyalty program so that you're furthering your brand and not somehow misaligning with it.

It's very important that that's where you begin. You try to determine what do your best customers really want? What do they value? It certainly has to be a really very tangible value or, just like you said, you're just not going to mess with it if it's just you're really not a significant value.

You can't just throw any program out there on sort of a me too basis and expect it to be successful. You have to really listen and understand your customers. I really recommend actually just even doing focus groups or determine who really are the influencers of your business. Try to meet with them. What do they think is valuable? What do focus groups really are valuable rewards to give their customer?

Let's go back to the case of Costco, for instance. Costco's brand promise is saving you money, right? It's offering top-quality products at the best possible price. Costco customers are really looking for value. They're looking to always increase that value. For Costco, it made great sense to give a rebate on your purchases. Effectively the rebate tends to pay for the entire membership. That's a great value to customers. It's something that keeps them talking about it and it keeps them coming back to try to maximize that value.

Some of the best programs are exactly those that really are such a value to the customer that they just really want to make sure that they are giving you all of their business because they want to maximize that value. That can be certainly true with a credit card program or an airline program. It's most definitely true ... Some of these premium programs where you have to make a bit of an investment in them.

Going back to all of the different types of programs, most of them of course accumulate points or rebates or discounts, or some financial benefit like that,

either based on their shopping frequency or their total dollar spent or really whatever the desired behavior is that you want to encourage.

It could be either some new product line that you want to promote and get some market share on. It could be switching some of your customers to a lower cost sales method, like online shopping or digital or mobile. It could be referring a new customer. Even posting reviews and so forth that really help you get the word out about your products and your services, and even help acquire new customers.

Steve Sanduski: Now, there's a lot of great examples out here of companies that have built these loyalty programs or membership programs. Earlier you mentioned Amazon. Of course we're all familiar with the Amazon Prime program. I think it originally started out where you joined Amazon Prime and you get free shipping. That was hugely successful. Now, of course, if you're an Amazon Prime member not only do you get free shipping, but you get streaming music, you get movies and TV shows and storage of digital photos, and so on and so forth.

If I'm not mistaken, didn't Costco kind of come out with the first? Didn't Costco predate Amazon Prime? Is that correct?

Ginnie Roeglin: That is correct. We've had a lot of speculation about whether or not they used Costco as a model for that. Yes, we came out with the program before Amazon. I think you pointed out something that's really important. It's very important that you come up with the right value proposition.

I explained how Costco arrived at that discount, or rebate I should say, but Amazon, of course their brand is all about getting goods delivered as fast as possible. Again, that's an extension of their brand to have everybody sign up for ... Help really offset some of the costs, not a lot, but some of the costs of expedited shipping, which furthers their brand.

Then over time you can certainly add other benefits, some of which really have a tangible value, like all of the free movies, and some of which really don't have ... They're softer benefits. They can be far less expensive, but they're meaningful and valuable to customers. You can always enhance that, but what you really can't do is throw something out there and then, whoops, it's too expensive, or something like that, and you end up having to take things away.

Over time I think adding benefits to a program, always keeping it exciting, interesting, fresh, that's a terrific thing and something ... It's really a must, but you have to be very careful about that, that you really understand the cost of that and that it's a sustainable program.

Steve Sanduski: Right. I think you raised some really important points there in that there's a really strategy and thought process that goes behind delivering a program. Just kind of continuing with this Amazon example, I was listening to an interview

with Jeff Bezos here recently. I think it was from about a year ago. The interviewer asked him if he thought of Amazon as a movie studio or a media production company.

He said, "No, we really don't look at ourselves that way." He said, "The reason why we have a movie studio is because we discovered that the more movies we have, the more people buy cosmetics." Maybe it wasn't cosmetics, but it was some other part of their retail empire. He said that by having the media outlet it gets more people attracted to Amazon, which gets them to buy more of our retail products.

When we think about this strategy idea, as you're describing, I think it's so important that we really think about what are the effects here of if we add this to the program? Is it going to give us a benefit over here that on the surface may not seem likely to happen but maybe through the analytics we can discover that, oh, yeah, by adding movies we saw that our retail sales went up and we can make a direct correlation between the people who joined when we added movies and their increase in sales of our other products?

Ginnie Roeglin: Right. Yeah. It's most important to start with what's really valuable to your customers, but at the same time you really have to look at your company's objectives and your future goals and so on to make sure it's completely. It obviously has to be a win-win for everybody.

Certainly everybody's interested in increasing sales and profits, but if there are other objectives that you have this is really the time to try to help think of the whole strategy to try to build all of that in, because essentially what you're doing is you're going to be rewarding your customers for really doing exactly what it is you want them to do. You want them to shop more often, you want them to spend more money, you want them to really help even acquire new customers.

You have to really think about all of your objectives and try to determine how are you going to accomplish all of that. It all has to really be of value to the customer. It's sort of a rather complicated puzzle.

Steve Sanduski: Let's take an example here. I'm just going to pick an industry or two. Maybe it's a personnel staffing company or maybe it's a transportation company, or maybe you can think of an example. Let's pick an industry and then if you were consulting with them, and I know you have a consulting business, if you're consulting with them what are some of the questions that you would ask them at the beginning of the consulting engagement to try and determine what type of loyalty program you should develop?

Ginnie Roeglin: Well, I would certainly start with what are their objectives? Do they have certain pain points? What are the challenges that they're facing? What is it that they really hope to gain? Something much deeper than, well, we just want higher

sales, to really understand what their competitors are doing and what has their growth history been. What are the trends that they're seeing in their own company, their business?

In many cases the companies that we're talking to are really either trying to get to the next level or they're trying to deal with a competitive situation, or something of that nature, that they have something that they're working around or working to solve. We start by that. We most definitely we talk about their customers and their value.

In our company we're very, very passionate about giving incredible value and service to customers. We believe that's really the key to success. I guess that certainly is from the Costco playbook, if you will. That's what we have been trained to do for really many, many years in our careers, to really make sure that if you take good care of the customer ... It's the old tale that take care of your customers, they'll take care of you. We really believe in that wholeheartedly.

We then focus a lot on what is this value proposition? Then we really challenge that. In some cases, well, that's really not very valuable, or it's a bunch of intangible things that really it's they're difficult to quantify. We challenge some of that. Reward programs really need to be very transparent.

That's another belief that we have relative to taking good care of our customers, that you can't try to confuse them or mislead them or trick them. Consumers are very savvy these days. They're not going to buy that. It's not going to be successful. We look to make sure that we're keeping these programs very simple, that in a short and concise message you can communicate what the value of the program is, how do you earn rewards, how can you redeem rewards, whatever the program might be.

Those are some of the things that we think are the starting points of any conversation with our clients.

Steve Sanduski:

How important is the technology when it comes to a loyalty program? I mentioned earlier I go to the grocery store and they give me this kind of paper-based punch card. I'm like, "There's no way I'm going to carry that thing around," versus I go to Starbucks. I've got this wonderful Starbucks app. I can even stream music through it.

I go to Hilton Hotel and I can download the Hilton app. I can check on the status of my room, I can check in when the room is ready. I can use the phone as a key to get in the room. I never even have to go to the front desk, so it's becoming to me really, like in that example, maybe more than quote a loyalty program. It's like now it's really turned into a convenience.

Are we getting a double benefit or an exponential benefit if we can use technology or an app to tie in with our loyalty program, like companies like Starbucks and Hilton have done? Is that also a real key for companies that want to get serious in this area?

Ginnie Roeglin:

This is really a very, very good point. The technology is absolutely essential in today's market. It's really become an expectation on the part of the consumer. If you offer something that is not integrated within all of your channels, whether it's brick and mortar, online, mobile, your apps. Just some of the examples that you described. I love those services, too, where I don't even have to check in at the front desk. They just hand me a key when I get there.

Those features have really come to be expected, especially by millennials these days. If you don't offer some of those things it's just really very disappointing, and then you'll face negative reviews. It's a lame program, it's not valuable, it's a pain in the neck. Whatever it is.

I think technology is just absolutely essential for a whole variety of ways, not only do people expect some of the conveniences that you described, but they also expect relevancy. They expect that you're going to know who they are, and therefore you must have technology and data that tracks what they're doing. You're able to offer things to them that meet their needs and their interests and not just some generic program. Personalization is just a very key expectation these days as well.

All of that requires a lot of technology, but really they have a seamless omnichannel experience. They want to be able to shop across all of your different sources and channels and earn rewards and use the channel that they prefer. If they prefer to shop on a mobile device, they want to make sure that that supports what they need to do and that they earn all of the rewards that they're entitled to, and that they ... Everything is completely integrated in terms of reporting and redemption ability. All of those things. It's all very seamless to them.

Steve Sanduski:

Now, let's say that my company has 50 million or 100 million in revenue. I want to put together a really cool technology package similar to maybe what Hilton does or what Starbucks does.

I may not have the in-house resources, so what do you recommend in terms of how would a company go about trying to create something like that? Are there just lots of other outsourced companies out there that can develop this for you? What would be maybe some of the steps that a firm would do if they want to create something like this but they don't necessarily have the in-house tech resources to do it?

Ginnie Roeglin:

Many of our clients are smaller companies that are not necessarily technology companies, so many of them do not have the resources to do it. We help our

clients try to identify what technology do they need. What do they have? Where are the gaps? What do they need?

We do know a lot of different sources. There are a lot of third party sources that can help do even some turnkey programs. There are ways to sort of phase that in, but I think the important thing to know is where your limitations are. What do you need? It's amazing also, just in terms of measuring success, how are you going to do that exactly? How do you measure increases in sales and really understand what benefit you're getting out of this program?

It's surprising how often you think you'll be able to do that, and you really can't when you ... At the end of the program you really don't know how the behavior was changed. Was it changed the way you wanted to? It's very difficult, so you really have to explore that upfront. You have to do a technology review and try to understand what exactly are we going to need? How are we going to do these things?

Then determine if you have the capability and resources, either by additional staffing or even outsourcing to try to make sure that you can do that.

Okay. One other key benefit to having this technology capability is that you just get greater insights into your customers. You're able to leverage all of your customer data and the analytics around it to just better understand what your customer wants and needs.

It's really a double benefit. It's important in terms of how you communicate and relate to your customer. It's important to the company to make sure that you're able to understand what's really happening, but it also really helps you serve your customer better in the end because now you just know more about them.

Steve Sanduski: You've talked about analytics. These days everyone's talking about big data and small data and using data-driven ... Making data-driven decisions. How do companies go about creating either the software or whatever the tools are to get this data, to get these dashboards that they need for the analytics?

Are there third-party software systems that people can just pull off the shelf, or software as a service and implement those? What's the simplest way for a firm if they really want to become more data-driven and get some of this analytic information that you're talking about? What's the best way for them to actually get that integrated into their business?

Ginnie Roeglin: Well, it's probably on a bit of a case by case basis. I'm not sure that I have just a good answer for that, but there certainly are a number of off the shelf products. Even Google Analytics is available. There are lots of different third-party companies that focus on specific areas that you can integrate into what you have. It really depends on what's kind of a platform that ... Is the company working with.

Again, it varies tremendously based upon industry and size of the company. We've worked with, for instance, some restaurant chains. They're restaurants. They're not technology houses. They know what they want to be able to do, but they just simply don't have that technology capability or resources to help them get there.

It just really depends widely, but there are a lot of third party resources out there and packages, and especially for some smaller companies. You're able to purchase some of those things and get started. You really just have to be a bit careful because it's very difficult once you do have a program running to try to then put analytics and technology around it. It's much more difficult than if you build that platform at the beginning.

Steve Sanduski: All right. If someone's listening to this and they say, "I really want to get smarter. I want to put in some type of loyalty program," what would be maybe some of the first few steps that they would go through to get started here?

Ginnie Roeglin: Well, I think the first thing is to really determine what your goals are and why do you want to do that. Just because everybody else is doing it or ... Why do you want to do that? What are your goals and objectives? Again, what are your pain points? Is there something that you're solving for? Is it a competitive issue? What exactly is it that you want to accomplish?

Then I'd really go back to understanding what my customers want because it doesn't really matter what your goals are if you put a program together that just isn't going to meet their needs or be perceived as valuable to them.

You then really have to try to figure out the cost of this program to try to understand your financial liability. This is a very complicated situation because you've got a lot of due diligence to do. You have to really understand what the cost. I suggest usually trying to estimate kind of a low, medium, and even a home run response. What does the cost look like for those different levels of response?

To try to even get to that point, maybe start with some of the focus groups and try to understand what might the response rate be. Generally it's best to really start this type of a test, if you will, in a pretty isolated market so that you can really gauge what's going to happen before you roll something out and it turns out it's much more costly to your company or not as beneficial as you thought.

You really want to be very careful about that. You have to understand that when ... If you're offering, for instance, a point-based reward program you're going to incur a financial liability to your company when those points are earned, not when they're redeemed. There's a lot of impact to your P&L that you need to be aware of.

You need to structure that accordingly. You need to do the financial due diligence and make sure you're involving your CFO or your financial expert to really understand that.

Then, as you begin to start crafting, here's the value proposition, again, I would say start small. Start with what you believe to be the best benefit for the ... Best value to your customer. You can always add on as time goes on. Test that concept in a fairly limited market if you can.

One thing that you might even want to consider is to go back to your best customers, influencers of your business, people that really help drive business to you because they're some of your very best, most engaged customers, and work with them. Many of those customers are more than happy to sort of be your beta test group and give really solid feedback.

Certainly you can approach it on a friends and family basis. Get some feedback from friends and family where exposure's very limited. If things don't go well, you still can cancel without causing a PR nightmare for yourself or financial disaster for yourself. Try to figure out a way that you'll be able to test and measure the program.

Then, certainly, make some adjustments if you need to before you really start rolling this out, all the long continuing to measure the results. Then when you do get to the point that you feel that you have determined what's working for you, what's accepted by the customer, then begin a phase rollout approach.

Steve Sanduski: All right. Well, Ginnie, I want to wrap up here with a couple quick things. The first is is there anything else that you want to share that we haven't talked about yet?

Ginnie Roeglin: No. I think this is just really just the beginning. There's just so much to it it's hard to really give too much information in a very short period of time without knowing the exact circumstances of each and every company, but it's at least a good start for how to begin to approach a loyalty program.

Steve Sanduski: Excellent.

Ginnie Roeglin: Then there are even other programs that we touched on briefly, like subscription programs, but that's probably even another topic that's worthy of its own discussion.

Steve Sanduski: Yeah. It sounds good. All right. Well, I want to finish here with asking you just a few rapid fire questions. The first one is you had a great career in corporate America with Costco. You've been surrounded by some amazing leaders. If you had to think about what was the leader that had the greatest impact on you?

Ginnie Roeglin: That's an easy one. That has to be Jim Sinegal, who was the original CEO and co-founder, along with Jeff Brotman, of Costco. Just an amazing leader. I learned so much from him over my career at Costco. He's just a great teacher. Just can't even say enough about him.

Steve Sanduski: Well, what would be one thing that sticks out in your mind that you learned from him?

Ginnie Roeglin: I guess the one thing, Jim just always encouraged us to really keep everything very, very simple, be very focused, and do the right thing. I guess it's the do the right thing. The way he and Costco approached that, it's a company where you feel like you're becoming a better person for having worked there.

It's such a simple and clear thing. You feel like you're always doing the right thing, but the way that they approach it is really based in ethics and considering all different stakeholders. Really trying not to just get away with the minimum but really doing extraordinary things, but always, always doing the right thing.

Steve Sanduski: While we're talking about leaders here, what would be a daily or frequent behavior that people should engage in that helps them grow as a leader?

Ginnie Roeglin: I think the best thing for a leader is on a daily basis the first thing in the morning, or perhaps at the end of the day, walk around and talk to your people. Really connect to them, get to know them. I think it makes employees just feel very valued and included. I think that is just a terrific habit to get into.

Steve Sanduski: Okay.

Ginnie Roeglin: They feel that you really care about them as people.

Steve Sanduski: All right. Two more here. One is we love books, so what would be a book that you would recommend folks read?

Ginnie Roeglin: One book that I came across I think might've ... Maybe a year or two ago. I think it's called Leaders Eat Last. The author of that book, Simon Sinek, and I hope I'm pronouncing his name correctly, spoke at a conference, a managers conference, that we had.

I really enjoyed the topic. The topic of the book is really about servant leadership, which is really a concept that I wish I had come across much earlier in my career, where you really focus on doing ... Taking care of your people more so than just simply your goals or even your own career. It's sort of the world does not revolve around you concept.

You really want to be taking care of your people and helping them be successful, and in turn it just creates such ... Better success for everybody.

Steve Sanduski: Yeah. Well, one of the things that's important to us here at CEO Coaching International is the idea that we all need to be continuous learners, that we need to be learning faster than the world is changing. What is something that you learned here recently that caused you to change your mind about a belief that you had previously held?

Ginnie Roeglin: For me I think it was retirement. It didn't last very long for me, I should say. I'm also in the same category as you are in terms of how important lifelong learning is. I think I realized fairly quickly you can only play so much golf and walk the beach so often that I just really wanted to continue to learn.

For me, retirement turned out to be a pretty short-lived thing, but just really trying to always learn new things.

Steve Sanduski: Excellent. All right. Well, I think that's a great way to wrap up today's show. Ginnie, I really appreciate you taking some time here and sharing your wisdom from a fantastic career in corporate America, and now with your own consulting organization.

We'll make sure that we link to all of that good information in the show notes, so I encourage everyone listening to visit CEOcoachinginternational.com for some great additional information about today's show and the other coaching services here offered by our company. Ginnie, thank you for being on the program.

Ginnie Roeglin: Thank you very much, Steve. I enjoyed it.

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