

Member Loyalty Program

One of the assignments in CSAE's Association Management Education course (AME 200 – Association Membership and Services) requires participants to develop a new product or service for their association. Most of the assignments submitted have dealt with products and services that many have read or heard about. While the possibility of member loyalty programs have been discussed in the course, no one has proposed implementing a member loyalty program for an association. This is not to say no association is using a member loyalty program. If there are programs out there I would like to hear about them and learn whether they are meeting intended objectives. Loyalty programs have a proven track record in the private sector - is there any reason not to explore the benefits of such a program in the association sector?

Are we ready for member loyalty programs? Could they work in the association environment?

What is a Loyalty Program?

American Airlines was one of the first to pioneer the concept of a customer loyalty program – airlines all over the world quickly responded by establishing their own programs that provide free air travel to repeat customers through a mileage awards program. Their success and research studies at Harvard Business School indicate that marketers are shifting money from advertising to one-to-one loyalty-building activities. The shift is based on the fact that it costs around five times as much to get a new customer as it does to keep an existing one, and a five per cent reduction in lost customers can add up to 75 per cent to an organization's bottom line profits. This concept is quite applicable to associations.

Why Establish a Loyalty Program?

Member loyalty programs have incredible potential to increase revenues. Programs that focus on member retention are based on the premise that it is more cost-efficient to keep an existing member than it is to identify and recruit a new one. The core of this strategy is the 80/20 rule (20 percent of your members will do 80 percent of your business). A member loyalty program will enable an association to identify these important members and develop strategies and supportive products and services that will keep them coming back again and again. Providing members with rewards can increase the number of times they make a purchase, and thereby increase your annual association revenues.

How Do You Get Started?

- Conduct research with your active members and others with loyalty programs. A good understanding of your members is a critical component and your database will need to

contain profile information such as who they are, where they live, age, education, position etc.

- Treat the program as an investment and track returns. Tracking systems to monitor member purchasing (i.e., when they buy, how often and how much) need to be put in place.
- Research and technology support are key elements in establishing and operating a member loyalty program. Your information gathering, processing and reporting systems need to be capable of supporting the program.
- Establish a reward program that will excite your active members. Knowing as much as possible about your target member will help determine rewards that will be of real value. Provide ongoing marketing support. Loyalty programs are long term and attempt to build "lifetime relationships" with members. This requires support from the day they start and continuously thereafter.
- Establish controls to deal with potential fraud.
- Develop criteria that will guide your ongoing evaluation of your member loyalty program and help ensure that decisions to continue or disband the program are made with all of the proper facts in mind.

Investment tracking may be measured by:

- Improved member retention
- New members
- Increase to the bottom line
- Increase in revenue
- Improvements in development and delivery of products and services
- Member satisfaction
- Increase in reward distribution
- The lifetime value of a member goes up
- The ratio of marketing costs to revenue increases

Can the successes experienced in the private sector be transferred to associations? When it comes to customer loyalty programs I believe the answer is a resounding yes. Consider the possible benefits of a member loyalty program in your association – it could end up being exactly what the doctor ordered!_

This column features recent research, academic study, and practical solutions applied to challenges, issues, and general innovation in the association sector.

This column features innovation and practical solutions applied to challenges, trends, issue and opportunities for the association community. Column editor Jim Pealow, MBA, CMA, CAE is a consultant and the Association Management Education Program Lead Instructor/Coach for CSAE. He can be reached at jim@amces.com.