



# Pricing Your Loyalty Program



## Loyalty program or loyalty scheme?

In the domains of marketing, customer relationship management, and pricing, the terms "loyalty program" and "loyalty scheme" are often used interchangeably, but they refer to distinct approaches.

A "loyalty program" typically refers to transactional reward systems, where customers accumulate points or discounts by making purchases, while a "loyalty scheme" transcends these immediate rewards. It encompasses a broader set of strategies aimed at establishing a lasting relationship between customers and the brand, creating an emotional connection based on trust, satisfaction, and exceptional customer experience.

This dossier explores the subtle art of customer loyalty, highlighting the crucial importance of pricing strategies in building sustainable and mutually beneficial customer loyalty.

## The most common types of loyalty programs

<b>Points</b>	Loyalty programs based on a points system are among the most common. In this model, customers accumulate points with each purchase, creating a system of tangible rewards. These points can be redeemed for a variety of rewards, such as discounts on future purchases, free products, or exclusive benefits. This system provides customers with a sense of instant gratification while also incentivizing them to remain loyal to the brand to accumulate more points and enjoy more substantial rewards.
<b>Discounts</b>	Loyalty programs based on discounts offer customers a percentage of their purchases in the form of vouchers or cashback. These credits can be redeemed for future purchases at the store, providing customers with a direct financial incentive for their loyalty. This model creates a cycle of continuous purchasing, as customers are motivated to return to use their accumulated discounts, thus fostering long-term loyalty to the brand.
<b>Tiers</b>	Loyalty programs based on tiers categorize customers into different tiers based on their level of engagement or spending. Each tier offers progressive benefits, such as higher discounts, exclusive access to products or services, or dedicated customer service. This strategy encourages customers to increase their engagement to access more attractive benefits, creating a natural incentive for loyalty. The tiers provide a personalized customer experience, thereby strengthening the emotional connection with the brand and fostering long-term retention.
<b>Exclusive benefits</b>	In this loyalty model, customers are pampered with a range of exclusive benefits. This may include special offers reserved for loyal members, invitations to private events, early access to new products, or personalized services. These special perks provide a sense of appreciation and exclusivity to loyal customers, thereby strengthening their commitment to the brand. Access to reserved services or products creates a sense of belonging, encouraging customers to remain loyal to continue enjoying these unique privileges.
<b>Partnerships</b>	Loyalty programs based on partnerships involve the brand teaming up with other businesses to offer additional rewards to loyal customers. For instance, customers may earn points in a loyalty program that can then be redeemed for products or services from partners. This collaboration expands the rewards options, providing customers with a variety of experiences and products. Additionally, in some cases, partners may be willing to pay or provide significant benefits to access a network of highly qualified potential consumers, thus creating a mutually beneficial relationship between the involved businesses and loyal customers.

### 1. Reward personalization: a delicate pricing approach

One of the keys to making a loyalty program effective lies in the personalization of rewards. Here, pricing plays an essential role. By identifying the most popular products or services and offering discounts or special benefits at attractive rates, you can encourage customers to opt for these choices while ensuring a steady revenue stream for your business.

### 2. Creating a sense of exclusivity: pricing as a prestige lever

Customers love to feel special. By using pricing strategies, you can create a sense of exclusivity around the benefits offered as part of the loyalty program. Lower prices for members, exclusive offers, and exclusive products or services help strengthen the emotional bond between the customer and the brand, thus encouraging long-term loyalty.

### 3. Points and discounts: maximizing perceived value

Programs based on points or discounts require careful pricing consideration. Points should be redeemable for real rewards while ensuring profitability for each transaction. Discounts should be attractive enough to incentivize purchases but not too high to jeopardize profit margins. Striking the perfect balance is a delicate dance that only well-calculated pricing can accomplish.

#### In conclusion

Successful loyalty programs are masterpieces in the world of pricing. They create harmony between the value perceived by the customer and the profitability of the business.

By understanding the intricacies of pricing, companies can not only retain their existing customers but also attract new enthusiasts. Smart pricing strategies are not just financial tools; they are architects of lasting customer relationships, thus laying the foundations for long-term prosperity for any visionary business. ■



## The rise of loyalty programs in airport terminals

In the bustling world of air travel, airports are transforming into dynamic shopping centers, offering much more than just waiting rooms and security checkpoints. An emerging trend gaining ground in the airport industry is the introduction of loyalty programs by airports and duty-free companies.

These programs not only reward purchases but also provide a personalized and rewarding travel experience for frequent flyers. Airports and duty-free retailers have embraced this loyalty strategy and use it as a tool to transform the traveler experience.

#### The rise of airport shopping

Modern airports are much more than transit points. They have become shopping destinations in their own right, offering a variety of luxury boutiques, international brands, and duty-free products. Travelers have access to a wide range of products, from fashion to electronics, perfumes, and spirits. This diversity provides airports with fertile ground to launch loyalty programs, thereby transforming routine shopping into memorable experiences.

#### The personalized customer experience

Airport loyalty programs go beyond discounts and points. They also offer tailored experiences. Exclusive benefits such as access to VIP lounges, personalized concierge services, and special offers for VIP members enhance the journey of loyal customers.

These personalized perks create a unique airport shopping experience, encouraging travelers to favor these commercial spaces.

#### The influence of frequent travelers

Frequent travelers are a driving force behind the rise of airport loyalty programs. These loyalty programs offer them not only rewards for purchases but also useful benefits such as priority queues, home delivery services, and online product reservations.

For regular travelers, these benefits make shopping easier and streamline their journey through the airport, making the overall experience more enjoyable and competitive compared to competing intermodal platforms.

#### Conclusion

The advent of loyalty programs in airports and duty-free shops represents a major revolution in the travel landscape. These programs are no longer just marketing tools but have evolved into strategic means of forging deep and lasting connections with customers.

By offering exclusive benefits, highly personalized customer experiences, and irresistible rewards, airports and duty-free companies are not just selling products; they are creating an exceptional shopping destination for savvy travelers.

Beyond the relational aspect, these loyalty programs reveal crucial pricing issues. Pricing products in airport retail spaces must not only attract customers but also maximize profit margins. It's a delicate balance between offering competitive prices to entice travelers while preserving the profitability of merchants and airports. ■