

☺ smile.io

The expert's guide to VIP program strategy.



Program mechanics



How are customers being sorted into tiers?

1. Choose an action

Before you can do anything else, you need to decide how your customers are going to be sorted into each of your tiers. Although you can sort your customers based on any criteria you want, dollars spent and points earned are by far the two most common strategies.



Dollars

This revenue-driven strategy is typically used for a standalone VIP program.



Points

This type of program is great at encouraging social engagement, and builds upon a pre-existing points program structure.

2. Choose a time frame

Once you've decided how customers will be sorted into tiers, you need to determine how much time they'll have to move from tier to tier.



Since program start date

This timeline sorts customers based on how many points they've earned since your program started. This maximizes their chances of achieving the highest status and ensure they'll never lose it, making it highly effective for luxury brands with low purchase frequency but higher average order values.



Calendar year

Calendar year milestones place customers in tiers based on all of their activities with your store for one calendar year (January to December). Members can then enjoy all the benefits of that tier for the rest of that year and the following year, where they will have the chance to earn points and re-qualify for their current tier.

Note: Customers who do not re-qualify will be moved to the tier that matches how many points they have earned.



How many tiers should you have?


Three is the perfect number of tiers for a couple of reasons:




3

- Humans have always seemed to gravitate to the number three, making it immediately desirable
- Creates a clear hierarchy between your most, middle, and least valuable customers
- Makes tier movement difficult but attainable, keeping program engagement high

If you don't want to run a 3-tiered program, you can still run a VIP program with two, four, or even five tiers. However, we would never recommend more than 5 tiers. Not only is it complicated for your customers, but it also becomes extremely difficult to organize. This will negatively affect your engagement and participation rates, erasing a lot of the good a VIP program can do for your brand.

The Beauty Chef's Inner Beauty Circle is a beautiful example of a perfectly structured tiered rewards program. Customers are sorted into 3 tiers (appropriately named Seed, Harvest, and Glow) based on how many points they've earned, earning additional benefits for entering each tier.



	 SEED (0-1249)	 HARVEST (1250-2999)	 GLOW (3000+)
Inner Beauty Points Per \$1 Spent	3	4	5
Join the Inner Beauty Circle	350pts		
GLOW Sachet Pack™ <i>(Bonus gift valued at \$18)</i>		•	
Exclusive Content		•	•
Flora Fix Balm™ <i>(Bonus gift valued at \$25)</i>			•
Early Access to Sales & Promotions			•
Ongoing Free Shipping			•

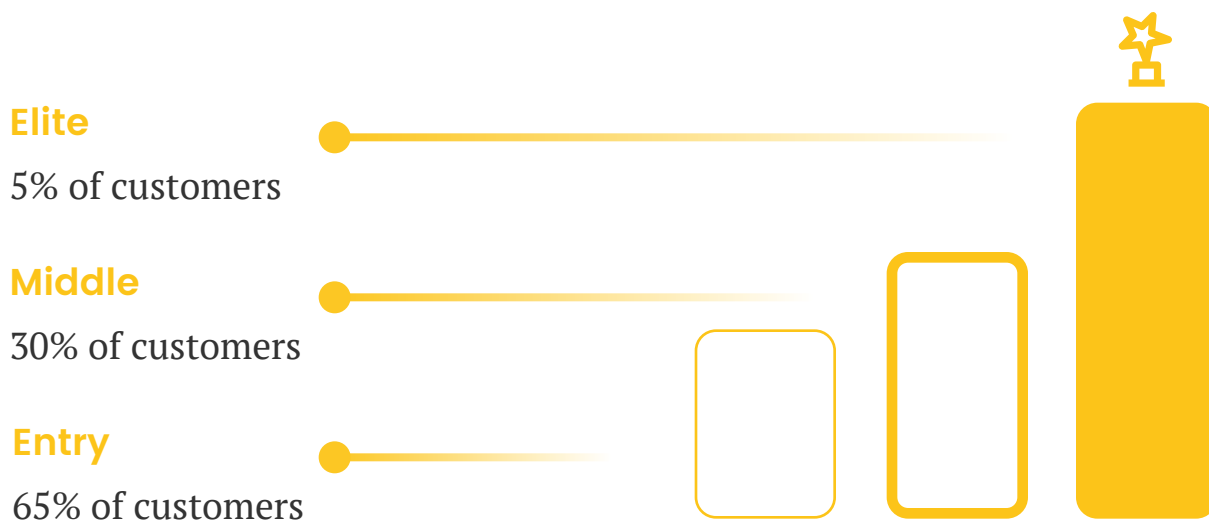
By having an entry, middle, and high level tier, The Beauty Chef is able to effectively bridge the gap between their highest and lowest levels. This structure, as opposed to only two VIP tiers, makes it easier for customers to find value at every stage of the program.



Setting tier entry milestones

A **tier entry milestone** is what a customer has to do before they can join a specific tier of your rewards program. These could be actions like number of points earned or dollars spent.

Since the whole point of a VIP program is to make your most loyal customers feel more special than the average shopper, you need to make sure that your best customers feel like they're part of a truly elite group. In order to do that, we'd recommend the following tier to customer ratio:



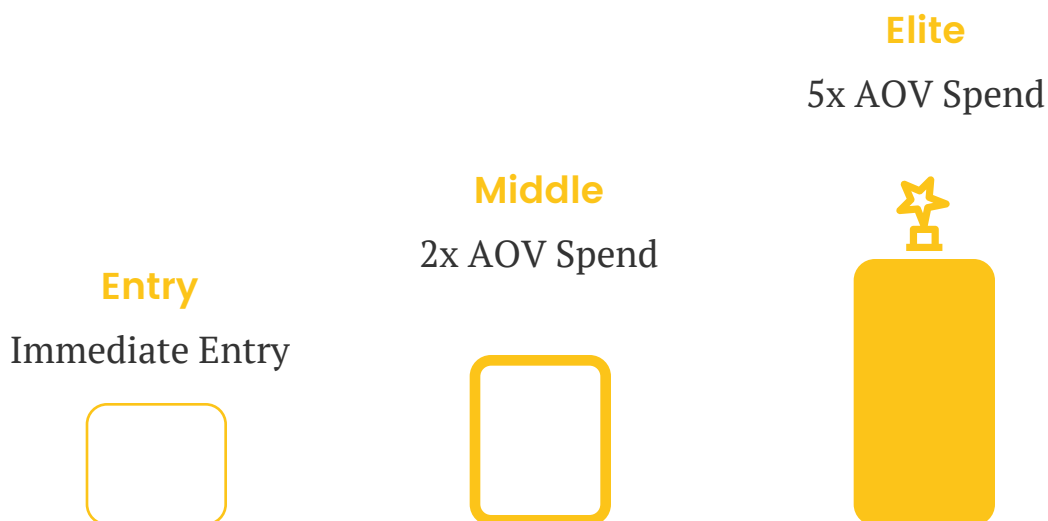
This breakdown allows your best customers to feel like they're only one of a few with exclusive VIP benefits while motivating your other customers to continue working towards that ultimate status goal.



How to calculate your tier entry milestones

In order to truly succeed, your VIP program needs to operate with tier milestones that are **achievable but challenging**. Your program loses its effectiveness when too many people are at the top. The key is finding the happy medium of getting enough people to reach your VIP level without allowing everyone in.

This makes calculating your tier entry milestones one of the most important steps to setting up a VIP program. The quickest way to do this is using your store's average order value.






Note: if you have more than 3 tiers, each successive tier should be a higher multiple of your store's AOV.

This method is effective because you know each milestone is achievable. Since customers are already more or less spending these amounts throughout the year, it's safe to assume customers will be able to move through the different levels of your program.

Note: this method is a simplification and should only be used as a starting point.

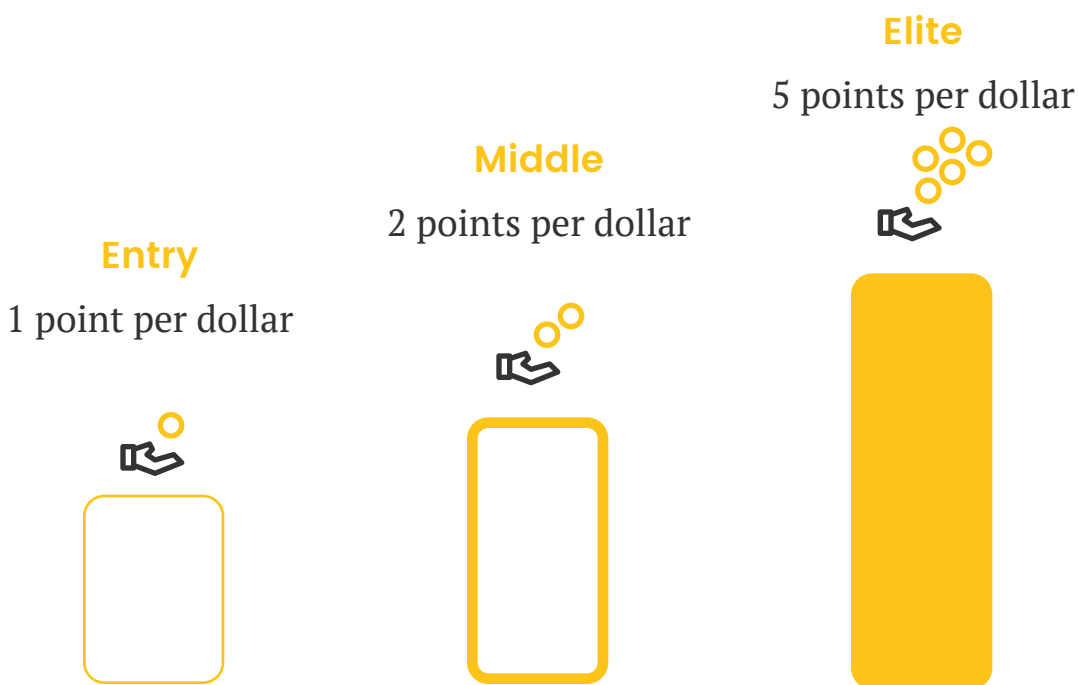
Things to remember when calculating milestones:

-  While the AOV method is a good starting point, you should be looking at your customer data to determine the most accurate milestones for your brand. Look at how much your customers spend on average, how often they're making purchases, etc. to determine the best milestones for your customers' behavior
-  Calculating milestones isn't an exact science. As a result, tier entry milestones will differ from brand to brand and industry to industry
-  Consider whether you're running a program based on 365 days or all time. Since customers are constantly accruing points in an all time program, milestones should be significantly higher

Rewards & perks

Base rewards

The base reward for any VIP program is points per dollar spent. That means that customers will earn a certain number of points per dollar based on the tier they're in.



The key to points per dollar rewards is to not give away too much, too fast. If you want customers to continue pushing for your highest tier, you need to make it that much more valuable than the tiers below it so that the value is always worth working for.

Rewards versus perks

When you run a Smile.io VIP program, you have the opportunity to offer your customers both perks and rewards. However, in order to do that properly you need to understand the difference between them.



Rewards

are administered directly through Smile.io and are predominantly transactional. This includes things like discount coupons, free shipping, and bonus points.






Perks

are not administered through Smile.io and tend to be focused on enhancing the customer's overall brand experience. Perks can also be applicable to every transaction, such as free shipping on every order or 5% off every purchase.

Offering a variety of perks and rewards is the best way to make your program’s upper tiers more valuable. By offering a combination of transactional and experiential rewards that customers can’t get at entry level, you can effectively motivate them to engage with your brand more often.

You can see this type of combination at play in Elizabeth Mott’s MOTT-LEY CREW rewards program.

	 STAR Spend \$0 – \$50 <i>Earn 2 pts per \$1 spent</i>	 SUPER STAR Spend \$51 – \$150 <i>Earn 4 pts per \$1 spent</i>	 SUPER-DUPER STAR Spend \$151+ <i>Earn 6 pts per \$1 spent</i>
400 Points Signup Bonus REWARD	★	★	★
Birthday Points REWARD	★	★	★
\$5 off \$20 or more Purchase REWARD	★	★	★
Private Sales PERK		★	★
Free Samples of Your Choice PERK		★	★
Free Shipping on all Orders PERK			★
Exclusive Gift PERK			★

In all three of their tiers, this cosmetics brand has decided to reward their loyal customers with both perks and rewards. From transactional rewards (birthday points) to experiential perks (private sales and free shipping on all orders), Elizabeth Mott is a great example of how to effectively increase the value of each successive VIP tier.



Which rewards appeal to different types of shoppers?

Although our general rule of thumb is to mix rewards and perks, you need to know what appeals to different types of customers in order to offer the best combination at each level of your VIP program.

New customers want transactional rewards

With little to no knowledge of your brand and what it has to offer, new customers are going to be attracted to transactional rewards that provide immediate value.

Examples of transactional rewards:



Dollars off



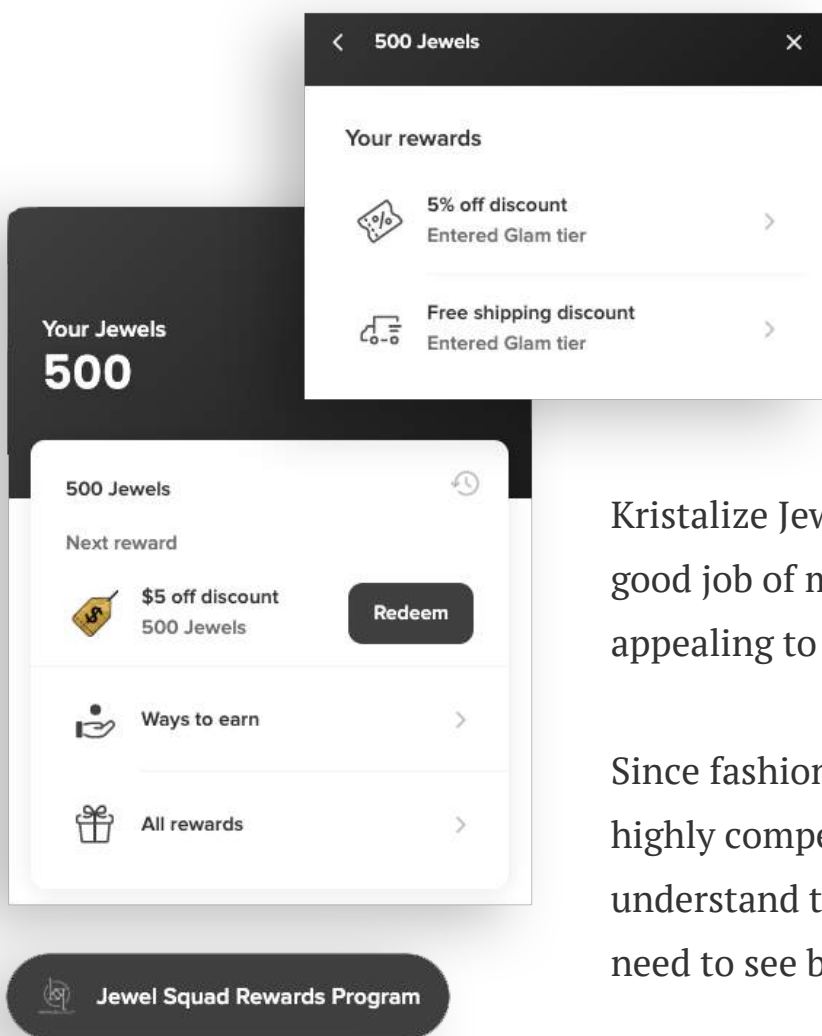
Free shipping



Percentage off



Free product



Kristalze Jewelry has done a really good job of making their program appealing to new customers.

Since fashion & accessories is a highly competitive industry, they understand that their customers need to see benefits early on.

That's why their Jewel Squad VIP program offers new members free shipping and a 5% discount -- all without having to make a purchase.



Take action:

Set up some rewards that will motivate new customers to join your program.

[ASSESS YOUR SPENDING RULES](#)

Returning customers want experiential rewards

As loyal brand ambassadors, your returning customers are looking for more opportunities to engage with your brand. Experiential rewards give you the chance to treat these VIPs with exclusive experiences they can't find anywhere else.

Examples of experiential rewards:



Meet & greets



Early access to sales




Special events



Exclusive content

The Gap's "choose your own sale day" is a fantastic example of an experiential perk. When customers have the freedom to customize a perk to their shopping habits and preferences, it becomes infinitely more valuable. These simple considerations separate higher-status tiers from the lower, creating higher demand and motivating entry-level customers to earn those coveted, personalized rewards.



ALL-STAR
Spend \$300 To Level-Up

3X
3 Beard Buck For Every Dollar
Spent

- Exclusive Giveaways
- Free B-day Gift
- 20% Off Coupon
- Early Access To New Products
- Limited Edition Apparel
- New Product Beta Tester**
- Personal Concierge Service

Another one of our favorite examples is the New Product Beta Tester perk offered to members of Live Bearded's All-Star tier. Live Bearded knows that their customers are willing to use only the best products on their beloved facial hair, so giving them the chance to try new products for free encourages these beard connoisseurs to explore all of the products the men's grooming brand has to offer.



Pro tip:

Don't offer more than 10 combined perks and rewards per tier.

Like your number of tiers, offering too many incentives can get confusing and complicated for you to orchestrate.

Branding & marketing

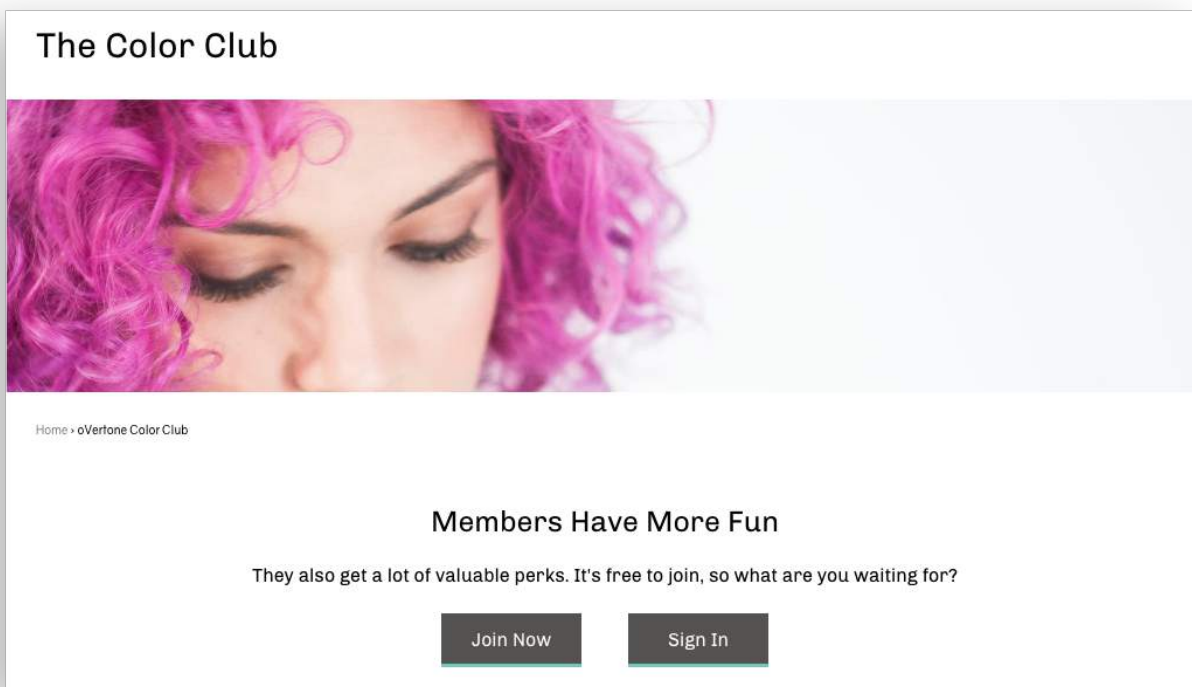


Names

While your program's structure, perks, and rewards are the backbone of your VIP strategy, what you choose to name your program, tiers, and currency are still very important. As one of the first impressions your program can make on new and existing members, you want them to give customers a reason to join and participate.

Naming your VIP program

Above anything else, your program name needs to be memorable. If customers can't remember the name, they won't participate! This means that a generic name like "Rewards Program" won't work. Instead, focus on what makes your brand unique and incorporate it into your name.



oVertone specializes in shampoos and conditioners that help protect the vibrancy of colored hair. They decided to play on this with their 3-tiered program, appropriately named The Color Club. Even though the name is simple, it's easy to remember and directly related to what they do, making it the perfect VIP program name for their business.



Take action:

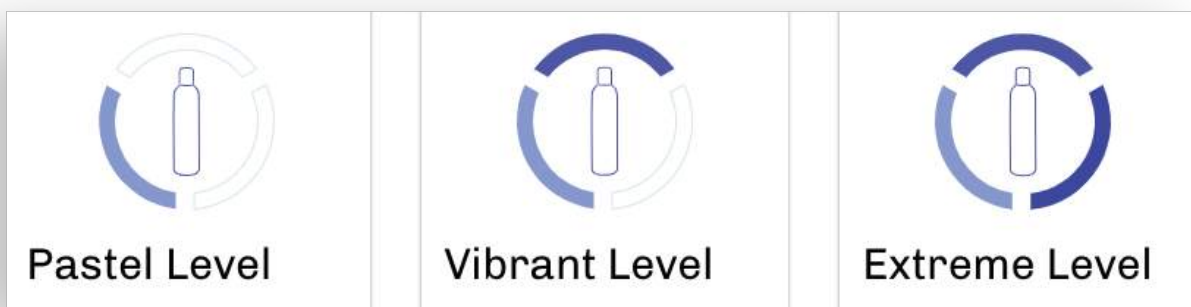
Get inspired by more fantastic examples of creative program names.

[SEE MORE](#)

Naming your VIP tiers




When it comes to naming each of your tiers, you want to use words or phrases that represent what your brand/products stand for. You want to use your tiers to complement the lifestyle you're trying to promote.

Just like your program name, you can do that by referring to what makes your brand unique, such as the products you sell. Let's look at oVertone's Color Club again. They've capitalized on what their brand has to offer by naming each of their tiers after a different type of color their products can protect: pastels, vibrants, and extremes.



These tier names relate beautifully to the overall theme of their program and appeal to their ideal customer - someone who wants to keep their hair color either pastel, vibrant, or extreme.

You can also choose to build your tier names around a specific emotion. Focus on the feeling you want customers to have when engaging with your brand, and channel that through each of your customer levels.

 ROOKIE 0-500 POINTS* Spend \$1 / Earn 1 Point	 ALL-STAR 501-2000 POINTS* Spend \$1 / Earn 2 Points	 HALL OF FAME 2001+ POINTS* Spend \$1 / Earn 4 Points
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Topps, an iconic American athletic lifestyle brand, has appropriately named their tiers Rookie, All Star, and Hall of Fame. Each of these names evoke ideas of being part of the athletics community, inspiring a sense of community and passion for the brand's lifestyle that makes customers feel included and valued.



Take action:

Need more great examples of effective tier level names? We've got you covered with our comprehensive list.

[SEE MORE](#)

Naming your points currency

Note: this type of branding only applies if you are combining your VIP program with a points program.

There are two types of points names: currency-based and creative.



"Beast Bucks"
Tame the Beast

Currency based

names include a reference to some existing form of currency (such as pounds, dollars, or credit).



"Glow Miles"
Glow Recipe

Creative

names don't refer to a real currency. Instead, they play up what sets a brand apart or defines its community (like stars, crowns, or goals).

Remember: it's all about creating a program that resonates with your customers, so pick the type of name that works best with your brand!



Take action:

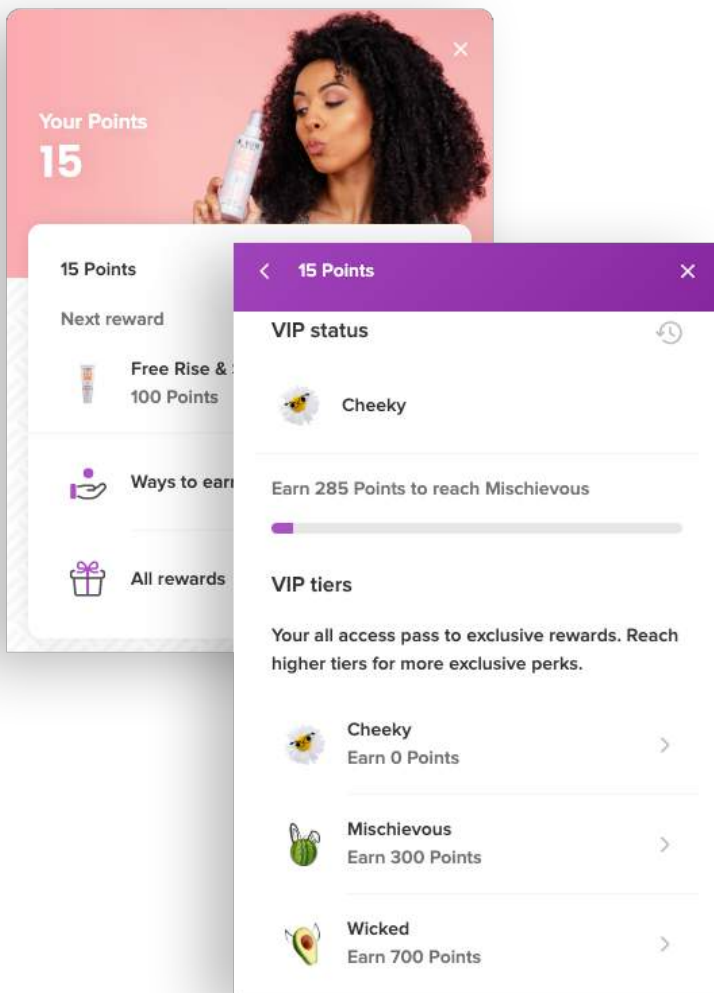
See what other creative brands are doing with their rewards currency.

[SEE MORE](#)



Customize your VIP icons

Customizing elements of your VIP program can have a huge impact on your program engagement rates and overall customers experience.



As the most visible place customers will interact with your Smile.io VIP program, your panel needs to feel and look consistent with the rest of your brand. Branded icons are the best way to do that, and take your program to the next level. They're the small touch that have a huge impact, and can take your program generic to outstanding in no time!

Icons are the type of small detail that customers are sure to notice and appreciate, and make a big difference in how your brand looks when compared to others.



Build an explainer page

Your program's explainer page is the place everything comes together. It serves as the information hub where customers can find answers to all of their questions about your VIP program, and as a result is the perfect place to take advantage of your brand's colors, logos, and products. These features will distinguish your program from your competition and makes it a fantastic marketing opportunity.



Take action:

Learn more about building the perfect explainer page in our detailed blog post.

[READ MORE](#)

Example: Esther

Why we love it:

“Join Now” call to action button located right at the top of the page

Beautiful brand photography used as focal point of page

Program mechanics explained in an easy, 3-step process

Branded icon set

Color-coded, easy to understand tier chart

Royal REWARDS

Are you ready to become a royal?

JOIN NOW **SIGN IN**

Join Royal Rewards
Earn 500 points for becoming a royal and be the first to know about our special promotions & giveaways.

Earn & Redeem Points
The more you spend, the more rewards you'll receive. Make your way up the hierarchy for extra perks.

Lavish in the Good Life
Reap the rewards of being the #queen that you are! This includes free shipping, birthday treats and so much more.

Perks of Being a Royal

- Free Shipping
- Anniversary & Birthday Rewards
- Exclusive Giveaways
- Exclusive Event Invitations
- Surprise Pressies
- Sale Pre-releases

WHAT IT MEANS TO BE ROYAL

The more you shop, the more you'll enjoy the royal treatment. As of June 6th, your tier will be calculated based on your spend at Esther within 1 calendar year (Jan-Dec). Once you earn a tier, you will get to reap the rewards of that tier the entire following year!

Rewards	Member (\$0-\$249)	Silver (\$250-\$749)	Gold (\$750-\$1,499)	Platinum (\$1,500+)
Earn points per \$1 spent	1 point	2 points	4 points	6 points
\$20 Voucher When You Refer A Friend	👑	👑	👑	👑
Exclusive Royal Giveaways	👑	👑	👑	👑
Sale Pre-releases	👑	👑	👑	👑
Birthday Rewards	250 Points	35% OFF	20% OFF	25% OFF
250 Points for Product Reviews	👑	👑	👑	👑
Like or Share Us on Facebook	50	50	50	50
Tier Entry Reward		Free shipping	Free Shipping	\$20 OFF*
Anniversary Rewards		\$10 Gift Card	\$20 Gift Card	\$25 Gift Card
Invitations to Esther & Co. Events			👑	👑
Surprise Pressies				👑

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