

END NOTES: STRATEGY

Face-Off

Test and learn versus the leap to launch: Two program launch strategies go head to head

BY FRED THOMPSON



SHOULD YOU TEST AND PILOT to build the “perfect” program, or just launch to get it out to customers quickly and modify it once in market? Retailers around the world openly debate this issue—and while I have my own opinion on what works best, there’s no doubt that companies differ in how they design and validate their loyalty strategy.

Option 1: Test and learn with a pilot

“We’re going to have to pilot for six-plus months to get a read on our program?” Yes, testing can feel like a waste of time to companies looking for quick solutions to their business issues.

But piloting for 6-18 months before a full loyalty program launch has definite advantages: A pilot offers an in-market lab or incubator for testing, which delivers real-world feedback and results from customers. Piloting also limits risk and sets reasonable expectations for program results among key company stakeholders. Out of the companies we work with who pilot, about 75% make a significant adjustment before full rollout based on the data/insight they receive.

A good example of piloting is Walgreens, which began a loyalty program pilot just over a year ago across a number of markets.

Walgreens used the pilot period to fine-tune offerings to customers, and strengthen internal socialization and alignment. This purposeful and patient approach enabled the company to validate its business model and key elements of the program.

Too often, pilots are seen as only a cost. In reality, they are an investment and an insurance policy. Compared to the revenue that will flow through a national program, the investment in a pilot can be some of the cheapest insurance you can possibly buy. If a full-fledged pilot seems too challenging, it’s possible to run a “mini-pilot” by testing key program components in-market.

Option 2: Leap in with a launch

Some companies bypass the pilot process, leaping directly into the loyalty pool. These organizations are either sufficiently aligned on their strategy; can’t properly measure and provide the needed proof points through a small pilot; or believe that speed to market is essential.

Should you test and pilot to build the “perfect” program, or just launch to get it out to customers quickly and modify it once in market? Bear in mind that there is no such thing as zero risk. A healthy program will always be evolving, no matter whether piloted or launched.

A key example here is Sears Holdings’ *Shop Your Way Rewards*, which launched at the end of 2009 and now has more than 40 million members. The Sears and Kmart brands had run a number of pilots previously, but this program was launched with minimal testing of the final design. With a very entrepreneurial culture that likes to roll up its sleeves and deliver quickly to the customer, Sears Holdings prioritized speed to market in its pilot.

Sears has a massive mix of products, which may have driven them to this faster approach. The company recognized that measurement across all of these different categories would be too difficult in a pilot.

Clearly, Sears had the resources and tolerance for risk, and the customer-communication clout that enabled it to announce the new program, which would change over time.

A launch carries less risk if the company has strong organizational alignment, a healthy member communication plan, the technology infrastructure to prepare for the in-market adjustments, and a solid exit strategy. An experienced team is also essential—one whose sole responsibility is to develop and manage the program. I advise allocating additional staffing resources, up to 50% more than originally planned. Adapting on the fly means that employee burnout tends to be high.

The final score

Regarding the above examples, I think Walgreens and Sears will both succeed in their efforts. In Walgreens’ case, its confidence level is high and the program will be well-aligned around what their

customers need and expect from the company. And Sears understood its own corporate culture and proceeded in a way that worked best for them—its success with tens of millions of members speaks for itself.

I must admit that I prefer pilots over quick-to-market launches, given the availability of sophisticated software tools that make measurement easy. Strong arguments can be made either way—just bear in mind that there is no such thing as zero risk. A healthy program will always be evolving, no matter whether piloted or launched. ↙

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