Building Loyalty Management Strategies and World-Class Service Since 1984

OMEGA Management Group Corp.

The Loyalty Strategy Report

Volume 2, Number 6 Fall 2005

Omegascoreboard.com

CONTENTS

Snapshot Consulting Services

As you know, Omega helps companies build and implement loyalty management strategy programs that results in increased sales and revenue by maximizing customer retention and linking employee compensation to increases in customer satisfaction.

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I Love This Time of Year!

John Maraganis

As if the fabulous fall foliage isn't enough to make us New Englanders the envy of the rest of the country, I love this time of year because it's business at its best.

That's because most companies are on a calendar fiscal year, so we're all trying to close those great fourth-quarter deals so we hit our quotas for the year. At the same time, we're busy sharpening our pencils to budget for all of the exciting programs planned for next year. It doesn't get any better!

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Take The CRMI Rewards Demo

Rich Castellano

The CRMI Membership Rewards program is the first of its kind in the customer care field. As explained in the last issue of this newsletter, the program allows members to receive valuable rewards -- such as savings on shopping, travel, and entertainment -- based on participation in various training and education services, events and programs offered through CRMI. The programs are offered to members at special discounts.

Since formally launching the program during the summer, we've welcomed scores of customer care professionals into the program and there's growing interest from potential business and media partners. We're off and running, and would like to have you join us!

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Get Ready for SCORE 2006!

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[I Love This Time of Year!...Continued from page 1.]

Here's what we're up to as 2005 enters its final quarter. We continue to add services and incentives for our CMRI Membership Rewards Program. At Omega, we're proud to introduce the Snapshot program. This is a set of consulting services that features our Anthony & Alexander Group team of veteran business experts who can assess your current business operations from a customer-centric point of view and work with you to identify and implement specific actions to improve your customer satisfaction and loyalty levels.

Looking ahead, our 2006 plans are well underway. We've already set the dates and venue for next year's SCORE Conference: **June 12-15 at the Seaport Hotel in Boston**, the same location as SCORE 2005.

SCORE 2006 attendees and sponsors can look forward to another blockbuster event. Each year, the SCORE conference attracts hundreds of top executives in customer service, call center operations, technical support, sales/marketing and human resources. More details will follow in the coming weeks and months, but for now mark the dates on your calendar – and events budget – for 2006.

In another promising initiative, we've designed our own incentive program, CARE Rewards℠, which we offer to companies who want to leverage the power of incentives to reward both individual employees and groups whose commitment to customer satisfaction pays off in increased revenue for the company. With CARE Rewards, companies can tie employee compensation directly to increases in customer satisfaction and loyalty. Everyone benefits from the success of this program.

Finally, I'm pleased to introduce three new columnists in this issue: Bob Brooks and Dennis Gershowitz, both part of our Anthony & Alexander consulting arm; and our own Greg Rich, an account manager at Omega. Bob is a recognized authority on Lean Six Sigma for customer service. Dennis is one of the industry's most respected experts in customer service operations. Greg Rich, at an early stage in his career, has already established himself as a top performer in helping companies design and implement effective loyalty management strategies.

Happy Selling!

John Alexander [illegible], President & CEO

[Take The CRMI Rewards Demo...Continued from page 1.]

The CRMI website (www.crmirewards.com) has all the information, but we've taken an innovative step by adding an online demo that allows to you to see how membership points are earned, the actual merchandise and discounts that points can be redeemed for, and how easy it us for members to view their point balances and update their personal profiles.

This is a "members only" privilege, but we understand that a program as unique as ours has to be seen to be appreciated. By taking the demo, you'll see virtually everything a member does… except you can't actually earn points or have a reward shipped to you!

Once you're logged in, you may select from the four choices in the main part of the screen or click on any of the choices in the left column. Not all fields are active on every page (e.g., changing password or edit account information), but the idea is to show that there is a structure and format for every transaction.

I know, you're saying, "Tell me about redeeming points, Rich. What cool stuff can I get?" For that, just click on "Redeem My Points" and you'll go to a screen of seven "folios," or catalogs, of merchandise and discounts on a variety of dining, entertainment and travel rewards. Each folio has a "View" and "Redeem" button. You will see that the demo provides you with a balance of 70,600 points, which qualifies you to redeem at all levels through 50,000 points. Use the "Redeem" button at the eligible thresholds and just follow the prompts to see how to select and order the reward/s of your choice. To see what treasures the 75,000 and 100,000 folios hold, use the "View" buttons.

We hope you enjoy the demo, and I encourage you to press "Return to CRMI" near the top left of every page when you're done to return to the main CRMI website. Then please take a few more moments to click on the other pages, which describe the education and training resources available. After all, that's the true reward of CRMI membership! Some of them are brand new and more services and programs are constantly being added. Please bookmark the site and return often.

I look forward to your comments on the demo and the CRMI Program in general. Please contact me at:978.256.3331 ext. 240 or rjcastellano@crmirewards.com

Richard J. Castellano
President & Chief Customer Officer
Customer Relationship Management Institute

Get ready for SCORE 2006! ...

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Mark Your Calendars!

June 12 - 15
Seaport Hotel
Boston, MA

CALL (800) 711-5196 FOR THE EARLY BIRD SPECIAL!

The dates and location are set for SCORE Conference 2006 -- the **Symposium for Customer Operations and Relationship Exposition. Each year, the SCORE conference** attracts hundreds of top executives in customer service, call center operations, technical support, sales/marketing and human resources. They know that SCORE is the best place to network and learn from industry-leading speakers about how to boost revenue and profits by developing a loyalty management strategy that maximizes customer and employee satisfaction and retention. In 2006, more than 25 presentations in two tracks will focus on all aspects of loyalty management strategy and customer operations. Presentations currently planned include:

- Aligning your customer service strategy with the executive suite
- Increase service revenue while building customer loyalty
- Determining the value of existing customer relationships
- CRM technology and world-class customer service
- Applying quality assurance principles to your contact center
- Benchmark your performance for world-class service
- Driving loyalty with incentives and rewards
- Aligning the organization to deliver successful and profitable
- customer experience
- Leveraging the right customers to enhance profitability and reduce churn
- The multi-faceted loyalty program: creating a unique experience to attract, retain and reward customers
- Multiple sessions on Self-Service technology and applications!

Case histories by service executives who have implemented successful loyalty management strategy programs in their own companies.
As always, a highlight of SCORE Conference 2006 will be the presentation of the annual NorthFaceScoreBoard SM Awards Now in its sixth year, the NorthFace ScoreBoard Award is presented annually to companies who, as rated by their customers, achieved excellence in customer satisfaction during the prior year.

We hope you will visit this page regularly to learn more about the sessions. Soon you will be able to register online and take advantage of special Early Bird Discounts. Meanwhile, be sure to mark your calendars to attend SCORE 2006, and call **800-711-5196** toll free for more information.

Snapshot Consulting Services...

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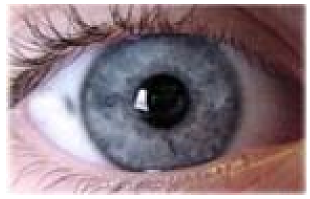

To help companies develop their loyalty programs, Omega conducts a wide range of customer and employee surveys and then provides analyses of the results. This process helps identify areas of concern as well as excellence regarding how a company delivers services in various areas of customer interaction.

While the survey and analysis process continues to be important, Omega, through its consulting arm, Anthony & Alexander Group, now offers a more strategic and high-value set of services through the Snapshot Program.

Under Snapshot, Omega works with clients to define the objectives and components of a customized loyalty management strategy from the start, rather than basing such decisions on results of research conducted later.

The process begins with a review of current or prior customer measurement practices and includes interviews with key management personnel. Then the Snapshot methodology identifies specifics goals and practices, such as key customer satisfaction goals, identification of survey methodology, customer satisfaction index target goals, reporting requirements, action alert criteria, key account criteria, customer touch points and specific survey questions.

The next step in the process is conducting a baseline relationship survey that provides a snapshot of the current customer satisfaction levels. Finally, a loyalty management strategy report is prepared and the Omega Snapshot team conducts an executive briefing with the customer.

The Snapshot Program can also include a corporate membership in the CRMI Membership Rewards Program along with discounts to the SCORE Conference and participation in CRMI webinars and certification programs.

The Snapshot Program components and deliverables are highly customized and vary by level of program selected. To learn more, contact Anthony Santilli, VP of Anthony & Alexander, by calling **(978) 256-3331 (ext. 237)** or via email at:

tsantilli@omegascoreboard.com.

Customer Spotlight: SimplexGrinnell

The CSAT Team at SimplexGrinnell includes (l-r): Karl Sharicz, John Haynes and Dave Baer

With a heritage in fire protection that reaches back to 1850, SimplexGrinnell is the North American leader in fire and life-safety. Striving for excellence in customer satisfaction comes naturally for a company in the business of emergency prevention and rapid response. In the past several months, however, SimplexGrinnell has taken steps to improve on its already strong performance in this area.

The customer satisfaction effort is part of a larger overall initiative now taking shape at SimplexGrinnell. Identified internally as "*By Your Side*," this new initiative will raise the commitment to delivering world-class customer service and support to the highest level, making it the foundation of the company's operating philosophy.

Customer satisfaction (CSAT) measurement is the responsibility of SimplexGrinnell's Corporate Marketing department. Corporate Marketing sets the strategic business direction for SimplexGrinnell and is the center for all vertical marketing research, including "voice of the customer" feedback and research. For the past two years, the company had used an internally generated, self-managed customer satisfaction program that was based on soliciting written (card survey) feedback directly from clients. This system only measured service transactions and the service technicians themselves initiated the survey process.

The resulting customer satisfaction scores were encouraging but unusually high, which led SimplexGrinnell to question the validity of this feedback collection method. Moreover, the findings were based solely on internally reported percentages, not the more common weighted average score system, therefore a true quantitative analysis of results were difficult to obtain.
Investigation into the existing CSAT system also showed that not every one of the 150 SimplexGrinnell district offices across North America participated. In addition, some offices were providing incentives to their technicians for soliciting and collecting customer feedback and others were not.

Assessing the Situation

A decision was made to use an independent business partner to create a more reliable CSAT system. This move was driven by a new leadership team within SimplexGrinnell that saw CSAT as part of the larger "*By Your Side*" initiative that also included a focus on employee satisfaction and retention as well as customer satisfaction and retention.

"Service is a core element of our business, and retaining valued customers is a key business driver toward achieving our goals as a company," says Dave Baer, VP of marketing. "The only way we can improve is to listen to the voice of the customer and, more importantly, use that information to raise the bar of performance for all of us."

There was also a need to establish a solid baseline of customer feedback data from random surveys of the customer base, and to benchmark SimplexGrinnell and track customer trends over time. The company also felt that surveys conducted by an independent entity would yield more honest and candid customer feedback that could be immediately acted upon where necessary.

"SimplexGrinnell evaluated three business partners and chose Omega Management Group Corp. because we felt Omega was the most responsive to the flexibility we wanted in our CSAT process," says Karl Sharicz, manager of corporate marketing support. "We knew from the start this would be an evolutionary program, and we wanted a partner we could trust to work closely with us and who also worked with other clients in industries similar to ours."

Building an Improved CSAT System

SimplexGrinnell knew it needed a more comprehensive CSAT process; one that could measure several customer dimensions. Omega helped the company develop a three-tiered model for the new approach to CSAT.

Tier1 is simply a means of collecting general customer feedback on an ongoing basis through the SimplexGrinnell website. Tier 1 surveys are qualitative web-based surveys and are entirely voluntary on the part of the customer. "This is a passive feedback method that yields many customer inquiries, many of which we act upon immediately," Sharicz says.

Tier2 focuses on and measures district and technician performance during service transactions. Tier 2 surveys are both quantitative and qualitative and consist of 15 questions that measure

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SimplexGrinnell Continued...

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how well SimplexGrinnell responds as a district to customers when they call for service (emergency or otherwise) as well as how effective SimplexGrinnell is in completing the services once at the customer site.

Tier3 is the company's highest customer survey level. The intent here is to measure the total relationship SimplexGrinnell has with its most important clients on an ongoing basis. "We are actually in transition with this tier," Sharicz says. "Our plans moving forward include setting up this client group by membership and gaining their permission to be surveyed on a quarterly basis at 100 surveys per quarter.

The Tier 3 surveys are also both quantitative and qualitative and consist of 40-50 questions that measure SimplexGrinnell's overall performance to key clients as a solutions provider. Questions touch on product sets offered, SimplexGrinnell's ability to understand needs and apply appropriate solutions, the system of delivery and installation, aftermarket services and all administrative processes, including ease of doing business.

Figure 1. The Customer Loyalty Cycle

One of the most important aspects of the prior CSAT process that carried over into the new process was SimplexGrinnell's rapid service response and recovery component, graphically illustrated in **Figure 1, The Customer Loyalty Cycle**. Regardless of the survey method being used or which tier is being surveyed, any customer who raises an issue that requires immediate action will receive it.

"The importance of providing rapid response and quality service and keeping satisfied customers in a life safety business such as ours cannot be overemphasized," says John Haynes, director of corporate marketing. "The immediate interventions we are able to facilitate and manage through our local offices are a direct result of the Omega surveys."

SimplexGrinnell regards this as an integral part of its CSAT process and uses Omega's "Action Alerts" to quickly intervene on any service or business issue that could result in customer dissatisfaction or potential customer defection. Resolution time is dependent on the exact nature of the need, but in general a customer's issue is resolved within 15 days based on this process.

"We must make every effort to earn the right to keep our customers' business, and to keep that business we must continually challenge ourselves toward higher levels of performance," says Baer. "As our customer satisfaction program evolves, we will reward those individuals who made the greatest strides toward achieving our customer satisfaction goals."

Baselines, Benchmarks, and Beyond

Thus far in the new CSAT process, SimplexGrinnell is establishing a baseline for the services provided to its general customer base on a regional basis. Between the U.S. and Canada, SimplexGrinnell is divided into Western, Southern and Northern geographic operations.

Each operation, in turn, is divided into geographic Regions, and Regions are further divided into District Offices. There are a total of 16 Regions and 150 District Offices. By the end of 2005, SimplexGrinnell will have established a baseline of regional data from which to begin any process changes necessary to improve services and, hence, customer satisfaction, retention and, ultimately, loyalty.

From the Tier 2 survey process, and with roughly half of the regions reported to date, the responses are consistently falling within in the 85-90% customer satisfaction range. This is insufficient data from which to draw any major immediate conclusions, but the commentary reports that Omega provides SimplexGrinnell contain some poignant data from which they can draw conclusions and act upon accordingly.

"There's almost no substitute for the qualitative information that Omega is able to gather from our customers," Sharicz says. "The scores may give you a general baseline idea of where you stand, but the verbatim commentaries our customers offer us are what really drives our critical response and recovery management component and makes our CSAT system unique." He says that SimplexGrinnell has been able to identify four major areas for improving customer-district interactions based on verbatim customer feedback.

Once Tier 2 surveys are completed for all regions and baselines are established, SimplexGrinnell plans to run an ongoing Tier 2 process by surveying customers within each region on a six-month interval, thereby establishing, monitoring, and reporting trends.

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At the same time, SimplexGrinnell will be helping initiate local district office interventions based on the scores and commentaries that customers provide. As a result, the company will be able to track the results of those improvements from the ongoing surveys.

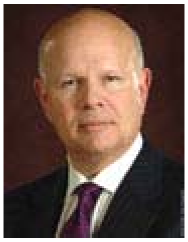
"After we have three complete cycles of semi-annual data, we plan to begin an incentive program that will reward the top achievers within SimplexGrinnell in terms of customer satisfaction and loyalty," Sharicz says.

SimplexGrinnell BE SAFE.
A business unit of Tyco Fire & Security

SimplexGrinnell, a business unit of Tyco Fire & Security, provides a comprehensive array of fire alarm, fire sprinkler, fire suppression, integrated security, sound and healthcare communications systems and services. With half a million customers, 12,500 employees, 150 local offices, and over 200 years of history in the fire business, SimplexGrinnell is the leader in the fire and life-safety industry. For additional information, visit [*www.SimplexGrinnell.com*](http://www.SimplexGrinnell.com)

The Service Perspective in Customer Care

Do we understand our customer's contribution?



Dennis Gershowitz

Service executives face the ever-increasing challenge of redefining the expectations and business processes that surround their customers, and understanding the value contribution of those customers. Considering this, the challenge becomes one of developing a customer-driven business strategy that maximizes contribution to the enterprise.

The first step in this process is to develop a baseline strategy for measuring and benchmarking customer value. But the strategy cannot stand alone with Service; Marketing and Sales must agree on the approach and its related measurements and contribute beyond just the buy-in. From this foundation, an essential step is for Service to develop the metrics focused on customer contribution. Once this is complete, the paradigm shift is in place.

The old metrics, based heavily on service revenue alone, will continue to be important as they are often operational and productivity oriented. But the new ways of looking at the customer and the related measurements –- such as share of the customer business and share of profitable business -- will take hold as traditional approaches shift to the back burner, bringing a new dimension of understanding to the management team.

Traditional measurements show that between 70-80 percent of a company's sales can come from 20-30 percent of their customers. Yet many companies attempt to offer all customers essentially the same high-value service and support. In reality, companies are wasting precious resources if they don't differentiate their service offerings and strategies based on customer value contribution.

I have long practiced that service offerings must focus around customer needs. But, they must be balanced to measure the value and contribution the customer brings to the business. The depth and "extra effort" of support should be predicated upon the tangible value that a customer brings to the business. We all strive for "customer delight" and offer support accordingly. But it is vital to manage our relationships intelligently so we properly allocate support resources based on the value of each customer.

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I call this approach Systematic Account Management. By way of introduction, here are some of the building blocks:

- Develop a program to organize your customer database based upon value contribution criteria.
- Focus on customer purchase history, with input from Sales.
- Develop the selection criteria to categorize and rank the customers.
- Select the customers designated to receive the highest level of service and support.

There are many more steps, and by the time you complete the entire process you will have developed a system that helps to differentially manage your customers, and demonstrate that there are customers you would not miss if they went away. We know that customer loyalty has its dividends, but we may not realize that customer loyalty may, in some cases, be worth a lot less than we thought. This becomes evident when comparing the customer's value proposition against the cost needed to maintain the customer.

So, as executives, we are continually challenged to confront our business processes and ourselves with ***"Are we managing around customer value"***? We must recognize that our most critical performance metrics must be focused on measuring the value of customer contribution, and match our customer satisfaction effort to this metric. Just as importantly, we want to move to another level of understanding our customer base, while effectively delivering what the customer expects.

Successfully implementing the Systematic Account Management process means servicing customers based on actionable information and valid metrics, so that business decision making will focus on measurable customer value. High-value customer relationships will then move outside of Service to extend throughout the enterprise. The company culture then shifts to concentrate on strengthening relationships with the customers that contribute the most value. Your team and you will begin to look at each customer from the perspective of return on investment.

To reach this point, a company must have a clear view of each customer's value contribution. Whether using a Systematic Account Management process or some other tool, it is important to get your business units and Service organization moving forward in the same direction and to understand the value proposition you have with the customer.

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CARE Rewards Program Links Employee Compensation to Customer Satisfaction

For sales professionals, it's simply the way things are done. Your compensation depends on how much you sell. And it doesn't take long for salespeople to realize that selling to existing customers is far easier, and more predictable, than relying primarily on a steady stream of orders from new accounts.

But salespeople aren't the only ones who generate new revenue – or retain existing levels of revenue. As those of us in the customer care industry know, many other job functions are directly linked to income generation and retention. One of the most dynamic of these functions is the call center, where critical customer service and support activities take place that play a major role in generating incremental revenue as well as retaining existing customer relationships that could otherwise be lost.

Omega is now offering the CARE Rewards Program to companies who want to motivate and reward employees beyond the sales team to perform at a higher level by linking their compensation to measurable increases in customer satisfaction and loyalty.

The CARE Rewards Program is based on awarding points to individuals and groups for achieving service excellence, and then allowing employees to redeem their points for free merchandise as well as discounts on dining, shopping and even travel. The use of non-monetary rewards has been shown to have a more enduring value to recipients, and also builds a greater sense of personal esteem. In cooperation with participating companies, Omega administers all aspects of the program, from devising a point structure based on customer service and support tasks to selecting reward folios that make financial sense to the company and provide strong motivation for employees.

Individual incentive programs are meant to reward designated employees in a given group. To determine points, Omega surveys actual customers with whom each employee has recently worked, but does not mention any employee by name. Points are credited to the employee's portfolio based on the customer's weighted average survey responses about the employee's performance, such as knowledge, attitude and professionalism. Points are tracked on a monthly basis and typically are tallied over time for "employee of the year" recognition and rewards. Group incentive programs are intended to determine service and support excellence for teams of employees performing the same or comparable tasks. In this case, the Omega surveys determine overall satisfaction levels for each team. As with individual rewards, points are tracked on a monthly basis and typically are tallied over time for "team of the year" recognition.

For more information on the CARE Rewards program, contact Rich Castellano, president of CRMI, at (978) 256-3331 (x240) or via email at rjcastellano@omegascoreboard.com or rjcastellano@crmirewards.com
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What Creates Loyal Customers?

Bob Brooks

What keeps customers going back to the same service providers again and again? For that matter, what makes *you* do that? Think about it. In both your personal and business lives, you have some service providers you regularly do business with without even thinking about it. In fact, you don't even entertain offers from their competitors. You might even pay more for their service than their competitors'. You're a loyal customer, and it's because those providers consistently meet or exceed your expectations. They do an excellent job, they're dependable and responsive, aren't they? So, the answer to our first question is that loyal customers are created by consistently excellent service.

What creates consistently excellent service?

Good employees would be a good answer, but I'd like to propose a better one; *process*. Process is the way work is done to provide a service. It includes the sequence of tasks performed, the information flows and the technology that's used. It actually has the ability to contribute to the "creation" of good employees. This is because the process defines the nature of service providers' jobs, and research going all the way back to the 50's shows that the nature of the job is the primary driver of worker motivation. For instance it can motivate workers by allowing them to focus on the tasks that result in satisfied customers and by empowering them – giving them the flexibility, tools and information they need to be effective. Or, like most service processes today, it can *disempower* them. The beauty of using the process as a motivator is that it insures that workers are motivated to do the right things the right way, and that they will do that whether their boss is present or not. That's because their reward comes from doing the job. Within reason, the more and better they do it, the more rewarded they are.

Looking at it from another perspective, you could think of a service process as an energy pipeline. The sturdier and straighter it is, and the fewer leaks it has; the faster and more reliably it can provide the service. A process that is sturdy and leak free is called "robust." It provides the reliability we referred to earlier. Note that it's not good enough just to avoid leaks (defects or mistakes), but it's also important to be able to survive the rigors of the world, such as surges in demand, equipment breakdowns, product problems, etc. and still provide excellent service.

If you design a robust process to deliver your service, you can accomplish this. Lean and six sigma tools we'll talk about in later columns allow you to do this.

Lean tools specifically address the issue of the "straight pipe." They allow you to design processes with short lead times because they avoid twists, turns, and loop-backs. Research and experience show that the "thing" in a service process (a work order, customer complaint, application, claim, etc.) is actually being worked on for about 10% of the time it's in the process. Ninety per cent of the time is wasted. By applying lean tools, those numbers can often be reversed. It helps people in the process to work smarter rather than harder, and this is another way processes help to "create" good employees. The secret is that lean allows you to remove the waste from your process. Most of this waste involves waiting, moving and doing things that shouldn't be done in the first place. Interestingly, this waste turns out to be the main source of defects in processes, so the straight pipe is not only faster, but it also has fewer leaks.

Six sigma tools make it possible to design robust processes by systematically identifying the root causes of potential mistakes and modifying the process to eliminate them. One of the wasteful activities I alluded to above is fixing mistakes. Do you know how much time, effort and money are spent fixing mistakes in your service process? It frequently exceeds 20% of process time and costs. You don't know how much it is in your process because you can't see it. Six sigma not only reduces this time, but it also creates metrics that make this time and cost visible so that you can manage it. This, of course; allows you to create a process that consistently provides excellent service.

What creates consistently excellent service? It's the process. How good a job is your process doing?

Bob Brooks is executive director of Lean Six Sigma customer services at Omega. He is a recognized authority in organizational process improvement practices, and has extensive experience in integrating IT infrastructures and ERP applications into process improvement efforts.

8 Steps to Developing A Loyalty program

Roberto Guerrieri

Corporations that use incentives to motivate behavior will have better results than corporations that do not use such programs. Today, incentive programs are used for a variety of purposes, including increasing employee productivity, generating additional sales and promoting customer satisfaction and loyalty. Regardless of the group being targeted, incentives are a powerful tool that companies can deploy to meet targeted objectives.

Now is the time to plan your incentive program for 2006. Here are a few tips to help you develop an effective incentive program.

#1 Establish Objectives

Identify what goal or objective needs to be accomplished; e.g., improved attendance, improved customer satisfaction ratings, increased sales of a particular product, etc. The objectives must be simple, specific, measurable and obtainable. Begin with a clear, briefly stated objective and communicate it to all participants. You may also want to brand the program with a catchy name that will keep the objectives foremost in people's minds.

#2 Outline the Strategy

Build the foundation of the incentive program carefully, expanding on the methodology to be used. The structure of the program should detail exactly who is the target audience and anyone else who will be influenced by the program. The size of the group is important to the budget of the program, as well as the ability to communicate clearly and measure the results accurately. Other considerations are geographic boundaries or sales regions, legal considerations, family issues, the length of the program and timing, individual goals or team goals, and of course, the reward.

#3 Measure Performance

Define both quantifiable and qualitative goals that can be measured, and keep things simple. It might be necessary to look at historical data and come up with an average in order to define a particular sales goal or other objective. The goal needs to be fair to all involved and obtainable by everyone.

#4 Establish the Budget

Depending on whether the program involves sales or non-sales personnel, the budgeting will be different.

In general, the three elements of budgeting include: 1) number of participants, 2) length of program, and 3) expected results.

There are two types of award budgets: 1) closed-ended, and 2) open-ended. With a closed-ended program, you would need to determine the maximum costs involved. An estimate of costs involved is used for an open-ended program.

In a sales program, there are two primary rules. First, anywhere from 5%-10% of additional (incremental) gross sales during the incentive period can be applied to the total cost of the program. Secondly, the cost of the incentive awards should equal 5% of all compensation for the program period. In a non-sales program, it is more difficult to put a monetary figure on the value of "improvement," but some measures are possible that involve increased productivity, customer satisfaction and loyalty, improved attendance, and improved safety (e.g., fewer job-related accidents).

The budget is then determined by the "value" the company will realize from the improvements made by the incentive program. As a rule of thumb, 80% of your budget should go towards awards, and 20% for program costs.

#5 Select the Perfect Award

It is important to select the correct award, because if people are not emotionally vested in obtaining the incentive award they will not pursue the goal. Spend some time speaking with the target group/s and select one or multiple awards within the framework of the budget that will be important to them.

#6 Administer the Program

Administration is approximately 20% of the program budget, and a good 50% of the planner's time. The target group needs clear, consistent communication and timely feedback on measurement of their performance.

#7 Celebrate the Success of the Program

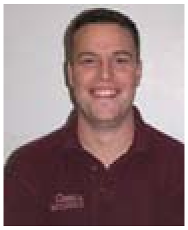
The end of the program should be celebrated with the target group/s, and performance measurement by individual and/or team should be provided. Individuals should then receive their awards.

#8 Analyze the Success of the Program

Did the incentive program achieve its objectives? Were the participants motivated to change their behavior? Remember, an incentive program provides a short-term gain, and follow-up programs are important. You're probably in the thick of budget planning right now for the coming year. Why not include an incentive program for 2006? Designed and managed properly following the steps above, such a program can be extremely effective, and can pay dividends long after the program has run its course.

Roberto Guerrieri is senior VP of marketing for Incentive Logic, Inc. Incentive Logic works to garner an in-depth knowledge of the processes that drive its clients' businesses as well as the markets in which they operate to ensure each loyalty program achieves maximum effectiveness. For more information on technology and services offered by Incentive Logic, please visit www.incentivelogic.com.

Building A Loyalty Management Strategy



Greg Rich

Many companies position themselves as "Best in Class" as it relates to product, service, and support. Many firms believe this positioning will help close new business or otherwise lead to increased sales. While this is often the case, the question that the majority of the true "Best in Class" companies ask themselves is, "At what cost to our existing base?"
The fact is, companies that apply "Best in Class" processes solely to gain new business will never grow to their full potential. That's because they fail to apply this same winning strategy to solidify relationships with their current customer base.

The best way to truly realign and become customer centric is to deploy a comprehensive *loyalty management strategy* that encompasses all touch points that customers may experience. But don't regard this as simply an opportunity to sell into the existing base. Instead, view a loyalty management strategy as a way to gain candid customer feedback through various survey and analysis tools. Remember, planned and implemented properly, an effective loyalty management strategy, focusing on the major areas within a company (employees, customers, products and services) will invariably lead to increased revenue and profits that typically will surpass that of new-name sales alone.

One specific company has been successful in gaining customer intelligence and has been able to consistently make process adjustments based on the candid feedback gained from its customers and employees. Kronos Incorporated of Chelmsford, Mass., (the most trusted name in workforce management) embarked on a strategic loyalty management program more than seven years ago. The objective was solely placed on "voice of the customer." Through many years of data gathering, strategic process alignment and realignment, and constantly trying to "exceed customer and employee expectations," Kronos has been able to reach record levels in its industry in both employee and customer loyalty. Kronos is truly a pioneer in loyalty management strategy.

A study performed by Omega in 2004 serves to further emphasize the benefits of adopting a loyalty management strategy. In the study, "Company A" strictly focused on new business acquisition, and invested solely on lead generation. Meanwhile, "Company B" focused on customer centricity alone, relying on loyalty (repeat business and referrals) to increase the bottom line. Both companies launched their initiatives during the same time period in 2003.
An analysis of one year's worth of collected data showed that "Company A" gained a large number of new customers but lost more than they gained, resulting in a net loss for 2003. "Company B" data proved that a boost in loyalty levels produced increased referral business, which generated new sales and higher retention rates than years past.
This study further emphasizes the point that a strategy of acquisition only, and paying little or no attention to the customers who already have invested in your products or services, can result in a surprisingly rapid decrease in bottom line performance.
Research shows overwhelmingly that there is a clear advantage and many measurable benefits to be gained by adopting a loyalty management strategy. Companies are able to increase the strength and size of their customer base while streamlining customer service processes to yield a higher return on investment.

Remember, to be "Best in Class" in the customers' eyes, an organization must constantly look to improve levels of employee and customer loyalty while evolving products and services based on the feedback obtained. A loyalty management strategy must be embraced from the very top levels of an organization and down through the ranks, and must allow a multitude of employees to provide input in order to strengthen the concept of customer and employee centricity.

Greg Rich is an account manager at Omega Management Group Corp. He serves as a "customer advocate" for each of his clients, and becomes thoroughly knowledgeable about client objectives, organization, products and services as well as their competition. He is also responsible for assembling the appropriate resources within Omega to gather the necessary information needed to solve his clients' customer loyalty and retention issues.

Gershowitz Honored By AFSMI

Dennis Gershowitz, principal of DG Associates and VP of client support services and operations with Omega's Anthony & Alexander consulting organization, is one of 20 recipients of AFSMI's President's Club Awards. The award honors AFSMI (The Association for Services Management International) members who have contributed time and energy into the Association by their participation, promotion, and commitment to the industry and AFSMI. Members inducted into the club must have a minimum of 20 years with the Association.

"Our goal is to provide our members with the most valuable information for improving the services side of their business," said John Schoenewald, CEO of AFSMI. "Dennis Gershowitz represents not only a strong commitment to the Association, but also an unparalleled dedication to the s-business industry."

AFSMI has recently expanded its awards program, which now includes recognition for lifetime achievement, long-time industry and association support, chapter recognition, and corporate and vendor acknowledgement, among others. These awards promote an atmosphere of volunteerism among the members of the Association and recognize the time, energy, and resources that are contributed by both individual members and the member companies.

These awards were presented at the AFSMI Annual Conference in Nashville, Tenn., on October 11 at the first annual S-Business Awards Ceremony. Details on all of the awards can be found on the AFSMI Web site at www.afsmi.org.

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