GIG'S GUIDE FOR DESIGNING A MEMBER LOYALTY PROGRAM FOR YOUR CLUB

SALES

QUALITY

SATISFACTION

LOYALTY

RELIABILITY

SERVICE

CUSTOMER SATISFACTION

GUIDE CONTENTS

INTRODUCTION

Building a member loyalty program is a major endeavor for any club, but at the same time it can be a game-changing opportunity if created with care and precision.

While conducting our research prior to crafting this guide, we found ourselves asking questions like the ones detailed below. We also have a hunch that these are questions you've probably asked yourself too while doing your research and also pondering how to implement your program.

- *"Where should we start?"*
- *"How long should it take to implement?"*
- *"What features should we include?"*
- *"Are there any common mistakes to avoid?"*
- *"What if our members don't like the features of the program we implement?"*

That being said, we've set out to answer those very questions and more, and we're determined to help you get to the bottom of all things relating to a loyalty program for your club. We know you've come to the right place to get assistance designing, creating, and implementing a member loyalty program for your club.

Based on our experiences and our research, we believe this is the definitive guide to designing a member loyalty program for your club and it will provide you with a wealth of information with regards to retaining more members, rewarding them for their support of your club, and driving your business goals.

After reading this guide, you'll better understand:

- *How you can stay competitive in the marketplace and in the eyes of your members without feeding into the discount culture and devaluing your products and services.*
- *Which types of loyalty program designs and features are the best fit for your club.*
- *How to plan, design, and implement a loyalty program with a high ROI.*

WHY ARE LOYALTY PROGRAMS WORTH IT?

To be precise, a loyalty program can be a very cost-effective way to help retain your existing membership base. Why? Because keeping one member costs you several times less than acquiring a new one, some reports indicate anywhere from 3 to 10 times less.

A successful loyalty program can also help you increase revenue at your club in the following ways:

More repeat purchases

A loyalty program offers incentives for your best members to visit and buy from you more often. It's that old adage, these are the top 20% of your members, who might contribute up to 70% of total sales in certain revenue centres because they tend to spend more over a longer period of time.

More member referrals

Loyalty programs are the perfect tool for rewarding members who invite new prospects in. Whether it's for a Regular, Annual, Corporate, or any other membership type, we're confident that referrals will generate better new membership sales results than any paid advertising campaign that you roll out.

Better social proof

With a loyalty program you can incentivize user-generated content (reviews, ratings, etc.). It's worth taking advantage of this loyalty program opportunity, as almost all of your member prospects will trust online reviews more than what you might say about your products and services in a promotional marketing piece.

How to save money with a loyalty program

It's important to mention that opting for a loyalty program doesn't mean you're throwing money away just to improve member relations. There are two primary ways a loyalty program can deliver value and have a positive ROI for your club.

1. Reduce discount costs
   Introducing a loyalty program can make your existing benefits more cost-efficient. For instance, a standard markdown would be available immediately even if someone makes a purchase for the first time. But, unless you offer an instant discount for members, discounts in a loyalty program typically require multiple purchases.

Moreover, even though you're basically giving members a currency to spend, you'll never reach full redemption threshold because of the point breakage. In most cases, roughly half of your members will let their points expire.

2. More purchases
Rewards and incentives also change member behavior. When members are just a few points shy of getting a reward they really want, they're more inclined to make an unplanned purchase.

The same could be said for keeping certain privileges as members are more likely to change their spending habits just to maintain their tier level or keep their points from expiring.

Common loyalty program mistakes

Simply having a loyalty program doesn't guarantee instant success. There are several defining characteristics you need to take into account in order to maximize the value of your program.

Here's a list of missteps to avoid:

• Restrictive cost focus

Being too strict with expiration dates or limiting the number of times members can redeem their rewards only leads to disappointment. Aim for a balanced approach and let your members have fun in the program!

• Misalignment with the brand position

Not every loyalty feature is beneficial for every brand. Affluent buyers are less receptive to point-based programs, and instead look for exclusivity and tiers.

• Missing data strategy

Member data is the bedrock of any loyalty program. Without it, you won't be able to set up member segments and effectively A/B test your loyalty campaigns.

• Overconfidence

Filling your loyalty programs full of features might lead to confusion. Start with a streamlined MVP (Minimum Viable Product) and add features one by one and/or slowly over time, to see what works with your membership.

• Contradictory business objectives

Avoid diluting your brand by chasing the wrong goals. For example, you won't be able to increase both the purchase frequency and the average order value at the same time for the same audience.

LOYALTY PROGRAM TYPES

From an outsider's perspective, loyalty programs are seemingly all the same in that people often think that they all serve the same purpose. The truth is, however, that the small details you implement into your program can make the experience for your members totally unique and different to the other loyalty programs they might be enrolled in with other businesses that they engage with outside of your club.

Knowing which loyalty program type fits your brand the best gives you a head start in designing your loyalty concept and increases the likelihood of delivering an experience that your members will truly love.

Here are the 5 types of loyalty programs you can consider for your club:

Earn & Burn

• Definition: Virtual collectible points to redeem for rewards administered by many of the Point of Sale systems commonly used by clubs.

• Why It's Used? Easy to understand and instant gratification for members.

• What Can It Achieve? Prompt continuous engagement with members through repetitive actions.

• How to Set It Up? Set up a points/conversion rate and use your POS system to track progress. For example, member earns 1 point for every $10 spent at your club, with points being redeemable as dollars for certain standard product and service offerings at the club.

• Limitations: Reinforces discount culture if not implemented correctly, points are a financial liability from an accounting perspective, provides no insight on members, easy to copy by competitors.

Tier-Based

• Definition: Achievable statuses with tiered benefits.

• Why It's Used? Generating motivation to climb higher and long-term engagement.

• What Can It Achieve? Personalized experiences and communication thanks to curated segmentation.

• How to Set It Up? Align tiers to brand, business goals, and member preferences.

• Limitations: Limitation of potential adjustment of the program in the future.

Perks

- Definition: Benefits which are granted unconditionally.

- Why It's Used? Generating sense of gratitude and excitement due to the surprise effect.

- What Can It Achieve? Incentivize specific actions and encourage brand preference with low effort rewards.

- How to Set It Up? Pick cost-effective benefits and involve services unique to the brand of your club.

- Limitations: Lack of personalization, doesn't change member buying behaviour, and lack of additional member activity.

Gamified

- Definition: Challenges presented, and badges earned to engage members.

- Why It's Used? Encourage repetitive member behaviour.

- What Can It Achieve? Create new member habits and gamify the experience.

- How to Set It Up? Select engaging actions that members need to repeat to keep a benefit they've earned.

- Limitations: Difficult to explain, doesn't reward status, and doesn't include exclusivity.

Communities

- Definition: Thematic loyalty clubs.

- Why It's Used? Connect with members' interests and increase relevancy.

- What Can It Achieve? Unlimited number of clubs within the club based on any interest or value.

- How to Set It Up? Add this to other loyalty program designs to reinforce the structure.

- Limitations: Can't be a standalone program and requires another program type.

LOYALTY PROGRAM SPECIFICS BY TYPE

Earn & Burn – Reward Redemption

This is the most common and traditional approach to loyalty programs where members can redeem rewards in exchange for spending money at the club. These kinds of programs encourage members to keep making purchases in order to reach new rewards and see that their spend at the club is valued.

Incentivize purchases & other actions → *Give points* → *Offer rewards to redeem*
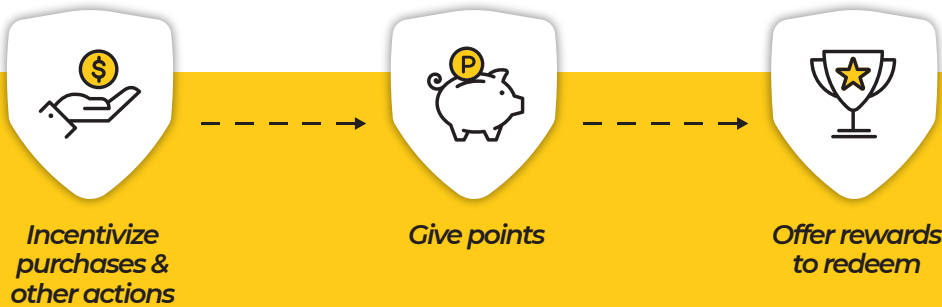
When would you use this design?

- This design would be used when a club's strategy involves discounts and promotions as part of its strategy.

- A club wants to keep members coming back to their restaurant or pro shop because every visit is likely to lead to a purchase (e.g. Starbucks).

- Your club's margins are reasonably high.

Although the POS system at many clubs will offer the ability to reward and redeem points, for a few of the reasons listed above it's worth contemplating whether or not a program like this at your club based on this design alone is the best approach.

Who Is It For?

Businesses that face high frequency and fast purchase decisions by their consumers.

Brands and retailers selling commodities.

Brands competing on value for money.

BENEFITS

Ease of use
Members can quickly grasp the rules and start participating.

Fast implementation
Since the functionality for rewarding and redeeming points is already set up in many POS systems, the implementation process is quick and easy.

Convenient and easy-to-budget
Due to their straightforward nature, these programs are easy to manage.

High perceived value
People often believe they get valuable benefits for free which increases the engagement rates in the program.

Tiered Programs – Progress & Benefit

With a tier-based loyalty program, members gain access to greater benefits and rewards by advancing through the ranks based on their monthly or annual spends. The rewards are associated with tiers instead of with just points, and the tiered programs encourage members to spend and engage more in order to reach the next tier level or, in the case of tier expiration, maintain their current tier. The rewards are a mix of discounts and add-on services like perhaps early access to offers, sales, and priority support. Member communication is focused on benefits of the current and next tier and what it will take to get to the next tier. Points are still useful as a means to attain the next tier, so desired member behaviour can still be influenced by giving bonus points as an incentive.

TIER 1 → Increased benefits & rewards → **TIER 2** → Increased benefits & rewards → **TIER 3**
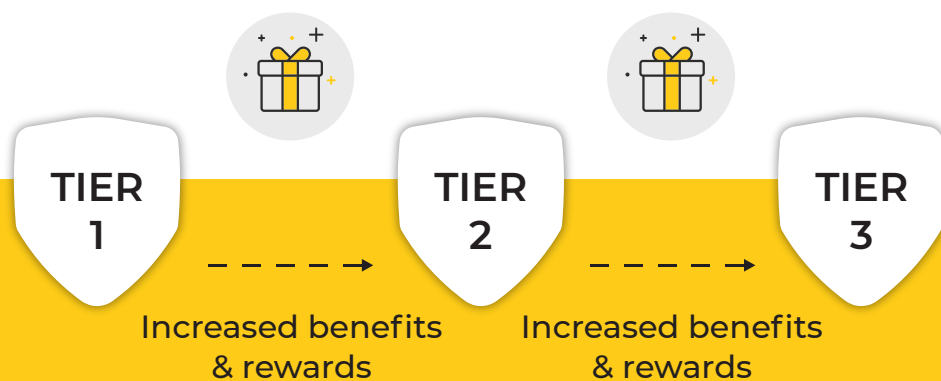
When would you use this design?

- Your club doesn't want to associate itself with discounts.
- You are a premium club and your members will value experiences over discounts.
- You have members with high spend rates and the earn & burn design would mean very large kickbacks to your highest spending members.

Who Is It For?

Businesses facing **longer decision times and higher order values.**

Brands and retailers offering **emotionally relatable products.**

Brands with positioning around a **high-quality guest experience.**

High-end retailers and **luxury brands.**

BENEFITS

Add value to status
The higher the tier, the more exclusive the brand experience is.

Create more targeted experiences
Segment your member base more effectively with tiers to improve their club experiences.

Establish a long-lasting relationship
Tier based programs keep members engaged for a longer period of time.

Use behavioural science in your favour
Maintaining tier levels is important for members who'll keep spending to prevent losing valued privileges.

Shield yourself from the competition
Distinguish your member experience from the competitors with great benefits for the highest tiers.

Perks – Join & Enjoy

A loyalty program based on perks is one that grants benefits and rewards to all members, regardless of how long a member has been enrolled in the loyalty program. The goal of this design is to generate emotional attachment with the club, which could lead to more frequent recurring purchases.

Award a benefit

Create a positive experience

Incentivize engagement

Award a new benefit

Incentivize purchase

Who Is It For?

Brands and clubs with **low purchase frequency** but **high AOV** (Average Order Value).

Businesses focusing on **community building.**

Brands positioned on **exclusivity.**

BENEFITS

Supports brand building
Associating your brand with a great loyalty experience will drive incremental member spending and promote brand awareness.

Generate a sense of gratitude
Since benefits are granted unconditionally, members feel indebted to the privileges.

Easy to manage
Running a perks program isn't difficult and there's no financial liability from an accounting standpoint due to the absence of points.

High value for actual cost
Such benefits are seen as valuable, even though they represent a relatively low cost.

Highlight services unique to your brand
If your club is characterized by exclusive services that are hard to duplicate, it's a great idea to put them in the spotlight with the help of a perks program.

Gamified Programs – Play & Unlock

This type of loyalty program is based on completing challenges or collecting badges to engage members in a gamified way. The goal is to encourage members to interact regularly with specific touchpoints within the club and repeat their behaviour so that they don't lose their privileges.

Incentive actions → Assign badges → Award benefits

Encourage engagement
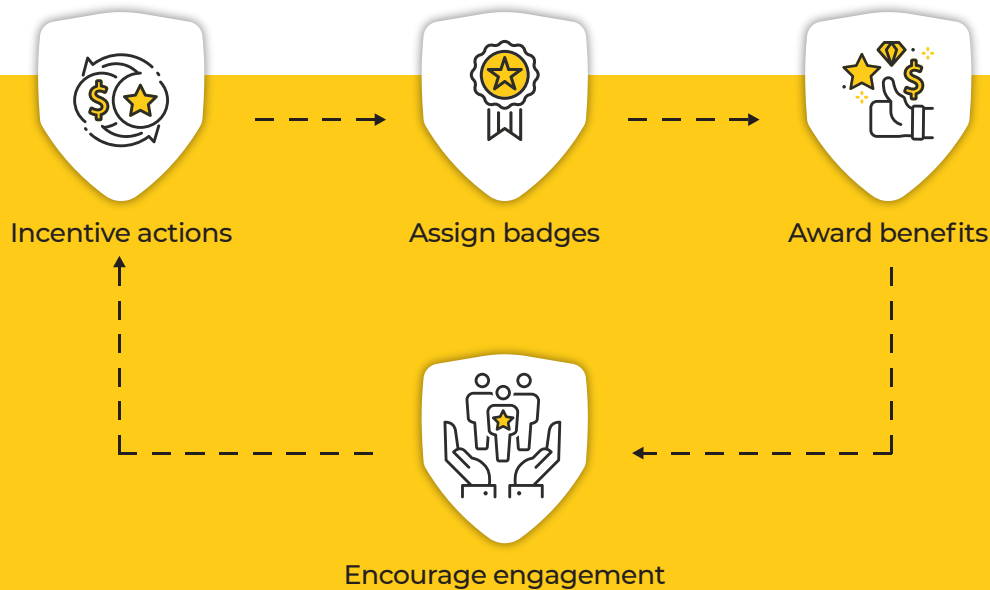
Who Is It For?

Brands selling **emotionally relatable products.**

Businesses, like clubs, focused on **community creation.**

Businesses that share the **same values** as their consumers.

BENEFITS

Encourage repetitive behaviour
Associate each challenge with a benefit. If members wish to continue their progress, they need to repeat certain actions, fostering the creation of a habit.

Engagement beyond transactions
Members can also be prompted to complete other engagement actions, such as social media sharing, content creation or other brand engagement.

Incentivize specific interactions
Since each challenge (or badge) is the result of a series of interactions, you can pick the ones that fit your business goals the best.

Gamified customer experience
By associating incentives with a challenge or a badge, customers have to complete a mission in order to unlock a benefit, just like in a game.

A safe choice to launch with
These programs encourage customers to follow your instructions in a fun way, without feeling restricted. Explore how members respond to incentives and use that valuable loyalty data later on.

Loyalty Communities – Target & Engage

Communities are smaller clubs within a club, or in this case in a loyalty program.
They are based on specific topics, interests, or values that are important to your members,
so you can strengthen your relationship with them.

Specific Interest / Lifestyle

COMMUNITY 1

Benefits and incentivised actions relevant to Community 1.

COMMUNITY 2

Benefits and incentivised actions relevant to Community 2.

COMMUNITY 3

Benefits and incentivised actions relevant to Community 3.

Who Is It For?

Businesses that wish to **strengthen their brand identity.**

Businesses that aim to **engage members** with **specific values.**

Businesses that want to foster a **sense of belonging** among customers.

BENEFITS

Reinforce other program types
Communities aren't standalone loyalty programs but are instead an add-on to enhance other program designs.

Add an unlimited number of communities
Provide each of your member segments with an experience that goes beyond transactions.

Connect with members via their interests
Communities can be centered around a popular product, a lifestyle or hobby, and even ethical values like sustainability.

Support brand building
Associate your brand with a sense of belonging by attracting consumers with specific interests.

Highly personalized experience
By targeting a smaller audience with a common interest you'll get to know your members better and be able to provide targeted offers.

Hybrid Loyalty Programs

A hybrid loyalty program merges two or more types of programs together, because mixing multiple elements is often the key to adapting a loyalty scheme that fits your business strategy.

A hybrid loyalty program mix that could be effective for a golf club might include:

Tier Based → **Perks** → **Communities**

Who Is It For?

Brands who want to **improve their KPI's.**

Businesses that believe in the importance of **aligning their brand with their loyalty program.**

Brands who seek to **match their loyalty program with their audience.**

BENEFITS

Select the best features & benefits for your members and for your business from each program type – Bypass the limitations of each type of loyalty program and reach your full potential.

Focus in on the most important KPI's – With a mixed program, you can easily drive commercial and non-commercial goals.

Cater to your target audience – Reach your audience more effectively by optimizing your loyalty program over time.

Connect with your member's values – Make a lasting impact by introducing features that support your brand's message.

Flexibility from the start – Play around with various elements from different program types and see what works.

LOYALTY PROGRAM BEST PRACTICES

Here are some features that can make your loyalty program truly enticing for your membership:

Brand your loyalty program with a hint of charm

The success of every member loyalty program lies in how attractive it appears to the membership. So go ahead, unleash your inner creative beast, and come up with a fun and engaging loyalty program concept. Offering something above and beyond just discounts will also help you differentiate your club and its various revenue centres from those of your competitors.

Here are the ingredients that can ensure a massive wow-factor:

- Come up with an enticing loyalty program name.

- Then do the same for the loyalty currency and the tiers, to stand out from the crowd.

- Lastly, come up with a core message for your loyalty program that focuses on something more human than monetary benefits.

Offer enticing rewards and capture their hearts

Despite the fact that discounts and special perks can't generate long-term loyalty engagement, they can still play an important role in getting members to sign up for your loyalty program. But once they've enrolled, you have the perfect opportunity to offer the following rewards which go far beyond monetary benefits:

- Experiential rewards

VIP events, personal shoppers, and branded and limited editions can create real excitement and show how much you care about your members.

- Charity rewards

Let your human side shine by letting members offer or exchange their points for a monetary donation to one of several charities within your community.

- Contests & Prize Wheel

Giving members a chance to win something creates buzz surrounding your loyalty program.

Build an emotional connection through Surprise & Delight

People are inherently curious and gravitate towards experiences that are about mystery and discovery. And when they aren't aware of a gift, receiving it for the first time yields an emotional high which they wish to experience again and again.

With Surprise & Delight, you can capitalize on this by rewarding members when they least expect it or when they complete hidden objectives that are important to your business.

Be present in their daily lives

If you wish to go beyond rewarding purchases and fight discount culture, then it's a great idea to engage members outside of the buying cycle.

Here are a few ideas to build advocacy based on shared values:

Track golfing activity:

Appreciate your member's passion for the game by rewarding them for how many hours they put in on the course and lesson tee. This might be possible by integrating smart technologies to track their usage.

Support brand values:

Show members you care and create a strong bond by offering points for sustainable behavior like donating clothes for a local charity, recycling certain materials or donating to your community's food bank.

Engage top members with VIP clubs:

Let us share a clever little "club-life" hack with you: members love exclusivity. The idea that they can get their hands on something that's off-limits for others makes them feel special. You can capitalize on this trend in various ways. If you have a tiered system, add one extra invitation-only tier at the top. Another approach is to create an inner circle (or special interest club) within the program.

DEVELOPING AND MEASURING YOUR LOYALTY PROGRAM

After setting up a loyalty program, you will then want to track how it affects your bottom line. There are many metrics that you could pay attention to and here we've highlighted three that we think are crucial:

Google Analytics

This tells you a lot about the conversion of your website visitors into loyalty members. It also helps you detect which touchpoints, ads or newsletters are most effective at getting members to engage. Compare the results, investigate the weak points, and optimize your loyalty strategy accordingly.

Member's Engagement Level

Once you have active members in your loyalty program, you'll want to know how many actions they take in your program. How many points have they earned? How many times did they return? How many rewards have they redeemed? Compare the results at regular intervals, investigate churn, and optimize where necessary.

Loyalty Driven Revenue

This is a metric that shows exactly how your loyalty program drives real profit. If members are able to redeem points at checkout for discounts, you can calculate how much revenue was generated thanks to the loyalty program.

Conclusion

So...there it is...GIG's Guide for Designing A Member Loyalty Program at Your Club!

Building loyalty in this day and age is more than just offering plastic cards and some points. Your loyalty strategy should be built around what you know about your members, so that you can reward them and incentivize new behaviors in the most effective and efficient way.

We really hope you find this guide useful. Loyalty programs are excellent member retention tools, and we would be thrilled to assist you going forward with building and launching your program in any way we can.

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