Welcome to 2023 – a time of new beginnings, new opportunities – and for loyalty marketers, a time of vulnerability.

Customer engagement has never been more important, given the high stakes when a customer defects, and the high cost of acquiring a new one to replace her. Uncertain times have some customers abandoning favorite brands in favor of cheaper alternatives. Others are using cashback loyalty programs to stretch their spending power – which is good for the card sponsoring the program, not necessarily for the brand or the retailer. Still others are redeeming long-hoarded points instead of paying sky-high prices. A friend was stranded on the East Coast during last week's weather apocalypse and wound up faced with purchasing the only available ticket home - First Class for FOUR THOUSAND DOLLARS - or cashing in some miles. What do you think she did?

Many brands are battening down the hatches, trying to save their way into preserving profits by devaluing their loyalty programs. Dunkin' is a good example, and they have heard consumers' complaints loud and clear. Even when the substance is right, brands must be careful about how they communicate program changes. Starbucks recently announced changes to terms for 2023; while they make adjustments to eliminate some imbalances in reward values, and even add more choices for members, astute members of my team note that their email announcement may seem like a reward price increase to the casual reader.

I have spoken with clients who are considering decreasing benefits, reducing free shipping, raising redemption thresholds, eliminating birthday or anniversary gifts, and otherwise ticking off their best customers just when they need them most.

As fellow loyalty guru Jenn McMillen points out, "This Is not the time to get miserly."

Companies must respond to the economic environment, but should consider longterm consequences of short-term actions. Do you really want to lose a valuable customer to save a few bucks on shipping? I can guarantee you some competitor will be glad to snap up her business. If your program is well designed and well executed, financial modeling should reveal the ROI of potential actions; decisions should be based on an understanding of lifetime customer value, not budget-cutting panic.

Another risk right now is a bit more nuanced: When customers redeem large batches of points, using most or all of their balance to avoid paying inflated prices in cash, they become more vulnerable to brand switching. There's a delicate balance here that is as much art as science. We want customers to redeem loyalty earnings, that's one measure of a healthy customer relationship. But the lower their loyalty currency balance, the less invested customers feel in your brand.

Keep that equation in mind, and create bonuses, earnings promotions, and opportunities aimed at customers with large recent redemptions, so they can keep building up reward balances even as they redeem. Make sure redemption opportunities are structured to encourage "stretch," i.e., make redemption more lucrative when applied to incremental spending.

Now is the time to do everything you can to keep customers engaged and loyal. When following best practices, loyalty efforts are an investment that drives substantial returns in revenue and positive behaviors like advocacy and referral – not an expense to be skimped on. Your thoughts?