

Loyalty Analysis

Sales and marketing managers analyze customer data to identify profiles of loyal customers, track their behavior and develop loyalty programs that maximize profitability. Segmenting customers by profitability and lifetime value allows marketing analysts to identify the best target for loyalty programs. Depending on the characteristics of the segment, loyalty programs are created and generated to keep top customers engaged and satisfied while limiting lost revenue. The effectiveness of loyalty programs is studied continuously to ensure that both of these objectives are being optimally met. Integrated predictive analysis capabilities allow marketers to run "what if" scenarios to further refine loyalty program terms and conditions, and provide input into the company's budgeting and planning process.

Key Performance Indicators

- Attrition Rate
- Ratio of New Customers to Lost Customers
- % Change in # of Loyal Customers
- Variance in Satisfaction Level
- Duration of Relationship
- Lifetime Value
- Products Owned by Customer
- % Change in # of Annual Visits
- Top 25% of Customers by Sales
- Profit per Loyalty Card

Sample Report: Forecasted Loyalty Program Performance

	Total Frequent Flyer Miles Earned (000)	Frequent Flyer Miles Redeemed (000)	Change in Frequent Flyer Mile Liability (000)	\$ Change in Frequent Flyer Mile Liability (000)
2001 Actual	777,147	116,572	660,575	\$ 1,982
2002 Actual	950,257	114,031	836,226	\$ 2,509
2003 Forecast	695,589	118,250	577,339	\$1,732
2002-2003 Variance	-27%	4%	-31%	-31%

This report shows the common metrics used to assess the performance of a frequent flyer loyalty program. The chart allows the analyst to predict the results of the program given different projections of revenue per flight mile. Here, the analyst has predicted revenue per flight mile to decrease by 4%. The impact on the other metrics is automatically calculated, and negatively impacted areas are automatically highlighted in red. Next the analyst may drill to specific geographic reports to see if passenger traffic has changed materially, individual customer reports to determine who has stopped flying, or fare change reports to predict revenue per mile.

COMMON BUSINESS QUESTIONS

- Has our customer loyalty program been successful in generating new revenue?
- Who are my top ten customers according to frequency of visits?
- What is the lifetime value of my top 25 customers?
- What customers have bought multiple products over time?
- Is there a relationship between the number of products held by a customer and the duration of the customer relationship?
- What is the relationship between customer satisfaction and duration of the customer relationship?
- What are the characteristics of customers who have cancelled a product in the last 2 years?
- Of loyal customers a year ago, who has stopped purchasing our products and services?