



Helping owners and managers to keep up with the latest insights and expert advice

# Customer loyalty

Organisations are focused on increasing their customer base as the lifeblood of a growing business.

In pubs and clubs, getting patrons to keep coming back is what creates a thriving business. Repeat visits are important not just for the regular spend but because it builds a great brand reputation and optimises positive word of mouth.

In striving for repeat business, the popularity of customer loyalty programs is increasing.

However, having a customer loyalty program is not just a tick box exercise. It should be a deeply considered, planned and managed end to end strategy.

**In this guide we explore what venues can do to improve and develop current programs or to feel confident in launching a new scheme that will deliver.**

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MORE OFTEN.

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# Introduction

**Most of us have lost count of the times we have been asked to join a rewards program. From department stores to supermarkets, airlines, hotels and clubs it seems that everybody wants to reward us for being loyal.**

With many of us having anywhere from five to fifteen loyalty cards in our wallets and feeling somewhat unrewarded, is it any wonder that our first instinct, when asked to join a loyalty program, is to be sceptical?

And yet the prevalence of loyalty programs is on the increase because when they are done well, they really can create long term customer loyalty and measurable ROI.

Savvy consumers understand that the purpose of loyalty programs is to collect and manipulate valuable personal information and reasonably expect some advantage for sharing this information.

The result is that the loyalty programs that are truly working for both the customer and the organisation are those that don't simply provide disembodied and random rewards, but those that provide a relevant and rewarding customer experience.

IGT spoke to Jacqui Matthews at rawsuga, to ask what venues should be doing to create effective loyalty programs and importantly get a measurable return in revenue and an increase in customer satisfaction and loyalty.

Jacqui's deep experience of the hospitality industry results in real observations and an understanding of the pitfalls, with practical advice to dramatically improve the business performance of loyalty programs.

“You don't earn loyalty in a day. You earn loyalty day by day.”

Jeffrey Gitomer



# A word with a customer loyalty expert

**We spent time with Jacqui Matthews, founder of rawsuga, to discuss how hospitality venues can ensure that their loyalty programs are measurable and help drive a substantial return for the business. Importantly, Jacqui talks about avoiding some of the pitfalls and mistakes common to many programs.**

## **Why is customer loyalty important and why are so many venues investing in this area?**

Real customer loyalty represents far more than just repeat business. It means that customers are natural advocates and will speak highly to others about your venue. They communicate the most convincing marketing message to drive new business.

Loyal customers provide great customer insights and can be a constructive sounding board for new ideas because they are not interested in going to your competitor. They are interested in helping you improve your offer.

Loyal customers are a competitive advantage. Use your customer loyalty to build an army of *zealous customer advocates* who are excited to drink, dine and play at your venue and recruit their family and friends to do the same.

## **What does a typical loyalty program look like?**

In its simplest terms, a loyalty program will reward an identified group of customers with some privileges either for their ongoing business, the regularity of their business or the volume of their business.

Privileges are often supplied in a tiered manner, depending on how important a customer is for the business. Entry level should assure a lot of privileges to make it worthwhile for customers to supply their data and be involved.

Privileges are most typically provided as collectible points or instant discounts but may also provide access to certain areas of a venue, or special services and events.

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**rawsuga is a cutting edge marketing company, passionate about all things customer. They specialise in customer information, loyalty and insights that result in data driven marketing strategies and solutions.**

**rawsuga** was founded in 2003 by Jacqui Matthews. Jacqui has

over 20 years' experience in hospitality and marketing, the majority of which has seen her in executive and senior management roles. Jacqui's wealth of experience translates to an intimate understanding of the realities of conducting business in the customer service industry.

Over the last 10 years **rawsuga** has created loyalty programs involving over 200,000 customers and have a wealth of knowledge about customer experiences through their focus groups and survey expertise. **rawsuga** knows customers.

**"I love helping clients get it right because it is a total venue approach, and I know it can bring the returns to the business that it should."**

They know that for any business, marketing and loyalty can be enhanced, managed and measured using data the business already possesses. They work closely with their clients to convert consumers from simply a name in a database to an engaged customers who will be ardent advocates.

If you'd like to discuss your business challenges with **rawsuga**, contact Jacqui Matthews [Jacqui@rawsuga.com.au](mailto:Jacqui@rawsuga.com.au) or call (02) 9651 2254.

# A word with a customer loyalty expert cont'd.

## Loyalty and rewards programs are typically used to:

- > Build customer intelligence so you can understand your customers' preferences and personalities from a 'whole of business' view.
- > Give your customers something great to talk about.
- > Reward and recognise existing and new customers
- > Give customers a reason to visit you rather than your competition for a second time
- > Provide a vehicle to target revenue growth on specific trading days and times
- > Give your staff a positive sell on membership and continued visitation
- > Used to open up communications with your customers by providing feedback mechanisms.

## How do you gain customer insights and measure a loyalty program?

We use multiple methods, which include NPS (Net Promoter Score) surveys. (Eg: based on your experience would you recommend "x" venue to family, friend and colleagues). We also carry out health check surveys with customers in venue, customer focus groups and customer experience analysis.

The best approach is to mix a program of internal research with external research to measure against benchmarks that the organisation understands and is committed to.

We then overlay the research data with the quantitative data extracted from the venue's systems.

It is possible to extract a substantial and usable amount of customer intelligence using this approach.

We then develop the metrics which include benchmarks and KPI's to be monitored weekly and monthly to measure the performance of the loyalty program.

"The best approach is to mix a program of internal research with external research to measure against benchmarks that the organisation understands and is committed to."



**Metrics include:**

- > Carded contribution to trading areas
- > Member engagement based on the number of members using cards
- > New member engagement and on-boarding
- > Uptake of loyalty offers
- > Point accruals, redemptions, balances
- > Visitation frequency and spend matrixes
- > Promotions analysis
- > Communications matrix to understand the link between the frequency and method of communication and customer behaviour.

The venue really needs to look at the member base and how to provide a more relevant service, or recruit a different type of member.

**A key measure for a successful loyalty program is the number of members who use a card in the venue as a proportion of the total database:**



## A word with a customer loyalty expert cont'd.

### **Most venues have a loyalty scheme in place but some programs struggle to provide tangible ROI to support the business. Why do you believe that some programs fail?**

Unfortunately, customer loyalty is still seen as a standalone marketing tool and rarely a long term investment. It is seen as a silver bullet to boost turnover and when it doesn't result in an immediate increase in patronage, organisations feel let down and lose interest.

In reality, achieving long term customer loyalty isn't just about rewarding your customers but also providing exemplary service throughout the whole venue. Patrons simply do not keep returning to a venue for some money off their next drink.

A loyalty program needs to be a long term strategy that involves the entire business which is adequately resourced and kept fresh and relevant.

### **Successful loyalty programs address three key areas:**

1. **The Customer:** Understand the customer, who they are, what they want and why they come to the venue.
2. **The Staff:** Great customer service is the foundation to all loyal customer behaviour.
3. **Connect the two:** Training, experience, planning and consistency of message throughout the venue.



## 1. Understanding the customer is key to success

Club venues are in an unusual position of having a lot of information about their customers through their membership database. It is easy to see how often members visit and apply some demographic profiling to this data.

And if a POS system is already linked to the member database, it is easy to work out what members are spending money on and how often.

Pubs and Hotels do not have this facility, so it is important to regularly ask patrons for feedback and venue preferences.

One of the major challenges in applying loyalty rewards is in identifying those customers that are most loyal and rewarding them accordingly, ideally on a sliding scale in a tiered program.

Every business categorically knows or intuitively understands that the majority of business comes from the minority of customers. However, many rewards are applied across the board indiscriminately, not differentiating between male/female, young or old – resulting in a reward that does not feel special or valued.

“Great customer service is the backbone of every successful business, but a surprising number of venues have the right people in the wrong place.”

Understanding the customer base and being able to segment this for a targeted loyalty program is vital to creating a special and appreciated customer experience. It is important to meet customer expectations on this matter. If customers have relinquished their valuable and private information to a venue, they expect this information to be used to their advantage. If the venue knows they are over 80 and female, they are unlikely to want to attend an AFL evening. Or if they never drive, they will not appreciate priority parking.

Understand the F&B triggers for your customer base, as this area has gone through the biggest change in the last few years and is a quick and easy way to reward patrons. Know which food and drink are popular and draw interest.

However, there is no point in having a 2 for 1 deal on a food item that nobody likes because it is an obvious *non-reward* and customers see right through that approach and will resent you for it. Likewise, if you have a food item that needs no help in flying off the shelves, only promote it as part of the reward scheme if it will help drive traffic for another area of the venue, or another marketing promotion. **Don't give away all your profits when you don't need to.**

Understanding your customers also means not being afraid to confront complaining or demanding customers. Those that bother to complain can be a good barometer of how others feel and you should see it as a positive thing that they want to provide feedback and not just vote with their feet. Acknowledging their feedback is an important part of making patrons feel valued. These customers can be turned into your most loyal patrons if you give them sufficient attention to address their concerns where possible.

**Finally, don't punish all members of a loyalty program by removing a particularly popular reward because a few members are abusing the system. Use this information to build rewards in stages. Remember, it is easier to increase your loyalty budget later, than to remove entitlements.**

## 2. Get the right staff in place, across the whole venue.

Great customer service is the backbone of every successful business, but a surprising number of venues have the right people in the wrong place.

Think about the people you have and don't be afraid to move them around the venue. If your front desk is the first welcome that patrons get, make sure that the people on the desk are not looking down filling in membership forms all the time.

Assume that every person coming through the door is your next Platinum member, so make sure everybody feels warmly welcomed by having the right people on the door. It shouldn't be the job of security guards to be welcoming people into your venue.

Reinvent what a customer service representative should look like for your venue. Audit the skills and aspirations of current staff, review the skills that you have and see where they can be moved around to provide a better customer experience.

Watch the staff interacting with customers. Talk to regular patrons and find out who they rate highly.

**Remember, it is better for your business to train staff to handle a job that they are suited to, than to have them do a job that they are trained for, but do not shine in or enjoy.**

# A word with a customer loyalty expert...cont'd.

## 3. Connect the venue with the loyalty program

This is where the success of a loyalty program will be determined but is so often overlooked.

How many times do customers ask at the reception desk about a voucher or promotion only to find the front desk doesn't know or has to look it up.

How embarrassing is it for a customer to announce that it is their birthday only to be presented with their full bill because the restaurant staff do not know that they are entitled to a complimentary meal.

**It is in the execution of the program and the customer experience, where loyalty members will feel rewarded.**

The loyalty strategy might originate from the marketing department but it is a long term customer strategy that requires a dedicated resource and a strategic plan and most importantly, awareness and support from the staff across the whole business.

In a hospitality venue, the customer experience will determine the success of a loyalty program and therefore it must be adopted and promoted as a core business strategy from Marketing to F&B, Front of House, Gaming, Events and Admin.

**Once a loyalty program has been designed and specified, training every one in the venue about the program should become an obsession. The staff as a whole need to understand, buy in and evangelise the program and feel proud that they work for an organisation where good customers are rewarded.**

**Rawsuga believes that a loyalty program should be monitored, measured and modified to be successful. What do you mean?**

Because they are not always treated as long term strategies, loyalty programs often get implemented and then forgotten about. "Tick, done that."

A successful program is one that evolves to minimise impacts, maximise returns and continues to stay relevant to the customers.

It is important to **monitor** the impact of the program on the customer as well as on the staff.

- > What is the experience for the customer? Is it making them feel rewarded loved and wanted, or making their experience clunky and time consuming?
- > What is the experience for the staff? Are their processes taking too long? Are they having to hassle customers for their rewards cards?

It is also important to understand how the cost of running the loyalty program stacks up against increased revenue and spending spikes around specific promotions. Is it creating an adequate return on investment?

Once you understand the impacts and the returns, the program can be modified to optimise these and to test new approaches. The goal is to always be aiming for a refinement of the program, not an overhaul.

**The program should respond to normal supply and demand cycles in the venue. Have regular promotions with start and finish milestones and targeted rewards for subcategories within the program, always as well as measuring what works and what doesn't and modifying accordingly. This will make a successful loyalty program.**

**Can venues run a loyalty program without expensive systems and processes?**

Yes, it is possible. A lot of data already exists in every business that can be analysed and used to create a segmented approach to rewarding customers. Even when there is not a lot of existing data available, surveys and feedback forms can be used to start building a picture of customer behaviour patterns. Some small clubs and pubs still manage their data in an excel spreadsheet and this works for them – but it is a labour intensive approach.

However, CRM, POS & Gaming systems have all been developed to help venues to run their businesses more efficiently and when it comes to loyalty programs, it would be hard to manage the data requirements and analysis required in a large venue without one or all of these systems in place.

Venues with gaming machines may have systems that could integrate with other data points around the venue. Most clubs will have a membership card and POS system that a loyalty program can piggy back.

Getting the right systems to support the roll out and management of a loyalty program will certainly make it a more scientific and measurable process. There are many on the market and they all do something different and integrate with your venue in different ways. Systems that are grounded in gaming, such as IGT's Advantage Club, have gone to great lengths to integrate the rest of the operational areas to measure the customer journey through the venue. Products that are grounded in POS have gone to great lengths to integrate with gaming systems like IGT's. The right solution depends on the size of the venue and the systems that are already in place.

But getting the right system is just a complement to building a strategic loyalty plan. It will not in itself assure an effective loyalty program.



“A successful program is one that evolves to minimise impacts, maximise returns and continues to stay relevant to the customers.”

**Finally, can every venue have a successful loyalty program?**

There are lots of regional and metro venues that are doing a great job of driving their loyalty programs to build customer advocacy and provide a great customer experience.

Regional clubs where patrons are often long time regulars, are fantastic at building customer relationships and understanding their market. However, they can be exposed if they rely on a “few star performers” to build and keep these relationships going. What happens if they leave?

Milton Ulladulla Ex Services & Ballina RSL Club are venues that have dedicated time and resources to a long term commitment to loyalty as a business strategy.

Many large venues are continually working to improve and drive their loyalty offer. It has been a learning experience for most and they have been in the game for long enough to have invested in the right support systems and learned from the process to refine their rewards and get the right people on board to run a successful loyalty strategy.

**Regardless of size or location, venues that keep monitoring, measuring and modifying, create great loyalty programs that give customers something to talk about. Remember it’s all about the customer. Get it right and reap the rewards.**

As discussed, a loyalty program can be a successful long term strategy to increase revenue for your venue, but it should not be entered into lightly.

**Loyalty programs have seen a dramatic rise in popularity, especially in Australia in the last 4 years, with the advent of more sophisticated data collection, handling and reporting strategies.**

**Many companies have made their loyalty programs very effective and below, we examine the program features that enable companies to make a successful investment in loyalty.**

### **Make it Easy**

It seems obvious, but loyalty programs and the way to earn rewards should be easy for everybody to understand.

This will allow the customer to easily know what behaviours will earn those rewards and will ultimately deliver on the main objective of a loyalty program – when a member spends money or returns to a venue, they are rewarded in some way.

It will also enable a sleek user experience at each touch point with the venue, where staff easily understand when a loyalty member is due a reward or recognition and the processes are in place to deliver it seamlessly.

Having too many caveats, conditions and recognised loyalty behaviours is just too hard for everybody to understand.

**The worst outcome possible is when a loyalty member has to remind staff to apply a discount or award points. It is embarrassing for the member and delivers a terrible brand experience.**

### **Make it Relevant**

A loyalty program does not have to be limited to offering rewards in exchange for spend levels. What happens to a customer that has visited a venue over many years but does not qualify for instant discounts or point rewards based on their spend?

A straight instant reward, one-size-fits-all approach is not relevant to every one and understanding the difference between rewards and loyalty is important.

- > You can **reward** the loyalty member instantly when they spend at your venue, by offering money off next purchase or buy 3 and get the 4th free type promotions.
- > You build **loyalty** and a good relationship with customers over time by creating a customer service that they value and recognise their value with rewards that are relevant to them.

A major challenge of loyalty programs is to ensure that customers who are your strongest promoters, most regular visitors or highest spenders are recognised and awarded accordingly.

Creating a hybrid reward/loyalty program is essential to make the scheme relevant to patrons you really want to keep coming back.

**Study customer behaviours and map their journey in your venue to understand which services they use and appreciate. Enable point redemption across different services. Create incentives that match or complement the actions customers are already taking.**



### Make it Personal

Marketing individually to each customer has been the dream of every commercial business since marketing was invented.

A major shift in technology and the way consumers now interact with brands has created an expectation among the spending public that communications and offers from companies should engage them as individuals.

Today's consumer is prepared to exchange their valuable personal data for a relevant benefit and they are more empowered to vote with their feet and find a better offer if they are disappointed.

Use the data you have to target high value groups or long term customers and apply benefits that appeal to them. Collect more data to really understand the personal motivations of the groups you want to engage, by exchanging ideas with customers through direct conversations, feedback and social channels.

**Personal engagement with your customers is an ever-changing and sophisticated strategy that requires engaged staff, multiple marketing tools and technology and ideally the support of a third party expert to ensure that your program gets you the right outcome without upsetting your most valued customers.**

You can even try to solve a customer problem in a creative way:

Getting to and from your venue may be the hardest part for some members who have to pay for a taxi. Why not create an arrangement with a taxi company to enable the use of your venue points or vouchers towards a taxi fare?

### **Make it Worthwhile**

This again seems like an obvious thing to point out, but if the reward is so small or incremental that the customer feels it is not worth the hassle of retrieving their card from their wallet, then the program will fail.

Entry level for all loyalty programs should be generous enough across the board to get customers involved in the program in the first place.

Tiered programs can help achieve a desire to accumulate rewards to not miss out on the opportunity to get a higher level of reward or service.

Creating value outside the venue can be tricky but can also delight a customer, who may feel justified in spending more in the venue because they can get a discount on a local service. Discounted rates at a local dry cleaners or grocery store can be a welcome bonus.

Work with the local community to offer tiered rewards for local products or services. Contrary to the belief that this drives business away from your venue, it is more likely to bring your customer into the area to redeem their reward and then visit your venue while they are in the area.

**It will also build support from the local community for your venue, so everybody wins.**

### **Make it a Passion for your Venue**

Customer loyalty is increasingly determined by a complete set of customer experiences across your venue and improving the entire customer experience journey is more important than improving any single point of interaction.

Customer expectations have risen. They are experienced in using sophisticated channels and tools at work and at home and expect these to work well in their venue of choice. They expect communication and messaging to be seamless across all areas of the venue and to get what they want, when they want.

It sounds like a tough standard to achieve. But really, it should be a minimum requirement to expect everybody in a venue to be welcoming, well trained, informed and able to promote and process a loyalty program when required. And customers can also be very forgiving of a venue that they feel is friendly, tries hard and cares about them.

**It is the differentiated experience and attention to detail that can take a venue from creating an average customer experience journey to a WOW! And this reaction can come simply from doing a few small things better.**



### **Make it a Long-term Strategy**

As mentioned, a loyalty program is a long term strategy to incrementally make the future of your venue more secure.

Not only should such a program be part of a strategic plan, it should also be allocated a dedicated staff member or team, somebody to champion the program and its ongoing development.

The business should be prepared to invest time, effort and budget to implementing the program throughout the venue as well as raising the standard of customer service.

As a long term activity, the loyalty program must be accompanied by a communications strategy to educate, inform, engage and excite members.

Importantly, you should also plan for the future and how the program may change and how you will make sure you continue to capitalise on the good will gained by it.

It is commonplace for loyalty members to forget that they are receiving a reward and to simply expect to be rewarded, gain points or be offered discounts forever. The very nature of a good loyalty program means that it should change regularly to keep it relevant but also to achieve an adequate ROI so the venue can keep it going.

Communications about changes to the program, like the program itself, should be segmented to different tiers and also to different groups within the tiers. Good communication is about listening, so plan to have a feedback loop (via multiple channels) before you launch your program, so you will always have this available when such communication is required. And always keep the members (or a subset of them) involved before you announce major changes. Their reaction and advice could be invaluable.

Starbucks was criticised initially for giving away too much value on drinks and peripherals that may have been purchased anyway.

The result however is that they have one of the top 10 loyalty programs in the world and have shifted many customers onto their mobile payment app that has delighted customers with an easy way to buy a coffee and in turn dramatically increased incremental spending at the point of sale.

### **And finally.....Make it Pay**

Not all organisations see a revenue uplift from their loyalty programs and some actually experience a negative impact on their brand. This is a good lesson in how many organisations jumped on the loyalty bandwagon several years ago, without understanding that it was a complex strategy. Many overpromised the rewards and then failed to deliver.

It is better to under promise and over deliver. Better still to plan for a best in class program and commit to making the changes in the venue that will achieve it.

#### **The first guiding principle in achieving loyalty program ROI is to not go in half hearted.**

Organisations that focus not just on the loyalty but on the whole customer experience and making their venue an exceptional operator are the businesses that will survive. In this age of savvy consumers, top marks are given to companies that are perceived as putting their customers first, not just making a quick return.

**Secondly, be clear about how you measure value.**

The total value to the business is not a straight sales uplift or increase in patron numbers. With the investment across the venue, think about the productivity and process improvements that are achieved. Have you estimated your future customer churn and how this program may affect customer retention in the future? Are you measuring the impact on retention of having customers rate you as excellent instead of average?

#### **Finally, don't always assume that you must make a huge upfront investment in IT systems and processes.**

There are lower cost options such as running a prototype program with a test group to measure outcomes, or even changing some aspects of the customer experience journey that can create a superior customer response.

“It is better to under promise and over deliver. Better still to plan for a best in class program and commit to making the changes in the venue that will achieve it.”

## Using Software & Systems to Help You

Do not underestimate the value of using software and systems to help you collect, manage and report on your data.

Systems should support a robust loyalty strategy, not be a replacement for one.

Whether you already have a basic POS system, or the complete bells and whistles solution, you already have data that can help you run your venue and your programs more efficiently.

A well thought out and implemented system will help you to add membership value by making the experience continuous and seamless. It should give you the flexibility to run membership programs at your venue while streamlining the administration by automating some of the steps. Automation can also help reduce errors and track milestones in your loyalty procedures.

If you are considering a new POS or gaming management system, make sure it will integrate with current or future, EFTPOS, rostering software etc.

# More Money, More Players, More Often

If you are a non-casino gaming venue struggling to differentiate in an intensely competitive environment, IGT Advantage Club is a complete suite of gaming venue management products that enables venues to understand, analyse and drive patron behaviours.

As a worldwide leader in gaming management systems, IGT's Advantage Club® enables our customers to:

- > Make more informed decisions to reduce costs and fuel growth
- > Target expenditure effectively
- > Identify and grow loyal patrons

But, **unlike** other systems in Australia:

- > IGT Advantage Club was developed *specifically for the Australian non-casino gaming market* and has been proven at over 200 Australian venues.
- > IGT Advantage Club *continually provides new, up-to-date tools* to drive customer behaviour at a low cost-of-ownership.
- > IGT Advantage Club has *unique patron rewarding mechanisms* that impact patron behaviours, such as visitation frequency, length and spend.

IGT supports the unique, ever-changing, ANZ gaming market by providing relevant and timely software solutions that underpin the need to map onto patron behaviours.

To discuss how IGT Advantage Club® could help you, contact John Van Waard: [john.vanwaard@igt.com](mailto:john.vanwaard@igt.com)

When it comes to gaming, IGT understands that each venue has different requirements in relation to game choice, machine requirements, system needs and service support. That is why IGT takes the time to build a long-term, mutually beneficial partnership with its customers to ensure that it provides a total gaming solution offering:

- > Innovative games and gaming machines
- > Professional support and service
- > Gaming management systems

IGT has a strong affiliation with local industry associations in the club, pub/hotel and casino markets to ensure that it keeps abreast of the gaming issues and needs of each sector. This knowledge teamed with IGT's global strength and extensive experience within the gaming industry means that IGT can provide the best gaming solutions for your venue.

To find out more, please call us on +61 (0) 2 8345 3000 or visit:  
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