

# LOYALTY & REWARDS

# 3

TIPS

FOR MAXIMIZING  
YOUR POINTS



# MAKE THE MOST OF WHAT'S YOURS

How entrepreneur **Joseph Morin** used his passion for reward programs to launch his business

PHOTO: JOSEPH MORIN; TEASERS: ISTOCKPHOTO.COM

Future trends  
Social media  
can earn  
you points



Ring-ring  
Press "1" to  
choose  
your benefits



Loyalty guru  
An insider look  
from industry  
leaders

## CHALLENGES

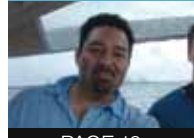


TIP

1

"LIKING"  
CAN EARN  
YOU POINTS

## WE RECOMMEND



**Savvy reward tips**  
Joseph Morin uses his experience to teach us the tricks of the trade.

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"Sometimes major loyalty programs will match your status from another competing program hoping that you will continue to be loyal to them."

**Consumers are participating** more actively in their favorite programs and are hungry for "collaborative consumption" partnerships.

## Community, mobility, cause

Americans do love loyalty programs: the average U.S. household is active in 8.4 of them. What's new in 2011 is that activity goes beyond flashing a plastic card, collecting points, and redeeming them a couple times a year. At COLLOQUY, we see collectors participating more actively in their favorite programs because of three trends in the loyalty field: Community, Mobility, and Cause.

**Community**

Social networking gives shoppers more power. There has been a revolution in the last three years in online interaction, and we're seeing its impact on loyalty. Retailers are using social media platforms to invite customers into conversations with the company, and each other, and they are rewarding those interactions.

GameStop, the video game and entertainment software retailer, gives members of its PowerUp Rewards program an online area to build libraries listing all their games. Those lists have become the stuff of bragging rights—with friends swiping cards to share their lists with friends. Members get points for establishing the libraries and for purchases, and can trade points for exclusive benefits such as codes to unlock exclusive in-game accessories.

In June, The Ritz-Carlton became the first luxury hotel chain to use

social media to deliver exclusive concierge services. Using the Foursquare platform, The Ritz presents tips and local information from its worldwide staff of concierges—but only to its valuable repeat guests.

Social media is not only making loyalty program interactions more convenient and fun, it's also giving a forum to consumers-turned-brand-advocates. The website My Starbucks Idea provides a forum to post ideas about new products, potential locations, and easier ways to place orders. It also solicits ideas for better ways to run the loyalty program, generating over 8,300 ideas to date about the Starbucks Card.

**Mobility**

Making it easier to do everything from a phone. Starbucks is also leading the innovation in mobile apps that let customers not only manage their loyalty accounts but also pay for purchases. Almost 90 percent of Starbucks locations in the U.S. became equipped during 2011 with readers that scan barcodes generated on customer devices to make payments directly from customer accounts. Some 20 percent of transactions at U.S. Starbucks stores are paid for with a Starbucks card, and customers loaded more than \$1.5 billion onto those cards in 2010.

That will only grow. ABI Research estimates that by 2015, some \$119 billion in payments will be made on smart phones and other mobile devices worldwide. Consumers will



**Kelly Hlavinka**  
Managing Partner, COLLOQUY

"Social media is not only making loyalty program interactions more convenient and fun, it's also giving a forum to consumers-turned-brand-advocates."

use phones to scan for discounts and instant promotions, too. Randy Vanderhoof, Executive Director of the Smart Card Alliance, notes that just 10 percent of Americans converting to smart phone transactions will add up to tens of millions of participants.

**Cause**

Points will change the world. Through facebook.com/membersproject, the Members Project from American Express asks customers to vote on which charitable projects AmEx should fund. It also coordinates volunteer projects, rewarding members with bonus points for participating, and makes it easy for members to donate their points to charities from American Red Cross to the World Wildlife Fund.

RecycleBank gets more people recycling by pairing it with the great American pastime of shopping. Members earn points by actions such as "pledging to recycle Kashi cereal boxes" (50 points) or mailing in old digital cameras for re-use or responsible disposal (up to 200 points), and trade points for coupons and discount offers.

Consumers are hungry for these kinds of "collaborative consumption" partnerships because they want to come together for social causes, and on a scale that makes them truly influential. Make no mistake: companies are paying attention.

**KELLY HLAVINKA**  
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## The future of loyalty trends

**A lot has been happening in the world of customer loyalty programs. For instance, did you know that...**

■ **Loyalty is going mobile.** Have you ever walked into a favorite store and can't find your loyalty card? You're not alone. About 75 percent of consumers use loyalty cards but can't find them when they are needed and may miss out on free deals and discounts, according to surveys by Juniper Research.

Merchants are giving consumers a helping hand by offering mobile loyalty programs in which they reward their loyal customers with points that can be accumulated and redeemed for perks, products, and services, all via their mobile phone. Not only do cardless loyalty programs lessen the clutter of reward cards on your keychains and in your wallets, but they're better for the environment as well.

For example, via most mobile applications customers can manage their loyalty card account, check their card balance, reload their card, check their rewards status and find a nearby location.



**Erin Raese**  
Partner, Loyalty 360

In addition to the merchant supporting these efforts, there are a number of new apps that can help you manage all of your loyalty card numbers and loyalty card offers.

■ **"Liking" can earn you points.**

You can now earn points from your favorite loyalty programs via social media sites. Many merchants will reward you with special coupons for a "like" of their page. Others reward all customers with a discount code once they hit a certain number of "likes" on their page. Others give their customers points each time they "like" the

brand's updates and then let them cash those points in for free products.

If you are a game lover, check out GameStop's new store on Facebook. The shop, accessible via GameStop's Facebook page, allows users to purchase games online, read product reviews, watch trailers and find nearby GameStop outlets. Fans of the retailer can also "like" and share specific games on Facebook, and earn points via GameStop's customer loyalty program.

■ **It pays to check in.** A growing number of restaurants, supermarkets and retailers are integrating Foursquare and Twitter into their loyalty programs, giving customers points and special offers for checking in or tweeting about their whereabouts.

■ **You can get free gas.** Grocery stores are known for their frequent shopper programs. They've conditioned all of us to keep our phone number and/or loyalty card handy to ensure we save as much as possible.

Now many of these same stores are helping you save on gas too! In addition to your frequent shopper savings,

gas savings are available. At some stores, your earnings are reflected on your receipt, at others you need to ask. But ask! Some people are saving \$.20+/gallon of gas thanks to their grocery shopping.

Another tip, as the holidays come, purchase your gift cards at the grocery store—now your holiday shopping will get you additional gas discounts!

■ **You can use your points for holiday shopping.** Points are like free money; but only if you use them. When planning your holiday budget, include your point balances. Don't have enough points for a free vacation? Then redeem your points for holiday gifts.

Credit card loyalty programs have always offered a wide variety of reward options. Now hotel and airlines do too. You can redeem your points or miles for merchandise (including state-of-the-art electronics), gift cards, charity contributions and even tickets to concerts, plays and sporting events.

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## INSPIRATION



## TIPS

## Savvy reward tips from the expert

**Joseph Morin uses his experience to teach us the tricks of the trade.**

**Mileage run**

➔ At the end of a calendar year, take a low cost flight to the farthest destination to requalify for an additional year if you are close but don't have enough miles/points to maintain your status. For a business traveler this is worth it especially when needing to get bumped up on the standby list.

**Mattress run**

➔ Same idea but for hotel programs. I've been known to pay for a low cost hotel in a program chain without even staying there at year's end just earn the stay credit. Traveling a lot during the year and getting room upgrades all year long are definitely worth the effort.

**Status match**

➔ Sometimes major loyalty programs will match your status from another competing program hoping that you will continue to be loyal to them.

**Challenge**

➔ AA does an unwritten 'challenge' of 5,000 elite qualifying points (Gold) and 10,000 elite qualifying points (Platinum) flown in a 90 day period. I flew one international flight and a first class flight from LAX to AUX and did this with 2 flights (Platinum)

**Get there faster**

➔ Be sure to sign up for your favorite loyalty program's reward credit card to help achieve your goals quicker.

**Double dip**

➔ In order to 'double dip' your points, pay to refill the balance on your Starbucks loyalty card with a rewards credit card

**Take time**

➔ Arrive at the airport extra early when traveling on a Monday morning which can be the busiest travel times for most airports, don't think having status will save you time because this is when all of the elites come out and sometimes the elite line is longer than the regular line.

**Talk it out**

➔ Join a forum such as FlyerTalk.com or MilePoint.com to learn how to maximize your point earning potential.

**Know the route**

➔ Vegas Tip #1: When arriving, never let a cabbie take you to your hotel via the 'tunnel', this is known as 'long hauling' and if mentioned will get you a reduced fare as it is illegal. Long hauling typically adds up to \$20 or more to your fare. Best to tell the cabbie to take Tropicana to Koval which hits most hotels on the back way and also avoids the Las Vegas strip which can get busy.

**Skip the line**

➔ Vegas Tip #2: When flying Southwest and leaving Vegas on a Sunday, its best to opt for the early boarding fare, the extra \$15 is worth it when security lines can stretch for over an hour.

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**THE GOOD LIFE**  
Joseph Morin has used his rewards for personal and professional satisfaction.  
PHOTO: JOSEPH MORIN

TIP  
2  
JOIN A LOYALTY FORUM

**Question:** How did Joseph Morin make the most of his rewards?  
**Answer:** By turning his passion for loyalty programs into a successful business.

# A business based on loyalty

“My friends like to joke that if you hand me something as simple as an apple, I could figure out a way to monetize it,” laughs Joseph Morin, a savvy loyalty rewards enthusiast who has constructed both an enviable lifestyle and professional career upon the dynamic opportunities such programs afford (to those keen enough to see them). A seasoned Internet marketer who would regularly travel to international conferences to speak at such distant locations as Stockholm and São Paulo, Morin started earning frequent flyer miles in the mid-90's and quickly earned himself elite status, a distinction that multiplies future frequent flyer miles and brings with it several perks. “I travel a lot and time windows are tight, so I often have to go standby,” shares Morin. “For a business traveler on the move, the most important thing is getting there, so it helps you get the seat.” As the layers of opportunity began to reveal themselves to such an adept extractor of value, he began to visit online forums such as Fly-

ertalk.com that identify frequent flyer opportunities, utilize debit and credit cards that automatically double and triple frequent flyer miles, accept “challenges” from airlines that reward a certain level of travel within set time frames with special status upgrades, and take advantage of “matching” opportunities in which comparable programs will offer an equal amount of points equivalent to the number already earned.

**Capitalizing on experience**

While most travelers are content to simply relax and enjoy such rewards, Morin could not help but see his experience in capitalizing on loyalty programs through the eyes of an entrepreneur, rather than just a customer. “My best friend from high school Mike Uesugi and I both traveled a lot and we would go to conferences together. He had developed a technology to track conversation in social media and I was thinking about rewarding people for such things,” recalls Morin.

Soon enough, they had raised a round of angel investment and launched SocialRewards.com, solidifying relationships with the

## PROFILE

**Joseph Morin**

■ **Profile:** Internet Marketer, Serial Entrepreneur, Extremely Frequent Flyer

■ **Number of Start-Ups:** 7

■ **Current Role:** CEO and Co-Founder, Social Rewards, Inc.

■ **Past Experience:** VP of Search & Social Marketing, Travelzoo (Fly.com)

■ **Most memorable perk:**

A complimentary stay at the Luxor resort hotel and casino's 4000-square-foot “super-suite” in Las Vegas, with complimentary

“It's amazing what I've been able to accomplish and the world I've seen, all based on loyalty rewards.”

parties thrown every night.

■ **Most spontaneous attempt to collect frequent flyer miles:** Flew to London just to have dinner with a friend.



I'M ON A BOAT! Joseph Morin takes a ride.

PHOTO: JOSEPH MORIN

majority of casinos in Las Vegas and rewarding users who mention those resorts positively through their social networks, such as Facebook, Twitter, and foursquare with loyalty points. Now any social media post by a user that leads to a friend or colleague making a reservation earns a hefty sum of points that can eventually contribute to a free stay and other amenities. Morin describes such perks as “real rewards” that have tangible benefit for the guest, which in turn inspires them to share their positive experience at the specific casino and resort with their friends via social networking platforms, further expanding the reach and exposure of such establishments. According to Morin, “everything I've learned in loyalty rewards programs has gone into this and represents what we wanted ourselves as customers.” The company is currently in talks to broaden its partner base to include movie theaters, car rental companies, retail stores, sports teams, concert venues, and a spectrum of other businesses that utilize loyalty rewards programs and

seek to interact with customers in the social media landscape.

For a person whose leisure and professional life have markedly transformed as a result of his active engagement with loyalty reward programs, Morin remains baffled by the fact that every year “billions of loyalty points go unused.” From free access to a Mariah Carey concert to flying free to Venice, from funding his own entrepreneurial travel expenses to starting a company that specializes in helping others enjoy such opportunities, the personal story of Joseph Morin may be unique, but the methods he employed and rewards he received are available to any person possessing the wherewithal to claim them. Grateful for the insight he has been able to achieve and hopeful that others will learn from his experience, he can barely believe his own good fortune as he muses, “it's amazing what I've been able to accomplish and the world I've seen, all based on loyalty rewards.”

MAX FRIEND  
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## PANEL OF EXPERTS

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Gold Passport**Robin Korman**  
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Hotel Group**Jonathan Clarkson**  
Director of Rapid  
Rewards, Southwest  
Airlines**Tammy Lucas**  
Managing Director,  
Marketing Programs  
at Best Western  
International**Question 1:**  
What advice would  
you give for making  
the most of rewards  
incentives?

**My advice** would be to concentrate on those loyalty programs that are connected with companies providing products and services that are important to you. Whether it's travel, retail or financial services, it's easy to get overwhelmed by the number of different programs out there, so it's important to focus on a small number of programs. Once you determine where to focus, then it's important to set a goal. Your goal might be aspirational (e.g., a trip to Rome), which means you are willing to save points or miles for years or your goal might be more short-term (e.g., gift card), which means you might only need to save for a few months. Finally, I think it's important to track your progress monthly to ensure you are on track to meet your goals.

**Pay attention** to promotions. Some are quite rich and many programs make it easy and quick to participate. Also, signing up for program emails is a good way to learn about special offers and stay on top of your point balance. Finally, make sure you understand the requirements to keep your account active—don't let your points expire! Set reminders, create a spreadsheet or use online tools such as MileageManager.com to help you.

**Truly invest** in any loyalty program you join, and ensure you are familiar with all of the opportunities to earn. Enrolling in program email newsletters is a great way to stay on top of program news and bonus promotions. Finally, to truly be invested in a loyalty program, apply for a co-branded credit card to expedite reward accrual and increase your program benefits.

**You can't start earning points** until you join a program. Research a loyalty program, with simple earning terms, that makes sense for you, so that you're maximizing your earning potential. Savvy travelers will seek out programs that offer competitive promotions with bonus rewards offerings, leading to free travel and other redemption awards faster. Finally, seek out a program that offers strong customer care to make your travel experience even better. They're out there!

**Question 2:**  
How have loyalty  
programs affected  
the way that you  
personally utilize  
them?

**Obviously,** I love loyalty programs, and I use them regularly. I'm most engaged in travel loyalty programs, as I think that they offer the most value. However, there are a number of strong retail and financial services program out there. I concentrate my spend as much as possible with those programs that are important to me. I tend to be a saver, so I like to squirrel away my points for a big reward, which means I will likely be saving for several years before redeeming. I also like to look for promotional opportunities where I can earn additional points or redeem for fewer points.

**I focus on programs** that offer the products and services that I use frequently and that offer rewards I know I will use or let me treat myself or my family. I also make sure I'm signed up to receive program emails, I check program websites and "Like" relevant Facebook pages so that I'm up-to-date and know about special offers and promotions.

**I pay much closer attention** to where and how I spend my money, especially when traveling. You can earn so many free rewards just by paying attention to how you book a business trip. Those rewards go a long way when I take my family on vacation. I also try to maximize point-earning opportunities for things I do every day (gas, bills, etc.)

**I'm on the road** for business for more than 100 days each year, which means my personal time with family is valuable. I value programs that offer a variety of promotional offers to help me earn rewards faster, and achieve Elite status even quicker. Most importantly, I value a program that makes it easy to redeem points for free room nights or flights, so that I can plan experiences I can enjoy with my family.

**Question 3:**  
What makes a loyalty  
program worth  
carrying in your  
wallet?

**A loyalty program** is only worth your time if you find value in the ultimate reward, whether that's big or small. Value for some customers means actual tangible benefits (e.g., free hotel rooms or free flights); however, value for other customers means intangible benefits (e.g., hotel lounge access or early airline boarding). It's important to ensure that your loyalty program has the right mix of both tangible and intangible benefits that best fits your needs. In addition, your loyalty program should offer a breadth of earning opportunities so you can accumulate points or miles as quickly as possible and then redeem them easily.

**It's important** for me to know that rewards are attainable. I look for brands that I know I will frequent so that points accumulate faster and I get rewarded faster. I also gravitate towards programs that engage with me—they should know who I am and serve up relevant messages and offers. I like when my loyalty is acknowledged with surprise and delights such as free birthday gifts or thank you notes. Interestingly enough, I don't carry loyalty cards in my wallet; I keep track of my membership numbers with my portable electronic devices.

**For me to join** a loyalty program, earning has to be simple and fast. Rewards should be easy to use and flexible via a Customer-friendly website. A wide variety of redemption opportunities is definitely a plus. I look for a program that offers good value for my money, no expiration or blackout dates, and provides excellent Customer Service.

**Two reasons:** recognition and redemption potential. Loyalty members often receive additional attention from travel brands, from room upgrades to waived fees. For the savviest of travelers, loyalty points can also serve as a third currency after cash and credit. While travelers earn points when on the road, they're redeeming them at home not only for free nights or flights but also gift cards to their favorite stores, theme park tickets or even charitable donations.

## Loyalty calling: Are cell phone companies finally dialing the right numbers?

**Quick—what was the last thing you said about your cell phone company? Most likely you were complaining about a dropped call or a surprise \$350 bill full of roaming charges.**

We don't love our mobile providers, but we jump back and forth faster than you can download a new ringtone. Not exactly a promising landscape for rolling out loyalty programs.

And yet, that's exactly what North American cell phone companies are trying. But can consumers grow to truly love a cell phone provider, and then convert their friends?

**Dialing overseas information**  
European and Asian cell phone

“Until now, the fear was that investing in anything other than high-revenue customers was wasted money that may not pay off.”

use has always been ahead of North America, so it's not surprising that telcos in those areas tend to get loyalty right. Saturation rates overseas are high, and carriers operate primarily on pre-paid non-contractual service (with correspondingly higher churn rates) and some companies have come up with programs to combat those challenges.

For example, Turkey's Turkcell offers benefits particularly geared toward surprise-and-delight rewards, like free theater tickets for traveling customers. Turkcell has been able to use the program data in ways that have paid off—for example, pinpointing a segment of customers who previously didn't appear to be very valuable, but who were actually driving business by having others frequently call or text them.

North America's telco loyalty history is a bit sketchier, starting with the successful MCI Friends and Family program in the early 1990s. After the Telecommunications Act of 1996 opened up competition in the U.S., the industry spawned several copycat referral programs, airline partnerships and “loyalty” packages that often weren't much more than bundled benefits that the telcos were already offering customers. Most of those legacy programs



died out by the early 2000s.

**Press “1” to choose your benefits**

To win over a diverse customer base not used to props from their phone company, program directors are experimenting with both segmentation and benefits to hit the right tone. Today's benefits packages universally include a mix of hard and soft rewards.

The telcos are smart to do this. When COLLOQUY has analyzed industry benefit redemption—including discounts, products, accessories and experiences—we find that experiential rewards

affect retention rates the most. Customers who redeemed for such rewards showed up to a 10 percent point improvement in customer retention.

**Data transfer in progress**

Targeting members for benefits and special offers gets into an area where the telcos aren't yet dialed in: analyzing data, gaining insights and applying those insights. Until now, the fear was that investing in anything other than high-revenue customers was wasted money that may not pay off. But a few telcos are experimenting with data analy-

sis for identifying other high-value niches.

Please hold for more information  
We customers might stay on the line if phone companies can connect to the right segment with a relevant benefit mix. Now that customer retention via loyalty is a key business strategy that Wall Street is tuning in to, it appears that telcos are finally taking loyalty seriously enough to build the type of programs that can keep customers dialing in for more.

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TIP

3

EXPLORE  
OPTIONS

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**MEDIA  
PLANET**

# LOYALTY & REWARDS

**3**  
TIPS  
REAPING  
THE BENEFITS



## TAKING THE LOYALTY LEAP

**LoyaltyOne President, Bryan Pearson,**  
turns customer information into customer intimacy

Giving back  
Loyalty helping to  
make the world  
a better place



Stack them up  
Cross-cultural  
loyalty trends



Fee vs. free  
Programs that  
fit your needs

## NEWS



DON'T MISS!



**Mark Johnson**  
President/CEO, Loyalty 360

**Just say yes!**

**Customer loyalty programs in the hotel and airlines industries have changed significantly over the last few years.**

Gone are the “Up in the Air” days when only 1k flyers and frequent travelers reaped the benefits of membership, like George Clooney’s character, flying thousands of miles to earn rewards.

Fueled by customer demand and the challenging economic climate, hotels and airlines have revamped their reward programs, making it easier for even the infrequent traveler to earn free flights, free stays, free upgrades and other perks that come with being a loyalty program member. From more reward options to more customized benefits, hotels and airlines are working hard to offer programs that make your experience with their brand more unique and memorable.

**Claim a reward**

Did you know that you can claim a reward from an airline or hotel program after only a few flights or stays? There are many programs that let you redeem points/miles for gift cards, merchandise or even tickets to attractions and events for as few as 2,500 points/miles. Which means it won’t take you long to accumulate enough points to take your family to dinner at Olive Garden or “purchase” a pedometer. Of course, you can hold on to your points to save for something bigger. As long as you travel once a year, your points/miles won’t expire. The more you earn, the more redemption options you have.

Participating in these hotel and airlines loyalty programs also allows you to create a customized travel experience. When you sign up for the program you’re invited to give the hotel or airline company your preferences. Sharing this information allows you to cut through the clutter and get messages that fit your needs, lifestyle and vacation desires.

From how frequent you want to receive promotional emails and what types of offers you’re most interested in, to your destinations of choice and what you want to experience on the plane or during your stay, hotels and airlines use this information to your experience with them as personalized and as special as possible. Do you like to ski? Let them know and you’ll be one of the first to know about special ski get-away deals. Do you like feather pillows rather than foam? Share your preference and you’ll have just the right pillow waiting for you. And if you let them know you have a sweet-tooth, chances are you’ll find a piece of chocolate on top of your favorite pillow.

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TIP

1

READ THE  
FINE PRINT

# Getting the most from your loyalty rewards

**Question:** How can I make sure I’m not leaving any money on the table?

**Answer:** Map out a strategy to use what you’ve earned.

The summer of 2011 is a blip in the rearview mirror and Halloween is just around the corner. After that, Thanksgiving travel and the holiday gift-giving season will follow in the time it takes to punch in at the ATM. Now is the perfect opportunity to stop and think about maximizing the value of rewards earned by participating in customer loyalty programs.

Don’t feel alone in mapping out such a strategy. Research published in the 2011 COLLOQUY Loyalty Census shows the number of loyalty memberships in the U.S. is 2.1 billion, exceeding 2 billion for first time, up from 1.8 billion in COLLOQUY’s 2009 report. The average American household has signed up for 18.4 programs, but actively participates in only eight.

Additionally, a related COLLOQUY study, the 2011 Forecast of U.S. Consumer Loyalty Program Points Value, reveals that the average household active in loyalty programs earns \$622 a year but fails to redeem \$205 of those rewards. That’s enough to buy an airline ticket, purchase a week’s



“Clearly, the number one item on the maximizing rewards to-do list has got to be—use what you’ve earned.”

**Dennis Armbruster**  
Vice President, LoyaltyOne Consulting

worth of groceries or even a smart phone.

**Maximizing your rewards**

Clearly, the number one item on the maximizing rewards to-do list has got to be—use what you’ve earned. Don’t leave money on the table. A great first step toward achieving that goal is to consolidate loyalty rewards participation with a favorite brand, making it easier and faster to accumulate and redeem points and miles.

Once spending is focused with a program of choice, take advantage of opportunities to double-dip. Most loyalty programs also include a credit card component. It’s one of the fastest ways to increase points—using a rewards credit card at merchants that also have their own loyalty programs. You get twice as many points.

Don’t forget to read the fine print carefully. Know when your points

expire and whether a period of inactivity could send your account into dormancy. Extend your fine-print reading efforts to cover flashy introductory offers. Don’t get lured in by cash-back offers that quickly expire or rewards tied to unreasonable spending limits.

Also on the “don’t forget” list—soft benefits. Often loyalty program members have access to extended shopping hours, reduced shipping costs and other perks not available to non-members.

Those extended hours and shipping reductions will come in handy for holiday gift buying. Also consider opening a store credit card. They often have a great rewards program that will provide instant savings. To help stretch the household budget, frequent flyer miles are an excellent way to bring the family together without breaking the bank.

In the spirit of giving, keep in mind that many loyalty programs allow points and miles to be used as gifts to pro-environmental causes and other registered charities. And donating can keep your account active.

Be strategic about choosing a credit card with an annual fee, even if the fee is waived for the first year. Year two inevitably arrives. Of course, avoid carrying a balance on credit cards.

At the end of the day, loyalty programs are intended to make customers feel appreciated and special. So consider cashing in those points to pamper yourself with concierge and personal assistance services, get VIP seats for a Broadway show, attend a members-only party or even a celebrity meet-and-greet. After all, only you can define getting the most out of your rewards.

*With two decades of experience providing loyalty program insights and strategy to some of the world’s leading companies in the retail, financial services, airline, hospitality, telecommunications and pharmaceutical sectors, LoyaltyOne Consulting Vice President Dennis Armbruster is recognized in the North American marketplace as an authority on loyalty rewards.*

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## Using rewards for the gift of giving

**Loyalty programs are working to make the world a better place**

While many Americans have had to scale back their charitable giving during these challenging economic times, their desire to give to those less fortunate has not wavered. In fact, a 2010 consumer survey, commissioned by Sears and Kmart, found that a majority (81 percent) of Americans remain generous at heart and admit that if they received a large sum of money, such as a prize or gift, they’d likely donate a portion of the funds to a charity, non-profit or other aid organization.

If you’re one of these Americans who’s looking to make this world a better place but don’t know where to start, chances are you need not look any further than the loyalty cards in your wallet. From hotels and airlines, to convenience stores and retailers, loyalty programs are gaining momentum as a powerful way to give back.

Members of MyCokeRewards can donate their points to schools, which, in turn, redeem them

for items from a small catalog of school supplies. You can also donate MyCokeRewards points in several denominations to the American Cancer Society, the National Parks Foundation, the USO, and The Hispanic Scholarship Fund.

The Kwik Rewards Fund-Raising program is intended to benefit your favorite charity, group or organization. Your designated charity will receive your account’s quarterly Kwik Rewards rebate and in addition, Kwik Trip will donate an additional 5 percent of the amount equal to your eligible in-store purchases made with your Kwik Card. That’s 3¢ per gallon and 15 percent on in-store purchases to help your cause!

If you’re a member of the Citi ThankYou Rewards program you can help the victims of countless crises around the world each year, like the earthquake in Chile and Haiti. By using your ThankYou points for the American Red Cross International Response Fund (redeem 5,000 points for a \$50 donation; 10,000 points for a \$100 donation), you will help provide immediate relief and long-term support through sup-

plies, technical assistance and other support to help those in need.

The Members Project from American Express (which boasts nearly 800,000 Likes on Facebook) lets members give back in a couple of ways. You can make a donation with your American Express Card or donate Membership Rewards points to over a million charities. Or, you can earn reward points for volunteering your time to various causes.

EcoPlum, a green shopping rewards site with eco friendly products and green living ideas, is on a mission to foster environmental stewardship by educating and empowering consumers to make responsible choices. Purchases at EcoPlum online earn EcoChipz points, good for coupons in its shop or donations to environmental causes, such as The Nature Conservancy, Rainforest Alliance, Greenpeace, Sierra Club, Oceana, and Pesticide Action Network. As Gia Machlin, founder of EcoPlum points out, more shoppers are donating their points versus redeeming them for discounts. “We’ve seen loyalty to

EcoPlum increase as our customers want to make a difference—not only by purchasing eco friendly products, but also by supporting the environmental causes they care about.”

Wonder what happens to your unredeemed rewards? If you’re a member of Central Bark Doggy Day Care’s Barkley’s Loyalty Program, the value of your expired rewards are donated to charity.

With 90 percent of consumers wanting to know what a company is doing to benefit a cause and 85 percent having a more positive image of a product when the company supports a cause they care about (according to the Cone Cause Evolution Study 2010), it really should come as no surprise that a growing number of brands are turning their loyalty programs into give back programs. The power of your card has certainly been elevated to a new—and rewarding—level.

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+ Aruba



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**More First Class seats**  
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**The Envoy Suite**  
Personalized work space with fully flat beds will soon be on all A330s



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## INSIGHT



## NEWS IN BRIEF

## 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.

### Cutting the costs

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.

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

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## Customer motivations to join a reward program: The glamour factor

Consumers in emerging economies are much more motivated (2 times more) to join rewards programs because of prestigious/luxurious rewards than consumers in developed economies



Source: 2011 COLLOQUY Cross-Cultural Loyalty Study  
 • Q: Please indicate how important each of the following factors are, or would be, in your decision to join a rewards program (assuming one was available to you).  
 Scale: 1 ("not at all important") to 10 ("very important").  
 • Results indicate top 2 box selections (9 or 10).  
 • Results are for SEC A/B in emerging countries.  
 • n = 3,397

TIP

2

IT'S OK  
TO BE PICKY

# Growing global: Loyalty's overseas expansion

**When you think of American exports, you probably don't think of loyalty programs, but overseas businesses have taken this ball and are running it down the field. The excitement over loyalty is scoring big points globally, particularly in emerging countries.**

Overseas shoppers may not have the sheer number of program options that Americans do, but they are increasingly enthusiastic about them—especially those that reward with special service and recognition. Here at home, Americans have more choice among many established programs, and today's best options focus on value, utility and personalization.

That's according to the 2011 Cross-Cultural Loyalty Study done by COLLOQUY, the leading publication of the global loyalty marketing industry. It examined attitudes about loyalty and program participation in several countries including the US, Brazil, Australia, Canada, India and China. Shoppers in emerging markets are engaging on many levels in their new programs. In developed countries, the mature loyalty landscape is filled with program options, offering consumers more choice.

Only 33 percent of consumers in Brazil, 48 percent in India and 60 percent in China belong to loyalty programs, but in the US, our mem-

bership tops out at 74 percent (90 percent in Canada). Living in countries with more programs means that members tend to become less selective when it comes to signing up for them—the average American belongs to an overwhelming 18 programs, according to the 2011 COLLOQUY Loyalty Census.

Instead of haphazardly joining (and then not using) too many programs, Americans have the opportunity to choose just a few that maximize earning, fit their spending patterns and offer relevant rewards. For example, program members worldwide rate themselves as being the most loyal to their financial service companies, which makes practical sense. The potent combination of earning both credit card points and with retailer rewards makes shopping with the right card a double-earn opportunity.

Loyalty in emerging countries focuses not only on earning rewards

but also on luxury shopping and special treatment. For example, shoppers in China and India are more willing than Americans to pay higher prices for name-brand products. They rate themselves as very loyal to their clothing retailers and travel providers. About 25 percent of wealthier shoppers in both Asian countries are "extremely loyal" to those brands, and said that they expect special service from the places where they shop.

When it comes to disposable income, shoppers in emerging nations are also more likely to view money as way to improve social status or enjoy life. Shoppers in India and China scored higher on the view that money should be used for spending and enjoyment. Indian shoppers in particular tended to equate money

with power. Americans, Canadians and Australians rated much lower on these views, and instead were more likely to equate money with security, and list it as a tool for reaching goals and dreams.

Whether earning points and rewards help us enjoy life or reach our dreams, the loyalty trend is certainly growing both overseas and at home. Not only do we have more programs than in emerging countries, but our participation is rising—American involvement in programs is up by 10 percent from 2009. It seems that our loyalty to loyalty is getting even stronger, regardless of geography.

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# Fee vs. Free: Understand the difference

**What's in it for me? Guidelines for joining a free versus fee-based loyalty program**

Whether fee or free, loyalty programs are a definite win-win for both the consumer and the business. As a program member you earn added value in return for your patronage. As a program sponsor, the business gets to keep you as a customer and earns a greater share of your spending in exchange for reduced marketing expenditures, more in-depth customer knowledge and improved sales. This ultimately creates a deeper and more meaningful customer experience. The symbiotic relationship is often lacking in other marketing techniques and explains why the growth of the loyalty phenomenon has been on an upward trajectory since the early 1980's, and why traditional media spend is declining.

How do you know what program is right for you, and if it is worth paying

a fee to join a program? Simply put, fee-based programs should provide benefits that simply can't be delivered in a free loyalty program. So therefore, if you are asked to pay a fee to join a customer rewards program, make sure you're getting more "bang for the buck" than you can get from a free program offered by a competitor.

Fee-based programs are prevalent in many industries including car rental companies, credit card providers, and retailers; a good example the new and innovative AMC Stubs program. In most cases, like that of AMC Stubs, the incremental benefits and value of the fee-based option are clearly communicated and delivered as promised. AMC Stubs members earn greater than 10 percent back on spend at the box office, concessions, online and at restaurants—non-fee programs typically pay 1 percent back on spend.

We offer the following guidelines for those who are evaluating whether or not to join a free or fee-based loyalty program:

■ It's free and easy to join. If it's free, easy to join, easy to earn rewards, and includes special offers and benefits that you'll use, then why wouldn't you join? If you like the products or services offered by the business then it's worth becoming a member to earn the extra benefits.

■ The fee should be worth the squeeze. Fee-based programs are typically designed to reward "best customers" (i.e. those who spend more than the average consumer or who also spend with a competitor and could spend more if they were loyal to one business). It goes without saying that fee-based programs are best for those who will earn rewards that outweigh the cost of the program. Benefits of fee-based programs include special access and privileges (access to a special customer service 800# or Member Only events), or unique levels of service and convenience (first class security lines or upgrades).

■ It's okay to be picky. If you join

six different programs in the same category, the rate at which you will earn rewards in any one program will be slow and likely disappointing. Decide what program fits your needs the best, then stick to that particular brand. You'll be better rewarded as your reward currency accumulates faster. This guideline is especially critical in a fee-based program scenario.

■ Stay informed. Regardless of whether the program is free or fee-based, be sure to carefully read and review the terms and conditions of the program. Pay special attention to the privacy policies. The reality is, most rewards programs take extreme measures to protect the information they have collected, and the vast majority refuse to sell any information to a 3rd party. The risk is extremely low, while the benefits can be substantial.

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The card that lets you turn your points into just about anything. Even a weekend at Rock 'n' Roll Fantasy Camp. To find out how, visit [thankyou.com](http://thankyou.com)

**What's your story? Citi can help you write it.**



## NEWS



## The loyalty landscape

A roundup of loyalty news you can use compiled by COLLOQUY ([www.colloquy.com](http://www.colloquy.com)).

### Oh, those wacky loyalty program members

"The years of the staycation are over," declared Wyndham Hotel Group in announcing its "Why I Deserve a Summer Vacation" contest held in May and June 2011. As part of the promotion, the Wyndham Rewards frequent-guest program surveyed travelers with a series of serious and some not-so-serious questions to learn about travel attitudes. As Wyndham reported, "Survey respondents who cited the craziest things they'd do to win an all-expenses-paid vacation, including watching C-SPAN for eight straight hours (39 percent), shaving their heads (27 percent) and giving up air conditioning all summer (31 percent), will be relieved to know that they don't have to do any of the three for a shot at the prize." Whew! The survey also concluded that 19 percent of the families surveyed hadn't taken a vacation since Seinfeld was in first-run.

The survey is not clear on whether staycations will increase or decrease should Seinfeld be picked up by C-SPAN.

### Virtual loyalty

My Marriott is a fun employee-recruitment marketing tool, an online game in which players perform hospitality functions. As with consumer oriented gamification, My Marriott employs classic loyalty principles of rewarding activities with points and perks, and delivering value (in this case, part of the pathway to a potential job). In the game, player-employees earn points (coins) based not only on performance (including juggling budgets, stocking inventory, monitoring product quality), but also on customer satisfaction.

My Marriott exemplifies one of the keys to gamification marketing: brand understanding—learning about the brand and what it stands for through fun engagement. The purpose is to give potential employees a taste of Marriott's real-life business goals.

### Change for your dollar

Spend a dollar to buy a dollar, while earning points and frequent-flyer miles—without spending a penny. That was the strategy some people used to buy U.S. dollar coins. But the U.S. Mint is no longer accepting payment by debit or credit card. Now only wired funds, money orders and checks will be accepted. (What? No cash? COLLOQUY staffers were going to burn off their piles of dollar coins to buy them.)

The Mint's problem was that some users of rewards debit and credit cards would accept the shipment of coins, deposit them in the bank (certainly to pay off their card purchase), and enjoy the benefit of the points or miles earned. The bank, in turn, would complete the coins' round-trip journey by returning them to the Federal Reserve—possibly destined to be bought by the same customers.

This, of course, is unfair—to the constantly traveling coins, that is. After all, with all that round-tripping, they're the ones that deserved to earn those frequent-flyer miles. They'd certainly have achieved the Silver Tier by now.

### Call me loyalty

The alternative band Radiohead is known for its covert loyalty plays to its avid fan following. In spring 2011, following the release of its CD *King of Limbs*, Radiohead sent two free songs to fans who had downloaded the recording a few weeks earlier.

True to its counterculture roots, the band reassured fans that "This is not part of a new loyalty points scheme, a Radiohead clubcard or even an [airline frequent-flyer] miles redeemable reward type of thing. It's just a big old-fashioned thank you." Call it what you will, the group clearly gets the "surprise and delight" aspect of loyalty

COLLOQUY

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**BRYAN PEARSON**  
The President of LoyaltyOne will release a book about turning customer information into customer intimacy in May 2012.  
PHOTO: PRIVATE



TIP

3

ENGAGEMENT  
MUST BE  
EARNED

**Question:** How do we find the right balance between the needs of our clients and those of our shared customers?

**Answer:** Build trust with consumers, but also shed light on how consumer data is the next frontier in strategic differentiation.

# A book before you leap

**The loyalty leap: Turning customer information into customer intimacy, encapsulates 20 years of insights from loyalty industry leader.**

For many people, sharing personal information with a merchant, bank or airline is a simple by-product of being a consumer today. With every swipe of the loyalty card, we know that someone, somewhere, is tracking our purchases.

But behind the scenes at these companies, customer data means more than knowing who owns a cat and who owns a dog. It is the raw material that feeds their company marketing strategies, and ideally, enables them to leap from mere customer acquisition to long-term customer loyalty.

Getting there takes a good amount of research, though. And this has led to a lot of discussion, as well as some angst, about the

ways in which consumer data is gathered, used and protected. Thirty-two percent of North American consumers say that they have been notified that their information has been stolen or compromised, according to LoyaltyOne, one of the largest loyalty companies on the globe and operator of Canada's popular AIR MILES program, which counts 10 million members.

So perhaps there are few people better positioned than LoyaltyOne president, Bryan Pearson, to write a book about the importance of responsibly using consumer data in today's marketplace. *The Loyalty Leap: Turning Customer Information into Customer Intimacy*, is due out in May 2012.

In *The Loyalty Leap*, Pearson draws on more than 20 years of first-hand experience in building emotional loyalty in an information age, with insightful stories from the trenches of the data-gathering and marketing com-

munications fields.

"I remember when merchants did not understand the value of customer data. They needed to be convinced of how it could help them better serve consumers in relevant ways," Pearson said. "Fast forward to today's marketplace and we have customers who jealously guard their privacy, yet also demand that all their unique needs be met. And the more advanced our capabilities, the more refined consumers' expectations."

Pearson says companies such as LoyaltyOne make the loyalty leap by understanding their customers' needs, respecting their privacy, and having the tools in place to accomplish all of this. He has the numbers to back it up: of AIR MILES 10 million members, 99.99 percent willingly share their personal information with the company and opt to let it contact them on a regular basis.

*The Loyalty Leap* comes at a

critical time in American politics, when legislators are considering new laws to protect and curb the use of consumer data. Included in Pearson's book, along with scores of firsthand corporate stories, are the results from an extensive, 2011 consumer survey that provides a snapshot of the North American consumer's attitudes about privacy and the use of personal information for business purposes.

"From the very beginning we were absolutely focused on finding the right balance between the needs of our clients and those of our shared customers," Pearson said. "My goal in this book is to explain not only how we build trust with consumers, but also to shed light on how consumer data itself is the next frontier in strategic differentiation."

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## Programs undershoot the mark

**Gallup research shows that loyalty programs aren't as profitable as they could be**

American businesses spend about two billion dollars a year on loyalty programs. They distribute plastic cards, give away air miles, offer special prices on milk, and a hundred other enticements, all in hopes of keeping customers loyal. The theory is that cheaper milk is a loss leader, that customers will make up for the profit loss with other purchases, and that the lure of discounts will keep customers loyal.

And the odds are good, it would seem, that loyalty programs work. According to a recent Gallup study of 20,000 households, at least one-quarter said they participate in programs with a grocer (57 percent), credit card company (47 percent), airline (33 percent), and department store (27 percent).

However, Gallup then asked those thousands of customers if enrollment in the loyalty program made the customer "much more likely" to patronize that company—hence what Gallup calls activated customers—and found that loyalty programs leave a lot of profit on the table.

For example, nearly nine in 10 respondents said they usually

**"Forty-three percent of credit card customers were activated, which means only 28 percent of consumers with a primary credit card provider were genuinely loyal, and 33 percent of airline customers were activated, a total of 17 percent of the airline's customers.**

shopped at a specific grocery chain in the last year, and half participated in that store's rewards program. However, only 28 percent were activated shoppers—just 14 percent of the grocery chain's overall customer base. Only 24 percent of department store customers were activated—a tiny seven percent of shoppers who have a primary department store. Forty-three percent of credit card customers were activated, which means only 28 percent of consumers with a primary credit card provider were genuinely loyal, and 33 percent of airline customers were activated, a total of 17 percent of the airline's customers.

This is a serious issue because activated participants are three times as likely as inactivated users to be extremely satisfied with their primary program and are three times likelier to say their primary loyalty program is much better than those offered by competitors in each industry that Gallup stud-

ied. There simply aren't enough customers maximizing loyalty programs, presenting a missed opportunity for American business.

That poses an obvious question—why are some loyalty program members active while others aren't? The program is the same for everyone, so why are the customers different? Gallup's theory is that the difference lies in engagement.

### Engaged vs. loyal

Any company can print up a bunch of plastic cards, but very few recognize the difference between loyalty and engagement. Loyalty can be bought—with discounts and deals—but engagement must be earned.

Gallup has been studying customer engagement for years and the results show that engaged customers have an emotional attachment to certain businesses, an attachment built on genuine human interaction, and that the actively engaged are by far more profitable and loyal.

Furthermore, fully engaged customers of primary loyalty programs are at least twice as likely as customers at any other level of engagement to be activated program participants, they're vastly more satisfied with the program, and they contribute a much larger share-of-wallet—about 12 percentage points larger.

"We looked deeper into the data and actually found that activating these participants is not an end game in and of itself," said Jordan Katz, a customer strategy managing consultant at The Gallup Organization. "There is a way to create more value, and it comes from fully engaging these activated customers by building an emotional connection with your program, brand, or product."

Ultimately, the data show that while loyalty is good, engagement is profitable. Putting the two together may both maximize loyalty programs and activate customer behavior—and provide the financial benefits of loyalty that two billion dollars are hoping to gain.

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NEWS

# Four essentials to create and maintain a customer experience edge

**Companies can develop a profitable customer experience program by using the framework of the four customer experience essentials as a blueprint.**

The four essentials need to be built into the culture of the company. The desire—and the ability—to offer reliability, relevance, responsiveness, and convenience has to be pervasive across every department in the company, not just something that marketing and sales cares about. Product developers, engineering, finance, legal, the shipping department, and even store associates have to care about creating trust, too. We have determined that a cultural change is often required to change the attitudes of everyone within the organization when it comes to how the customer is viewed.

“The desire—and the ability—to offer convenience, responsiveness, relevance, and reliability has to be pervasive across every department in the company...”

**Gain to sustain**

These survey results show how difficult it is for companies to continuously deliver great customer experience. In addition, there is the question of sustainable results. Some companies achieve excellent customer service but struggle to achieve profitable outcome.

To help companies to gain and sustain a customer experience edge, we analyzed numerous case studies, industry surveys and talked to leading practitioners. One focus of our conversations was the concept of trust. Without trust, companies cannot hope for loyalty, advocacy, engagement, or participation. It is only when trust develops that customers will be inclined to, say, provide feedback on how they would like to see a product evolve. Based on our research, we determined four building blocks of trust. We call these the essentials of the customer experience edge. These four customer experience essentials are reliability, convenience, responsiveness, and relevance.

The importance of the four customer experience essentials - the four building blocks of trust—was validated in the North American survey by Bloomberg Businessweek Research Services (BBRS). Respondents named the most important elements of a positive experience: reliable products and services, relevance of interactions, responsiveness of the company,

and ease (or convenience) of doing business with the company.

Companies can develop a profitable customer experience program by using the framework of the four customer experience essentials as a blueprint. The four essentials need to be built into the culture of the company. The desire—and the ability—to offer convenience, responsiveness, relevance, and reliability has to be pervasive across every department in the company, not just something that marketing and sales cares about. Product developers, engineering, finance,

legal, the shipping department, and even store associates have to care about creating trust, too. We have determined that a cultural change is often required to change the attitudes of everyone within the organization when it comes to how the customer is viewed.

**Technology matters**

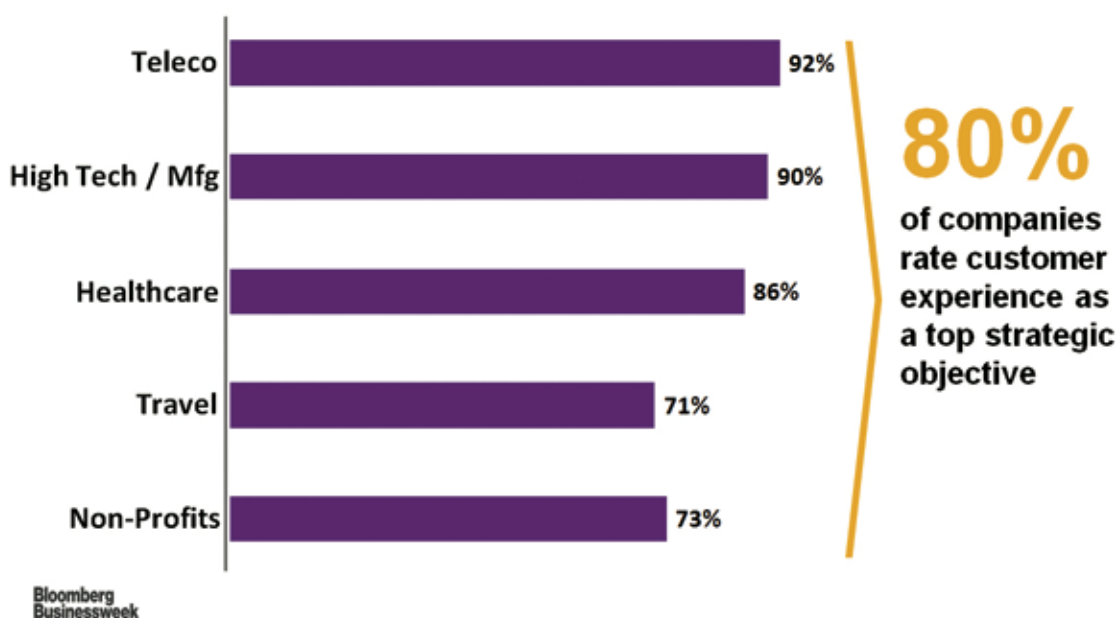
Last but not least, one of the secret ingredients in achieving the customer experience edge is the smart use of technology. Technology enables companies to create a strong customer experience on a

large scale and at lower cost. After all, it's not just about delivering a great customer experience—it's about doing so in a sustainable and ultimately profitable way.

Volker Hildebrand, Vinay Iyer, and Reza Soudagar are the authors of the book *The Customer Experience Edge: Technology and Techniques for Delivering an Enduring, Profitable and Positive Experience to Your Customers*, to be published in the fall 2011 by McGraw Hill.

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**Q: Is getting closer to customers and providing them a differentiated experience a top strategic objective?**



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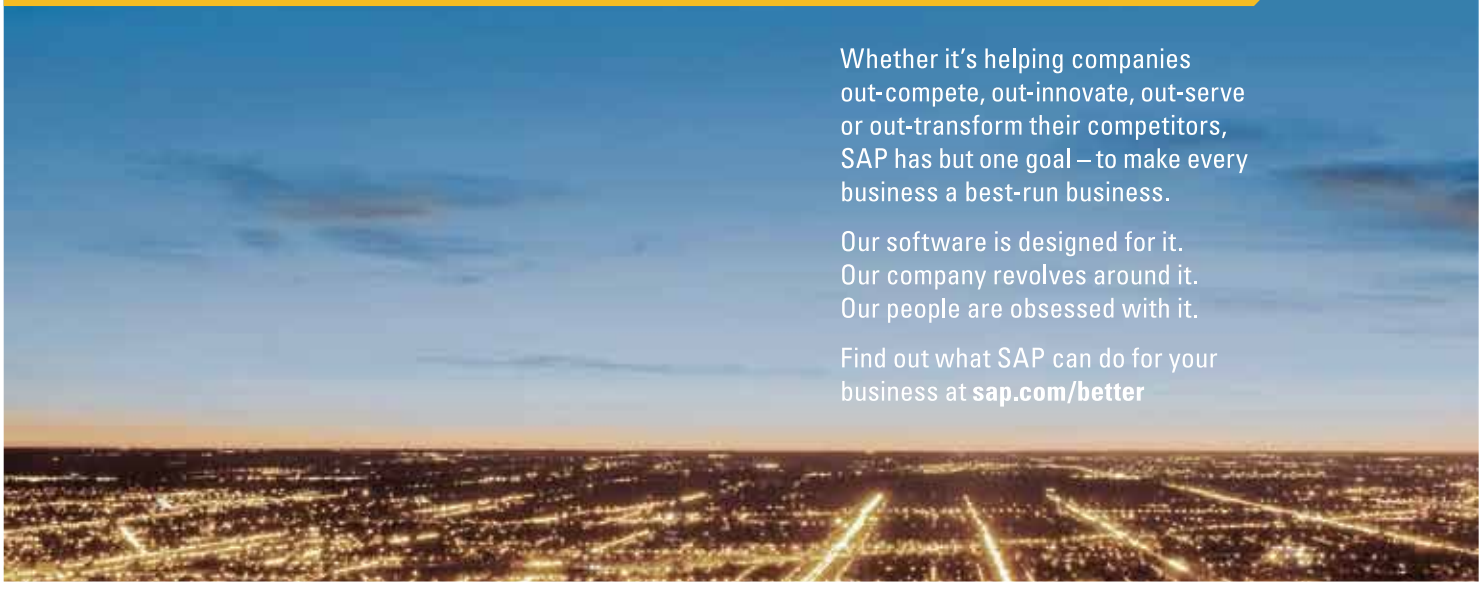
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