5 Proven Customer Loyalty Programs That Pay Actually Off

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According to ProfitWell, 80% of future profits come from just 20% of existing customers. So clearly, any effort to keep yours engaged is a worthy investment, and loyalty programs are one of the oldest and most popular ways to do that.

Put simply, such programs retain existing customers by rewarding them for interacting with your brand — typically via points, discounts, perks or free products. Research from Yotpo in 2019 found that 67.8% of buyers equate brand loyalty with repeat purchasing. It's not surprising, then, that brands have created associated programs to encourage repeat purchases.

Here are some proven program categories:

1. Points

If you have a credit card, you're likely familiar with points programs, in which you spend a certain amount to get a number of points. These are usually convertible to cash, or store credit in the case of retail brands. Starbucks has one of the most popular in the world: You use an app or card to pay for orders and earn points. In the U.S., customers can start redeeming rewards once they hit 25 points (or "Stars," as the company terms them). The brand also runs yearly sticker-based points programs during the holidays in select countries, which encourage customers to collect a number of stickers to get a limited-edition Starbucks planner.

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2. Premium

Paid or premium programs encourage customers to pay a membership or subscription fee in exchange for benefits. Perhaps the most recognizable example in this category is the Amazon Prime subscription, which rewards members with a free membership in its streaming app, free shipping within the U.S. and other added value.

Some retail brands like Barnes & Noble have membership programs that grant members discounts on items and early access during sales. To get customers to sign up for a paid loyalty program, the key is to offer something that's perceived as valuable and useful, and among the highest-performing examples of associated apps were recently listed by AVADA.

3. Tiered

Tiered loyalty programs follow the same concept as points-based examples – the difference being members are given different rewards as they reach each tier, rather than everyone getting the same. Such programs present members with a specific status name each time they climb up a level.

For example, most airlines have tiered loyalty programs measured by miles. Qatar Airways, the flag carrier of Qatar, has a Privilege Club for its frequent fliers. New members start on the lowest tier, called "Burgundy," followed by "Silver," "Gold" and "Platinum." As members progress, they earn more privileges and perks. For example, once members hit the Silver level, they get lounge access, while one benefit of the Platinum tier is a no-charge allowance of 55 pounds of baggage every time they fly.

Member programs in other industries might offer good student, safe driver or good credit discounts, along with referral rewards, VIP status and other perks.

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4. Action-driven

Action-driven loyalty programs encourage customers to interact with your brand beyond purchasing. For example, they might receive specific points on a first purchase, but to progress as a member they need to like and share your social media pages. To drive members to action, it's best to also include tiers in these examples.

A winning example in this category is Adidas's action-based loyalty program called the adiClub, wherein members are encouraged to shop and post reviews, complete a profile on the website and sign up for a run. Members climb tiers and unlock more privileges and rewards as they earn points. In time, they become brand ambassadors – supporting the company on a more holistic scale.

5. Cash-back

Cash-back programs are similar to points programs but with more instant gratification. Many credit card companies offer them and typically reward members between .25% and 5% per eligible transaction. Most companies have partner merchants and a minimum-spend amount before cash-back is granted.

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The key takeaway is that instead of competing for attention in a crowded marketplace, it might be better to focus efforts on the audience you already have. For hundreds of brands spanning dozens of industries, customer loyalty programs have proven to be an effective strategy for retaining customers, boosting

relations with them and increasing brand affinity.

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