



7 ways to monetize the behaviors of your customer lifecycle

Drew Marquesen

Sr. Loyalty Strategist,
Customer
Engagement Group
BI WORLDWIDE

Everybody's heard that it's cheaper to keep an existing customer than to win a new customer. So generating loyalty amongst customers makes sense. It sounds like a straight-forward objective, and it's easy to assume that because a customer is loyal, they are more valuable than other customers. And who wouldn't want more valuable customers?

And yet, loyalty is nebulous, especially today when there are so many poorly designed programs in the market. When you're pressed to prove the value of your program, you should be ready with not only the impact you've generated motivating behaviors, but also the dollar value of those behaviors.

Monetizing the behaviors within your customer lifecycle will help determine the most profitable behaviors of your most profitable customers. Where possible, the value of each behavior needs to be higher than the cost of the reward or motivator necessary to drive the behavior. More importantly, the value of the overall program needs to be higher than the cost of the rewards required to drive the necessary engagement tied to loyalty.

For example, if you are looking to retain customers, you should know the behaviors that impact retention and what those behaviors are worth. Some tactics are simple to monetize. Sending a surprise and delight kit to members who are nearing the end of their purchase cycle prompting them to re-purchase has hard costs (e.g., the cost of the kit plus shipping) and is simple to measure (e.g., the retention rate post campaign). Other tactics can prove challenging to monetize, like how much it is worth for your customer to visit your website once a month instead of once a year.

In general, there are two ways to approach monetization: program-level impact and behavior-level impact. Program-level metrics are longer term in nature and require patience. In some cases, they can take up to a year for a first look and it can take several more years to see true impact. These are things like retention and lifetime value. Behavior-level impact can be monetized early so you can get some quick wins and identify leading indicators. These are things like downloading an app, driving continuity or social sharing.

So, how do you go about monetizing the behaviors of your customer lifecycle?

Here are some examples:

Healthcare

- 1 Retention:** Does your member loyalty program motivate members to re-enroll annually? Monetizing this could be simple: the value of a member that stays vs. leaves, the cost of onboarding a new member or premium payment adherence. But often you can measure this annually. Once you've established how you'll monetize retention, identify leading indicators that can give you a pulse check throughout the year, like self-service utilization or NPS.



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2 Clinical: Getting members to complete an HRA or a Wellbeing Survey early in the plan year can get members coded and into care management tracks that reduce their overall cost of care. The tricky part is landing on a dollar amount that is reflective of the potential cost savings, especially when comparing buy-to-protect and buy-to-use members. Certain vaccinations would be a straight-forward example. Those who get vaccinated often have a lower cost of care over time which can be distilled down to a per-behavior value.

3 Utilization/Administrative: Members who utilize Telehealth can be more profitable, especially if they avoid a trip to the ER. One way to monetize this behavior is by comparing Telehealth utilization against a care decision tree. Did a member choose Telehealth over a trip to Urgent Care? That lower cost of care monetizes the behavior. But Telehealth is a complex behavior with many options for monetization. An easier behavior to measure is enrolling and activating in an online portal, which directly correlates to self-service (e.g., downloading a digital ID) and cost savings.

Customer Loyalty

4 Continuity/Habits: For a traditional loyalty program, the most important metrics are transactional, which you can measure right away. Transactional loyalty programs are looking to establish habitual behaviors by motivating purchases offset of routine purchases. Increased ticket average, increased frequency, or trials across products/service categories are easily monetizable and can lead into measuring continuity. Ordering from an app or increasing basket size can also monetize the behaviors surrounding a transactional loyalty program.

5 LTV/Retention: Equally as critical, and similar to healthcare, lifetime value is a longer-term metric that requires patience, especially if you are looking at the lifetime of the product or service and/or the lifetime of a customer. If you land on years as a customer to determine LTV, then monetizing by relationship-year clusters will describe the impact of your loyalty initiatives. Monetizing behaviors can pulse check at much shorter intervals.

6 Behavior-level: Whether you need to acquire customers or retain them, milestones across the lifecycle can be monetized. Downloading an app, registering for autopay, engaging with a newsletter, or providing data all have a dollar value and can be measured early and often. Locating behaviors can be easy, but landing on a dollar value will take effort, and the value could evolve over time.



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7 Channel Loyalty: All of the examples above for customer loyalty apply to channel loyalty—except the ecosystem and, therefore, the lifecycles are different. To monetize channel loyalty behaviors, you must:

- Understand behaviors across the ecosystem
- Know what is controlled vs. non-controlled within the ecosystem
- Accept that data is highly valuable – gathering data should have a high price tag

If your loyalty program is unique and has created differentiation in the marketplace, you already know which behaviors will motivate the most customer or member segments across the customer lifecycle. Once you monetize those behaviors, you'll be able to prove, again and again, the true impact of your efforts.

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