

Membership Marketing: Turning Occasional Buyers Into Loyal

Customers

By David Frey

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Not long ago my wife and I closed down a bank account that we had not used in many years. I had tried to persuade my wife for many years that we needed to close the account because we just weren't using it and I didn't want to keep paying fees. But she insisted that we keep it open because she was a "charter member" of the bank and didn't want to lose her privileges.

My wife is very frugal yet she was willing to continue to pay for membership in something that she received no services or benefits from. It was then that I realized just how powerful it is to "belong" to something. It satisfies our deepest needs as human beings to be wanted, loved, and appreciated.

Does Your Company Need to Establish a Membership Program?

I am often asked by businesses if a membership program would be "right" for their company. In response, I offer the following "yes" or "no" membership qualification test. Take the test and see if your company needs a membership program.

Does your company...

- have to conserve its limited resources when providing service to its customers?
- want to decrease customer turnover and dramatically improve customer loyalty?
- need a constant, predictable stream of revenue?
- desire to sell its full suite of services with less effort?
- wish to get the more revenue out of its existing customers?
- aspire to significantly improve its referral business?

If you answered yes to one or more of the above questions, your company could benefit from establishing a membership program. Okay, you're probably saying, "There isn't a company in existence that wouldn't say yes to one of the above questions." and that is exactly my point. Every business can benefit from a membership program and should establish some form of membership marketing.

Take a Closer Look at the Benefits

Membership programs provide powerful benefits that will improve your company's performance. Let's take a closer look at the benefits that were just mentioned.

1. Conserves limited company resources

Resources are allocated according to the customers' level of membership (i.e. lower membership level = less resources, higher membership level = more resources).

2. Increases customer loyalty

Membership provides a sense of belonging to an organization, which breeds loyalty.

3. Provides a predictable stream of revenue

Instead of sporadically selling products and services, membership programs provide a steady stream of customers providing a steady stream of cash flow.

4. Sells more services and products with less effort

Because slow moving or less desirable products and services are included in membership packages people

are more likely to take advantage of them.

5. More revenue from existing customers

Multi-level membership programs incentivize customers to spend more by moving up to higher levels of the program.

6. Improves referral business

People like to tell their friends about a company to which they feel a sense of loyalty.

Types of Membership Programs

When you think of being a “member” of a business most people think of Sam’s Club or country clubs but membership programs can take on many forms.

The following is an example of different types of membership programs, which include a business selling, (a) hard good products, (b) a company selling service, and lastly, (c) a company selling knowledge.

Every business on the planet will fall under one of these business categories so there is something to learn for every businessperson from the following three membership program examples:

Costco – Business and consumer supplies superstore.

Gold Star Membership - Allows consumers to purchase products for personal use at any Costco throughout the world.

Business Membership - Allows businesses to purchase products for business, personal and resale* use.

Executive Membership - Allows consumers and businesses to save money by offering exclusive services such as a 2% reward, business loans, and credit card processing, larger gift certificates for mortgage or real estate transactions, travel benefits and lower prices on check printing.

Hertz – Car rental company

Hertz #1 Club – Private club number automatically fills out your information form, this speeding the rental process.

Hertz #1 Club Express – Available only to Hertz #1 Club members and provides an exclusive checkout counter for express members only.

Hertz #1 Awards - Available only to Hertz #1 Club members and allows you to earn points for every qualifying dollar you spend on business and leisure rentals that can be redeemed for prizes and air travel mileage.

Kennedy Inner Circle, Inc. – Marketing consulting services company

Silver Inner Circle – Receives monthly newsletter, periodic free tele-consulting calls, invitations to “marketing roundtables”, and discounts on information products.

Gold – Includes Silver membership benefits plus monthly taped interviews with marketing experts, exclusive additions to monthly newsletter, longer call in times, access to special member’s area of website containing newsletter past issues and articles, and receipt of three marketing books during the year.

Gold+ - Includes Silver and Gold membership benefits plus one-on-one and group based tele-coaching, printed materials, additional coaching call-in days, and weekly success-stimulator faxes.

Gold + VIP – Includes Silver, Gold, and Gold+ membership benefits plus three “mastermind group meetings” two days each with personal coaching.

Platinum – Includes Silver, Gold, Gold+, and Gold+ VIP membership benefits plus four mastermind group meetings. This level is by invitation only.

The following are several elements from these examples that are important to a successful membership program. Each company provides different membership levels with more offerings of service, discounts, speed, and accessibility at each higher level.

1. In the case of Costco, programs are targeted toward different demographic groups with an increasing number of discount options.
2. In the case of Hertz, the express level increases accessibility and thus, speeds the fulfillment process. Also awards are given based on purchase volume motivating buyers to purchase more.

3. In the case of Kennedy Inner Circle, each membership program offers a higher level of accessibility to more in depth information.

Not every membership program has to be multi-level like those in the examples but they do need to provide an exclusive set of benefits that aren't available to regular customers.

Let's examine some membership benefit possibilities for various small businesses.

Dry Cleaner

Basic Membership – 10 % discount on all cleaning

Premium Membership – 10 % discount plus express counter service, pickup and delivery, free alterations

Certified Public Accountant

Basic Membership – Monthly tax saving teleconference calls, free newsletter

Premium Membership – Teleconference calls and newsletter plus express call-in question and answer service, monthly one-on-one consulting, and monthly mastermind networking meeting.

Oil and Lube Franchise

Basic Membership – Reminder email service, free complete car cleaning, premium grade motor oil.

Premium Membership – Email service, car cleaning, motor oil, plus free automatic transmission fluid changing, engine cleaning, tire rotation, and one oil change a month.

Movie Theatre

Basic Membership – 5 movies monthly for the price of three.

Premium Membership – 8 movies monthly for the price of five, monthly movie review newsletter, express window, web-based ticket buying

In every business there are products and services that you can package to provide as premium services in your membership program. It just takes a little creativity. If you only offer one service or product, create more

services and package them up to offer in a membership program.

Pricing of Membership Programs

Membership programs have many pricing models and must be tested to determine the right price for your business and clientele. However, pricing your lower membership levels inexpensively is a smart tactic.

Your goal should be to convert your customers into members so that they'll begin to feel an affinity to your business.

After your customers have joined, then you can begin to start the upsell process by providing tempting offers to move up the membership ladder. Look at your first membership level as a "loss-leader."

For example, it only costs \$10 a year to be a member of Sam's Club. It's free to be a member of Hollywood Video (video chain store). It costs \$25 annually to be a member of my local library.

The low membership fees serve to attract people into the program, but because it's not completely free, customers will place a value on their membership and use it.

Renewals: The Key to Membership Program Success

It's one thing to package your services into a membership program and sell it, but sustaining your subscribership by getting customers to renew is another. If you don't provide value and keep your promises during your customer's membership, it will be difficult to get them to renew.

To be honest, even if you have kept your promise and provided value it can be difficult to get people to renew. Magazines consistently have this problem. In fact, companies have been established with the sole purpose to help other companies to maintain a high renewal rate.

The key to getting your members to renew is to provide value beyond what was promised and to offer incentives to renew. The incentives should have a low cost to you and a high perceived value from your member.

For instance, suppose you offer a paid newsletter

service. Your renewal offer might include several free teleseminars or a free discount coupons from a popular vendor that advertises in your newsletter.

Another option to improve your renewal rate is to sell renewals upfront by offering multiple period memberships at a discounted price. For instance, when you offer a one-year VIP membership at your restaurant, upsell the offer with a second year at a 35% discount.

Locking your customers into multiple period membership programs should be an important goal. Because your customer was willing to buy the first period, they'll be inclined to consider multiple years...if the offer is right.

A powerful hidden benefit of locking your customer into a long-term membership program is that you'll also be locking out your competition!

Use Membership Cards

Open you wallet right now and you'll probably see several membership cards. That's how I came up with the membership prices for Sam's Club, Hollywood Video, and the local library. I also have a membership card from my local grocer, health club, and airlines (Continental and Southwest).

Membership cards serve several purposes beyond just holding my personal and transaction information. It serves as a gentle reminder for your customer to take advantage of their membership.

You can also use it as physical evidence for proof of membership. In addition, you can use it to mark off visits or purchases of specific product much like a subway sandwich card.

You might even consider establishing your own charge card. According to stats from GE Card Services, store credit cardholders will spend at least 50% more each year with that retailer than a customer not carrying the retailer's card. Offering a credit card also makes it easier for your members to buy your products by providing installment payments.

Conclusion

Membership programs help to properly allocated

company resources, increase customer loyalty, provide predictable revenue streams, sells more products and services, generates higher revenue per customer, and improve referrals. Every business has products and services they can package into a membership program.

Make it easy to enter your membership program and once you have a good membership base, focus on renewing your members to keep them in the program. Use a physical membership indicator to not only improve data tracking, but to remind your member to use their privileges.

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