

Customer Loyalty Program Builds Security for Your Practice

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In putting together a marketing plan for the cosmetic dermatology practice at Trillium Creek, we asked ourselves how we could secure long-term business from our core clients—the 20% who receive services on a routine basis and make up 80% of our revenue. Our first thought was a customer loyalty program (CLP). After all, they seem to work well in other industries and are beginning to make headway in aesthetics. As with all good businesses, we did our homework first, and it proved to be fruitful in helping us launch our own successful CLP.

CLPs have been around since the early 1980s, when airlines first introduced frequent flyer programs as an incentive for clients to remain brand loyal. Since then, CLPs have become integral pieces of the marketing and sales mix of nearly every major industry, including travel, hotel, banking, retail, and now aesthetics.

Although CLPs have their share of naysayers, these programs still exist for one simple reason: they work. By early 2006, the world's frequent flyer population had grown to 180 million members, with 82% of all rewards being redeemed.¹ Based on positive industry statistics on CLPs, in 2003, 25% of large banking institutions and 50% of small banking institutions implemented or upgraded their CLPs.² Even better news for the aesthetics industry is that it is not sailing into uncharted territory. With much experimentation and 20 years of data to critique, we know the do's and don'ts of building a successful CLP.

If you are unconvinced of the importance of CLPs, consider that it takes 5 times the financial investment to sell to new clients than to existing clients. On average, a prospective client needs to hear or see your message 3 to 5 times before visiting or contacting your practice, and because not everybody reads the same newspaper or listens to the same radio station, you have to use several advertising vehicles. All this amounts to hefty

marketing dollars, especially since advertising should remain consistent for the CLP to work. Also consider the unprecedented growth of our industry and the competition. CLPs can be an effective medium. The competition is marketing savvy, attempting to woo your clients with introductory offers and discounts.

What makes a CLP different from discounting is that it rewards top customers, not just clients who visit once or twice. It makes top clients feel special and gives them reason to return, and to do so more frequently. Discounting, however, can devalue your products and services, particularly when you are working to brand your practice as world-class.

There are many elements involved in building customer loyalty, but a good CLP can go a long way toward retaining your top clients. In addition, it works to increase those top clients' average spend and bring in new clients who fit the same core client mold.

Here's how our program works:

- Clients receive 1 point per every dollar they spend on qualifying services.
- Points are accumulated to reach predesignated *reward levels*. For instance, a client must accumulate 3000 points (ie, spend \$3000) to reach the first level, which awards 300 *service dollars* to be used toward qualifying services.
- To encourage clients to go for a higher reward level, a higher percentage of the client's accumulated spend is awarded. In the foregoing example, 10% of spend is awarded at the first level (\$3000 spent = 300 *service dollars*). The next level awards 15% of spend, but the requirement is 5000 points (or \$5000 spent). At this level, 750 *service dollars* are awarded, and so on.

Eight key steps to building a successful CLP for your cosmetic dermatology practice are:

1. Keep it simple. The most successful programs offer 1 point per \$1 of spend. Also, you should track points, reward dollars earned, and reward dollars spent electronically through your practice software. Don't give clients tickets, stamps, paper reward dollars, or any other tangible items to manage. However,

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do provide online, real-time access to their accounts (see step 5). To ensure that the program stays fresh in your clients' minds, communicate frequently and refresh the program often with special incentives and creative promotions (see step 6).

2. Keep the value proposition high. Focus on your core customers—the 20% who generate the most revenue for your business—and create reward levels that encourage them to spend more to reach for the higher reward value. This nurtures point savers rather than point spenders.
3. Include fee-for-service treatments only. In keeping with step 1, any treatment that is covered by insurance should not apply. Gray areas such as vein removal should be treated accordingly based on individual cases. Spell this out clearly in your rules and regulations and make a list of qualifying services available online and in hard copy.
4. Tie in technology. Your program should be easily manageable through your existing or planned technology, with points automatically flowing into a client's point bank with each purchase. This tie-in is also critical in tracking the success of the program.
5. Make user information easily accessible. Dedicate a portion of your Web site to the program so clients can access their individual information using a log-in name and password. This program should show clients how many points they have, how many points they have spent, and how the points were used. To accomplish this, your Web site needs to "talk" to your database. Since this task can be complex, it should be undertaken by a technology expert. Including program components such as an outline, rewards matrix, and rules online would also be helpful.
6. Enliven and refresh. A problem with many of the early CLPs was that people quickly found them to be boring and forgot about them. You must

constantly keep the program alive with fresh incentives and creativity. For example, you could offer 10 reward points for every Botox® (botulinum toxin type A) appointment made by a given date and call it a Botox Blitz. You could also promote a double-rewards week, where clients receive twice as many points for qualifying services, or offer holiday tie-ins such as a rewards tree at a winter open house, where clients select an ornament to reveal a surprise point value inside.

7. Communicate often. To remind your clients about the program, you must communicate often by using different vehicles. Whether you send out a postcard on a special rewards promotion or a bill stuffer reminding clients that they can check their points online, make sure they get the message from all angles. In-office signage, e-mails, newsletters, staff buttons, newspapers, events, and flyers are all ways to keep clients aware of the program.
8. Reward referrals. If you implement a CLP, do not complicate matters with a separate referral program. Wrap referral rewards into the CLP with premium points. Chances are, since you are targeting your core customers, you will get more just like them!

Of course, there are other ways to reward loyal clients within the scope of your CLP (eg, dinner certificates and spa days). Regardless, a good CLP creates a win-win situation for you and your clients. It rewards those who continue to spend their money with you, and it creates a secure future for your practice.

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