

Is it *really* loyalty if you have to pay for it?

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Many notable loyalty programmes have adopted the pay-to-play (subscription-based) model where members pay a recurring fee to stay in the programme in exchange for a heightened level of service/experience and/or product-specific benefits that they can use anytime.

Companies offering this benefit form a substantial ongoing revenue stream, which allows them to provide richer, more tailored, and relevant experiences. It has also been stated that when members pay for a monthly subscription, they remain more engaged with a programme or brand than non-paying members.

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IS IT REALLY TRUE LOYALTY IF YOU PAY TO ACCESS BENEFITS?

Traditional loyalty programmes exist to encourage and reward behavioural change through incentivisation, so if you are simply paying for benefits in a subscription-based model to receive them upfront, what are the behaviours you are looking to change or encourage?

We've identified and unpacked three versions of fee-based loyalty models that exist:

1. PAY AND GET (BASIC SUBSCRIPTION/ CLUB MODEL)

This subscription model offers instant rewards and does not require customers to accumulate a loyalty currency, making it an attractive alternative to a traditional loyalty programme.

In South Africa, the traditional club concept, popular among SA's largest retailers, often includes a main "hook" in the form of affordable insurance such as funeral cover or basic medical/hospital cover for customers when joining a club. Similar to the retail club offering, Daddy's Deals – an online platform offering daily deals and offers on an array of lifestyle products and experiences – also has a premium subscription, which, for a low monthly fee of R99, unlocks even deeper discounts (save up to 30 per cent more), provides early access to deals and VIP call centre support to all its Club Daddy members. The discount level is so deep that after purchasing just one of their deals you can already make back the R99 spent on the membership that month.

Amazon Prime, a leader in the subscription-based arena, was reported to have a 94 per cent retention rate after the first year, and 98 per cent of those users stay for a third year. This is indicative that members of Amazon Prime truly see the value in paying the monthly fee.

2. PAY FOR LOYALTY MEMBERSHIP (PAY TO JOIN AND ENJOY BENEFITS OF A PROGRAMME)

This model refers to having to pay to join a loyalty programme. Without paying a monthly or annual fee, you do not gain access to the programme.

This is particularly popular in financial services programmes or retail banking programmes. Discovery Vitality falls within this category. Vitality's fees range from R259–R359 per month depending on how many beneficiaries belong to the main member's policy. Without paying the monthly fee, members cannot access any of the benefits associated with Vitality such as gym, retail or travel discounts.

3. PAY TO UPGRADE LOYALTY MEMBERSHIP

The combination of traditional loyalty and fee-based loyalty co-exist here.

These programmes are usually targeted at your loyal customers who are entrenched and engaged in your offering already, but want more. They want more convenience and guaranteed premium benefits. Recent studies by RetailWire (USA) have shown that up to 62 per cent of customers would sign up for a fee-based programme if their favourite retail programme offered one.

This indicates that globally there is an appetite for more exclusive products and services, even if it comes at an additional fee. We believe that there is a place for fee-based loyalty programmes to exist on their own or parallel to existing programmes. ●

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