

# BUILDING MULTICHANNEL CUSTOMER LOYALTY PROGRAMS

## INCREASE CUSTOMER RETENTION WHILE REINFORCING YOUR BRAND

The SAP® Customer Relationship Management application provides comprehensive support for customer loyalty management programs. You can segment customers, design programs, create rules, and manage membership across multiple channels. The application integrates fully with other SAP software.

As the world economy faces new and serious challenges, eliciting the right consumer experience is increasingly important. Because it's much more expensive to acquire a new customer than to retain an existing one, putting customers first and holding on to customers through effective incentives are top priorities for many companies.

With the proper loyalty management strategy, retailers and other consumer-focused businesses can create a consistent and relevant customer experience that provides incentives and rewards customers for their loyalty. Successful rewards programs entice consumers to repeat their shopping experience. Such programs are often more effective in increasing revenue over the long

run than one-time price promotions and can help move inventory that might otherwise sit on the shelves.

The SAP® Customer Relationship Management (SAP CRM) application provides an integrated solution for targeting and segmenting customers, planning strategic initiatives, and developing and managing customized loyalty programs for high-value customers. Its robust functionality gives you centralized control over program rules, conditions, and rewards. You can drive customer registrations to specific loyalty programs through your Web site, interaction center, or store and let customers manage their loyalty accounts online in real time.



Figure: Loyalty Management Pillars in the SAP® Customer Relationship Management Application

## A Comprehensive Solution

The SAP CRM application is a comprehensive solution that is based on the industry best practices you need to design, establish, and execute an effective customer loyalty program (see figure). It supports targeted, closed-loop customer loyalty and rewards programs with functions for program management, rules management, and membership handling. A robust processing engine helps you handle large transaction volumes.

### Program Management

A loyalty program is an essential part of a comprehensive relationship marketing strategy. The first step is to define the program strategy and objectives, which are then designed in the form of rules, tier management schemes, and reward point schemes to influence and reward member behavior.

The SAP CRM application addresses the strategic aspects of your loyalty program with flexible tools for tier management, point management, and the management of program partners.

Tools for tier management let you model multiple concurrent tiers of membership to track current and lifetime value. You can define flexible rules for changing member tier levels based on different types of activities and aspects of the member profile, such as country or current tier level.

Point management functions support multiple reward types and expiration schemes. You can reward members

for their activities with redeemable or qualifying points – or both. What's more, the SAP CRM application can increase the value of your brand by extending the benefits and reward opportunities of your program through your program partners. You can also generate revenue by selling points to your partners.

In addition, the software allows industry-specific attributes that can define your loyalty program, such as number of flights or point-of-sale purchases.

The potential upside for running effective loyalty programs is very high. Based on SAP research, for example, customers of specialty retailers make an average of seven in-store visits per year and spend US\$100 per visit. If the retailer has 3 million customers, a 0.5% increase in the number of annual visits could boost revenue by \$10.5 million.

### Rules Management

Carefully defined rules can help you get the most from your loyalty program, whether they support a long-term strategy or short-term marketing tactics. Through effective targeting, you can identify the ideal profile for your desired customer base and craft offers that entice those customers to make purchases. You can structure rewards to promote specific behavior from specific customers. You can apply numerous metrics to build rewards, such as units purchased, money spent, or number of store visits.

With SAP CRM, you can define complex program rules to suit your specific criteria. The application provides a flexible rule builder for designing and modeling program rules, conditions, and offers according to your overall program strategy. You can maintain reward rules using either a template for commonly administered rules or an expert mode for sophisticated rules. You can fully integrate your reward rules into your marketing campaigns through functions for registration and enrollment. You can segment offers based on loyalty-specific customer attributes or target members with customized offers. You can use these attributes for rule processing and tracking member activity over a particular period of time.

### Membership Handling

The SAP CRM application supports different types of memberships found in various loyalty programs and industries. Personal, group, and shared memberships let customers join your program either as individuals or in partnership with a family member. In a single view, you can track member activities and interactions that take place across multiple channels such as a Web site, call center, point-of-sale, or third-party contact.

### Processing Engine

SAP CRM handles member transactions through the high-speed processing of activities in real time or in background batch mode. Fully scalable, the processing engine can accommodate large volumes of member activities as well as tier transactions

against the program rules. The processing engine is also responsible for automated tier evaluation and point expiration processing. Loyalty program managers can simulate rule processing in a test system before releasing rules into production.

### Loyalty Management for the Multichannel Business

Today's customers expect access to a business through whatever channel suits their needs at a particular time. Wise marketers work hard to court multichannel shoppers, who tend to far outspend their single-channel counterparts.

The Internet is a key element in building business relationships with customers. It is often the channel of choice for customers who want to learn about and

**SAP CRM provides an integrated solution for targeting and segmenting customers, planning strategic initiatives, and developing and managing customized loyalty programs for high-value customers.**

compare products, purchase products, or interact directly with your business. Your Web site also provides an easy way to promote your loyalty programs

and encourage customers to participate in those programs. The SAP CRM application supports your Web channel by providing a self-service tool for loyalty account management that lets customers check account transactions, register for campaigns, and redeem points at their leisure.

Your interaction center is another important channel for customers who have questions about your loyalty program or want to purchase products, participate or change their memberships, or redeem points. SAP CRM can help ensure customer satisfaction by giving your interaction center agents rapid access to the latest loyalty account information and downstream point redemption processes.

Integration with order management software from SAP lets customers earn points by purchasing standard products or use their loyalty points to purchase reward products. Sales associates can look up customer information and access updates of the loyalty account via in-store kiosks or the SAP Point-of-Sale application.

### Bottom-Line Benefits of a Positive Customer Experience

By using the SAP CRM application to implement loyalty programs that are integrated across all of your sales, service, marketing, and interaction channels, you can greatly enhance the customer experience. This, in turn, can increase customer retention and help you develop a community of people who serve as advocates for your

SAP CRM supports industry best practices for designing customer loyalty programs and includes support for program management, rules management, and membership handling. A robust processing engine handles large transaction volumes.

business. A well-conceived loyalty program managed by SAP CRM can also help you collect useful information from program members that you can use to tailor process enhancements for high-value customers and other customer segments.

With the SAP CRM application, you can run a strong loyalty management program that encourages customers to linger at your Web site or browse a few more aisles in your store. Such a program can strengthen your competitive advantage and improve your market share.

### Find Out More

To learn how the SAP CRM application can help you manage and enhance your company's customer loyalty program, contact your SAP representative or visit us online at [www.sap.com/crm](http://www.sap.com/crm).

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## Summary

The SAP® Customer Relationship Management (SAP CRM) application provides an integrated solution for targeting and segmenting customers in multiple industries and for planning, developing, and managing customized loyalty programs. Robust functions give you centralized control over program rules, conditions, and rewards.

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## Business Challenges

- Enhance the customer experience in a difficult market
- Retain high-value customers
- Create loyalty management programs that can be administered over multiple distribution channels

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## Key Features

- **Program management** – Model multiple program tiers, support a variety of reward types and expiration schemes, and extend your program to key business partners
- **Rules management** – Design program rules that suit your specific requirements and encourage customer participation
- **Membership management** – Track activity through your Web site, your call center, or a third-party point of contact
- **Processing engine** – Handle large volumes of member transactions in real time or in background batch mode

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## Business Benefits

- **Motivate loyalty without dropping prices** by offering incentives and rewards that suit specific customer preferences
- **Gain competitive advantage and greater market share** by providing a fully integrated loyalty program
- **Learn more about your customers** by collecting information on loyalty-related behavior
- **Increase program control and lower costs** by using the single integrated solution offered by SAP CRM

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## For More Information

Call your SAP representative, or visit us online at [www.sap.com/crm](http://www.sap.com/crm).

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