



We Share Our Knowledge

Article no. 10

**Loyalty Programs in the Cellular
Communication Sector -
Measurable Success**

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1. Background

This article will describe the purpose of establishing a loyalty program for cellular customers, and present methods of designing a loyalty program, its efficiency and the ensuing ROI.

2. A General Review

The different forms of applying loyalty programs enable accurate tracking of customer behavior using focus groups and monitoring systems.

Comparing customers included in the program with other customers who were not offered membership in said program, enables us to accurately assess the financial ramifications of the loyalty program.

The program chosen to be presented here is not advertised in traditional channels, except for direct mail sent to certain customers. As a result, the market becomes a perfect domain for "blind testing" the loyalty program's efficiency.

From data collected about similar loyalty programs in the international cellular market, it appears that customers who belong to such programs spend an average of 35% more than customers who did not subscribe to loyalty program.

After calculating the net revenues, it appears that the loyalty program generated an ROI (Return on Investment) of 252% per annum in each year reviewed, and that the ROI for 20% of the most "squandering" customers was 665% on average.

It is important to know that enhancing customer profitability derives from both reducing customer abandonment and an increase in customer expenditure.

3. The Marketing Contact with the Customer

Customers randomly chosen to be included in the loyalty program received a pre-assembled joining package, that included a personal letter and a program brochure describing how the program works, and detailing more than 100 "standard benefits".

Additionally, new members received, on average, 3 program updates, in the span of one year. These updates featured 15-18 "special benefits", and every subscriber was offered such benefits in a limited amount, provided he has accumulated a sizeable amount of credits.

"Special Benefits" are perks and incentives designed especially in order to motivate subscribers to become involved in the program, and to create loyalty while strictly adhering to the Surprise and Delight rule.

Initially, subscribers were offered special benefits and bonuses on "first come, first serve" basis. As the program progressed, new, more comprehensive methods to allocate perks and benefits were implemented, including silent auctions and random raffles.

The updates were upgraded and sent using the economical self mailing method, while incorporating bonus deals and detailing credit status. These updates did not require self addressed envelopes, as they were already personalized per subscriber.

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4. The Program's Website

About a year after first launching the program, a program website was introduced, offering subscribers a variety of functions, such as reviewing credit status, converting credits, browsing the different categories of standard benefits, contacting program supervisors, presenting questions, receiving answers via email, participating in random raffles for special benefits, etc. All of these can be done online, while browsing the website.

Additionally, the homepage featured a variety of occasional benefits that are continuously changing, in order to motivate subscribers to return to the website.

One year after launching the website, more than 32% of benefit cashing, previously done over the phone, were now done online, thus significantly reducing program operational costs.

5. What Makes the Program Work?

The loyalty program was always meant to have a great influence on customers and marketing activities. Every new subscriber received a personal letter and a lavish joining package, detailing all the benefits and rewards the program offered, including many perks and benefits specifically tailored according to the customer's areas of interests, for the market in which the cellular company operates, and for the other subscribers in the program, such as: family discounts for different activities (museums etc.), jerseys of a favorite team for the sports fans in the group, tickets to concerts, shows, movies, etc. Subscribers who liked restaurants were able to receive discounts in a list of leading restaurants.

A vast variety of cellular and communication services were also offered, including airtime, cellular internet browsing, downloads, accessories, etc., all presented as perks to subscribers.

Another crucial element of planning a successful loyalty program is the "special benefits" offered to subscribers, initially via periodical mail, and later on the program's website.

Special perks and benefits that are otherwise unattainable, such as courtside tickets for a game of the preferred basketball team and a post-game meeting with the coach, a backstage pass to a concert of the preferred singer/band, front row theatre tickets, etc. – those and more are unique opportunities, offered as special benefits on a one-time-only basis.

Another exclusive feature of the loyalty program is the ability to win additional credits through other program subscribers. When a subscriber uses services offered to him by another subscriber, the latter will win additional credits, essentially funded by the former.

6. Conclusion

Loyalty programs are in no way a new marketing method, and even in Israel, we are observing the growing number of program subscribers in certain sectors. However, to the best of our knowledge, all of the Israeli cellular companies have yet to incorporate such programs in their customer retention and market share enhancement strategies.

We know that in the past some attempts were made to instill such programs, but we should mention that a successful loyalty program is measured by the ROI, and not by the number of its subscribers or the popularity of its offered benefits. Consequently, it's a fine line between a successful program and a failed one.

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About Synergy

Synergy is an international consulting company, specializing in Analytical CRM solutions.

Synergy offers marketing oriented business ventures, formed by a team of leading local and international industry experts.

Synergy aims to provide its customers with the ability of acquiring commercial advantages by informative analysis of their customers' shopping data.

Synergy has vast experience in working with leading commercial organizations, both locally and internationally, and its clientele includes foremost industry leaders in the communications, financial and retail fields.

For more information, visit our website at: www.il-synergy.com, or email us at: info@il-synergy.com.

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