White Paper

The 5 Os of a Successful Customer Reward Program
Executive Summary

Customer reward programs are a popular means of capturing new customers and building long term, loyal relationships ... when done correctly. There are many working parts in a successful program — and the lack of any could derail the program's success.

This paper explores the five keys of successful reward programs and provides insights into how they can best be managed to drive the right results.
Introduction

From new customer acquisition, to up-sell and cross-sell programs, referrals and long-term customer loyalty, reward programs can help businesses achieve their most critical business goals. Studies show U.S. businesses spend more than $48 billion annually on customer loyalty points and miles programs, which doesn’t include the investment in customer rebate, referral and other reward program types.

According to Bain & Company, businesses spend, on average, six to seven times more acquiring a new customer than retaining an existing customer. Marketing Metrics reported the probability of selling to an existing customer is 60 to 70%, compared to a 5 to 20% probability of selling to a new prospect. These indicators underline the importance of acquiring new customers and developing them into profitable, long-term relationships.

Implementing a highly effective reward program can be a challenge, particularly for large companies. Designing and operating a successful program that supports thousands or millions of reward redemptions requires specific infrastructure and expertise.

Group O has identified five keys to creating an effective customer reward program:

- Ensure ORGANIZATIONAL ALIGNMENT
- OFFER the Right Reward
- OPTIMIZE your Technology
- Provide OUTSTANDING Customer Care
- OBSERVE and Implement Smart Cost Controls

Here’s a more detailed look at the five Os and how you can apply them to your program.
I. Ensure ORGANIZATIONAL ALIGNMENT

The first step to building a successful customer reward initiative is to ensure your organization has the necessary infrastructure and support. It’s best to gain agreement first with leadership about their success measurements, including what type of results they’re seeking.

Once you’ve determined your goals, it’s important to establish key performance indicators (KPIs) related to your program. KPIs could include:

**Customer Acquisition / Rebate Programs:**
- Lift in new customers acquired vs. baseline = X%
- Cost per customer acquired = $X or less
- Total rebates processed
- Market share gained
- Number of opt-in contacts collected

**Customer Loyalty / Cross-Sell Programs**
- Churn reduced to X% or less
- Upgrades / new purchases increased to X% or more
- Referrals increased to X% or more per client
- Return on Investment = X:1 or more

The best place to start is to gain agreement with leadership as to how they will measure success of the program.

After you’ve established KPIs for your business value proposition, the next step is creating time-specific KPIs for service metrics. These could include:
- Program communications on-time delivery = X% or more
- Customer service response = X minutes average handle time
- Customer satisfaction score = X% positive

It’s important to get the first key right before focusing on other priorities. Be sure to understand where you want your reward program to go before starting.
II. OFFER the Right Reward

A variety of reward options are available to meet virtually any goal or budget. Advancements in technology allow businesses to add mobile and e-rewards, in addition to traditional choices, such as merchandise, certificates or cash-like rewards.

When choosing the right reward for your program, be sure to map back to the KPIs you established and analyze customer information. Two primary considerations:
- What will the budget allow?
- What will our target audience respond to most positively?

...a rebate can be a great way to increase new customer acquisition.

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Once you’ve determined your reward’s value, you need to select the right type. Here are some tips:

**Cash**
- Preferred by consumers, but difficult to manage and control
- No trophy value; often used to pay bills

**Checks**
- Provide a paper trail, but become a financial liability as soon as it’s issued

**Prepaid Cards**
- More efficient to issue than checks
- Used anywhere the card is accepted at select merchants or merchant types
- Allows you to account for slippage in awards that are issued, but not used.
- Allows customized, branded, personalized rewards.

**Virtual Cards**
- Like prepaid cards; eliminates need for mailing plastic card
- Used for online purchases

**Certificates**
- Provide a variety of options, such as traveler’s checks
- More difficult to manage and issue than other reward types

**Merchandise**
- Has trophy value, but requires more infrastructure and cost to source, inventory, and ship

For instance, if you’re offering a rebate, the size of the reward will tie into your overall pricing strategy and target cost per acquisition. A rebate is a great way to increase new customer acquisition. The benefits include:
- Collecting customer information for additional marketing efforts
- Providing a temporary price change while keeping overall pricing the same
- Allowing new products and services to gain market share and awareness
III. OFFER the Right Reward (continued)

The easier you make it for customers to participate, the higher percentage of redemptions you’ll receive – and the greater number of customers satisfied with your program.

You’ll probably need to experiment with your reward offer and adapt over time. Test new offers and creative options against a control to see what works best. Here are some additional factors to consider:

- How long is the program period?
- What are the steps in the redemption process?
- Are forms required?

If forms are part of the reward program, make sure they’re easily available to your customers, such as via print, fax, email, online and mobile device. The easier you make it for customers to participate, the higher percentage of redemptions you’ll receive – and the greater number of customers satisfied with your program.

However you design your reward program, it’s vital you have the right infrastructure to handle the operations. If that’s not feasible, find a suitable outsourcing partner to manage it for you.

Types of Customer Rewards:

- Customer loyalty
- Referrals
- Rebates
- Cross-sell promotions
- Holiday gifts
- Point programs
III. OPTIMIZE your Technology

As smartphone usage continues to increase, it is critical that your reward program keeps pace with technology. From reward types to delivery methods, customers expect to receive their rewards when, and how they want. Be prepared to deliver rewards through social media, apps, texts, email or QR codes to meet the instant gratification expectations of a mobile-connected consumer.

Putting a smart redemption system in place will:
• Help you defray system administration costs
• Ensure that your internal systems connect seamlessly with external service providers, reducing manual work and headaches
• Allow you to collect email addresses, SMS data and physical addresses for your marketing database
• Provide the opportunity to offer other products to your customers, based on their profile and needs

Call center representatives started tailored, up-sell and cross-sell offers to program participants.

The result is thousands of new sales per month, with one of the highest completion rates of any sales force.

One well-known telecommunications provider found that it was collecting more email and SMS opt-in contact info from its rewards program than through any other method. That was exciting enough, but it also built on that success by starting to provide tailored upsell and cross-sell offers to customers through contacts initiated through the rewards program. Call center representatives have quick access to customer data and are able to provide relevant offers based on the customer’s profile and needs. The result is thousands of incremental new sales a month with one of the highest completion rates of any sales source.

Ultimately, your needs should dictate your level of technology investment. But be sure your technology works appropriately both upstream with your internal systems and downstream, reaching customers the way they want to be reached.
IV. Provide OUTSTANDING Customer Care

Customer care can make or break your company. Reportedly, a customer who has a bad experience will require 12 positive experiences to make up for it. And, according to the White House Office of Consumer Affairs, dissatisfied customers will tell 9-15 others about their experience. In the age of social media and online reviews, the impact is even greater. For example, one Harvard Business School case study found that a one-star rating increase on Yelp led to a 5-9% increase in sales — implying that the loss of a star has a similar downward impact.

These statistics show that it is critical that your reward program meets or exceeds customers’ expectations. Your customer service representatives — either internally or provided by an outsource partner — serve as your brand ambassadors. So, it’s important to focus on the services they provide.

Outstanding customer care doesn’t just happen; it’s the product of several key factors, including:

- **Leadership** — Make sure your infrastructure has the appropriate ratio of front-line representatives to supervisors and management. Employees should also be immersed in your brand, culture, and environment.
- **Training and Communications** — Representatives should be trained to know the program, including how they should respond and when they need to escalate. Shadowing experienced representatives is a good training opportunity before asking them to handle calls on their own.
- **Technology** — Good technology can positively impact customer service. A large telecommunications company’s reward program received strong customer satisfaction scores in the 90’s but wanted to improve. The company implemented a new tool to bring together multiple platforms into one easy-access dashboard. As a result, representatives handled calls more quickly — driving customer satisfaction up to 99%. In addition, more calls were made with fewer representatives significantly reducing costs.

Your KPIs can help monitor the effectiveness of your customer care through:

- **Average Handle Time**
- **Customer Satisfaction Measures** — for product/service and rewards program experience

Remember, if participants receive good customer care, they’ll be more likely to engage with your company — potentially leading to increases in opt-in data collection, cross-sales and referrals.
V. OBSERVE and Implement Smart Cost Controls

Your reward program isn’t something you can simply put in place and leave unattended. Like any part of your business, you have to manage it — and eliminate the parts that don’t work.

Earning revenue is one part of a successful reward program and continually improving is another. Look for these opportunities to strengthen processes and reduce costs:

- Validate customer redemptions. Are you missing redemptions that should or shouldn’t be approved? Is your program susceptible to fraud?
- Leverage technology to reduce call times and manual touches.
- Make your communications clearer, which reduces the number of customer calls you receive.
- Establish a single point of contact to handle the program.
- Avoid purchasing reward inventory beforehand. Prepaid and virtual reward cards can be branded, purchased and delivered on demand quicker than other reward options.
- Test new offers to increase results.

A leading tire manufacturer launched an online reward center, and within weeks, nearly half of its rebate redemptions were completed online.

Here’s a real example of a company using continuous improvement to reduce costs:

A leading tire manufacturer launched an online reward center, and within weeks, nearly half of its rebate redemptions were completed online. The company made it easy for customers to apply online by adding QR codes to point-of-purchase displays.

Now, it costs the manufacturer less to manage its reward program than the total value of rewards issued to participants. Smart planning can lead to big outcomes.

Avoid purchasing reward inventory beforehand. Prepaid and virtual reward cards can be branded, purchased and delivered on demand more quickly than other reward options.
Conclusion

Developing a successful rewards program requires planning, attention and maintenance. With the right program, your business can attract new customers and build loyal, long-term relationships.

When developing a reward program, it’s imperative your business follows the five keys discussed in this white paper. Ignoring these factors could prove detrimental.

About Group O

Group O is an end to end solutions provider specializing in technology-based solutions that drive new standards of excellence in the supply chain, packaging and marketing industries. We challenge conventional thinking to produce tailored solutions for our clients based on their specific challenges.

One technology-based solution is O-vations™, Group O’s customizable reward program platform. We are experts in reward program management and issue millions of customer and employee rewards each year for some of the world’s best-known brands.

As one of the country’s largest Hispanic-owned businesses, we are a Corporate Plus member of the National Minority Supplier Development Council (NMSDC) and a NMSDC National Minority Supplier of the Year honoree. We are also recognized as a Top 5 Latino-owned business by the United States Hispanic Chamber of Commerce.

Headquartered in Milan, Illinois, Group O employs more than 1,000 people. To learn more, go to grupo.com or call 800.747.6251.