



# Loyalty Programs to Increase Client Retention

by Dori Soukup

In the early 1980s, American Airlines' goal was to increase retention and provide their clients with something extra special. The airline created the first frequent flyer program that allowed travelers to accrue miles and gain benefits as long as they were flying with American.

American Airlines was one of the first companies to offer a customer loyalty program in the country. It set the standards for the entire industry.

Since then, loyalty programs have gained significant popularity. According to a recent study, companies

spend more than \$3 billion on loyalty programs per year. Statistics show the average American household belongs to about 16 different rewards programs.

If you want to increase your guest retention rate, it's your turn to offer your clients a loyalty program that will reward them and keep them coming back.

## **What type of loyalty program should you offer?**

There are several types of programs to offer consumers and no matter which

one you choose, it's important to keep it simple. Below are two of the most effective loyalty programs:

**A** Charge a fee to join the loyalty program. For example, Barnes & Noble charges its clients \$25 to join its loyalty program. Then, its members can save 10% on their purchases the entire year. For a person like me who frequents Barnes & Noble weekly, this type of program provides great benefits. The savings at the end of the year are significant. This program keeps me loyal to Barnes & Noble and it's worth it to pay the \$25 to join. You can do the same, but I recommend you charge more. For example, you can charge \$150 to join, but give them a lot of value indicating that they are almost joining for free. Example:

- Two \$25 gift cards – to be utilized one at a time
- A complimentary consultation – value of \$50
- A complimentary makeover – value of \$50
- A loyalty welcome kit
- 5% to 10% off toward every spa visit and/or retail purchase

You are giving them the \$150 enrollment back in value. This allows you to raise cash flow and encourage the new member to visit the spa or medi spa on a regular basis.

**B** The second option is to offer clients to join free and earn points for every visit. You can reward them by earning 1 point for every dollar they spend. Once they reach a certain amount of points, they can redeem their points toward gifts, services or products.

Select gift items that you can brand with your logo such as robes, T-shirts, hats and water bottles, all with your logo on it. This method has many benefits:

1. Provides your loyal clients with desirable, quality gifts
2. Branded gifts are a great way to promote your business
3. Shows a higher perceived retail value while reducing your loyalty cost
4. Saves money and increases retention!

The point system also can be used as a marketing tool. If you have some slow slots within your schedule, you can reward your clients with double points on slow days or hours. Instead of offering discounts, offer double points for promotions. You can ask your clients to write reviews to earn points. Or “Like” your Facebook page to earn points, and so on.

#### **Program Management**

One very important factor to keep in mind is how well you manage the program. If you launch a loyalty program and you don't keep your clients engaged and excited about it, they will lose interest and won't see the value in it. Therefore, their loyalty may go to another place. Also, you want to make sure you have a great software program to track all activities.

How it Works: Points accumulate over the course of the year from purchases the loyal member makes and they can redeem their points at any time!

Clients can receive points for services, retail, referring a friend, or pre-booking their next appointment. You can use the loyalty program as incentive instead of discounting your prices!

Many spas and medi spas do not offer loyalty programs. Instead, they are stuck on offering discounts and doing LivingSocial and Groupon. Those types of marketing strategies are far more expensive and attract non-loyal clientele, where if they would offer a loyalty program, they would be attracting the right person who would be loyal.

#### **Tools needed for your loyalty program**

Make your loyalty program super special from the beginning. Once a new person joins your loyalty program, they should receive a welcome gift containing:

- A VIP card
- A VIP T-shirt with your logo on it
- Your spa or medi spa menu
- Most frequently asked questions
- A referral card to pass on to others
- Product samples from your brands
- Your brochure or flyer with gifts they can claim with their points

Offering a loyalty program gives you a great opportunity to increase retention, promote your business and recognize your VIP clients with special value while motivating them to keep doing business with you.

Implement a loyalty program and increase your guest retention!



*Dori Soukup  
Author, Speaker, Business advisor,  
founder of InSPAration Management.  
For assistance, call 386-226-2550  
or write to  
Info@InSPArationManagement.com*

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