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## DRIVING CUSTOMER LOYALTY: CRM VERSUS LOYALTY SOFTWARE PLATFORMS

“CRM and loyalty software platforms – do we need both?” – The exploration of a question commonly raised by brands in the search for the right IT stack to support state-of-the-art loyalty programs.

The need to truly understand and successfully drive customer behaviour is a corporate universal. But will a CRM software provide everything needed or is a loyalty platform also part of the answer?

Undoubtedly, the best CRM platforms have evolved into facilitating superb understandings of customer desires and behaviour and their tools form an indispensable part of modern customer relationship management. In essence they enable the systematic logging and analysis of the interactions that take place with potential leads, prospects and existing customers. This data is then used to learn about and communicate with these stakeholders with the goal of transforming leads into customers and maximising the latter’s life time value for the company.

If the world was standing still that might be enough. But today’s customer demands to be engaged, excited, involved in a brand, to such a point that they identify with it and its services. And yes, as part of the deal they also expect to be rewarded.

### THE ART OF CUSTOMER ENGAGEMENT

Customer relations has become a hugely interactive process, which demands the integration of communication routes, tools and media. Intuitive solutions to satisfying and exceeding customer expectations is what separates the most dynamic brands from the rest – delivering that 360-degree experience elevating the brand to new commercial heights.

Take as an example Starbucks. Their new app, which encompasses its revamped loyalty programme, saw year-on-year revenues for the company jump by 17.8 percent with its frictionless elimination of standing in-line. The app becomes the route to talk and listen to the customer – but the impact would have been limited if the brand wasn’t offering something of value too. Rewarding the customer enables involvement in the brand and encourages loyalty. Engage them, incentivise them, influence their habits and learn from them are central parts of this relationship. It might seem obvious but so often these simple rules are forgotten.

Now doesn’t a CRM software platform at first sight seem to have the capability to meet these challenges? Or could a loyalty feature not at least simply be bolted onto the CRM system to enable this? After all there seems to be a wide overlap. Customer profile management, customer help modules and so on are features of both a CRM programme and a loyalty solution.

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## CRM SOFTWARE SYSTEMS FOR ACTIONABLE CUSTOMER INSIGHT

Let us recap what a CRM software is made for. It collects all available data about the relationship with customers and enables companies to use this data to optimise customer care and communication activities. Quality CRM systems can also provide some extra “combustibles” to fuel communication success, e.g. targeted promotional mechanisms such as vouchers and discount coupons for enticing and wooing customers. The unfortunate truth is, however, that your brand will not be the only one using these seemingly promising “combustible”-mechanisms.

This has two implications. First, the mechanisms’ effectiveness wears off. Yes, a bargain hunter might successfully be enticed by that summer sale discount coupon from time to time. But it certainly does not really excite or surprise him anymore, let alone fuel that long-term brand ardour you are actually aiming at as a company. Secondly – and this constitutes an even bigger problem – customers are becoming extremely weary of all the communication endeavours of countless brands in their inboxes. As a worst-case result and with only one click, the customer simply cuts the communication channels (or doesn’t even opt into them in the first place) – leaving big parts of your CRM software obsolete for that customer.

## LOYALTY SOFTWARE SYSTEMS FOR THE ART OF BRAND “LOVE MAKING”

This weakness in CRM systems opens the door for great loyalty program software solutions. These solutions understand that loyalty is an art. They understand that – as in any good relationship – it is about giving and taking in a perfect balance. Based on that they have built a high-performing software around the art of making customer relationships winning and rewarding for all involved parties. Because yes – there are proven loyalty mechanisms that produce desired results.

Consistency in the give-and-take-balance between customer and brand is one of these mechanisms. Humans love to be sure that every single one of their good deeds (in this case purchases or other engagement with the brand) is being appreciated and taken into account for when it comes to “payback time”. This is why loyalty platforms offer virtual currency (such as points or miles) and / or cashback systems making sure every purchase counts. Of course, this very elegantly brings about another crucial benefit of loyalty programs: All of the sudden customers happily and voluntarily share all data of their purchases and interactions with the brand, delivering that essential gold for your CRM data base. Giving and taking – as simple as that.

The nostalgic appreciation for the good old “hunter-gatherer” feeling is another human universal. Seeing your virtual loyalty currency account grow with time delivers a sense of satisfaction no one-off discount voucher could ever deliver. Studies of successful loyalty programs regularly demonstrate: the perceived value of say 400 points collected with a 400 Euro’s worth of purchase by far exceeds its monetary value, which could be a mere 4 euros or 1% in discount.

Another example from those studies: A 5-fold-points-collection-coupon actually lights up our hunter-gatherer-hearts, while a 5% discount voucher is even deemed trivial in some industries where anything below 2-digit discounts gets no customer moving anymore. As Christoph Straub, Founder of Loyalty Prime and renowned Loyalty & CRM expert with over 12 years in-depth, hands-on industry experience, summarizes:

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*"Points incentives can achieve better effects than discounts and at much lower costs. Quality loyalty platforms are aware of this fact and use it within well thought-out, highly effective and efficient incentive schemes."*

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"Hunting" for a next level of appreciation is another example of a well proven loyalty mechanism. This is why good loyalty software platforms have this truly beautiful option for customer engagement built into their core feature set. Tier or status level loyalty schemes create a situation where brand and customer become accomplices in increasing a customer's lifetime value. Now – truly: The art of loyalty at its best!

#### **QUICK VIEW - KEY FEATURES OF A LOYALTY SOFTWARE UNAVAILABLE IN CRM SYSTEMS**

Loyalty software platforms have been evolving over 30 or more years, partly in parallel to CRM and data analytic developments and advancing their own skill and feature set. Key features in a loyalty software, such as those offered on Loyalty Prime's 'Prime Cloud' Loyalty Platform, are central to maximising customer and operator benefits and are not available in CRM platforms.

##### **1. VIRTUAL CURRENCY MANAGEMENT:**

- Create a virtual incentive currency to support your marketing and business targets.
- Besides one central base points / miles / cashback currency, advanced loyalty platforms offer the management of multiple currencies allowing you to introduce for example seasonal short-collection currencies (e.g. Xmas Stars) or a currency for recognizing customer lifetime value.

##### **2. REAL-TIME POINTS EARNING & REDEMPTION:**

- Advanced loyalty platforms allow for real-time calculation of the earning & redemption of points (/ the virtual currency) creating a state-of-the-art loyalty program experience for customers.
- State-of-the art loyalty platforms thereby also enable real-time virtual currency accounts balance check for customers and operator/ partners.
- They also allow for seamless points redemption at the POS or eCommerce store.

### 3. LOYALTY PROGRAM MEMBER ACCOUNTS:

- Set up an infinite number of loyalty program member accounts with their key personal data.
- Seamlessly integrate the same with other sources of customer insight such as your CRM system.
- Manage the virtual currency accounts of members in an audit-proof manner.

### 4. PROMOTION RULES ENGINE:

- Easily create, target and manage points promotions to engage customers.
- Reward customers for specific events such as enrolment, spending, redemption, surveys, interaction, and many more.

### 5. TIER LEVEL MANAGEMENT:

- Set up appropriate status levels for your customer base.
- Flexibly assign upgrade and retention rules depending on various criteria such as number of points earned, frequency of transactions or amount spent.

### 6. REWARDS MANAGEMENT:

- Easily integrate with one or multiple reward shops / suppliers to provide seamless delivery of rewards to customers.
- Reliably manage involved clearance of points.

### 7. COALITION PROGRAMS:

- Create a loyalty coalition program with an infinite number of program partners that can issue common virtual currencies to allow for generating higher values for program members.
- Reliably manage clearing of points values between partners.



#### **Essential: Smooth integration into existing IT landscape & fast time-to-market:**

State-of-the-art loyalty platforms which are SaaS based, like Prime Cloud, in addition allow for an easy, seamless integration with existing IT systems and CRM platforms and offer the crucial benefit of being extremely quick to launch.

## TOO GOOD TO BE TRUE? OR THE IMPORTANCE OF CHOOSING THE RIGHT LOYALTY SOFTWARE SYSTEM

Of course, the above mechanisms are just a few of the powerful tool-set a great loyalty system can deliver. But be aware: introducing just any loyalty program, choosing just any loyalty program software or bolting some extra loyalty features onto a CRM system will not do the job for you.

Why? Because the same unfortunate fact described above for general communication endeavours, applies to loyalty schemes as well: your brand is not the first one to come up with the idea of introducing a loyalty

program. The only way to unleash the full power of a loyalty set-up in driving your company's success therefore is to do it great, state-of-the-art, better than the rest. And this is only possible with a specialized loyalty software that knows it all: what works, what doesn't, what's most important and all the subtleties in between. This is what we are here for. Loyalty Prime has built its award-winning loyalty program software Prime Cloud with all the material for loyalty success you can think of – and more.

Are the above described capabilities something that could help advance your brand and customer engagement to the next level? There is an easy way to find out. Contact us at [hello@loyaltyprime.com](mailto:hello@loyaltyprime.com) today, take a demo of Prime Cloud and judge for yourself. We are looking forward to hearing from you!

#### IN A NUTSHELL: THIS ARTICLE'S KEY TAKE AWAYS

- (1) For a brand to be truly successful, it must engage, excite and involve today's demanding customers to a point that they identify with it and its services.
- (2) CRM Systems deliver an essential technology basis for successful customer engagement: gathering, analysing and making customer data available for insightful customer communication.
- (3) Brands that want to launch a loyalty program are therefore regularly confronted with the question of whether a CRM platform – or a CRM platform with some added loyalty features – may suffice for this purpose.
- (4) There is a clear answer to this: The only way to succeed with a loyalty program is to set it up & manage it in a state-of-the-art, market-leading manner, using winning loyalty mechanisms and avoiding loyalty-program pitfalls. This demands a **specialized loyalty software solution** that is test-proven in the art of creating and managing winning loyalty programs.
- (5) When compared to specialized loyalty program solutions, CRM systems have clear limitations when it comes to state-of-the-art loyalty program management. Some examples of crucial loyalty features unavailable in CRM systems but offered by a quality loyalty platform include managing virtual currency accounts in a real-time and audit-proof manner, setting up & managing a winning tier level system, creating and controlling successful points-based promotions, setting up effective rewards-management etc.
- (6) Of course there are big differences in the capabilities of available loyalty platforms on the market as well, so taking a close look and making a smart, discerning choice is essential. (Read our upcoming article on "How to select a loyalty platform" for some insightful guidance on this).



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