Failures in Customer Loyalty Programs & How to Solve Them
There's no single factor more important to your business' success than customer loyalty. Customers want to be loyal to a single business, and businesses in the same industry are constantly competing for the same customer base. Accordingly, loyalty programs are now so commonplace that customers simply expect them. They're a must-have for all kinds of businesses, including small retailers and restaurants.

Loyalty programs aren't just for industry giants anymore — although giants such as Starbucks still report monster growth, including a 32 percent increase in funds loaded on loyalty cards. In fact, small businesses need loyalty programs more than ever, as customers place increasing importance on being loyal to local businesses. A joint study by BIA/Kelsey and Manta found that 64 percent of small businesses with loyalty programs reported net gains directly attributable to the program's implementation. The same study found that repeat customers spend 67 percent more per transaction than non-repeat customers. The importance of keeping your customers coming back is clear.

So what do your customers want from a loyalty program? More than anything, they want to be understood. A survey from SAS found that 60 percent of customers want businesses to predict their wants and know their needs. The right loyalty program lets you deliver what the customer wants in the form of ongoing incremental value, and also tracks customer purchase data to help you understand your customers both as a whole and individually.

“The single most important thing you can do for your business is to get to work building true customer loyalty, one customer at a time.”

— Micah Solomon, customer service expert
The Shortcomings of Failed Loyalty Programs

At first glance, it’s a challenge to run a customer loyalty program that meets all of your customers’ expectations and benefits your bottom line. Most existing loyalty programs fail to meet either objective, sharing one or more shortcomings. Address these issues before they become a problem, and you’ll be on your way to building a base of loyal customers.

Too Complicated to Understand at a Glance

Avoid overcomplicating your loyalty program, which makes it difficult for your customers to keep track of their rewards. Whether you choose to go with dollar rewards (we recommend dollar-based discounts) or free merchandise, make sure it is clear to the customer what their goal is.

The quicker and easier your customer can learn the loyalty program, sign up and start earning rewards, the better. Complicating the process only serves to turn customers off, as they lose interest as soon as the program seems like too much effort. For some customers, getting issued a loyalty card (which they presumably need to carry around) may be enough to turn them off. Keep it simple and make it obvious why your customer signed up and what they’re going to get out of the deal.
One of the top reasons that loyalty programs fail is that customers perceive the rewards as too difficult to earn, causing them to favor a competitor with an easier rewards system. Instead of having a high bar that requires many visits to earn, offer achievable rewards that your customers can earn frequently.

For instance, offer a small reward--maybe enough for a free cup of coffee--when the customer spends just $25 at your store. Some of your biggest spenders might earn a small reward on nearly every visit, but that just serves to increase their satisfaction and frequency of visits. The quicker and easier your customers can earn rewards, the more likely that they’ll keep coming back and utilizing your loyalty program.

For a loyalty program to work, your customers need to know that it exists. A loyalty program that no one knows about is an instant failure.

Your staff is your greatest asset here, because they interact with customers on a constant basis and (should) know the loyalty program inside and out. Be sure that your cashiers are acting as ambassadors by asking customers if they want to sign up for the loyalty program and describing the benefits accurately.

It also helps if your customers are made aware of your loyalty program upon their first visit or purchase. Make your loyalty program visible with signage at your registers and windows, during the checkout process on a customer-facing screen, or advertised on the customer receipt.

Finally, promote your loyalty program on social media. If you use an mPOS, then you can use its social media integration to seamlessly share concise, enticing posts about your program. It’s likely that the customers who are most interested in becoming loyalty members are already following your brand on Facebook, Twitter, Instagram or elsewhere. These are the low-hanging fruit, so capitalize on their engagement.
Consumers take their smartphones with them everywhere they go, so make sure your loyalty program interacts with them electronically. Mobile apps for tracking rewards sound great, but most consumers suffer from app overload and don’t want yet another one on their home screen. As an alternative, send emailed receipts with reward balances prominently displayed so your customer can instantly pull up their reward balance without navigating to a web page or launching a mobile app.

Automated reward tracking allows you to ditch archaic methods of keeping track of rewards, such as punch cards or keychain tags. Instead, let your mPOS system track customers by their credit cards or phone numbers, taking the burden off the cashier (who might forget to ask) and the customer.

Having an automated loyalty program that interacts with customers electronically allows them to quickly check their progress toward rewards. This saves valuable time at the register, cutting your wait times and letting your customers manage their loyalty information at their leisure.

Poor Online Experience—or None at All

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No Communication with Your Customers

All loyalty programs evolve and change with their parent company, so keep your most loyal customers in the loop.

Most loyalty program sign-up processes collect an e-mail address from each customer who joins, so use that information to maintain communication with the customers who make your brand what it is. Any time your brand or products go through a change, or you have new hours or a holiday schedule, update your loyalty program members via email and social media.
Not Enough Data Focus

While the main focus of your customer loyalty program is to encourage repeat visits, it’s a huge mistake to implement such a program and waste a prime opportunity for data collection. Hopefully you’re already maintaining a database full of customer information, including ordering habits, all of which your mPOS system captures for you automatically at transaction.

Taking advantage of that information gives you an immediate look into customers’ likes and dislikes on your menu, as well as peak and slow sales times. Leverage this information to your advantage and increase sales with targeted specials. Adapt and improve your menu and special offers to suit your market’s taste.

At the same time, keep tweaking your loyalty program to reflect what your data analysis has taught you. If you know that a large number of customers consistently spend $20 per month but rarely $50, consider altering your reward threshold to hand out more rewards (with a lower value per reward). With the right data to back up your decisions, your loyalty program, products, and brand will continuously evolve and improve.

Why this matters

Your competition is likely offering customer rewards today, or planning to do so in the near future. Launching the right loyalty program at your business will keep you ahead of the competition and help you retain your best customers. Better yet, you may well see a meaningful bump in revenue from your loyalty program. Consider Main Street Coffee in Indiana. In the three months after launching Instore Rewards, their Net Sales grew 12% over the previous three months. Five months after launch, Net Sales were 19% higher than the previous year. That kind of growth makes a real difference for most retailers.
Winning Over Loyal Customers

If you make an effort to understand your customer and provide them with the quality of experience that they expect, then you’re already on your way to overcoming the most common failures in customer loyalty programs.

Once you’ve done the legwork and learned your customer’s needs and expectations, implement a seamless loyalty program that reminds your customers why they’ve chosen your brand. Thank them the way they want to be thanked, and realize the rewards of a loyal customer base.

Instore is an iPad point of sale solution, simpler by design. Loved by restaurants, cafes, and other small businesses, we offer a flexible all-in-one solution for managing employee scheduling and payroll, inventory and purchases, loyalty programs; and gift cards.