

INNOVATIVE CUSTOMER LOYALTY PROGRAMS

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Abstract: Currently, the vast majority of demanding consumers has tired of monotonous bonuses and benefits companies. Today innovations play an important role in all areas of our lives. And marketing is not an exception. So, the marketers make innovative and personalized solutions to create loyal customers. In this connection, in the present conditions the development of innovative customer loyalty program is one of the priorities of any company.

Keywords: Innovative customer loyalty programs, loyalty programs, loyalty, innovation

Loyalty programs have been around for hundreds of years. It first started in 1793 when a US merchant gave out copper tokens which could be collected and exchanged for items in his store. 2 centuries later, the circumstances have changed, but the principles of having loyalty programs still remain- to achieve customer retention and encourage repeat purchases.

Loyalty program is a marketing effort by the merchant to keep customers loyal to their stores. Sharp and Sharp define loyalty programs as structured marketing efforts that reward, and therefore encourage, loyal behavior (of the customer), for the benefit of the merchant. The objective of a customer loyalty program is to keep existing customer and to increase their repeat-purchase loyalty, in contrast to other marketing activities on winning new customers. The loyalty program tries to minimize the chance the customers would switch to another competing products or services. Loyalty programs are increasingly used by companies to maintain existing customers and develop relationships with them. Loyalty programs are used as an integral part of the overall strategy of the firm for promotion and customer engagement, in order to maximize profits.

But one simply rewards an organic purchase while another drives an incremental purchase volume.

The most common type of loyalty program (and a mistake in my opinion) simply rewards organic purchase patterns. Meaning, they would have made the purchase even without the incentive offer.

The second type of loyalty program drives incremental purchase beyond what they normally would have done. For example, Amazon Prime. It is a really good example of a loyalty program that drives incremental purchase behavior. Beyond the shipping promos, they've been rolling out free digital content to Amazon Prime customers, and it is costing them money in the short term, but per this WSJ article, the estimated long-term spend by Prime customers triple to \$1,500 per year which is quite a significant amount. Customers have to pay to be in the program. They pay \$79 and that amount is high enough that they're not going to forget about it. By putting the customer's skin in the loyalty program by charging an entry fee, Amazon has raised awareness high in customer's mind, and you can be sure that the next time that customer is looking for an online purchase, the first first place that they'll go will be Amazon. They've got to get their money's worth! You drive incremental volume of purchase - not just dollar volume, but behavioral volume. Because customers have made an upfront dollar commitment to be in the loyalty program, it lowers the "friction" during purchase consideration cycle. Meaning, if they like something, shipping cost is no longer a factor (and they get express shipping automatically to boot), only the product choice enters into their mind. And Amazon is smart to keep adding new freebies for the Prime customers such as digital content. This means that customers will continue to see the cost/benefit equation to be in their favor, regardless of whether they actually make use of the free digital content.

Currently, the vast majority of demanding consumers has tired of monotonous bonuses and benefits companies. Today innovations play an important role in all areas of our lives. And marketing is not an exception. So, the marketers make innovative and personalized solutions to create loyal customers. In this connection, in the present conditions the development of innovative customer loyalty program is one of the priorities of any company.

Company offering to the clients the privilege of high-value, is more high efficiency.

By innovative customer loyalty programs include: individual and coalition loyalty programs, price and non-price customer loyalty programs, direct and indirect customer loyalty programs, indoor and outdoor customer loyalty programs.

The advantage of the price loyalty programs is that they can be efficiently organized in a simple and accessible way. To the weak sides of the price loyalty should include a short-term nature of their effect.

The very popular example of innovative customer loyalty program is MUMBAI / MUNICH– Europe's largest loyalty programme expands to India: In a strategic investment, PAYBACK has taken over a controlling stake in i-mint, India's leading loyalty programme. Both companies team up for joint success in one of the world's most rapidly growing consumer markets. The i-mint multi-partner programme has become India's largest loyalty programme since its launch in June 2006 and continues to show strong, sustained growth. The portfolio of around 1,500 business partners features well-known brands and companies throughout India. These include ICICI Bank, service station chain HPCL, Air India, textile group Welspun and India's most successful electrical and music store Music World. Over 9.5 million members currently use the scheme and enjoy i-mint benefits. Sales made using i-mint cards totalled EUR 2.1 billion in 2009.

Thus, the use of modern innovative customer loyalty programs is an important step in the development of the company. In this case, the use of modern technologies for customer loyalty programs are not enough to make a loyal customer, you must first create customer confidence that in the future will ensure his loyalty. And the innovative ideas make the company and its proposed products or services unique.

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