



Ways to Convert Loyalty Programs to Customer Loyalty

marketing competition customer retention

Summary: Customer rewards programs matter. Converting loyalty programs to loyal customers necessitates simplicity, creative thinking, and ongoing awards. Anything short of this will leave customers flat and see them jump ship for other financial institutions with more appealing rewards programs.

When Miguel Guzmán passed away in 2006, his loss was devastating to the Argentinian man's dog Capitan. Though Guzmán passed away in a different city from where he resided with Capitan, the dog tracked the scent of his owner to where he was buried. When repeated attempts by Guzmán's wife to bring the dog back home failed, he was allowed to live in the cemetery, where caretakers and a local veterinarian fed him and took care of his needs.

As community financial institutions (CFIs) strive to create loyalty among their customers, most would do anything for just a smidgen of Capitan's commitment to Guzmán. One way that CFIs can create loyalty among customers is by designing rewards programs that incentivize more than just short-term benefits for participation.

A Desire to be Rewarded

Short-term loyalty programs have long been popular within the financial industry. These programs reward customers with benefits such as cash payments in exchange for opening a new account, or for recommending new customers who do so. The problem is, once people receive these payments, there is nothing to incentivize them to stick around for the long term.

At the same time, customers love rewards programs — so much so that a recent survey from rewards program provider Wildfire Systems found that for 80% of financial customers, [cashback rewards programs are a major determinant](#) for which financial institutions they choose. Additionally, 78% of customers prefer cash back over other types of rewards, with 63% of people believing that they should receive rewards for their credit card purchases and 35% expecting the same for using their debit cards. The key is finding the right type of rewards program to keep customers in it for the long haul.

Going the Distance

Setting up rewards programs that translate to long-term loyalty requires ongoing incentives for customers to choose your institution especially when your competitors are also offering rewards programs. The key is to keep things simple and figure out how to create an attachment for customers.

Loyalty programs that are complicated, or that require customers to track the accumulation and eligibility for their own points, are likely to be thrown over in favor of programs that are simple to use and self-contained within your organization's mobile app. According to "The Truth About Customer Loyalty," a report from KPMG, [61% of consumers find rewards programs too complicated](#). When everything is neatly contained within an app that customers already use regularly, there is a better chance that they will buy into your program.

Long-Term Loyalty

Rewards programs should offer ongoing benefits that are triggered by a customer's loyalty to your CFI, such as regular debit card or institution-branded credit card use, or awards given at date-based intervals such as annual and bi-annual anniversaries from the date a customer opened an account.

For instance, [Citibank's ThankYou Rewards program](#) received the highest customer satisfaction rating in J.D. Powers' 2020 customer satisfaction survey. Citi's loyalty program is points-based, where customers can earn points by enrolling in products ranging from a credit card or checking account, to personal loans. These points can be redeemed for cash back and applied toward merchandise at major retailers such as Amazon or Best Buy, or turned in for gift cards to hotels, restaurants, airlines, and countless retailers.

Keeping things fresh and innovative is also important. KPMG found that roughly half of consumers believe organizations with rewards programs should constantly add new types of rewards for members. Beyond cash incentives, one approach that some organizations outside the financial industry have used is to award digital assets, such as:

- NFTs
- Points that can be converted to minor shares of stock in your institution
- Presale codes to big events, such as concerts
- Early access to new products
- Discounts or extra cash back at particular websites

Offering ongoing reward possibilities, versus one-time payouts that disappear early on in the customer relationship, is the best way to keep customers engaged in your organization and turn them into advocates for your brand. While the suggestions above aren't a one-size-fits-all answer, they can serve as a jumping point for CFIs to think about different ways to foster loyalty among customers — particularly as a growing number of non-traditional financial institutions vie for customers' business.

NEW PODCAST EPISODE: INCREASING CUSTOMER LOYALTY

It's always a good time to focus on keeping your customers happy and loyal. [Tune in to this new episode](#) for tips from the experts at Customer Communication Group as they discuss the do's and don'ts of increasing customer loyalty.

ECONOMY & RATES

Rates As Of: 02/07/2023 06:37AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	4.71	0.01	0.29
6M	4.89	0.09	0.13
1Y	4.83	0.17	0.13
2Y	4.45	0.24	0.02
5Y	3.82	0.21	-0.18
10Y	3.66	0.15	-0.22
30Y	3.71	0.07	-0.26
FF Market	FF Disc	IORR	

4.58	4.75	4.65
SOFR	Prime	QBER
4.55	7.75	4.57

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