

58% of customer loyalty accounts are inactive, and this number is rising

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58% of customers who have signed up to loyalty schemes do not utilise their accounts at all, and this number is rising year-on-year, according to Matilda Dorotic, Professor of Marketing at BI Norwegian Business School.

Despite the number of customers joining loyalty programs increasing annually, the difficulty of earning points, irrelevance of rewards and poor company interaction mean that over half of these customers do not use their services at all.

The research reviewed loyalty programs of companies from various industries, including fast-moving consumer goods (FMCG) and airlines.

Dorotic says 'Ineffective loyalty programs are failing to engage with customers and understand their needs, with many falling into the trap of believing that once a customer joins a loyalty program, their job is done. However, businesses must constantly engage with their customers, offering new and relevant rewards to them, in order to create value.'

Loyalty programs that only offer discounts are often unsuccessful in building relationships with customers, or retaining them.

Dorotic says 'Loyalty programs must be used as a tool for businesses to collect information about their customers, and not as a sales promotion. In the long run, organisations actually lose an average of 4% in sales by offering discounted prices, as it encourages customers to shop for the best deals, rather than building brand loyalty. However, schemes that give people the option to choose the rewards they can receive, as well as understanding what customers value, are more likely to boost the activity of loyalty program members, which in turn will increase sales.'

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