

MARKETING

Exit Lines

How to End Your Loyalty Program in Five Acts

BY RICK FERGUSON

As we come close to the end of our series on Loyalty Marketing 101, it seems fitting to talk about what to do when your grand loyalty strategy comes crashing down around your ears.

Let's face it: Sometimes things just don't work out. Even though you carefully planned and executed your loyalty program to the best of your ability, the results were disappointing. If the program isn't achieving the financial returns you want, then why are you still running it? It's time to get out.

But getting out of a tight situation is never as easy as getting into one. Theater directors who struggle with removing a body from center stage without bringing the curtain down have faced this challenge for centuries. Over the years, loyalty marketers have discovered that eliminating the remains of a loyalty program past its prime can be just as awkward. But it certainly doesn't have to be that way.

No matter why you decide to end a reward card program — whether because of design or execution flaws, changing



ILLUSTRATION BY RICCARDO STAMPATORI

strategic decisions or marketing alliances, or a regime change with philosophical differences, you have one single-minded objective: to discontinue the program at minimum expense without alienating current members. And that means planning exit assumptions into your program from the beginning. This is especially important because a loyalty program with hard benefits or rewards (involving the transfer of something with financial value) constitutes a binding contract, making your program commitment not only ethical but also legal. With that understanding, here's a short five-act playbook you can use to end your program effectively.



Act I: Provide Trapdoors

A good loyalty program, like professional stage construction, should

include trapdoors to provide an easy exit when it's time to say goodbye. There are several ways to do this without offending your members.

- ▶ Establish a definite time limit for the program. Write it into the rules, but don't emphasize it. You can always extend it year to year unless and until you decide to end the program.
- ▶ Define the lifetime of a point so you can manage your liability. Be reasonable but not overly generous. If the program funding rate allows higher-value cardholders to accumulate and redeem meaningful rewards within 12 months, give points an 18-month life — sufficient time for every member to prove his commitment to the program and his earning power. Provide an automatic extension of point life contingent on some minimum necessary purchase threshold. This threshold allows active

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members to continue to accumulate, but permits you to wipe out unredeemed points in the hands of marginal members.

- ▶ Eliminate marginal members by establishing activity thresholds for maintaining memberships. Here again, it's important to be reasonable without being overly generous. Customers who have had no purchase activity for a defined period of time — typically one year or a consecutive 12-month period — can safely be designated as lapsed, and their membership benefits, including accumulated points, can be made to expire.
- ▶ Maintain sufficient reserves to support aggressive redemption in the event of program cancellation. Different rules and funding rates create different final redemption rates, but when you announce the end of a program, a run on the bank is almost unavoidable. Be prepared from the beginning for this eventuality. And when you estimate breakage, don't mistake hope for judgment.



Act II: Timing Counts

Before you kill the program, you have to inform members about its upcoming termination. And you have to do this early, because they don't want to feel rushed.

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Timing is a function of fairness and strategy. Good cardholders deserve your respect and sensitivity to the commitment they have made to the relationship embodied in the program. Give them adequate warning to allow plenty of time to earn and redeem rewards consistent with the spirit of your brand. Be sure to allow for the flurry of activity you'll experience as customers communicate with the program far more intensively than they have in the past. Consider, too, the strain your program partners will feel as members rush to earn and redeem as many points as possible before the curtain draws.



Act III: Give Stage Directions

We all have a tendency to communicate least when communication is most vital.

How you communicate the end of a program is every bit as important as when. Rather than leave your members with a bad impression by turning off the lights while they're still standing, it's important to relay clear, precise information about the program's future. Use all the communications channels at your disposal to carry your message. Cite program rules, which provide for the termination of the program, and emphasize your intention to continue to recognize and reward good members in the future. Don't apologize or offer rationalizations. Just concentrate on the facts.



Act IV: Throw Roses

Be generous. It's not the member's fault that

the program is ending. Instead, turn the negative challenge into a positive opportunity to reinforce your relationship with members by giving them a gift. Give a small token of appreciation — maybe a coupon or discount, either to all cardholders or to a select group. Round up everybody's equity to the next possible award. Alternatively, tier the rounding, so that the lower tiers with few points can round up to get something out of the program.



Act V: Encore

Should you find yourself in the strange position of having announced the end of your program, only to have a change of heart due to some sudden change in market conditions, resist that instinct. Chances are customers will be less confused and more responsive to an entirely new program, with new rules, a fresh theme and revised benefits. You will be back, and cardholders who appreciate the honesty and integrity with which you ended your program will be back for the next iteration of your customer loyalty strategy.

To coin a phrase, all good things do come to an end. So, inevitably, will today's version of your loyalty strategy. The time to plan your exit strategy is not when the end is near, but rather when you design and launch your program. Plan for all eventualities, and include those considerations in your script. There's no reason why the loyalty your program creates among your members can't carry on beyond the program's life — much like the smiles the audience takes away when the curtain descends on a satisfying performance. ◉



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