



Redesigning Eastbay's Loyalty Program

Project Sponsor

Eastbay

Authors

Ciara Poolman

Liz Neary

Predeep Ravichandran

December 2013

Executive Summary

Loyalty programs have become key assets for companies to help differentiate from competitors. The advent of information technology has made the decision making process of the customers more informed and this has resulted in companies paying more attention to customer service in addition to customer patronage rewarding systems. Loyalty programs have three main purposes namely; acquiring new customers, retaining existing customers and being ahead of competitors.

In understanding the value of the loyalty program and its structure a lot of industry data was researched. It was found that there is a rapid growth in the loyalty program memberships but an even more increase in the decline of these memberships being renewed further. An average US household will redeem only one third of the rewards it earns and businesses spend more money on acquiring new customers than existing ones. This therefore underlines the significance of an effective loyalty program.

The aim of this project is to develop a new loyalty program for Eastbay replacing its existing one. There are three basic approaches to loyalty programs: credit card rewards, rewards card that offers point based or monetary incentive and a paid loyalty program. The approach taken was by assessing the industry benchmarks of loyalty programs and performing a competitive analysis of 38 different companies belonging to 8 different industries. The strengths and weaknesses of these programs were evaluated and based on the needs and requirements of Eastbay, two programs i.e. point based system and tiered based system were developed. The point based system involves gamification and was modeled after the Zumiez' loyalty program. This system is more customer interactive where points are accumulated through constant interaction with the program through different methods. The tiered approach uses 3 tiers that customers have to work through and the tier in which the customer is positioned depends on the amount of purchases that he has made in a specific amount of time. Some of the leading customer engagement platforms such as Omni-channel marketing, social media and gamification were researched and the most relevant were incorporated in the model recommended to Eastbay.

It is recommended that Eastbay adopted the point-based model as it would be best suited to Eastbay's needs and would be more related to Eastbay's target customer market. Eastbay should spend more effort and money on promoting their program during the initial stages and shift gears towards sustaining the program through more effective customer care and engagement after the program's inception. The online content on Eastbay's website should be leveraged to the maximum in order to make the loyalty program successful.

In addition to the loyalty program design and structure, the program launch phase is also important to ensure success. Key metrics and benchmarks need to be established to help continuously improve the program. In this regard several service providers were studied through the Forrester Wave research. The top ranked providers in customer loyalty programs in 2013 provided services in data analytics, CRM, loyalty program design and fulfillment. Eastbay needs to do an in-depth evaluation of these vendors to determine which of these vendors would be best suited to develop and manage a points-based loyalty program.

Table of Contents

- 1 Introduction 1**
 - 1.1 Project Background & Motivation 1
 - 1.2 Project Objectives 1
- 2 Loyalty Program Market 1**
 - 2.1 Anatomy of a Successful Loyalty Program 3
- 3 Current Eastbay Loyalty Club 4**
- 4 Competitive Analysis 5**
 - 4.1 Program Foundation 6
 - 4.2 Loyalty Program Attributes 6
 - 4.3 Road to Rewards 7
- 5 Program Innovation and Customer Engagement 19**
 - 5.1 Partnership 19
 - 5.2 Omnichannel Marketing 20
 - 5.3 Mobile Platforms 20
 - 5.4 Social Media 21
 - 5.5 Gamification 21
- 6 Eastbay Assets 22**
 - 6.1 Content 22
 - 6.2 Monetary 24
- 7 Eastbay Loyalty Program Design 25**
 - 7.1 Tiered Approach 25
 - 7.2 Points Based Approach 26
- 8 Program Launch 31**
 - 8.1 Customer Care - Loyalty Program Management 31
 - 8.2 Service Providers 31
 - 8.3 Technology 33
 - 8.4 Platform Providers 33
 - 8.5 Marketing 33
 - 8.6 Financials 33
 - 8.7 Regulatory considerations 35
 - 8.8 Measuring effectiveness of the Program 35
- 9 Conclusion 36**
- Appendix A 37**
- Appendix B 38**
- Appendix C 39**
- Appendix D 40**
- Appendix E 41**
- Bibliography 42**