

Loyalty Program

When we began this project in 1995, there were 2 or 3 successful paid loyalty programs in the world – and only one successful retail paid loyalty program (Barnes & Noble). Initially, our client had us work on a free loyalty program. Then the question came: Could we craft an affinity program where consumers would pay \$10 a year for a bundle of benefits? In a nigh untouched loyalty program market – charging consumers - we took the challenge and put Idea Engineering principles to work.

This project required a high amount of creativity. Outside of B&N, only American Express was charging consumers for their Membership Rewards loyalty program – and benefits only trickled down when the consumer spent big money.

The conventional wisdom was that loyalty programs would only work if there were large awards – like free airline tickets. Our client was a multi-unit retailer with several thousand stores, and an average transaction of less than \$10. Clearly, at that level of consumer spending, it was impossible to offer rich rewards or benefits. “Why not offer a benefit with *perceived high value* – but a *low actual cost*?” we thought. Easier said than done, and this is where the rubber met the road – developing benefits that would burn the tires, but not break the bank.

Five million customers signed up in the first year and discovered that they loved the benefits, and stayed on, year after year. Our client collected \$50 million in revenue that first year from selling the loyalty program membership. Alongside the profit coming in from the loyalty program fees, this idea drove business to the stores. **This program was - and still is - the most successful paid retail-based loyalty program, ever.**

An inexpensive ticket, great benefits and continuing incentives led to our client to unprecedented success. And in the sixteen years since we developed the program, churn has been low and incremental business created has been dramatic. Idea Engineering not only works well now, it’s worked for a long time.