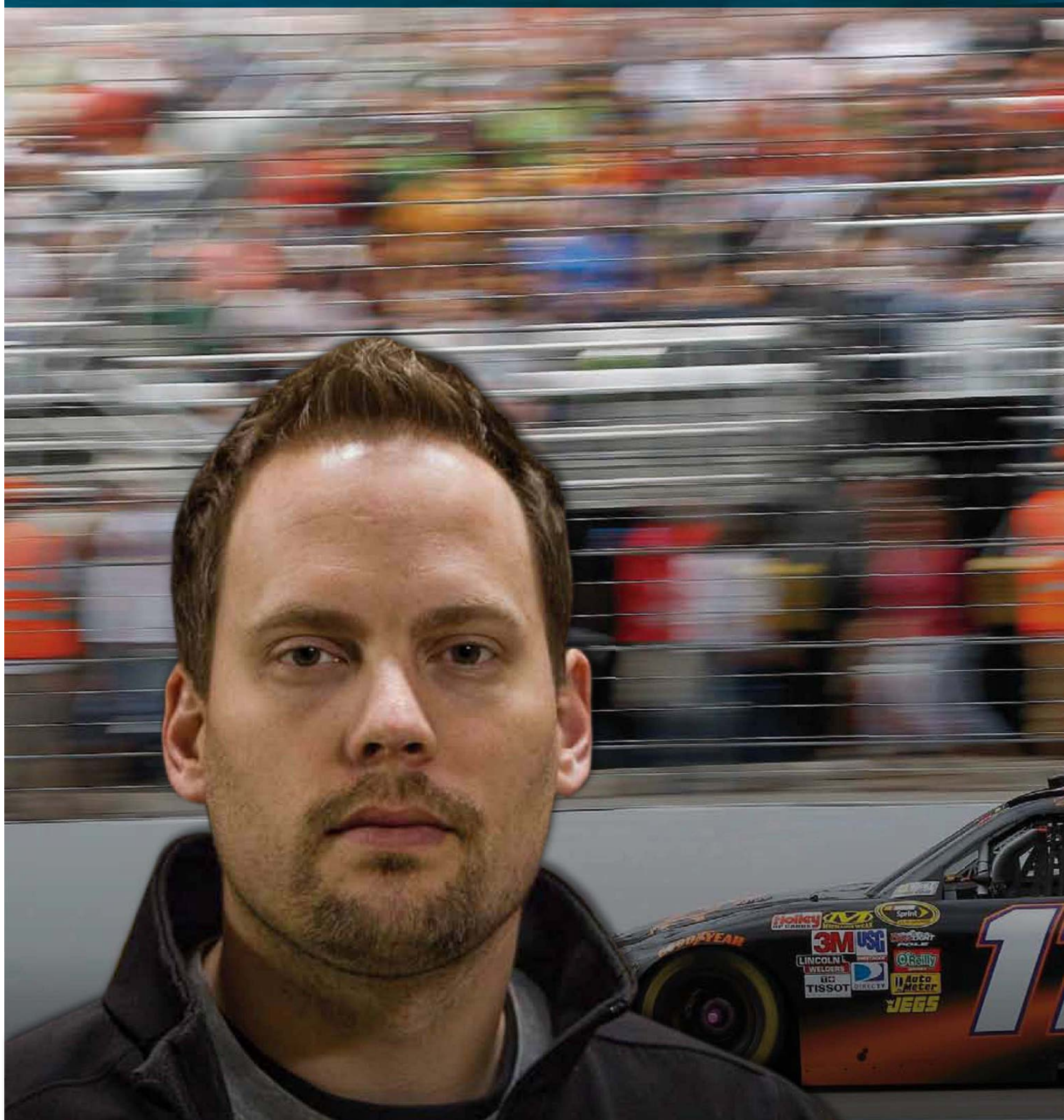


COLLOQUY
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the loyalty marketer's association

**MEDIA
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CONSUMER LOYALTY



INCREASING OPPORTUNITIES FOR CUSTOMERS

Shaun Cunningham explains how a reward program provided a once in a lifetime experience

4
STEPS

TO MAXIMIZING
YOUR REWARD
PROGRAM BENEFITS

2011 loyalty census
Memberships
have exceeded
2 billion in the U.S.



PHOTO: ISTOCKPHOTO.COM

Daily rewards
Earn points for
everyday living
and tasks



PHOTO: ISTOCKPHOTO.COM

CHALLENGES

Since their inception more than 100 years ago, loyalty programs have changed the way consumers interact with the companies from which they purchase products or services.

The history and future of loyalty programs

One of the earliest efforts to win the hearts, minds and wallets of customers was the S&H Green Stamp program, originating in 1896. To encourage loyalty, consumers received tiny stamps when they made purchases from participating merchants, glued them onto pages of booklets (known as “alternative currency”) and redeemed them for products when the accumulated stamps had attained a certain value. Just how popular was the program? S&H Green Stamps once issued three times as many stamps as the US Post Office, and by the 1960’s, S&H was the largest purchaser of consumer products in the world.

Another well-known early loyalty program was General Mills’ long-standing Betty Crocker Points Program in which customers collected points which were redeemable for kitchenware from a catalog. As the story goes, it all started with a teaspoon tucked into boxes of Wheaties in 1931. General Mills then put paper coupons into packages of Gold Medal Flour and other General Mills brands. Ultimately, point values were printed on the outside of boxes.

More than a coupon program Clipping box tops and accumulating Betty Crocker points became a habit in many households. As reported on Minnesota Public Radio, Mark Bergen, chair of the marketing department at the University of Minnesota’s Carlson School of Management, says the Betty Crocker program was remarkable for two characteristics—its longevity and the depth of emotion it inspired among its devotees. It became more than a coupon redemption program, Bergen says, by working its way into the fabric of family life. Betty Crocker officially retired her catalog in 2006.

Increased competition following the 1978 Airline Deregulation Act encouraged airline marketers to create ways to reward repeat customers and drive brand loyalty. The first idea at American Airlines, a special “loyalty fare”, was expanded to offer free first class tickets, first class upgrades for companions, or discounted coach tickets. Within the week, United Air-

lines launched its Mileage Plus program; other airlines followed in the ensuing months and years.

Over the years, loyalty programs have evolved well beyond airlines—expanding into all verticals of direct marketing in both the business to business (B2B) and business to consumer (B2C) marketplaces. Today, even mass marketers have adopted the loyalty concept. Why? Because brands industry-wide have recognized that there is proven value in cultivating a loyal customer.

Acquisition vs. retention

According to a new survey from the Chief Marketing Officer (CMO) Council, most marketers (61 percent) believe that loyalty program participants are the best and most profitable customers, while 65 percent view customer loyalty program investments as a very essential part of the marketing mix. We have also seen a shift away from mass acquisition to targeted retention. Companies know it is more expensive to engage, attract and convert customers versus understand, reward and retain their current customers. This switch from acquisition to retention benefits the consumers as the loyalty programs now are more focused on maximizing engagement and keeping the customer “loyal.”

In today’s very competitive market, loyalty is a business imperative. As loyalty becomes the most important word in the lexicon of CMOs, the concept has changed. Loyalty has evolved from a point-centric model to a process by which marketers use all consumer touch points, data, insights and voice of the customer responses (social media and survey insights) to increase the efficacy of their marketing communications, loyalty programs and offers to their customers. No matter what label we put on it—loyalty, engagement, advocacy, etc.—every brand needs to cultivate a base of devoted customers in order to drive long-term, sustainable success. These brands want to reach out to the consumer in new ways that create engagement. This generates opportunities for consumers to earn more from their programs than ever before.

Because of new engagement technologies, the ability of consumers to extract more value out of their

“Consumers are looking for “surprise and delight” that creates engagement in the channel in which they are most likely to partake—and companies are listening and engaging their customers in that channel like never before.”



Mark Johnson
President & CEO, Loyalty 360

programs has never been greater. Everything from the advent of social media (Facebook “likes” and company specific “tweets”), check-in services (Gowalla and Foursquare), mobile proximity and targeted communications (Gold Mobile and Mopay) to transaction-based credit card insert and on-line statements (Clovr, BillShrink and Cardlytics) and deal of the day offers (Groupon and Living Social) are continuing to change the loyalty landscape.

Consumers are looking for “surprise and delight” that creates engagement in the channel in which they are most likely to partake—and companies are listening and engaging their customers in that channel like never before. Companies are tailoring their loyalty initiatives in ways that help consumers get their desired reward mix which, in turn, engages them in a deeper, long-term relationship with the brand.

Loyalty programs are no longer solely focused on points. Loyalty is a destination created through data-centric marketing communications that lead to sustainable and measurable change in customer behavior. There is also a realization that some consumers desire and will only respond to generous point-based or “hard” (discounts, offers, incremental value) benefit-based programs. On the other hand, some individuals want the “soft” program benefits (wine tasting, free shipping, complimentary gift wrapping, complimentary upgrades). Your ability to let the brand know your preference has never been greater.

Today’s stamps and spoons are points, status, and interactive communication achieved through traditional and incremental “loyalty” program offerings. This new breed of loyalty initiatives has made access, interest and reward levels more tailored—and engaging—to the individual. We have seen Sears/K-Mart, Southwest Airlines, Delta, Talbots, Target, Carlson Hotels, Capital One, and TGIFriday’s re-launch programs in recent years to increase their relevancy and engagement, therefore making the rewards more “empowering” to the consumer. So the opportunity to find programs that are more suited to the benefits that you, as an individual consumer, are looking for are greater than ever.

COLLOQUY loyalty study reveals U.S. reward statistics

While the term symbiosis is most commonly reserved for matters of biology to define a relationship of mutual benefit between two species, most economists would agree that it also properly defines the dynamic between businesses and consumers: Through both products and services, companies offer value to customers who in return, grant their patronage in the form of dollars.

As the economic recession has put pressure on both parties to extract more value from this relationship, the power of loyalty-marketing programs to reward shoppers for their buying behavior to stimulate such activity is now being taken more seriously than ever before as a strategy for smarter marketing and savvy shopping.

According to Kelly Hlavinka, managing partner of COLLOQUY, the leading provider of loyalty marketing publishing, research and education, the most striking finding to be released



Kelly Hlavinka,
Managing Partner
of COLLOQUY

in the upcoming 2011 COLLOQUY Loyalty Marketing Census is that the number of loyalty program memberships in the United States now exceeds two billion for the first time ever, which means that the average U.S. household is currently enrolled in eighteen different loyalty membership programs. Hlavinka adds, “As a result of the recession, other research shows that one-third of consumers now view these programs as more important because they can stretch their budget even further.” However, the 2011 COLLOQUY Loyalty Marketing Census also reveals that only 8.4 of those memberships are active, meaning that businesses need to do more to keep members engaged and consumers can do more to reap additional benefits from these opportunities. More often than not, shoppers sign up for loyalty membership programs without knowing how best to utilize

them, which inevitably leads to a lack of consistent engagement.

From the consumer perspective, Hlavinka offers helpful questions for shoppers to ask themselves when signing up for loyalty-rewards programs to extract the most value:

- What are the businesses with whom I’m already a loyal customer and can already be receiving rewards?
- What businesses offer rewards bonuses when I shop with complementary businesses whose products and services I also purchase on a regular basis?
- What businesses offer perks or privileges beyond monetary rewards? (Examples include apparel alterations, concierge services, access to airline lounges, early access to department stores during holiday sales, etc.)
- What businesses with whom I’m already a loyal customer offer ways to earn faster via a store credit card?
- Consider joining programs in those sectors experiencing intense loyalty-membership program growth, including specialty retailers (ie. Best Buy, Sephora, DSW, etc) and drug-

stores (ie CVS, Rite-Aid, Walgreens). New opportunities are springing up continually in these sectors.

- Am I taking advantage of sectors offering the most significant rewards? (While credit cards typically offer up to three percent cash back, travel and hospitality companies often offer more valuable benefits in the form of free night stays, VIP services, etc.)

In tandem with the need for consumers to sharpen their loyalty-membership acumen, Hlavinka emphasizes that businesses also share an equal responsibility to improve and expand their loyalty-rewards programs. At first glance, these programs are often viewed by companies as a means to attract more customers, but Hlavinka reinforces their ability to also strengthen company ties with its existing customer base, whom she refers to as businesses’ “greatest asset” now more than ever in the current economic climate.

MAX FRIEND
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WE RECOMMEND



Customer guarantee
Learn why customer satisfaction doesn’t create loyalty.

PAGE 12

“...when we open our ears, seek first to understand and listen to our customers, we are able to position our solutions to solve customer’s problems...”

A day of rewards p. 4
“Sally” shows how she uses reward programs on a daily basis

Social media channels bring extra earning potential p. 10
A look at how companies are utilizing Web 2.0 and other new communication mediums

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BY THE NUMBERS

COLLOQUY Loyalty Census

- **2 billion:** The number of loyalty memberships in the U.S. exceeded 2 billion for first time.
- **18.4:** The average household has signed up more than 18 programs, compared with 14.1 programs in 2009.
- **8.4:** Despite the increase in overall membership, the average number of programs in which members are active is just 8.4.
- **46:** Regardless the membership-to-activity ratio, those 8.4 active memberships still represent 46 percent of the total, up from both 44 percent in 2009 and 39 percent in 2007.
- **50:** Loyalty membership in the specialty retail sector rose a surprising 50 percent, indicating not only a bump in the number of loyalty programs available, but also a focus on using loyalty as a competitive differentiator
- **1.6:** Though an industry powerhouse in the last two census reports, the financial services industry has pulled back, with a negligible 1.6 percent gain in the 2009-2011 period.
- **33:** The drug store industry saw membership rise by 33 percent, aided by the launch of the major new programs and pilots among leading chains.
- **17:** A 17 percent gain in airline industry memberships was unexpectedly high. But the industry, which used loyalty to win and retain customers following September 11, again leveraged this tool in the Great Recession.
- **26:** The gaming industry posted a 25.5 percent gain in loyalty programs, likely the result of new players in a relatively new loyalty field.
- **21:** The fuel and convenience store sector saw a 21.2 percent decline in memberships, the result of lost opportunity—several big layers eliminating or reducing their programs.



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INSPIRATION



QUESTION & ANSWER



Bryan Pearson
President,
LoyaltyOne

Getting the most from your rewards

LoyaltyOne President Bryan Pearson is a recognized authority on loyalty marketing in the United States, Canada and the international marketplace. Pearson took some time from his busy schedule to discuss the importance of consumer data, the opportunities for mobile in customer engagement and tips for making the most of your rewards program.

■ Can you share some tips for getting the most from reward programs?

There are a number of ways. What comes first to mind is consolidation—focusing your spending on a few cards. The average U.S. household holds memberships in 18 loyalty programs. Consumers will get further faster by focusing their efforts and spending on just a few. Then with your program of choice, take advantage of double-dipping—most loyalty programs also include a credit card component. It is one of the fastest ways to increase your points—using a rewards credit card at merchants that also have their own loyalty programs. You get twice as many points. Also, don't forget about the "soft" benefits. Oftentimes members have access to extended shopping hours, reduced shipping costs and other benefits not available to non-members.

■ What do loyalty companies do with the information they gather about me?

Customers have an expectation of reciprocity—they provide their data to organizations with the expectation those organizations will use it to create more relevant and meaningful relationships with customers. Purchase data, which can include what a shopper buys, where she buys it and how she pays for it, really creates a complete picture of that consumer. It also helps us understand where she is in life—is she a time-starved single or a health-conscious mom for instance. This helps retailers feature the right merchandise at the right price. It also helps us tailor rewards and recognition that are most meaningful to individual members, from today's hottest merchandise options like iPads to exclusive concert tickets and of course, travel.

■ How should I expect to be treated by the rewards programs I join?

Consumers are rightfully concerned about sharing personal information, and they don't want unsolicited emails or to be flooded with promotional messages. Consumers will trust a loyalty program that protects their privacy, makes sure all the content they receive is relevant and fresh, provides rewards that are meaningful and reasonably attainable, and engages in a dialogue with them. If there was such a thing as a set of Golden Rules that protect the rights of rewards program participants, these are the rights that would be protected.

■ What are the hottest trends in loyalty programs today?

Partnerships are taking off as organizations realize there is power in aligning with other brands with similar values and customers so they can enhance the offering to the consumer. And of course, there is technology. Fundamentally, loyalty programs are about creating relationships with your customers—and the biggest trend in relationships is the technologies that enable them, especially social media, communities and mobile applications. For loyalty marketers, mobile devices present new opportunities to more meaningfully connect with on-the-go consumers, one-to-one. This in turn presents some exciting options for mobile rewards, payments and commerce. The trick is being nimble, flexible and on target.



STEP

1

KEEP YOUR
ACCOUNTS
CURRENT AND
UP-TO-DATE

SURVEY SAYS
Jupiter Research has
determined that more than
75 percent of consumers
use loyalty cards.
PHOTO: ISTOCKPHOTO.COM

A day of rewards

Meet "Sally." Wife. Daughter. Mother of three. Small business owner.

Like most of us, in today's fast-paced, budget-sensitive world, Sally's always looking for ways to save time and money. What she has learned over the years is that no matter what hat she's wearing, integrating the loyalty programs of her favorite brands into her day-to-day life helps her do just that.

Research has found that Sally's not alone. Surveys by Jupiter Research have determined that more than 75 percent of consumers use loyalty cards. And, a recent CMO Council survey reported that the average household actively participates in six loyalty programs.

So, just how beneficial are these programs? Let's take a walk through a typical day in the life of Sally to learn how being loyal to her favorite brands saves her time and money... and makes her life easier.

Sally the wife and mother

Before heading into work, Sally stops at the Dunkin' Donuts around the corner from her office. When she first enrolled in the DD Perks loyalty program Sally received a free medium beverage. As a member, she also gets another free medium beverage on her birthday, exclusive online and in-store offers, and more. Plus, because she registered her card online, Sally can earn free coffee, coupons and the chance to win concert and show tickets.

Sally pays for her coffee with her Blue Sky American Express. Because she is a member of the AmEx Blue Savings Program she receives a \$5 Dunkin' Donuts gift card for every four visits to the chain per month. Good thing there's no limit to the number of cards consumers can receive per month. With Dunkin' Donuts being a hop, skip and jump from her office, she's become quite the devotee.

Sally and her husband have been promising the kids they will go to New York for a long weekend. Once at her desk, she hops on Southwest.com to book their flights. She loves to fly on Southwest when traveling with her family because their Rapid Rewards program has no black out dates, unlimited reward seats, points that never expire—and bags fly free. She and her family have accrued enough points to earn two free tickets at the "wanna get away" fare (she needs to redeem 6,000 points per ticket) and earns six points/dollar spent on the three tickets she's purchasing.

And while she's on the airline's website, she notices that she can earn points by shopping at a variety of Rapid Rewards Partners (hotels, car rental companies, restaurants, retailers, etc). Realizing that her parents' anniversary is just days away, she sends them flowers from Teleflora, earning her an additional 600 rewards points.

On her way home from the office, Sally stops first at her local RiteAid. She picks up three prescriptions at a cost of \$15/each and \$25.75 worth of household items. Simply swiping her loyalty card upon checkout earns her 115 points (25 points/prescription plus one point/dollar spent). Accruing 125 points earns loyalty cardholders a 10 percent discount.

She looks at her watch. No time to stop at the grocery and make dinner before her son's soccer game that evening, so she stops at Qdoba on her way home. Since the chain credits 100 points per full-priced entrée and awards a free entrée after 1,000 points have been earned (buy 10 entrées, get the 11th entrée free), swiping her registered key fob when paying for her five entrees puts her halfway to a free meal.

Fast forward a few hours. Sally's just about ready to hop into bed with a good book. Then it dawned on her. Her daughter has a school dance coming up and she forgot to stop at DSW to see if they have a pair of shoes to match her new dress. So, Sally hops on DSW.com and finds the perfect pair of pumps. Knowing how busy the rest of her week is, she decides to order them (along with a pair of sandals for herself). Her DSW Rewards card (which costs nothing to get) allows her to earn points with purchases. Her \$100 order banked 1,000 points—just 500 points shy of earning a \$10 DSW Rewards certificate of savings. DSW Rewards members also enjoy invitations to double points events, advance notice of promotions, a special birthday certificate.

Sally the small business owner

At the office, Sally turns on her computer powered by Verizon's high speed internet and taps into her Verizon Business Link account. As a Verizon Business Link Rewards member Sally earns one Bonus Credit for every dollar spent with Verizon on qualified charges reaching a combined total of \$125. She can then redeem these points for gift cards and certificates for national retailers and top rated local restaurants, as well as tickets and certificates for sporting events, entertainment and getaways.

Sally and her fellow small- and medium-sized Verizon business customers can also receive discounts and special promotions every time they shop at the Verizon Business Links Online Mall. Plus, they earn additional Business Link Rewards Bonus Credits for every dollar they spend at the Mall.

Now she's thinking about the big presentation she has today and going through the checklist for the meeting in her head. Ordered lunch? Check. She called Panera yesterday. Along with the other 4.5 million registered members of the MyPanera loyalty program, Sally receives "soft rewards" that match her buying habits—such as exclusive invitations, experiential opportunities like baking with Panera bakers, preview tastings of new menu items, recipes, cooking tips and a free bakery-cafe menu item. Sally is also very devoted to Panera because they reward her for her company's catering orders. Through the loyalty program, she receives a \$25 gift certificate for every \$500 spent in catering purchases. And given the number of client meetings she hosts, these certificates really add up each month.

Presentation handouts ready? Check. Sally had all the documents copied and printed at Staples, earning her 10 percent of her purchase back in rewards that can be spent on anything at Staples in store or online. And, because Sally spends more than \$1000 per calendar year at Staples, she enjoyed an automatic upgrade to Premier status.

She charged her orders at both Panera and Staples to her Bank of America Visa. Like any small business owner, Sally is constantly seeking ways to increase her cash flow. Using her BOA small business card helps her do that because she earns three percent cash back on purchases at office supply stores, gas stations and for computer network services and one percent cash back on all other purchases. As an added bonus, the card has no annual fee and there is no limit to the cash back Sally can earn.

Sally the business traveler

Taking several business trips per year, Sally has developed an affinity for a few brands that not only help her save money...but help take the hassles out of travel.

Her presentation went so well that the client wants her to come to their offices next week to present the program to the rest of the executive team. With no time to waste, Sally hops on the computer to make her

travel plans.

The first stop is the American Airlines website. As a member of American's AAdvantage loyalty program, there are over 1,000 opportunities for Sally to earn miles from flying to hotel stays to dining out and using credit cards plus special bonus mile offers. For this business trip, Sally will earn 1.5 points per miles traveled (and she can redeem as few as 12,500 miles for a free ticket). As any frequent traveler can understand, what really makes Sally loyal to American Airlines are the cost- and time-saving benefits she gains as an Elite member of the program: complimentary upgrades; access to a special service desk; waived ticketing service charge and checked bag fees; and priority check-in, security screening, and boarding.

Next, she hops onto the National Car Rental's website because she loves the time she saves using the Emerald Aisle—National's fast lane for frequent renters. As with most car rental companies, the reward program gives Sally credits for her rental—one credit for each rental with seven credits earning a free-car day. But, what Sally really loves is that not only does the Emerald Aisle speed up the rental process, but it also lets her pick any car on the lot once she arrives.

She also taps into Wyndham Rewards to book her hotel. Here she can choose from 11 brands that participate in the program, including well-known chains like Wyndham Hotels and Resorts, Days Inn, Ramada, Super 8, and Howard Johnson. Sally earns 10 points for every dollar spent on a hotel stay and she can redeem points for free hotel nights, airline tickets, movie and theme park tickets, gift certificates and more.

Lastly, Sally calls to make a reservation to take her prospective clients to dinner at one of her favorite restaurants, Landry's Seafood, which is part of the Landry's group of restaurants. As a member of their Landry's Select Club, Sally earns one point for every dollar she spends on food, beverage and gift card purchases at any of their restaurants nationwide or gift card purchases online. When 250 points are earned, those points are converted into a \$25 reward. Last year, Sally gave her employees Landry's gift certificates for their holiday gifts—earning her \$200 in rewards certificates. Applying the rewards she earned will help her manage the cost of this business dinner.

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INSPIRATION

Question: Over the past decade what important changes have been made to loyalty programs?

Answer: In addition to savings, companies are now offering unique experiences, creating long-term relationships with customers.



Redeeming points for an unforgettable experience

When Shaun Cunningham, CEO of fulfillment and logistics company Prologic Fulfillment, first signed up for the My FedEx Rewards program, he never could have predicted that his participation would soon allow him to be standing alongside his grandfather in the pit of famed NASCAR driver Denny Hamlin as he thundered around the track at the Sylvania 300 in the #11 racecar bearing the sponsorship emblem of Cunningham's small business. For years Cunningham had enjoyed a productive relationship with FedEx, but like any savvy leader of a small business, he was always on the lookout for enhanced benefits for his company. While signing up for loyalty-rewards programs of the past have often failed to appear as a top priority to small businesses, who are struggling to meet more pressing day-to-day demands, a new wave of loyalty-rewards programs is finally engaging business owners with the promise of far more valuable prizes and, perhaps most importantly, experiences. According to

Cunningham, "This is the 21st century and people want real rewards and value-added bonuses, unlike some rewards programs that you've found in the past, which gave you little more than a clock for your desk. In a small business setting with less staff, it's hard to devote the attention to sign up for a rewards program, but FedEx gave me bonus points as part of an exclusive invitation which ultimately convinced me to sign up, which led to a once-in-a-lifetime opportunity that I can cherish forever."

A unique opportunity

Cunningham was initially impressed by the high-end prizes being granted by the FedEx rewards program, ranging from signed NFL footballs to tech gadgetry to weekend getaways, but when he came across the upcoming auction for the NASCAR experience, his goal became clear. "When I first heard about it, I thought that the prize of getting to go to a live NASCAR event, along with the sponsorship opportunity to put our company logo on the FedEx racecar, was a very cool opportunity for a small business," he recalls. "We'd been a business growing tenfold and for every shipment we shipped

"This is the 21st century and people want real rewards and value-added bonuses..."



Shaun Cunningham
CEO, Prologic Fulfillment

out, FedEx gave us a certain amount of points. We do a lot of international shipping, so we decided to save up our points for a whole year." The strategy proved successful and Cunningham was one of three highest bidders during the My FedEx Rewards Race Time auction. He was soon able to invite his 86-year-old grandfather, a longtime NASCAR fan, to accompany him to the race, which made the experience a truly special event for him on both a professional and personal level. When he and his grandfather finally arrived at the track and saw how much of the #11 racecar was covered with his small business' company logo, Cunningham was admittedly stunned: "I was totally taken aback—it was covering the whole left quarter of the car! My understanding is that it costs FedEx millions of dollars to sponsor that racecar yearly, and there's no way our small business would have been able to partake in that if it wasn't for the FedEx Rewards Program."

While Cunningham is happy to discuss the new clients and sales that were generated for his company from the exposure and notoriety associated with the NASCAR experience, he

prefers to characterize what he won as something more: "For my grandfather and me, sharing that experience together was a phenomenal thing, especially standing side-by-side with FedEx driver Denny Hamlin during the national anthem." While large companies increasingly try to strengthen their relationships with smaller businesses through loyalty-rewards programs, they are quickly realizing that they have more to offer than simple monetary discounts and savings. By leveraging their expansive network and infrastructure, large companies can reward affiliated companies with memorable experiences that instill a deeper and more enduring sense of relationship that lasts as long as the photos of Shaun Cunningham and his grandfather standing within the inner circle of the NASCAR track hang on the walls of his office.

"There's an upcoming auction in the FedEx rewards program for a music awards show that I've got my eye on," Cunningham quickly replies, with a grin.

MAX FRIEND

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Hard to believe it was 30 years ago that we launched the first airline loyalty program. Today, the AAAdvantage® program is better than ever – with flexible options to redeem miles and thousands of opportunities to earn them. In appreciation of our loyal members, celebrations will be starting soon. Join us at AA.com/AAAdvantage30th. Thanks for 30 wonderful years. And here's to many more.

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NASCAR FANS
Shaun Cunningham and his 86-year-old grandfather pose with Denny Hamlin at the race.
PHOTO: FEDEX



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INSPIRATION

STEP

3

KEEP TRACK
OF YOUR
ACCOUNTS'
EXPIRY DATESSTAYING ON TOP
OF THE TRENDS
Many rewards
programs have moved
away from offering
one type of reward.
PHOTO: ISTOCKPHOTO.COM

REWARD PROGRAM TIPS

**Patrick Sojka,**
CEO/Founder of
FrequentFlyerBonuses.com**Keep accounts current
and don't lose your miles**

Trillions of banked miles and points in travel reward programs worldwide have led to many of these programs enacting expiry dates on the miles and points held in the accounts of millions of people. Frequent Flyer programs in particular are the proprietors of expiring miles and the majority of airlines in the world will now remove miles from your account due to periods of inactivity. For hotel and shopping programs the opposite tends to be true with the majority of them having no point expiry limitations.

Periods of between 12 to 36 months of inactivity are the most common seen in frequent flyer programs however some do go further out to four or five years. The general definition of activity means any addition or deletion of miles or points in an account. To keep an account current, collectors just need to have one earning or redeeming action within the period set out by the program. Many collectors are being caught by the inactivity rule due to a lack of knowledge in their program. Members tend not to read the terms and conditions set out by programs or simply delete emails of any changes that the program has tried to advise them of.

Keeping your miles from expiring can be quite simple as long as one keeps track of their account and knows the dates of their last activity. This can be easily done by creating an excel spreadsheet or by using one of the many online mileage tracking websites like Awardwallet.com or Gomiles.com. If you are not traveling frequently or don't have a credit card tied to your program many loyalty programs have options to earn miles for online shopping or for redeeming a small amount of miles by donating them to charity as ways to keep your account current. They also have options to buy or transfer miles which can be a good way to top off an account to get bigger rewards. All of these actions are considered activity and will keep a travel rewards account current.

The airlines have set mileage expiry rules to try to lessen the liability on their books with all the unused miles but have put the burden of keeping track of the dates on the miles or points on the collectors. Some programs do send out notice of expiring miles or list the expiry date when viewing accounts online but many do not. Collectors have to do their due diligence to make sure the miles in their travel rewards accounts do not expire by keeping an eye on the dates of their last activity and ensuring they perform an eligible activity at least once within the period set out by the program.

You've earned them, make sure you don't lose them.



Many loyalty and reward programs are branching out, offering members additional ways to earn more currency (points/miles/cashback) outside of the programs' core offering.

Engaging in trends

For example, members in Verizon's Business Link Rewards program may shop in the Verizon Business Links Online Mall—purchasing items they need from brands they trust—and earn more Business Link Reward Credits.

Members shopping through the online mall receive discounts from more than 350 partnering retailers (including Best Buy, Dell Computers, Office Depot, Expedia, Barnes & Noble and Target), plus they earn additional Business Link Rewards Bonus Credits for every dollar spent at the mall. These partner-earned credits are added to a members currency balance allowing members to earn faster, reaching their desired rewards more quickly.

Airline and hotel companies have been bringing consumers partners for many years—after booking air travel online, you're offered options for hotels and car rental. While these options are still available, retail banks, card issuers, hospitality companies, and retailers have joined forces to serve up thousands of special offers from online and in-store merchants—giving you a variety of fun and exciting ways to earn more currency (miles/points/cashback). Be sure to check into the benefits of your favorite loyalty programs to see which offer partners and online shopping malls.

More rewards

Many rewards programs have moved away from offering one type of rewards. For example, United and Marriott—who in the past offered rewards only on their services, such as free airline tickets and free rooms respectively—are now offering everything from merchandise, to gift cards to cash back. Financial rewards programs are expanding as well. Where in the past cardholders could redeem for merchandise, programs like Citibank's ThankYou Program have significantly expanded their reward offering. Here, members earn ThankYou Points when they use their Citi Credit Card, bank with Citibank and shop with participating retailers. ThankYou Points can be redeemed for rewards and experiences that include merchandise and travel, plus gift certificates to a variety of favorite stores and restaurants, movie ticket certificates and more. If cash is your favorite reward, you can also redeem for a check in \$50 or \$100 denominations. Points can even be used to donate to the American Red Cross International Response fund. And if you can't find just what you're looking for in their online redemption mall, members with at least 10,000 points can call one of Citi's Wish Specialists who will find or orchestrate even the hardest-to-find rewards!

Experiential rewards

For the first time in the hotel

"Reward programs that allow customers to use their points for exactly what they want are the most sought after by customers and engage them on a much deeper level."

Rob Murphy
CMO, Circles

world, the newly created GHA Discovery (Global Hotel Alliance) loyalty program unites 12 luxury chains and their nearly 300 hotels—Omni, Kempinski, Leela, Doyle Collection and eight other small- and mid-sized, regional luxury chains. Five years in the making, the GHA Discovery is an innovative program that rewards travelers with "Local Experiences" that have been designed by local experts offering members access to a large selection of adventures, exclusive experiences and off-the-beaten path activities that are not easily available or accessible to the general public. Members can

earn a chance to play traditional "Boduberu" drums in the Maldives or take a sunset drive through a nature reserve in Namibia. They can go shopping with a personal shopper at the most exclusive multi-brand boutique in São Paulo, enjoy a night of fishing with local fisherman in Vilamoura, Portugal, have a private lesson with a certified Tai Chi Master in Suzhou, China, or get a behind-the-scenes tour at CNN in Atlanta.

In addition to GHA Discovery, others are offering experiential or adventure rewards too. American Express Platinum Membership Rewards allows cardholders to redeem for any of their travel plans, as well as for entertainment events from concerts to Broadway shows.

"Customized, experiential reward programs such as these put the customer in the driver's seat—increasing the value of every point they earn. No single product-based reward program can satisfy the needs of every customer. Reward programs that allow customers to use their points for exactly what they want are the most sought after by customers and engage them on a much deeper level," says Rob Murphy, CMO, Circles, the leading provider of customer engagement marketing solutions.

LOYALTY 360

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How to have fun, do good deeds, stay healthy and earn rewards

Most American consumers have the same reaction when told that redeemable rewards can be earned for doing good deeds and taking positive action such as choosing the stairs, talking openly about mental health, learning to perform CPR or signing up to be an organ donor.

What's the catch, everybody asks. That's why DailyFeats, the New York City-based online community where people share and earn rewards for their feats, tells its members right upfront—We really mean it, there's no catch.

The DailyFeats slogan is "Doing Good Should Be Rewarding." Members collect points for doing simple but meaningful feats that benefit the body, mind, home and community. Points can be redeemed for real-world rewards, ranging from discounts at local businesses to savings from national brands.

Just some of the DailyFeats spon-

sors include iTunes, Marriott, The Home Depot, Monster and American Airlines. Members can earn rewards starting at just 50 points. Rewards can be redeemed locally at coffee shops, gyms and museums. Premium rewards include gift cards from Amazon.com, 1-800 Flowers, Best Buy, Gap, Staples, Starbucks and many others.

A recent visit to the DailyFeats website showed that the most popular feats included the following: getting serious exercise, getting up at a decent hour, reading some news and getting whole grains into your diet.

Conservation-minded U.S. consumers can reap rewards from Recyclebank, a web site and lifestyle community that rewards people for recycling. Recyclebank uses discounts and deals from more than 3,000 local and national businesses to provide people an incentive to make environmental pledges, such as promising to use less energy, increase their recycling or educate themselves on sustainability.

"We firmly believe that moti-

vating consumers to take small green actions can have significant and long-lasting impact on the environment," said Recyclebank CEO Jonathan Hsu. Since 2005, Recyclebank communities have recycled over 550,000 tons of material. Recyclebank has helped double, and even triple, recycling rates in more than 500 communities across 28 states and in the United Kingdom.

A partial listing of Recyclebank reward categories includes apparel, entertainment, food and beverage, gift cards, beauty products, electronics, music and restaurants. The Wall Street Journal on March 3 ranked Recyclebank number one on its list of the top ten clean-tech companies.

Living a healthy lifestyle clearly is its own reward but brands and service providers increasingly are offering additional incentives to do so.

CVS/pharmacy's ExtraCare Rewards program, with 66 million active cardholders, includes among many other features—ExtraCare Advantage for Diabetes. The program offers videos on topics related

to diabetes management. It also provides a monthly electronic newsletter with articles and tips on living a healthy life with diabetes and tools to help manage the disease, in addition to savings on products.

LoyaltyOne's WellQ program provides consumers tools and incentives to set and attain wellness goals. The program has been tested with patients at a number of pharmacies in Kroger grocery locations, and at Duane Reade and independent pharmacies across the United States. Peter Meyers, senior director at LoyaltyOne, said that once WellQ is integrated into pharmacies, plans call for adding other incentives such as benefits for refilling prescriptions on time, interacting with pharmacists and participating in screening programs.

These are just some of the many reward programs that prove—there is no catch. For the educated and conscientious consumer, doing good should be rewarding.

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INSPIRATION



QUESTION & ANSWER



Ryan Green,
Senior Director
of Customer
Loyalty and
Partnerships,
Southwest
Airlines

How have reward programs impacted the travel industry?

Reward programs have had a significant, positive impact on the travel industry in a variety of ways. They benefit frequent travelers by rewarding them for their loyalty; they benefit companies by giving us the opportunity to recognize our loyal customers and give customers an incentive to continue traveling on Southwest; they allow us to better understand the travel patterns of our customers and communicate to them in a specific, meaningful way; and they provide a source of revenue. I know it's a cliché, but loyalty programs truly are a win-win.

How has the current economic climate affected brand loyalty?

In a tough, economic climate such as the one we are in, customers become even more cost conscious than they normally are, and they look for value wherever they can find it. It makes a brutally competitive industry even more competitive, and it highlights the need to have a valuable, competitive loyalty program for customers. We view it as an opportunity to increase brand loyalty among our customers.

Question: How is social media impacting loyalty rewards?

Answer: Companies are making a direct connection with loyal consumers by reaching beyond the in-store or eCommerce experiences.

Social media channels bring extra earning potential

More consumers use social media now than ever before.

Consumers continue to sign up for and interact on social networking sites. They "Like" websites, brands, and products on Facebook, share good and bad experiences with their followers on Twitter, and announce their location with check-ins on location-based services like Foursquare and Facebook Places. Forrester estimates that more than 80 percent of US online adults participate socially. Now, in a recovering economy, when companies are deeply invested in retaining and gaining the trust of their customers, social channels provide a rich opportunity for loyalty programs to establish a deeper connection with their members and all of their friends and followers.

The broad reach of social media is not lost on loyalty marketers: Increasingly, loyalty programs turn to social media for the opportunity to extend their reach beyond the in-store or eCommerce experience and actively influence customer loyalty. Social media provides a means to establish a more personalized relationship with consumers, deliver enhanced customer service, and record detailed customer preferences. Social media offers loyalty program members opportunities to:

Earn rewards for social activities.

Brands that integrate their loyalty programs with social media often reward consumers for social mentions—such as "checking-in" at stores, "liking" the brand on Facebook, or referring a friend to a product or service through Twitter. They use small incentives to encourage members to interact with a brand outside of a purchase experience. For example, California-based airline Virgin America offers 25 Elevate points per "check-in" to Facebook places or Foursquare at their airport terminals or baggage claims. Starbucks offers special drink discounts to anyone that earns the Mayor badge on Foursquare.

Earn rewards for purchases.

Some programs allow members to link their loyalty card or member number to Twitter, Facebook, or Foursquare accounts. Through this connection, each time they use their loyalty card to make a purchase and check-in or tweet about it, they earn additional rewards. For example, members of frozen-dessert maker Tasti D-Lite's TastiRewards program can choose to register their Twitter, Facebook, or Foursquare usernames to their TastiRewards account. Then, every time they make a purchase, the social networks they've chosen automatically update with a custom-

izable message on their behalf. For each social network connection, members earn one additional reward point per transaction.

Special deals for followers.

Through social networks, like Facebook and Twitter, brands share special coupons and discounts with their followers. For example, on Valentine's Day, women's specialty retailer Ann Taylor Loft gave a free shipping code to all of their Facebook Fans. Similarly, 1-800-Flowers offers a 20 percent off coupon to anyone that "likes" their Facebook page. Tapping into the thriving social gaming network, General Mills subsidiary Zynga's FarmVille to package virtual item codes with fresh Green Giant products. Each code was redeemable for online for small amounts of virtual Farm Cash—the currency players use to maintain their FarmVille crops. Green Giant Fresh is one of two General Mills brands that have partnered with Zynga to raise brand awareness and loyalty.

Engage members on a personal level.

In order to be most effective, loyalty programs want consumers to share their experiences and feedback with the brand, their networks, and other members. American Airlines is one of the first airlines to have social media chan-

nels dedicated to earning miles. The American Airlines AAdvantage program has dedicated Facebook and Twitter pages that offer mile-hungry members a community where they can share their "passion" for earning AAdvantage miles and they fun or unique ways they use them.

If social media can offer additional benefits to the consumer and valuable qualitative data and word-of-mouth marketing to the brands, then why isn't everyone doing it? Chances are, most brands already have some sort of social media presence, but it may not be an integral part of their loyalty program and strategy. Yet. The volume of chatter and ever-changing landscape of tools and technologies makes it difficult for brands to determine the most effective strategy. Similarly, the limited number of consumers carrying a GPS-enabled Smartphone makes a mainstream surge in location-based loyalty unlikely. But, as social continues to heat up and more consumers flock to Twitter and Facebook, expect to see more loyalty programs bring social media to the forefront in 2011.

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Like your privacy? Join a loyalty program

By Rick Ferguson

Battle lines are being drawn in the war over consumer data protection and privacy. There is, however, one environment where consumers can share personal information without fear of its misuse: loyalty and reward programs. In an age where every personal and financial detail about your life is up for grabs by marketers, loyalty programs provide a safe haven in which data collection and usage offers clear benefits for both consumers and their favorite brands.

On one side of the privacy wars are social media platforms, search engines, smart phone app makers, data aggregators and media companies, all of whom have a vested interest in getting you to share as much personal information as possible. On the other side are the Federal government, privacy watchdog groups and consumers themselves, who want to enjoy browsing the web and

downloading apps without worrying about who's viewing their private data.

The war is not one of good versus evil, but rather a war for control of precious resources. If consumer data is the new oil, then it's natural for marketers to want access to this resource in order to target their marketing dollars more efficiently. If that efficiency translates into lower prices for consumers, then everybody benefits.

The problems arise from the methods used by some companies to access your personal information. While some marketers do so honestly and transparently, others simply take your personal details without permission. They install cookies in your web browser, pull personal details from your Facebook profile or surreptitiously track your movements via your smart phone. If your house sat atop a large oil field, would you want an oil company to drill a well in your backyard without your permission, and without paying you for the privilege?

By contrast, loyalty programs offer compelling benefits for consumers willing to trade personal information for value. When you join a program, you do so because you find the offer attractive. You might earn airline miles, hotel points or retail gift certificates—solid economic benefits that save you money.

"In an age in which a good portion of our lives are lived online, consumer data privacy is now a critical component of all consumer-brand relationships."

You might also earn special perks and privileges otherwise unavailable to you. If the program execution doesn't live up to its billing, you can always opt out of future participation.

This expectation of a value exchange makes loyalty programs an attractive proposition for both consumers and brands. By joining, you volunteer to share personal information about your shopping habits, lifestyle and preferences. The program sponsor then agrees to use what they learn about you to deliver value back in the form of rewards, privileges and relevant communications. The sponsor's hope is that you'll find enough value in this relationship to consolidate your category spending with them.

And unlike some other marketers, program sponsors generally promise to collect data about you only with your explicit knowledge and permission. They'll collect only the data they need, and use that data to benefit you.

What behavior should you

expect from a sponsor when you join a loyalty program? Here are a few tips:

Read the privacy policy. Any program you join should have clear, prominent terms and conditions that spell out exactly what information the sponsor plans to collect about you and how they will use it. If you can't find the policy or if you don't agree with it, don't join.

Opt-in to all communications. Program sponsors and their partners should only send you direct mail, email or cellular communications that you have specifically asked to receive. If you start getting spammed, then opt out of the program.

Look for relevant offers. If the program sponsor is using

your data appropriately, then you should receive offers that look personalized and feel relevant. If you've expressed an interest in a beach vacation and you get an offer for a ski package, then the sponsor isn't paying attention. Vote against generic offers by shifting your spend elsewhere.

In an age in which a good portion of our lives are lived online, consumer data privacy is now a critical component of all consumer-brand relationships. The good news is that loyalty programs are ahead of the curve. While the battle for consumer privacy rages on, these programs offer an oasis wherein you can enjoy valuable relationships with your favorite brands.

Rick Ferguson is Vice President, Knowledge Development for Groupe Aeroplan, Inc., a global leader in loyalty management. Groupe Aeroplan also owns Carlson Marketing, the world's leading relationship building company. You can learn more about both companies at www.groupe-aeroplan.com.



carlson marketing

INSPIRATION

Mobile networks are gaining connected consumers

Soon you will not need to carry all those Loyalty Cards around with you. According to reports, the average U.S. consumer holds membership in 14 loyalty programs.

Wouldn't it be great if taking advantage of the benefits loyalty programs offer was streamlined? Given today's hectic and often stressful lifestyle, consumers are looking for ways to save time and money and remove the "hassle-factor."

The good news is that help is now in the palm of our hands. You just need to know what to ask or look for. Here are five new ways innovative brands, retailers, service companies, and technology providers are making their loyalty programs easy to use by integrating the one thing most of us never leave home without—our cell phone.

■ **In-Store.** No Paper Coupons or Paper Cuts. Innovative retailers are enabling their loyal customers to have special savings offers placed directly into their loyalty accounts by simply texting a keyword or scan-



MOBILE CONVENIENCE
Use your cell phone to keep track of reward programs.
PHOTO: WELLO

ning a new type of mobile barcode (sometimes called QR Codes or 2d Codes). When the cashier scans the item at checkout, it automatically taps into your loyalty account and deducts the coupon offer from the cost—eliminating the need to present a physical coupon. Shopping is expedited, taking advantage of coupons and special offers is simplified, and the overall brand experience is enhanced.

"We are very excited about the opportunities digital coupons bring to our customers in terms of convenience and easier management of their shopping experience. Customers are becoming more technologically savvy everyday and are looking for retailers who can meet their needs. We feel this is one way for us to connect to our customers and provide a service they are looking for," says Annette Hoeffel, director of marketing, Chief Super Market, with stores in Ohio.

■ **In-Wallet.** No Plastic Cards. We could all use a little help organizing our lives. Now there are Smartphone applications that can store and catalog all your loyalty cards for quick and easy access. Often it's as simple as taking a picture of each card with your cell phone camera and filing them directly into the organizer application.

"No bunch of cards or keychain attachments to carry, especially since every store has a card. I used it for the first time yesterday at CVS and it worked perfectly. Since I often forget my cards, this is a great tool because my phone is always with me," says Triney Gurl who lives in the Philadelphia area.

■ **In-Café.** Instant Savings! Compass Group rewards its loyal

guests by sending "in-the-moment" incentives, such as a coupon for soup on a very cold day, right to the customer's smartphone. Customers can also use their smartphone to text or scan a code at various food stations in their university or corporate café to get an on the spot coupon or special promotion delivered right to their phone. "Most consumers today always have their mobile phone with them," says Kevin Dwyer, senior director of food service for Restaurant Associates. "With these technologies we can now turn their phone into a 'virtual coupon' - eliminating the hassle of paper coupons and making it more convenient for our customer."

■ **In-Hotel.** Mobile Concierge. Making travel plans and coordinating activities can be time-consuming and downright painful when you're on the road. Innovative hotels, like the Renaissance Mayflower Hotel in Washington DC, are making life a lot easier for their loyal guests. Their concierge, directly from his or her computer can now send restaurants, sports, theater, and other information directly to their guests' cell phones—giving them valuable at-their-fingertips information they can readily

forward it to the rest of their traveling group. And how about this? The Renaissance Mayflower Hotel has now made their in-room phone system and printed local directory of services available to their guests on their mobile devices, enabling a guest, while traveling throughout the city, to one-click and reach the concierge, front desk, bell captain, restaurant, maid, and nearby local attractions.

"The mobile guest services solution is fast, easy-to-use, cost effective and quite efficient. It is so easy to send a restaurant's address to a guest now. We love it!" says Robert Nagys, guest services manager, Renaissance Mayflower Hotel, Washington, DC.

■ **In-Life.** Realizing that speed, ease and convenience of paying upon checkout is something today's on-the-go customers crave, Starbucks has integrated mobile payment functionality into its Starbucks Card. To use mobile payment at Starbucks, customers just need to download the free Starbucks Card Mobile App for select BlackBerry smartphones, iPhone or iPod touch mobile devices. They can then pay with their smartphone by holding their mobile device in front of a scanner on the coun-

tertop and scan the Starbucks Card Mobile App's on-screen barcode to make a purchase. In addition to the mobile payment capability, the app allows customers to manage their Starbucks Card account, check their card balance, reload their card with any major credit card (iPhone users can also use the PayPal feature), check their My Starbucks Rewards status and find a nearby Starbucks store with the store locator feature.

With mobile payment, the Starbucks Card platform further elevates the customer experience by delivering convenience, rewarding loyalty and continuing to build an emotional connection with customers. "For millions of our customers, the Starbucks Card is a part of their daily routine, and our Card program offers compelling benefits for gifting, payment and rewards," said Brady Brewer, vice president Starbucks Card & Loyalty. "We're listening to our customers and will continue to innovate and offer new ways for us to recognize and reward our customers with personalized rewards and enhanced mobile offerings."

Perhaps faster than any other technology in the last decade, the explosion of the mobile network is changing the game for brands. Given the increasing sophistication of handsets and platforms, mobile is poised to realize its true potential of combining proximity to consumer with personalized content and timely messaging. For brands, highly connected consumers mean a dramatic mind shift in how we have to think of our loyalty marketing strategies.

BOB GOLD,

GOLD MOBILE

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ard data and messages rates may apply. You'll receive one message. Download the free TAG app for your phone at <http://gettag.mobi>

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Loyalty is going social.
Tactics are following.
So what are you doing?



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NEWS

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Mike Gorun
Managing Partner
and Founder,
MediaTrack

Auto Dealerships operating highly successful customer loyalty programs should expect to see increases in service business of 30 percent or more.

Those that are successful structure their efforts around three loyalty traits—loyal customers, loyal employees and loyal store management.

An example is Acton Toyota in Littleton, MA, which launched a loyalty program in 2007. So far the dealership has registered more than 24,000 members to its program.

“We promote our rewards program as part of the sales process in the showroom and service department and talk it up as an advantage to purchasing at our dealership,” General Manager Mike Hills reports. “And when a service customer pulls in, the first thing we ask is whether the customer will be redeeming reward points today or accumulating them for redemption down the road. We really have engrained this promotion and process into our entire operation.”

Some results from Acton’s program:

- Fifty-six percent of new vehicle purchasers return on average within 120 days for a customer-pay transaction.

- \$90,000 per month increase in customer-pay business.

Tom Wood Ford, in Indianapolis, IN, has operated a loyalty program since 2007 as well. “From 2008 through mid-2010, my gross profit per month has doubled. This is a huge number...but the numbers don’t lie,” says Service Manager Tom Kashman. “Customer-pay revenue is up 30 percent this year over last year and last year was our best year ever!”

By definition, a customer loyalty program offers customers rewards for purchasing from the company issuing the rewards. We all know this practice best as airline frequent flyer miles. Ideally, the retention influence of loyalty programs reduces or eliminates the many causes of customer defection.

According to Berge Ford, its loyalty card members purchased more than one million dollars worth of parts and service in the first year of its loyalty program. The program is delivering hundreds of thousands of dollars in profit to Berge.

“The gains are significant and measurable. And best of all, the loyalty program is giving our customers another reason to continue to come back to us for vehicle purchases and service,” said Jim Crutcher, general manager for Berge Ford. Plus, “By more precisely marketing our services to customers, we were able to reduce our advertising costs by more than \$120,000 per year.”

The mechanism is important

To help them implement, administer and manage an effective loyalty program, most dealers turn to outside professionals. The right solution offers the following advantages:

- Better customer insight & marketing. The dealership gets to know its best customers and their buying habits, enabling it to accurately tailor offerings through highly efficient marketing.

- Greater brand awareness and advocacy. Members are less likely to shop competitors and are more likely to recommend the dealership to others.

- Customer base growth. Dealers attract new customers by offering value beyond their standard products and services.

- Lower cost of sale to existing customers. New customers are six times more expensive to acquire. Repeat customers are the most profitable ones.

- Improved customer relationships. Loyal customers are more forgiving if they ever have a product or service issue.

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Why customer satisfaction doesn't create loyalty

Did you ever wonder why such a high proportion of satisfied B2B customers end up leaving and moving to a competitor's product or service?

BusinessWeek cited that 60 percent of defecting customers describe themselves as satisfied just before defecting. Case in point: A \$1.6 billion B2B company was experiencing an 85 percent customer satisfaction rate but still suffering from an abysmal 68 percent retention rate. When the CFO asked how this could be, the VP of marketing had to find an answer—and he did.

As it turns out, the marketing team was not aligned with the sales process or the economic buyer. The rigorous Voice of the Customer survey program that gained insight from 250 customers per quarter had a flaw that was easily uncovered. The company was not getting survey results from the decision makers in the accounts surveyed. Rather, the users of the equipment and the procurement administrators were the typical individuals responding to the surveys.

The company had neglected to build relationships with the decision makers. The lack of relationships meant that the decision makers were too busy to complete a satisfaction survey, let alone give candid performance feedback. When the time came for the decision maker to renew a contract or determine which vendor to choose for a new project, the company was not positioned to win. Building relationships with decision makers is the linchpin to customer loyalty in the B2B World.

Listed below are seven fundamental best practices to successfully engage with decision makers and build loyalty with your B2B customers.

Focus on the few

1 Use Pareto's Principle and focus on the few. In the B2B world, the majority of revenue comes from just a few accounts. HCL is a \$3 billion dollar company growing 26 percent annually. Amazingly, 75 percent of HCL's revenue is concentrated in their top 80 accounts. If they were to lose just one of those top accounts, it would require countless new accounts to make up for the revenue loss. But HCL focuses intently on these top 80 accounts building relationships and consequently

leading the industry with a 95 percent retention rate. Shami Khorana, president, HCL Americas states, “Our Customer Advisory Council initiatives have significantly driven our retention and growth rates within our top accounts.” By segmenting your B2B customers by revenue, it becomes pretty easy to figure out who the really important customers are to retain.

Listen, listen, listen

2 In the B2B world, engaging with customers almost always involves a conversation. Rarely do you see a situation where a sale is made, or a complaint is resolved, without a conversation. The Dell Large Enterprise leadership team gets it. Andy Lark, chief marketing officer, Large Enterprise, is adamant about setting the tone when engaging with customers to build relationships that last. Andy comments, “When we open our ears, seek first to understand and listen to our customers, we are able to position our solutions to solve customer's problems. This positions Dell ahead of product organizations that attempt to point a solution at a problem and increases the value of our portfolio with our customers.”

Engage similar customers together

3 Have you ever taken your kids on vacation together and witnessed the magical moments when they get along so well together? That's exactly what happens when you bring customers together that face similar industry or functional challenges and dynamics. When you create an environment that allows the decision makers in your accounts to share experiences, network and debate best practices with you, you create a bond that extends beyond the time spent together. George Scotti of Springer Science+Business Media has created an amazing Customer Advisory Board program where Springer hosts their top customers in discussions that address common challenges and market dynamics. “Our top customers love our Customer Advisory Board program because we create a dialogue driven environment to help them address their challenges.”

Leverage your team

4 Leverage your executive team for relationships. Face it. In most B2B companies,

it's not easy for your sales team to build an executive level relationship with the decision makers in their top accounts. Most sales reps don't share similar experiences with decision makers and they often find it difficult to engage in a conversation at the same executive or strategic level. But, you can leverage your own leadership team to foster and up-lift the conversations that keep your organization connected to the decision makers in your top accounts. Xerox has done a marvelous job of leveraging their executive team to engage with their key customers and foster business conversations. These discussions uncover the unmet needs in these accounts, and lead to increased share of wallet and increased customer loyalty.

Enable decision makers to talk to others

5 Now here is a beautiful way to have a customer engage with other customers. Springer Science+Business Media has leveraged a third party to help establish a series of “summits” across the country, where 3-4 Springer customer and industry experts sit on a panel. The summit's target audiences are prospects and accounts that have not yet adopted new solutions. The expert panel answers questions about addressing industry challenges and the role Springer plays in solving such problems. These forums help prospects become familiar with a new product or create awareness in a new market, accelerating the sales cycle.

Turn insight in to actions in to results

6 This is where the marketing department can bring the elusive strategic value to the organization. Get the marketing and product departments engaged with your decision maker's ideas. Synthesize all your direct market insight into key priorities that are actionable. I'm not talking about the laundry list of 56 features that need to be built in to the next release—I'm talking about the big nuggets that will propel the organization forward. Jeff Tinker from Wells Fargo has been engaging customers for strategic insight and product development for years, and says with one key project in particular that, “We were literally at a point in the product's development that we were incorporating

feedback overnight.” The controlled engagement between customers and internal teams align actions and results to insight from the customers. Forget about the latest ad campaign—get the organization aligned on the priorities of the decision making customers.

Communicate

7 How often we forget that the biggest cause of divorce is communication—lack of it that is. Decision makers want to hear directly from the people they have connected with—and not read broad based messaging distributed to the bcc all list. Who has responsibility in your organization to communicate one-to-one with your top customers and your key decision makers? The customer loyalty life cycle requires the marketing organization to step up and play a leadership role managing the entire communication experience. One-to-one. Own it.

The ROI

! While most B2B companies see substantial increases in customer loyalty and retention similar to HCL's industry leading numbers, an added benefit is increasing revenue in those top accounts. Tom Webster at Intesource implemented his decision maker programs and refined them over several years. And, while retention rates with this group (80 percent of Intesource's revenue) have grown, account growth has leaped 100 percent.

The art of developing customer loyalty in the B2B world is not really as complicated as people may make it sound. A simple start is to identify your most important customers, begin the journey to engage and build relationships with the decision makers that matter most, and concentrate on a few programs and make them great. By starting now, you can be well on your way to achieving the success that Springer, HCL, Wells Fargo, Xerox, Intesource and Dell are able to deliver.

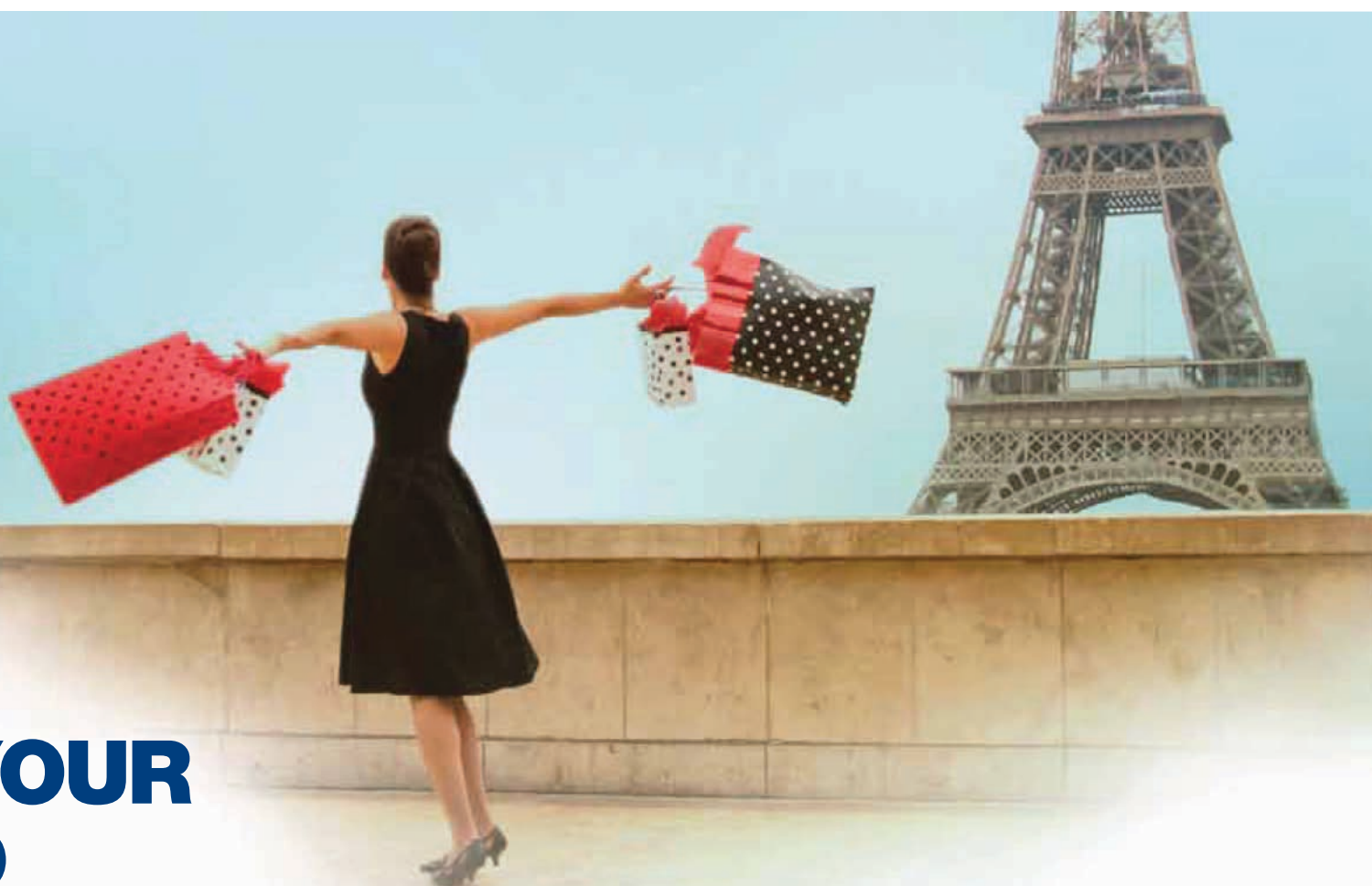
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PANEL OF EXPERTS

	Heather Passe Vice President, Marketing, Loyalty & E-Commerce, Carlson Hotels Worldwide 	David Patron VP of MR Program Management American Express 	Maya Leibman President, AAdvantage American Airlines 
Question 1: What impact have loyalty programs had on your industry?	Loyalty programs have become an expectation among travelers and have a strong influence on their buying decisions. Rather than making a hotel decision on location or product alone, customers are now going out of their way to maximize earnings in their favorite loyalty program. Loyalty programs provide many benefits to the customer, but a customer's most preferred benefit is the ability to earn free nights. We recognize this and have recently restructured our own program to maximize the customer's ability to get to free nights faster.	Loyalty programs have been a huge game changer in the industry. Over the past decade, we've seen a spending shift towards charge and credit products versus cash and check. There are several reasons for this switch, including security and convenience. However, a major factor is the appeal of loyalty programs, where consumers know that everyday purchases will lead to extraordinary travel and shopping rewards. This motivates them to select, spend and stay with their card.	Huge! Most importantly, loyalty programs have created more meaningful interactions between airlines and customers. These programs continue to evolve from simple rewards, as they were 30 years ago, to engagement and recognition of most valuable customers today. Airlines with a better understanding of their customers have a competitive advantage through the ability to retain repeat business. Within this competitive industry, loyalty programs ensure a level of consistent revenue, ultimately helping the smart airlines survive.
Question 2: What is the biggest misconception about reward programs?	Some critics may say that these programs simply try to buy customer's loyalty. However, they provide much more value than obvious benefits such as points and free nights. They enable brands to make customer communication and interaction personalized and relevant. They also provide valuable segmentation so we can identify top guests who deserve even more attention. Top membership levels, such as our new elite Concierge tier, offer valuable added benefits such as complimentary room upgrades, continental breakfast, a 75 percent point bonus for stays, and by mid-year, special access to a global Concierge line for event tickets and top-rated restaurant reservations.	One of the biggest misconceptions consumers have is that you need to amass a large amount of rewards points before they can start to realize any of the benefits. But points aren't only for big ticket items and trips. You can now use points for everything from gift cards to movie tickets—with redemption opportunities available for relatively few points. These points can even be redeemed at point of purchase on some retailer's websites.	Many customers believe that the availability of award tickets is very limited. However, we always tell customers that the best way to successfully book award travel is to plan ahead, be flexible and know the program. It also helps to frequently check award availability, as additional award seats sometimes become available through the life of the flight depending on how customer demand changes.
Question 3: How can a consumer maximize the benefits of reward programs?	Consumers should stay informed and determine which loyalty programs best maximize the benefits for them. There are many websites that highlight the pros and cons of different travel loyalty programs such as flyertalk.com or loyaltytraveler.com. DoTheMathSite.com is one that we created where consumers can easily compare how quickly they can earn free nights at many of the major hotel brands. We used similar analysis while creating our program, which has been designed to be one of the most rewarding hotel loyalty programs and will enable members to enjoy a remarkably fast way to a free night stay.	The best thing for consumers to do is to get on the loyalty program's website and learn all of the different features of the program. Many programs offer rewards in a wide variety of categories, including travel, shopping, dining, entertainment and experiences. At the same time, there may be methods to earn bonus points that can rapidly increase your point "bank." The more consumers learn, the more they can get out of their rewards program.	The key is familiarizing yourself with all the ways to earn and redeem miles. Many loyalty programs allow members to earn miles when making travel and everyday purchases with participating brands including airlines, hotels and retailers. Miles can add up fast. Also, customers think they're limited to redeeming miles for just flights when they can actually use miles for a variety of services such as car rentals and hotel stays—depending on their loyalty program.

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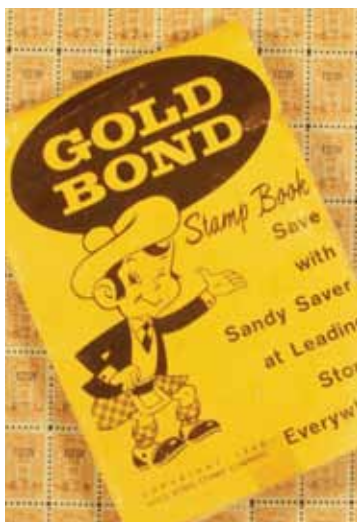
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NEWS



Gold Bond trading stamps
These trading stamps were distributed to customers with their purchases and redeemed by returning them.

HISTORY

Rewarding loyalty for over seven decades

On June 8, 1938, during the Great Depression, Curtis L. Carlson founded one of the nation's first loyalty rewards programs. Started on a borrowed \$55, twenty-three-year-old Carlson registered the Gold Bond Stamp Company in his home town of Minneapolis, MN.

After noticing how a department store granted coupons for purchases that could be redeemed for money or prizes, Carlson had a simple, yet powerful, discovery: reward customers based on what they buy. Within a year, 40 grocery stores were using 'Gold Bond Stamps,' which were distributed to customers at purchase and redeemed with Carlson.

In 1953 the largest grocery chain in the country, Super Valu Stores, Inc., embraced Carlson's idea and began rewarding its customers with Gold Bond Stamps. Along with this expansion came the ability for customers to redeem the trading stamps for prizes. By the end of the 1950's, the company had created an international presence. By the 1960's, nineteen of the top twenty American grocery store chains and 50 percent of gas stations offered stamps to their customers.

The company soon began exploring new ventures, expanding into the hospitality industry with the acquisition of the Radisson Hotel in downtown Minneapolis in 1962. Less than one decade later, the company changed its name from the Gold Bond Stamp Company to Carlson Companies. In 2006, the name changed to Carlson to demonstrate that it was one company serving a variety of needs. Today, Carlson remains a family-owned, privately held, global leader in hospitality and travel. Carlson encompasses more than 1,070 hotels, including Radisson, Country Inns & Suites By Carlson, Park Inn and Park Plaza; more than 900 T.G.I. Friday's restaurants; and holds a majority stake in Carlson Wagonlit Travel (CWT). Carlson operates in more than 150 countries and its brands employ approximately 150,000 people worldwide.

Over seven decades after a young entrepreneur registered the Gold Bond Stamp Company, Carlson is still focused on providing extraordinary rewards. On March 31, 2011, Carlson will launch its new hotel loyalty program, Club Carlson, with an enriched array of redemption opportunities including new vacation options with Club Med and CWT Vacations as well as enhanced benefits for its members worldwide.

MAX FRIEND

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Question: What is a universal or "coalition" loyalty program?

Answer: It is a rewards program that allows consumers to use one loyalty card at multiple retailers, such as clothing, grocery stores and gas stations.

What the rest of the world knows about loyalty reward programs

Imagine if Shell, Kroger, Macy's, Delta Air Lines, Visa and CVS joined together to form a loyalty rewards program "Dream Team" that allowed consumers to accumulate points and redeem on their consolidated purchases of basics such as gas, groceries, apparel, travel, credit card transactions and drugs—including purchases made with cash?

This kind of universal or "coalition" loyalty program is available and highly popular in many other countries around the world, including neighboring Canada, but not in the United States. The U.S. market is dominated instead by what's known in the industry as the single-operator loyalty program.

According to an article in destinationCRM.com, Finaccord, a British market research firm, estimates the current total number of memberships in coalition loyalty programs at 974.7 million globally. Finaccord Director Alan Leach expects the number to top one billion by year's end.

Some of the world's best-known coalition loyalty programs include Payback in Germany, FlyBuys Australia and the AIR MILES

Reward Program in Canada.

No less than 60 percent of German households participate in the Payback program, where points can be collected at 175 partner companies. These aren't just names in a database. Eighty percent of cards issued by Payback are used actively by members in Germany. After nine years of operating in Germany, Payback expanded to Poland in 2009. The program attracted two million participants in just two weeks time.

When FlyBuys launched in Australia in 1994, the only rewards were flights. Now there are over eight million individual FlyBuys card holders in five million Australian households. Members can collect points at FlyBuys participating businesses to make their everyday shopping count for over 1,000 reward choices.

Canada's AIR MILES Rewards Program dates back to 1992 and stands as the benchmark internationally for the operators of coalition loyalty programs. AIR Miles counts participants from two-thirds of Canadian households. The program gives back \$500 million annually in value to Canadian consumers who collect miles and redeem rewards.

The U.S. Direct Marketing Association provided a glimpse of what's

"... helps its ten million members get money for college bills and student loans from the things they do all the time; buy groceries, shop online and fill their gas tanks."

offerings in Europe or Australia, a U.S. family spending the national average on groceries, gas, credit cards and other basics could earn merchandise rewards such as a new iPod in just four months and travel rewards like a free flight in only nine months.

Bryan Pearson, president of LoyaltyOne, operator of the AIR MILES program, said the introduction in the United States of a nationwide coalition loyalty program consisting of some combination of gas, grocery, credit card, travel and department store sponsors is not a matter of "if," but simply a question of "when." Consumers who want to stretch their hard-earned dollars desire the opportunity to earn rewards on their everyday purchases, he said.

Newton, Mass.-based Upromise is an example, in the education niche, of the power the coalition model. Upromise helps its ten million members get money for college bills and student loans from the things they do all the time; buy groceries, shop online and fill their gas tanks. Its partners include 700 online stores, 8,500 restaurants, 21,000 grocery and drug stores, and many other companies.

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possible in coalition loyalty when it featured a panel discussion titled "Coalition Loyalty from Around the Globe" at a major conference in San Diego.

The experts panel consisted of executives from leading coalition loyalty programs. They agreed that the coalition model is popular with consumers because it allows them to leverage their everyday spending in high-frequency categories to attain rewards that can't be earned as easily in U.S.-style sole-proprietor programs.

For example, given access to a program comparable to the coali-

The future of credit and debit card rewards

It's one of the most frequent financial questions posed now that the economy is seeing the other side of the Great Recession: "What is the future of credit and debit card reward programs?"

Several factors are converging to prompt this question. Customers remain stressed economically due to the recession, while government regulation—such as regulations on fees that credit card companies charge retailers—is increasing. With the mortgage and foreclosure crisis still in full swing and consumers cutting up credit cards in favor of cash, banks are struggling to negotiate success as they work to rebuild their reputations and relationships with customers in the economic recovery period.

Consider that from 2009 to 2011, growth in loyalty program memberships among the financial sector rose a negligible 1.6 percent, according to the 2011 COLLOQUY Loyalty Census, compared with 77 percent from 2007 to 2009 in COLLOQUY's prior 2009 study. The cause is twofold: Banks have pulled back on credit card and reward card applications, while consumers have consolidated the number of credit cards they carry and how much they are spending on them.

Because banks are under pressure, cutting the costs of rewards is top of mind as some banks treat loyalty programs as costly burdens

simply required to play in the space. Regions Bank is the latest financial institution to make a defensive move in a rewards program in the face of the likely Federal Reserve limits on interchange fees. Regions will no longer accept enrollment into its Relationship Rewards program, a progressive and comprehensive program for customer engagement that places value, as the name indicates, on the total relationship with the customer.

Opportunity for growth

Even in this challenging environment, expanding the loyalty program can offer banks tremendous opportunity for growth. By just tweaking a bank's current position in a few crucial ways, the bank's loyalty efforts can go beyond commoditized rewards and be leveraged to attract customers and drive positive behavior.

For instance, it's essential for banks to use data to understand, recognize and reward the customer across products, no matter how they interact. It's not just about bringing in new customers, but also about ensuring that the customers who stay and continue to do business are rewarded.

The bottom line is that banks can use whatever loyalty program they have to drive value across the board—rather than considering rewards an add-on that must be cut out in lean times. By using



REWARDING CUSTOMERS. It's not just about bringing in new customers, but also about ensuring that the customers who stay and continue to do business are rewarded.

PHOTO: ISTOCKPHOTO.COM

data that banks already gather to improve customer engagement, financial services companies can score a huge win with the patrons they serve.

Banks simply need a new attitude that uses the power of the right rewards to drive desired results among existing customers.

In fact, some banks have seized on the opportunity to go on the offensive. Consider Discover as one example. This time last year, Discover introduced CardBuilder, an online tool allowing customers to design a card with the terms,

design and rewards most relevant to their needs. As with previous initiatives such as Garanti's FlexiCard or CapitalOne's CardLab, Discover is providing customers with a flexible way to manage their finances and customize the card they carry. This is but one way to change the tone of the dialogue about credit card practices and place more emphasis on issues that are a high priority for consumers—such as transparency and control.

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