“Marketing effectiveness” and “ROI” are two terms that are consistently being used in the marketing arena, and they should be. Why spend marketing dollars if your campaign is not effective and can’t be measured by ROI? The exception to measuring effectiveness with ROI has always been “brand building” marketing that uses numerical witchcraft to determine effectiveness with audience numbers, eyeballs, etc. Most of the benefits usually ascribed to brand building are focused on buzz, word of mouth, and brand image. There is an important place for “Brand Building” in total marketing spend, but there is also a place for brand building in the direct marketing arena. Yes, Brand Building can be incorporated into a campaign that includes a call to action, measurability, and tracking. How? It is really quite simple to utilize your direct marketing efforts to build brand.

The universe that we want to reach can easily be divided up into two groups: your current customers, and those people who you want to be your customers. The people who you want to be your customers, but who are not yet engaged, are the hardest to reach. Direct Marketing is often inefficient at reaching these “prospects” because they are difficult to both target and engage, resulting in cost per response rates that can be quite high. Broadcast and out-of-home cast a wide net, and may result in a few caught fish, but as a tactic it is hard to measure. And it is next to impossible to attract prospects through social media channels because if you have not already formed a relationship with a customer, are they really going to follow you on twitter or Facebook?

That being said, you can’t just give up on reaching new customers, or stop spending time and energy on “brand building” campaigns and prospecting via direct marketing. But what you can do is focus your efforts on letting your prospect’s friends do the work of making them your customer. We can accomplish this by focusing on the Loyalty Pyramid.
The first tier of the loyalty pyramid is that large group of people that we call **Customers** – you may have only interacted with them once. They may be positive, negative or indifferent to your products and services, but they have purchased. The good news is that you have created an interaction and hopefully you know who they are.

The second tier of the pyramid is composed of **Fans** – these are customers who like your product or service, but they may also go to your competitors based upon price, availability, etc.

After fans come **Loyalists** – these are customers who, as their name implies, are loyal to you and will choose you over the competitors.

The peak of the pyramid is pure gold – **Brand Ambassadors**. Brand Ambassadors are not only loyal to your product, but they are vocal in their support and encourage others to join them.

Building a complete strategy to create and nurture Brand Ambassadors—including knowing how to reach them, treating them well, and establishing a dialogue with them—will make reaching new prospects much easier. Let your Brand Ambassadors do the work. Let your Brand Ambassadors execute your social media strategy. Let your Brand Ambassadors find your new prospects.

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**Brand Ambassador**

Provide tools and gifts to encourage Brand Evangelism & reinforce value - equip troops - develop rewards to encourage them to lead the community.
SO HOW DO WE TAKE CUSTOMERS AND CONVERT THEM INTO BRAND AMBASSADORS?

Loyalty programs are the key to creating, identifying, and rewarding Brand Ambassadors. Great products and services help, but the most important thing you can do is market to them with relevance. Often times direct marketing is seen as “junk mail” or “spam”, and it is essential that your marketing is seen to have value to the customer through relevance.

One of the real life examples that we often use to illustrate bad marketing behavior is a clothing company that has both retail locations and a catalog. John Doe only buys men’s clothes from them and they do a great job of just sending the men’s version of the catalog, but their email is not targeted and 80% of it is about women’s products. The customer usually doesn’t mind, but like most retailers they amp up their email marketing as the holidays approach. At one point Mr. Doe was receiving daily emails full of products that were of no interest to him – at that point they had violated his trust by marketing to him the things that were important to their business strategy, but were not important to his life, desires, or his purchasing habits.

They weren’t marketing with relevance, and though he was a Loyalist they didn’t have the courtesy to respect his time or energy. They lost a vital connection to him, and they failed to push him into the Brand Ambassador category of consumer.

So how do we avoid this pitfall, and how do we create Loyalists and Brand Ambassadors? Yes, marketing with relevance is the way to accomplish this. However, if you only have a name, address, and some past purchasing data then what can you do? It is simple... just ask them. Seth Godin has written a lot about permission based marketing.

However, it goes deeper than just saying “do you want to hear from us?” You must ask .. “what do you want to hear from us?” and “when do you want to hear from us?” If one only receives information and offers about products that they are interested in, then they don’t have to sort through a lot of other information to find what they want. One of the effects of focused offers is an increasing affinity for the brand.

Marketing with relevance is important, but rewarding loyalty is essential. The establishment of a Loyalty program has several significant effects on growing your business and the development of loyalists and brand ambassadors:

- Makes customers feel happy and valued
- Incentivizes customers to buy more
- Gathers vital market research by allowing you to track purchasing behaviors
- A Loyalty program is a great short and long term investment for your marketing spend - once the program is built and launched it is fairly simple to manage through marketing automation
- Provides a methodology to allocate investment into your most loyal customers

Building a loyalty program is a combination of customer data analysis, customer data modeling, financial analysis, creative/asset development and technology. It is important to start with clear, simple objectives and to build a program that can grow and evolve over time.

The outline below is a simple step by step guide to building a program.
LOYALTY PROGRAM DEVELOPMENT

STEP 1: DEFINE TARGETS & REWARDS STRUCTURE

STEP 2: PLAN LOYALTY COMMUNICATIONS

STEP 3: LAUNCH
DEFINE TARGETS & REWARDS STRUCTURE
Step 1: Define Targets and Rewards Structure

1. Identify Actions and Behaviors of customers that you are trying to incent/create.

2. Determine what behaviors earn awards

3. Determine the structure of the Rewards

4. Utilize Existing Data – Create a best customer model

5. Using the best customer model - Identify your top target customers and run the rewards model against their behavior to understand what the program results will look like – adjust program in steps 1, 2 and 3.
PLAN
LOYALTY
COMMUNICATION

1. Identify top target customers and run rewards model against past behaviors
2. Identify Actions to Incent
3. Utilize Existing Data to a best customer model
4. Determine what behaviors earn rewards
5. Determine Reward Structure
Step 2: Plan Loyalty Communications

1. Determine the post registration communication

   PLAN  preferably looking at it two ways – Calendar
   BASED plan the annual loyalty cycle. Behaviorally
   BASED determine what triggered communications
   should be in the plan such as Cusp messaging, etc.

   a. Evaluate the cycle
      i. Enrollment
      ii. Birthday
      iv. Align rewards period with seasonal sales efforts, if quarterly
      v. Tier advancement – if there are tiers of benefits communicate with “cusp” communications to
         encourage achievement of the next tier
      vi. Enrollment Anniversaries
      vii. Special Incentive periods

   b. Determine what can and should be automated and enhanced
      ii. Cusp communications should always be automated

   c. Determine channel for scheduled and triggered communications – design tests to confirm channel
      selection

   d. Choose specific key communications to begin making 1:1 variable to improve relevance – recommend
      choosing initial communication with measurable ROI
      i. Start with 1 existing communication
      ii. Choose a format (based upon size, cost, etc.)
      iii. Identify 2-3 key points/zones of new variability (preferably 2) – start simple
      iv. Make initial variability simple with segmentation by zone based upon actual behaviors
      v. Build the business rules for those zones
      vi. Determine the minimum image assets required to comply with the business rules… if the images
         aren’t available or it is too much initially – adjust the rule
      vii. Use this information to build the asset library
      viii. Create a simple “test” data file for testing out the rules to ensure that all instances of each
           asset are generated
      ix. Once the asset library and business rules are complete – SA programmers will program the
          template and run it against the “test” data file to validate that all instances are covered and to
          create PDF Data Proofs
      x. Test the first mailing against control
      xi. Evaluate and Continue to Test new tactics
          1. A/B splits
          2. IMB triggers

2. Communicate the program to build anticipation – whether all at once or in a roll out tiered fashion
Step 3: Launch (Enrollment Process)

1. **REGISTER CUSTOMERS**
   Ensure that the appropriate minimum amount of data is captured and that the "instant reward" encourages people to complete the registration process. Automate the post registration communication.

2. **Roll out communications and Rewards**

3. **At least one time per month review analytics and evaluate each step in the communication chain for effectiveness.**
CONCLUSION

The effective Loyalty Program must build intimacy and leverage inferred preferences from data modeling and historical behaviors, but should also include elements of permission based information about individual personal preferences. Once the preferences are identified then the overall customer engagement model should be adapted to account for those preferences.

The goal of the Loyalty Program is to drive sales in both the near term and long term, via increased sales with existing customers and brand ambassadors who magnify your marketing efforts as a spokesperson in the market place. In order to achieve these goals, the benefits should be tangible, with real benefits that are enriching and have personal significance and value to members. Finally, to keep members engaged you must consistently reinforce the benefits of the program, make them aware of their current status in the program, and remind them how to achieve the next level.