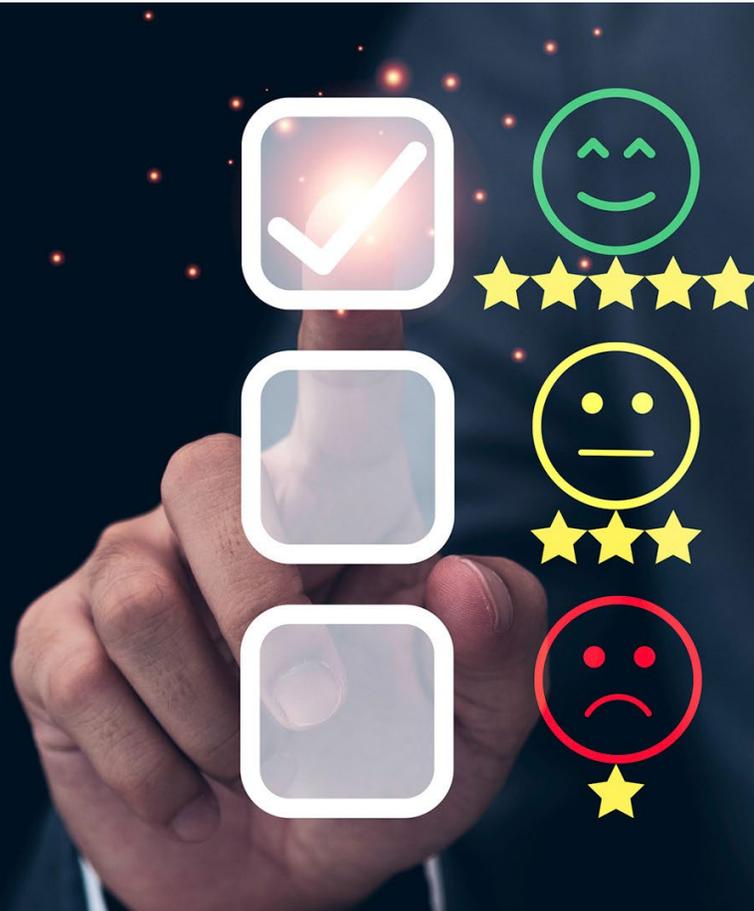


# HOW TO INCREASE CUSTOMER LIFETIME VALUE USING CUSTOMER LOYALTY PROGRAMS



As a business owner, knowing your customers' value and how much they tend to bring back to your business is crucial in understanding and evaluating where your business stands. It also helps you understand what you can do to increase sales. You should know that boosting your customer retention rate by only 5% [increases your profits](#) by up to 95%.

However, it is worth noting that too often, many businesses, both small and big, decide to focus on attracting new customers – not adequately looking after existing ones. While there is nothing wrong with growing your customer base, it is also crucial to keep hold of the customers who are more likely to purchase from you again.

In that regard, one solution is creating an effective customer loyalty program that best rewards those customers who come back.



## What is Customer Lifetime Value (CLV)?

We can define [customer lifetime value](#) as a customer success metric, which determines the amount of net profit that your business or company makes from one customer or shopper over time. It is worth noting that this metric considers a customer's revenue value and then compares this number to your organization's predicted customer lifespan.

Did you know that businesses use CLV to identify customer segments or groups that are most valuable or important to the company? Note that this customer metric is vital when you bring new customers aboard and decide how much money to spend on your existing customers.

### Why Measure CLV?

As you can see, the higher your business's customer lifetime value, the more revenue each shopper brings to your business. We can argue that customer lifetime value is among the most important customer metrics to measure and evaluate at any growing business or company. No doubt calculating, or measuring CLV, can give you valuable insights into the quality of your shoppers and what steps your business can take to increase revenue.



## Increasing Customer Lifetime Value with Customer Loyalty Program

You may know that one of the main purposes of customer loyalty programs is to encourage your customers to keep coming back. This is because you would like them to continue spending with you rather than your competitors. And that is not all; you also want them to become your brand advocates, getting you new visitors by timely referring their friends and coworkers and sharing on the various social media platforms, such as Instagram.

It is no secret that [businesses have been increasingly leveraging customer loyalty programs](#) as an efficient and effective tool for boosting CLV. This approach is excellent as it rewards your existing shoppers by giving them an incentive to come back and stay longer in the business relationship.

### Understand Your Customers to Offer Them What They Want

If you are looking to connect with your customers, note that purchases and even discounts are only the transactional aspects of the relationship. This means that if you are facilitating the transactional side, this is the only type of relationship your customers will have with you, and you don't want that. Customer loyalty is usually an emotion. Do you want to connect with all your shoppers in a deeper and more meaningful way? If so, you will have to understand them.

It is worth noting that knowing what types of rewards they would prefer is crucial to developing this connection. Also, keep in mind that exclusivity is usually a big part of any loyalty program's success.

## Using Partner Rewards

There is no doubt that having a loyalty program can unlock many possibilities to network and branch out to partners from many other industries. Companies have banded together to form coalition programs to reach new audiences and even new platforms.

Did you know that loyalty partners usually differ from other kinds of partners, such as coupon, content, or deal partners? This is because of their unique ability to drive specific and definite actions, along with various nuanced targeting capabilities. Note that a loyalty partner, for example, can target your shoppers on a more granular level.

And note that this targeting may include geo-targeting, purchase history, and other kinds of intricate targeting capabilities. This can be a cost-effective and mutually beneficial relationship as incentives will usually cost you very little.

## Tiering Members is Key

Although all customer loyalty programs tend to use some type of tiering, your brand has to decide whether to tier openly and hence create the feeling of exclusivity for your customers.

You may know that tiered loyalty programs are a type of loyalty program in which customers or shoppers enjoy different loyalty program benefits based on their rank. Keep in mind that tiered loyalty programs often rank members into specific groups based on a particular metric.

One of the main advantages of this approach is that it nudges members to move or transition to the next level, for instance, through the use of monthly point statements and hence stimulates additional sales.

Traditional customer segmentation is usually based on yearly spend per customer, and this does not take 'share of wallet' into consideration. Customer lifetime value is a better metric as it incorporates both expected future spending and potential.

## Birthday Rewards

You probably know that emotional attachments are the bedrock of high CLV. Do you want to generate genuine brand love? If so, give your shoppers a valuable reward when they expect it least, like special occasions, such as birthdays and membership anniversaries.

Keep in mind that the formula is quite simple: you can send a highly personalized message or email to a customer on their birthday, informing them they received a gift from you for their big day. Note that this reward can be a small gift or points bonus that you will ship with their next purchase.



## Final Thoughts

Your customers drive the growth of your business. Without them, your small business can easily and quickly fall behind. You can use these loyalty program tips and strategies to increase your customer lifetime value.



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