

## A LOYALTY PROGRAM: ANTIRECESSIONARY TOOL OR EXTRA BALLAST?

Attractiveness of loyalty programs is becoming more and more visible every year. Domestic consumers' purses are full of different plastic cards. All big companies have realized that to attract a customer is one thing and to gain his confidence and make him loyal is another pair of shoes. A loyalty program is a marketing program designed to enhance brand loyalty by cultivating an ongoing relationship between a marketer and his customer. The concept of loyalty combines three key elements: trust, commitment to the values, long-term relationships between company and customer. The task of loyalty programs is the formation of a stable customer base. According to Pareto law (80:20), based on statistical research, 20% of customers provide 80% of the profits. Thus programs of loyalty must be aimed at these 20%, as the cost for a trading company to gain new customers is 6-11 times higher, than the cost of strengthening the existing client base. And the best way to keep customers, when they purchase a product or service in your firm, is to offer them some benefit, in other words to create a loyalty program.

The life cycle of a loyalty program includes such stages as: 1. Building and running. 2. Growth. 3. Development. 5. Operations. 6. The completion of the program.

Stages of running loyalty programs consists of the following steps: 1. Formulating goals of a loyalty program. 2. Defining the target audience. In order to draw a conclusion about what loyalty programs are interesting to what type of customers, we need to divide the programs into discount and bonus. Beneficial interest in the bonus program involves shopping for quite a large sum, so people who have to save money do not participate in these programs. They are more interested in discount programs. On the other hand for profitable customers simple discounts are not interesting, that's why to work with them, a company should use different bonus programs. 3. Selection of the type of a loyalty program. Basic tools of the third step

are discount programs, drawing, cumulative discount programs, bonus programs, gift certificates in the form of a plastic card. 4. Development of additional privileges. 5. Drawing up a financial plan of the project to introduce loyalty programs. 6. Preparing communications plan. 7. Planning of future management of loyalty programs. 8. Preparing the database management system of members of the loyalty program. 9. Assessment of the terms and conditions of the possible closure of the loyalty program. 10. Preparation of the rules to running of the loyalty programs. 11. Development of standards and training of store personnel.

It should be mentioned that the idea of creating loyalty programs first appeared abroad. The first step in this direction was taken in the early 80's by American Airlines. Their Advantage loyalty program has become so successful, that now the idea is widely spread all over the world. What concerns the current situation in Belarus, discount and accumulating programs operate in trade networks: Euroopt, Hippo, BIGZZ, Na nedelku, Sosedi. Affiliate program exists only in Hippo (17 partners) and hypermarket BIGZZ (7 partners) and is based on providing discounts. Coalitional loyalty program now exists only in Preston Market.

It should be mentioned that loyalty programs makes sense only if they are of a wide scale, because:

1. The use of expensive resources (technology, state) pays off only at a large scale;
2. Small customer base is not representative which does not allow to use it for internal purposes (sales analysis), and external: attraction suppliers and partners to the program.

Loyalty program is worth doing if the store is designed for middle or upper-middle class buyers. Additionally, developing a loyalty program makes sense only for large companies - with a turnover of at list one million dollars per month, because only such a company can afford to invest in a loyalty program that will actually work.