

# Why start a new program – or enhance an existing one – when times are good?

*Follow these tips to ride that “good times” crest and avoid a big crash when your wave bottoms out.*



## Consider the following scenario:

Business is going well – employee retention is up, customer churn is down, sales and margins are strong, your company’s operating at capacity and so on. Most likely, you’ve been in this position before... and it certainly is a nice place to be. You understandably feel like you could ride this wave for a good long time. And after you stretch the most out of that wave, you’ll simply catch another.

At this time of seeming invincibility, why would you ever consider starting a customer loyalty or incentive program? Why start an employee recognition or reward program at a time when your employees seem content? Why not just “stay the course?”

Just ask Clif Armstrong, Director of Sales and Marketing for Continental North America’s commercial tire division: *“We started our customer loyalty program in the late 1990s during a time when business was very good. About five*

*years ago, business slowed down dramatically. Still, we held a competitive edge in the marketplace, because our loyalty program – Commercial Rewards – had grown to become part of our customers’ every day lives. They could sell any one of five or six brands, but they led with ours, since they knew that they had an established, compelling loyalty program backing it up.”*

What Clif and other managers have come to recognize is that, if they wait for a general market downturn or a specific company incident to occur, they may run the risk of being too late to correct the situation.

If you’re riding the crest of a business cycle or simply experiencing consistently solid business indicators, then you should consider the following 5 points:

- ✓ **Planning and budget.** When times are good, you may have access to budget dollars that otherwise would not be available to you. Proactive planning at this time can help you establish the appropriate budget for your program’s needs. Further, this approach tends to leave more time to design and plan the program appropriately, rather than scrambling to force things and make it all happen while in crisis mode.

When projecting costs and allocating dollars, keep in mind that several industry-wide pricing models exist to fit your goals and objectives. For more, email us at [pulse@loyaltyworks.com](mailto:pulse@loyaltyworks.com) to request your copy of “Demystifying Incentive and Loyalty Program Pricing.”

- ✓ **Simplicity and relevance.** A program started during a strong business cycle does not need to be fully comprehensive from the start. For example, an employee motivation and performance improvement program could target certain departments or address only very specific behaviors or metrics, and then expand later once the program has proven its value.

Likewise, a company would not necessarily need to reward customers for product or service purchases alone. Rather, a program at this stage of the business cycle may target a select group of customers, expand consideration only across selected products/services or focus on the launch of a new product/service. The company also may choose to address other relevant issues such as:

1. Timely collections
2. Web-based behaviors (online orders or customer service/support inquiries)
3. Order and item quantities
4. Delivery charges
5. Return policies

- ✓ **Engagement.** For channel and customer programs, now is a good time to get your customers or partners engaged in the program and give them added comfort as to the program's value proposition. They not only will be impressed that they are recognized for their loyalty, but they also may build equity in your program (i.e., accruing points) more quickly toward rewards in which they perceive high value.

In the building and construction industry – during times when product allocation can be tight – contractors and installers maintain cooperative, positive relationships with their suppliers, as they appreciate having product available. So, this phase of the business cycle presents a most appropriate time to engage with these channel customers and build early program equity.

Employee programs launched when times are good can actually resonate more with the general workforce or specific teams (like Sales) than when times are poor. Rank and file employees recognize when the business is going well; when morale is up or down; when retention is an issue... or not. Many companies practice the common approach of initiating recognition and reward programs after sweet times have turned sour. Employee cynicism often prevails, negatively affecting the program's workplace impact.

Conversely, employees typically view these programs – launched during good times – with overwhelming enthusiasm, in a way as a "surprise and delight." In this case, the program becomes an effective extension of your company's strong, positive culture, and will play a vital role in retaining staff and motivating your employees toward established company objectives.

- ✓ **Adjust, refine and enhance.** Well-designed and managed loyalty, recognition and performance improvement programs can be continuously modified and enhanced to reflect a number of factors – company priorities, marketplace activity, business needs, product availability, etc.

So, when business starts trending downward, you can adjust your program to retain its relevance to participants, solidifying the program's overall effectiveness.

In fact, a product and service company with a well-designed, established program can actually increase

market share and share of customer during a down cycle. The company's gross sales may be flat or down, but customers who have built-up equity in that company's loyalty program, will look to the company first and competitors (with little value-add to offer) second. At this point, the loyalty program also can become a hedge against price and margin discounts common during soft markets.

- ✓ **Momentum.** As the business cycle matures and business slows, these enrolled participants are more likely to stick with you, because they have built up a level of trust, loyalty and "equity" in your program. They hold an investment in the program that they refuse to give up.

A great illustration of the "momentum" you can generate is to picture yourself at the top of a hill on a bicycle. You can easily coast downhill pretty fast. However, when you get to the bottom of the hill, there is little incremental momentum, making it difficult to get up the next hill. On the other hand, if you pedal downhill, you build exponential momentum, making it much easier to get up the next hill.

Business managers and executives should heed this practical analogy when developing long-term program strategies. Those who invest and push forward at a steady, consistent pace tend to outperform the companies who choose simply to coast downhill.

Industry and economic slowdowns touch every business segment. They are inevitable. Consider how you should prepare. A small investment at the top of the business wave will pay dividends for your business downstream, from employee motivation and performance to end-customer loyalty.

## About Loyaltyworks

Loyaltyworks designs, develops and manages a wide array of loyalty and incentive programs – from turnkey programs and promotions to fully customized solutions – with a focus on measurable results. For nearly 30 years, Loyaltyworks has successfully implemented employee recognition, sales incentive, customer/channel loyalty and performance improvement programs.

Loyaltyworks supports its programs with a full range of capabilities and services, and approaches client relationships based on core values of openness, ease and accountability. The result – Clients find it easy to do business with Loyaltyworks and be successful.

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Continental Tire

