

Point Program Business Support Consulting

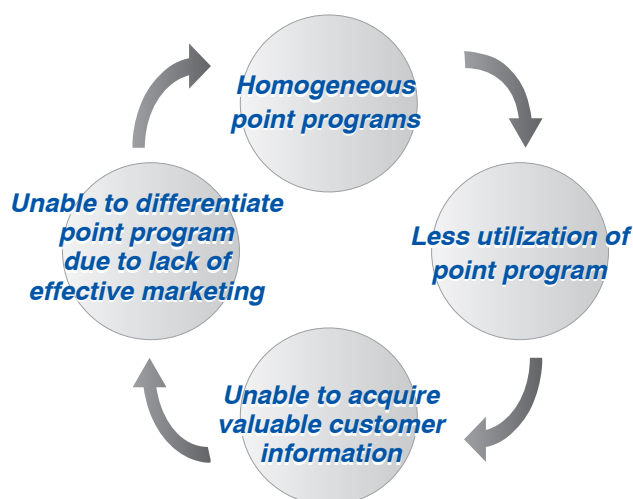
Many companies have their own “point program” as a part of their customer services in order to keep existing customers and customer loyalty, and to attract new customers by offering new services such as exchanging points with others.

However only few of them enjoy these benefits. Instead, these efforts are not paid off and their point program turns to be only a discount tool.

We, ABeam Consulting, offer a full-line service for supporting point programs; from formulating strategy to implementing system infrastructure which is flexible to support various point-related services and to run effective marketing cycle by utilizing customer information. In addition, we offer services on financial requirement related to point programs such as financial effectiveness analysis and compliance with International Financial Reporting Standards (IFRS).

Circumstances Surrounding Point Program Business

Point Program in Vicious Cycle



So many companies have their point program today. But the ones introduced without considering differentiation factors tend to be homogeneous. In this case, the point program is not helpful in acquiring valuable customer information. Furthermore the program becomes a means of discount tool and exerts bad influence on profit. This makes it even more difficult for the company to offer services to differentiate themselves and results in less utilization of point program (See left).

In order to change this vicious cycle to a virtuous cycle, it is necessary to break away from price competition and to focus on customer satisfaction. To do so, it is critical to make an actions from two view points: 1. Improving convenience of the point program 2. Allocating sales promotion cost effectively. That is, to stop seeking price appeal by price-reduction, and to seek differentiation by offering new services to customers based on financial analyses of its cost-effectiveness and profitability.

Accounting Procedure of Point Program

The International Financial Reporting Interpretations Committee (IFRIC) has issued an interpretation, IFRIC 13 “Customer Loyalty Programmes” (See table below). The interpretation addresses accounting by entities that grant loyalty award credits (points). When this is introduced to Japan, most of the companies offering a point program need to revise their accounting procedures and relevant accounting/point systems. In addition, those companies may also need to re-design point program itself because the impact of changing procedures on accounting and finance information is not negligible due to deferred sales by issuing points.

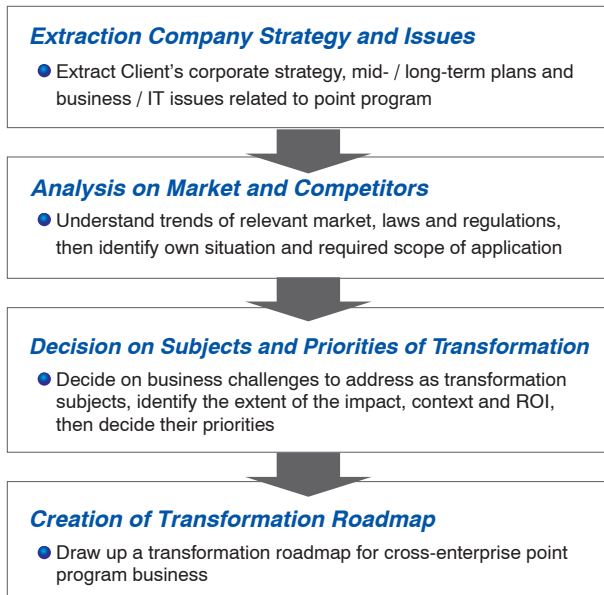
Comparison of Accounting for Points – Practice in Japan and IFRIC13

	Common practice in Japan	IFRIC13
At Issuing Points	The amount of sales is posted (No transaction of the amount of issued point is recorded)	The amount of issued points which are expected to be used in the future is deducted from sales and posted to liabilities
At Using Points	The amount of used points is posted to cost	The amount of used points is posted to sales
At Expiration of Points	No transaction	The amount of deducted liabilities due to expired No transaction points is posted to sales
At End-of-Period	The amount of unused points which are expected to be used in the future is posted to reserve	No transaction

Support for Point Program Business Concept Formulation

Today most of consumer service providers have their point program, and it is getting more difficult to manage a meaningful program. Those companies keep facing various issues; decreasing point card utilization, increasing pressure on profit by issuing points, adjusting to compliances for accounting standards and social systems such as consumer protection, increasing system maintenance cost, etc. Now point program business is approaching a stage where just issuing points is not good enough. ABeam consulting can formulate future point program concepts and comprehensive transformation plans based on the following concept formulation steps (See flow chart left below);

Typical Steps for Concept Formulation



Firstly we decide "Transformation subjects" based on latest market / IT trends and competitors' situation. Secondly, we assess clearly and quantitatively the expected effects, then prioritize the transformation subjects to implement.

We also provide support services after concept formulation. (See list below)

Thus we are also able to lead the transformation plans smoothly into implementation phase.

Examples: Services after Concept Formulation

- Strategy Formulation for Point Program Business
- Introduction of Promotion Solution
- Introduction of Point Management Solution
- Introduction of Settlement Solution
- Strategy for Personal Info Risk Management
- Handling of IFRS Convergence

Accounting Procedure of Point Program

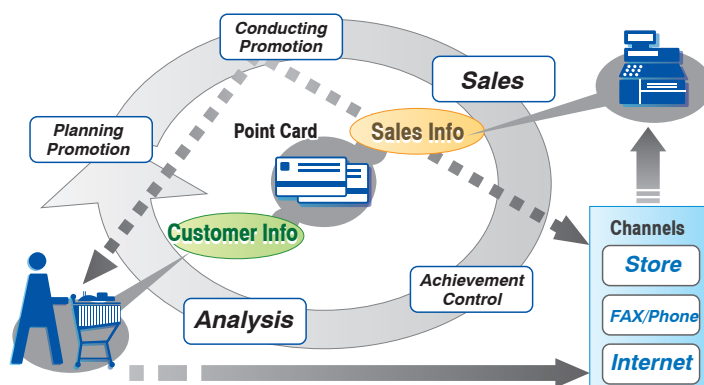
Keeping loyal customers by utilizing customer analysis is the key for companies' future success. Companies need not only giving points, but also analyzing data of customers using point card and utilizing it for next marketing activities. Companies need to keep running this marketing cycle.

(See diagram right)

ABeam consulting provides point program management solution using our template to establish both marketing business cycle and relevant systems smoothly and effectively.

(See diagram below)

Customer Contact Solution using Point Card



Point Management Solution Template

