3 Secret Reasons Why Your Brand Needs a Rewards Program

Opinions expressed by *Entrepreneur* contributors are their own.

You're reading Entrepreneur United States, an international franchise of Entrepreneur Media.

As brands constantly invent new ways to engage with their audience, customers are concurring with new technology faster and faster. They expect a higher form of a relationship with their brands – customer service just won't cut it. To succeed, you need to create an engaging customer experience.

The best way to do this is through a loyalty or rewards app. They get the customer engagement that brands need to stay financially healthy and socially relevant. But apart from just keeping your customer base engaged and happy, having a rewards app or loyalty program is integral in ways customers don't realize, and you'll get much more than engagement if you can covert your following to using your rewards app.

Here are the perks of a loyalty program that go beyond customer satisfaction.

They set you up for long term success

Starting with the obvious, having a customer loyalty app sets you up for repeat customers. When you add a competitive, gamifying element to your marketing, like a points system, customers who are already part of your brand will begin to engage at a higher level.

Case in point: In 2016, Starbucks reworked its star points rewards system to grant stars based on how much money a customer spent on a single purchase. Starbucks customers may not need to upgrade to a venti, but the rewards program encourages them to get a little bit closer to winning a free breakfast sandwich.

Nearly everybody loves to compete, even if they're only competing with their willpower to not get a larger coffee. But these rewards aren't just appealing to a competitive nature, they're also seeding future sales without your customers even realizing it. When they have just two points to go until they win a free sandwich, suddenly there's value in returning to your coffee shop, and not just the one that's most convenient for them.

Related: Which Hotel Loyalty Programs is Best For Business Travellers

They help grow your business with referrals

The first stage of operating a successful business is chasing and maintaining customers. Without them giving you their money, your business ceases to exist. The second stage is one that, sadly, many businesses never get to: getting current customers to bring in more customers.

Having a loyalty or rewards app turns all of your users into unwitting referrals. Think about it – what do you do if you like a particular restaurant, or store or even a type of shoe? You tell your friends about it. With an app, it's easy for one customer to summarize and set up their friends for your business, effectively warming up the sale for you. Having a rewards app won't seal the deal, but it will add credibility and make the new customer see the thing all shoppers want: the potential for free stuff.

Referrals cost you nothing and often do a better job of bringing in new business than the best marketing campaign can because human beings trust authentic people's word over any sort of advertising. Once referred, they'll come to you with the app already installed, some amount of trust already in their minds and a higher willingness to spend their money.

Related: McDonald's Just Launched Its Loyalty Program. Here's How to Make Yours Succeed.

They give you invaluable customer data

Finally, let's discuss the real value of adding a loyalty app, or any tech-enabled component. When you have an app, an email list or a texting list, you have access to valuable customer data that allows you to gain further insight into the demographic breakdown of your audience.

How often do top users engage with the app? What's the most popular reward? How often are specific customers making a purchase? What's your most popular product? What products are your top-dollar customers buying? What is the breakdown of your customer base by age, location and job role?

These are all excellent things to know as you try to gather intel about your audience, and a loyalty app is the best way to do this. With their continued participation, you'll have continuous data that you can use to inform your campaign as it goes forward.

Digital marketing isn't just about getting X amount of likes on your Facebook posts or sending Y amount of emails. It's about finding the angle that will get the most people to convert. Human beings have innate desires that they are often totally unaware of, but are still valuable tools for marketers and salespeople to use.

That little endorphin rush someone feels when they find they’re just one visit away from a free iced coffee? That’s the love of competition – and you can market to that. When a customer makes coming to your store every week just another part of their routine? That’s customer loyalty – and you can market to that too.

A good marketer will create multiple avenues for success and conversion – a strategic marketer will make sure all of those avenues connect and set their campaign up for success down the line.

Related: The Marketing Power of Rewards Programs

https://www.entrepreneur.com/article/389804