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COLLOQUY
The Voice of the Loyalty Marketing Industry Since 1990

MEDIA
PLANET

LOYALTY & REWARDS

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TIPS

REAP YOUR REWARDS

Motor City Automobile programs that engage the driver

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Tips from the big wigs The experts get personal

Redeem at resorts Count dollars, not sheep

Trendy perks Size up with retail fashion



“THERE’S NOTHING CHEAP ABOUT LOYALTY”

Companies rewarding customers for doing what they love

Up in the Air
Walter Kirm



INTERVIEW WITH AUTHOR WALTER KIRM
The mind behind Ryan Bingham: Walter Kirm, shares tips for business travelers.

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CHALLENGES

Loyalty programs have always focused on helping customers get more value from each dollar, but now they want to **help boost your health and social consciousness as well.**

Good deeds: innovative rewards programs

Loyalty programs have always focused on helping customers get more value from each dollar, but now they want to help boost your health and social consciousness as well. Imagine saving money, earning points and achieving your loftier goals, like improving health and making the world a better place. It's all possible.

Today's most innovative companies see customers as individuals, not rows of cookie cut-outs. As marketers increase their understanding of each customer, by studying insights generated from loyalty program activity, they've come to appreciate the value of a long-term relationship with their best customers. And they are creating more rewards "carrots" to help customers achieve their most important life goals.

Here are just a few of the new, highly creative loyalty programs that demonstrate one of the biggest trends in customer loyalty programs—a focus on individual social causes and wellness issues:

■ According to research published by COLLOQUY, one-third

of all loyalty points (\$16 billion worth) go unredeemed each year. A new organization, KULA Causes (kulacauses.com), provides an alternative to wasting those rewards. Currently in beta testing, KULA Causes will enable you to convert unredeemed rewards points and frequent-flyer miles into charitable contributions to any one of two million global charities.

■ In conjunction with customer loyalty programs, Adflow Health Networks is placing its biometric screening kiosks (called Personal Health Centers™) in stores like Rite Aid. Unlike old analog blood pressure screening machines, the new kiosks are interactive, offer many tests to help you access and monitor your health, and hand out relevant health information and coupons on the spot.

■ Centennial Bank of Florida and Arkansas partnered with Florida Keys-based Sugarloaf School to implement a program that rewards the school's sixth-, seventh-, and eighth-grade students for academic performance, health and safety, and good behavior. Teachers load points via a virtual terminal or by swiping the student's card



Kelly Hlavinka
Managing Partner,
COLLOQUY

"Loyalty programs have always been striving to stretch customer dollars, but now they can boost customer community service and health as well."

in a magnetic stripe reader provided by the bank. According to Sugarloaf School Principal Harry Russell, accumulated points can be redeemed for a variety of rewards, like an afternoon movie in the school gym, lunch with the principal, or attending a dance. (Variations of the program are in schools in 51 counties in Florida as well as other states.)

■ Citi recently created the Citi ThankYou Point-Sharing App on Facebook. Users can create their own Facebook "groups" to pool points and redeem them toward a group purchase. This could be anything imaginable - for example, purchasing a plane ticket for someone who needs to travel for surgery, or buying needed supplies for a nonprofit.

■ DailyFeats (dailyfeats.com) is a website and app that rewards you for taking better care of you, your family, and the planet every day. Earn points by doing good deeds, like enjoying a piece of fresh fruit, tutoring a child, taking a brisk walk to relieve stress, or upgrading your home's insulation. Redeem your points for discounts at neighborhood businesses, savings from national brands, or partner donations to 501(c)3 nonprofits.

Loyalty programs have always been striving to stretch customer dollars, but now they can boost customer community service and health as well. In other words, out with the cookies, and in with the carrots.

KELLY HLAVINKA
editorial@mediaplanet.com

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What's your relationship with your loyalty program?

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Bryan Pearson discusses making the loyalty leap

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The mobile payment systems rivalry has begun

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Publisher: Steve Trifon
steve.trifon@mediaplanet.com
Business Developer: Paul Herron
paul.herron@mediaplanet.com
Designer: Ariela Anelli
ariela.anelli@mediaplanet.com
Managing Director: Luciana Colapinto
luciana.colapinto@mediaplanet.com
Editorial Manager: Sara Quigley
sara.quigley@mediaplanet.com

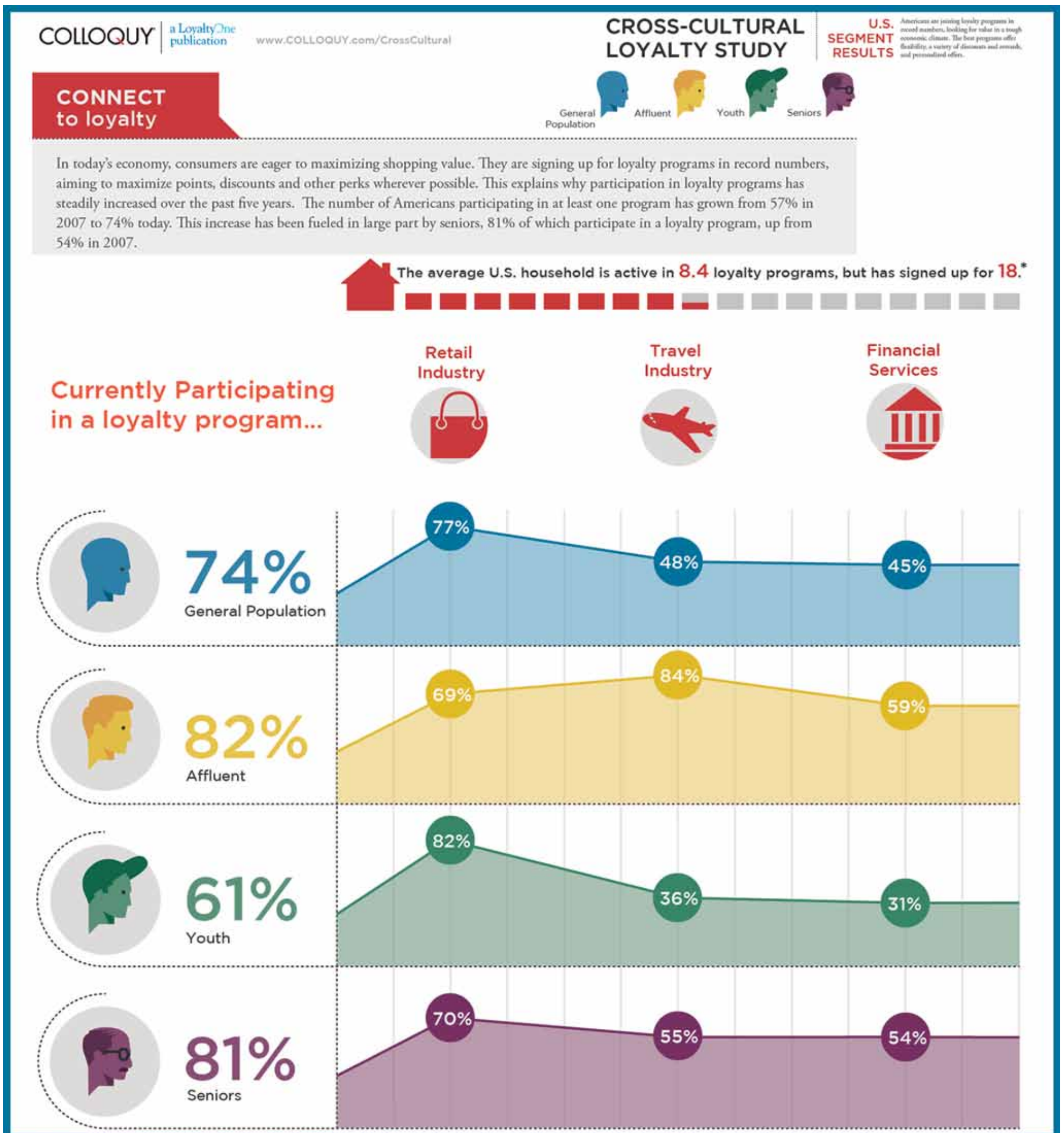
Contributors: Dennis Armbruster, John Bartold, Don Berg, Greg Brown, Bob Daly, Phaedra Hise, Kelly Hlavinka, Bill Hornbuckle, Avery Hurt, Robin Korman, Bryan Pearson, Richard Postrel, Tim Sansbury, Patrick Sojka, Jim Wright

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NEWS

TIP

1

EARN REWARDS
FOR EVERY
DOLLAR**Question:** How can you arrive in Las Vegas in the black?**Answer:** By turning everyday spending into lucrative rewards.

LOYALTY MAKES YOU ROYALTY IN LAS VEGAS

Let's be honest. The numbers uppermost in the minds of many Las Vegas-bound visitors are seven and eleven. That's part of the fun of the Vegas experience.

But before that first roll of the dice, the savvy Sin City traveler should be aware of another set of relevant numbers: 38.9 million, 18,000 and 133 million.

Those figures represent the number of people who visit Las Vegas each year, the annual number of Las Vegas meetings and conventions, and the total number of memberships that loyalty marketing researcher COLLOQUY says Americans hold in gaming industry rewards programs.

All this math could make the individual tourist feel like, well, a number. But that's about as wrong as asking a blackjack dealer for a hit on 17. Especially since the Great Recession of 2009, ultra-competitive casino and resort operators are practically elbowing each other out of

the way to make each visitor feel like Las Vegas royalty.

Resort casinos, in fact, are doubling down on the loyalty programs from which they derive data to enhance relationships with their best customers and identify the services and offerings that make a difference to each individual.

Rewards: goals and trends

The goal is to create a memorable, positive experience that provides incentive for the customer to return more often and spend more freely. Two key trends are the expansion of rewards beyond the gaming tables and "portability," an industry term that means guests can earn and redeem points across a resort's brands, venues and properties in Las Vegas or elsewhere around the country.

Las Vegas resort operators are rapidly extending the opportunity to earn points for spending on rooms, restaurants, shows and retail purchases. Programs that limit earning and redemption to gambling are going the

way of the Desert Inn, Dunes and Stardust—Las Vegas landmarks that have been demolished.

Caesars Entertainment, whose Las Vegas properties include Caesars Palace, Harrah's, Planet Hollywood, Paris and several others, is recognized as a leader in gaming rewards and more broadly as an innovator in loyalty marketing. COLLOQUY ranked the 1997 debut of what was then called the Harrah's Total Gold program as one of the 20 greatest loyalty marketing innovations in the past 20 years.

Caesars Entertainment celebrated earlier this month an expansion of its successor Total Rewards program that is designed to appeal to a more diversified customer base and capture "the energy and excitement of its global network of offerings."

"Our business has grown to encapsulate so much more than gaming; every single one of our nearly 40 resorts across the country, provides a 360-degree entertainment experience," said

Caesars Entertainment CEO Gary Loveman. "This next generation of the Total Rewards program seeks to expand the customer experience by providing additional ways for our members to earn points both on and off property. Total Rewards is no longer just a gaming loyalty program."

MGM Resorts International announced in February an expansion of its M life offering beyond a players club to a program that is available to all guests, "transforming everyday travelers into high rollers."

Expanding programs, rewarding YOU

MGM Resorts Chief Marketing Officer Bill Hornbuckle touted the M life expansion for improving the guest experience and strengthening his company's position in the highly competitive market. "M life now rewards all of our members, providing a significant competitive advantage... that will lead to more spend captured at MGM Resorts' properties," he said.

M life members now are

rewarded for virtually every dollar spent at 15 destinations in Las Vegas and across the United States, the company said. For example, members who log in at mlife.com can book a room at MGM Grand, reserve dinner at Bellagio's Picasso and purchase tickets for Cirque du Soleil at The Mirage. MGM Resorts operates Aria, Mandalay Bay and New York-New York among many other Las Vegas properties.

Prior to opening in late 2010, The Cosmopolitan of Las Vegas announced a partnership with Marriott International that the Cosmopolitan said provides the benefit of full participation in the award-winning Marriott Rewards guest loyalty program.

"We're very excited to be working with The Cosmopolitan's ownership group... to raise the bar on the Las Vegas experience," said J. W. Marriott Jr., Marriott International chairman.

TIM SANSBURY

editorial@mediaplanet.com



A view of the strip where Americans hold 133 million rewards program memberships.



Every year, 38.9 million people visit Las Vegas and 18,000 meetings and conventions take place. Whether for business or pleasure, portable rewards programs are expanding industry-wide to bring you back to Sin City—the city of perks.

PHOTO: COURTESY OF MGM RESORTS

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NEWS



Q&A



Bob Daly
Senior Vice
President,
Retail Payment
Solutions
U.S. Bank

What do you suggest people look for when selecting a rewards card that matches their financial profile?

→ Three critical elements should be evaluated when selecting a rewards card. **First**, can the user earn the card's rewards quickly? For example, is there accelerated earning in categories that the user frequently spends? Matching heavy spend with a card's bonus categories will enable quick accumulation of the rewards. **Second**, how easy it is to redeem the rewards? It can be frustrating to have a lot of points or miles, but not be able to easily use them due to blackout dates or capacity controls for airline tickets or limited offerings for merchandise or gift cards. **Lastly**, and most importantly, is the actual value of the reward. Some reward cards appear to offer quick earning capability, but their rewards have very little value when it comes time to redeem. Reward value varies considerably and FlexPerks Travel Rewards is very proud that its reward card provides industry leading value.

How can a customer utilize credit card or bank rewards programs to build their credit score?

→ A credit score represents an estimation of a person's credit worthiness, or the likelihood of one's ability to repay a loan. Since one of the primary factors for determining the credit score is based upon how well a person pays off the debt, it's vital that the bills are paid on time. For rewards credit cards, always ensure the minimum amount due, or more, is paid. Keeping the rewards credit card balance low and the account open both contribute to a positive credit score.

It's a good idea for cardholders to know their credit scores and the factors that impact it. It's also important to check to make sure the cardholder's credit history is accurate. All consumers are entitled to a free copy of their credit report once a year and can get one at annualcreditreport.com. U.S. Bank offers an online "Credit Wellness Center" at usbank.com to help educate consumers about the importance of good credit.

“All consumers are entitled to a free copy of their credit report once a year and can get one at annualcreditreport.com.”

BOB DALY
editorial@mediaplanet.com

UNLOCKING BURIED TREASURE

TIP

2

USE CARDS
THAT MATCH
YOUR SPEND

FINANCIAL SERVICES: THE LION'S SHARE

Since the new world order imposed by Dodd-Frank and the Durbin Amendment last year, companies in many industries have found themselves under increasing pressure to recoup lost revenues and develop innovative approaches that result in long-term profitability. This is particularly the case among legacy rewards issuers—financial services, airlines and hospitality companies, in particular—which have been in existence for decades and therefore built up large organizations designed to service the loyalty and rewards segment. At the bottom line, ironically, these and other changes have created significant upside potential in rewards and loyalty that most companies in business today have not fully considered.

The modern-day loyalty industry celebrated its 30-year anniversary in 2011 and is growing at lightning speed, even on the heels of a recession. Yet, in the absence of the tools to realize a grand unifying vision, few businesses recognize the impact this industry could have on our economy—an impact that extends well beyond the federal economic stimulus packages we have seen (estimates of which approach \$1 trillion). Nearly every U.S. dollar of the \$3.9 trillion spent last year generated a point or mile of rewards currency. Rewards program memberships nearly doubled between 2000 and 2010 to over 2 billion memberships, and the average household now participates in more than 18 programs, a 30 percent increase since 2008.

The total value of newly issued points and miles in 2010, for U.S. consumers alone, as compiled by Swift Exchange in conjunction with COLLOQUY and released in last Spring's 2011 Forecast of U.S. Consumer Loyalty Program Points Value, totaled at least \$48 billion on an annual basis, a figure that can only be expected to grow. Of this \$48 billion (inarguably a conservative estimate), some \$16 billion—roughly one-third of the currency issued each year—goes unredeemed. As yet undetermined is exactly how much total

value in loyalty currency has been carried forward, unused, since the inception of modern loyalty programs three decades ago. Unleashing this currency would expand consumer-buying power and significantly improve the health and viability of every seller of goods and services in the U.S. and eventually around the world.

Real economic power: a new currency

In the 30-years since modern-day reward programs were launched, the industry has grown, from airlines, financial services and hospitality to retail most recently, becoming a major global economic force in its own right. Three industry categories fuel more than 95 percent of all rewards currency issued. The financial services category is the largest issuer, at \$18 billion of perceived value per year, with travel and hospitality a close second at \$17 billion. The retail category comprises 40 percent of all loyalty memberships as reported by the 2011 COLLOQUY Loyalty Census, yet issues the smallest value at \$12 billion a year. This is because a large portion of the retail category focuses on rebate programs that are not easily tracked.

Interestingly, while rewards programs and the miles and points they issue have grown exponentially, the broader loyalty industry has not grasped its true impact on our economy. Popular conceptions of reward programs have remained ingrained in conventional thinking and proprietary, closed-loop solutions. Media coverage of reward programs often focuses on the microeconomics—on valuations of rewards currency in terms of the fractions of a cent that they are worth. Focus must now shift to the macroeconomics

of what was a \$48 billion per year industry over a year ago, with specific attention to how this rapidly growing treasure trove can be unleashed as a financial stimulus to the benefit of those that issue the currency as well as merchants and consumers.

This discovery serves as a catalyst for a new phase in the evolution of loyalty as a business. Such a paradigm shift demands that new tools, technologies and capabilities be placed at the fingertips of issuers, customers, merchants and manufacturers in ways that will enable redemption in ways unimagined. This new paradigm will usher in an era of realization that brings much-needed focus on filling

“Rewards program memberships nearly doubled between 2000 and 2010 to over 2 billion memberships, and the average household now participates in more than 18 programs, a 30 percent increase since 2008.”

consumer-centric gaps. These unmet needs include easy aggregation and redemption of points, the ability to spend points as easily as cash, as well as the need for collaboration among merchants and issuers, to name just a few. The result will have a significantly positive impact on a material portion of our economy.

A bright forecast

While travel and hospitality and retail account for 36 percent and 40 percent, respectively, of the loyalty rewards industry, the financial services category holds the lion's share of both the volume and the perceived value in rewards currency. Herein lies the opportunity for the financial services category to reinvent products, which will ensure their future success.

Some sources suggest nearly 80 percent of credit cards currently carry a rewards component. The financial services category, with a 37 percent share of perceived rewards value issued, operates within a highly competitive, dynamic landscape of proprietary programs. In recent years, a robust competitive envi-

ronment and strong demand for rewards has left this sector ripe for continuing innovation.

As the financial services category continues to recover from the onslaught of the financial crisis, Swift Exchange maintains that an unlimited choice of rewards content and the ability to easily use multiple currencies concurrently will result in greater customer satisfaction. It is customer satisfaction that drives improved loyalty, adoption, utilization and, ultimately, profitability. As a by product, greater utilization can only improve customers' experience and general perception of the brands that issue the rewards currency. Given its sheer size, the financial services category has the opportunity to lead the way to the future of the rewards industry.

The recipe for a transition from a period of rewards accumulation to rewards realization will be defined by solutions that help consumers collect on the promise of the value of those rewards as easily as they make purchases in their daily lives. As part of this evolutionary transition, in which Swift Exchange is a deeply committed participant, rewards program issuers can look forward to the introduction of transformational tools that will enable them to establish commercial relationships with millions of partners. Rewards programs are a proven driver of profitable consumer behavior among financial institutions' most prized customers. Transforming the value of these programs for consumers will drive even more value to program operators. The stars are now emerging and aligning. The buried treasure beckons. Get ready for transformational change.

Richard Postrel, Chief Executive Officer and founder of Swift Exchange.

RICHARD POSTREL
editorial@mediaplanet.com

Grocery and fuel rewards: a window on a fluid relationship

At age 84, Michael Meyokovich can look back on 68 years of being a truck driver and coal miner in Uniontown Pennsylvania, his first rig guzzling fuel that cost twenty five-cents a gallon. A child of the Great Depression, and now a retiree on a fixed income, saving money literally drives Meyokovich's shopping habits. "It's in your blood. You've got the cost of medicine, the cost of food, you've got to be conservative with your money."

And the armor plating surrounding his wallet? It's plastic, and comes in the form of four fuel rewards cards from national and regional grocers Kroger, Giant Eagle, Shop'nSave, and Martins. Meyokovich estimates rewards bolster his wallet by \$17 per month. As he tells it, "It's savings you can build on."

Gas and grocery discounts are

more popular than ever, not surprising given today's economy. "Fuel discounts deliver a triple play," says Brian Ross, president of Precima, which creates and manages grocery loyalty programs. "They are relevant with today's skyrocketing fuel costs, they're easily redeemable, and shoppers can earn through the purchases of everyday necessities." Currently, nearly 11 million members nationwide receive a reported \$161 million in savings at the pump each year, according to Xcentus, the creator of fuelperks! and the Fuel Rewards Network. The question is, now that nearly every grocery offers fuel discounts, how will they rev up the value of these programs to differentiate themselves and stay competitive? On that point, no one has been idling.

Close the loop between food and fuel

Many supermarkets are expand-

ing further into the petroleum market with their own branded convenience stores and associated chains—often building fuel stations right next door to the grocery store. Consumers earn rewards at one end of the "food chain" and then can use them at the other in the same visit.

Proximity redemption

For example, let's take the cards from Mr. Meyokovich's wallet: About half of all Kroger and Giant Eagle supermarkets also have on-site gas stations. About one-third of Martins and Giants offer on-site fuel.

Another way grocery/fuel programs can stand apart from the competition is by increasing what their rewards will buy. Independent fuel stations are building larger and more attractive shopping environments, and grocery/gas stations won't be far behind: Look for gas stations to soon start offering e-coupons

that can be redeemed at fuel-stop restaurants and for other retail purchases.

Offering customers more savings at the pump is not new. Actually, neither is partnering grocery rewards programs with other consumer products and services—loyalty coalition programs like this have existed for decades in Canada, the UK, India and across Europe. They link together grocery, banks, retail stores, airlines, drugstores and more. For example, a shopper can earn points by shopping at the grocery and drugstore, and then redeem them for hotel stays.

By enhancing grocery/fuel rewards, supermarkets are maximizing consumer savings, and options. The potential is as limitless as the price of gas (but in a good way).

PHAEDRA HISE
editorial@mediaplanet.com

Them



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NEWS



DON'T MISS!

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 the 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.

COLLOQUY
editorial@mediaplanet.com

THE MIND BEHIND RYAN BINGHAM

Mediaplanet sat down with **Walter Kim, author of the book *Up in the Air* to discuss the inspiration behind leading character Ryan Bingham: the savvy reward strategist portrayed on-screen by George Clooney.**

■ **How have your own travel experiences helped shape main character Ryan Bingham's story? Are you a frequent flyer yourself?**

Ryan's a blend of all the frequent flyers I ever saw brushing their teeth in airport restrooms, pushing for an upgrade at a ticket counter, or sitting in business class in front of laptops filling out complicated spreadsheets with satin sleep mask hanging around their neck. I also researched his character in airline clubrooms. One guy I met there had sold his condo and told me he lived only in suite hotels. He said he traveled two hundred days a year and that he'd tried to stop flying for a while but missed the freedom and anonymity of staying on the move. Ryan is also the part of me who will do anything at the end of the year to get preferred status by upping my mileage count, including taking trips that I don't need.

■ **A lot of business travelers may empathize with Ryan's enjoyment of flying. What tips would Ryan give to a frequent flyer? Why do you think he's such a relatable character for other business travelers?**

The first thing he'd advise is that you can always purchase after you land any item that you forgot to pack. He'd also recommend little stretching exercises that can be done while sitting in your seat. And he'd tell you to give airline workers a big, warm smile even if you're complaining—especially then. And go light on the alcohol and salty snacks since you want to be able to hit the ground running. I think he's such a relatable character because flying still thrills him no matter how often he does



Walter Kim
Author of: *My Hard Bargain: Stories, She Needed Me, Thumbsucker, Up in the Air, Mission to America and The Unbinding.*

PHOTO: © JERRY BAUER

it. It's still a miracle to him that we can cruise along above the clouds. What's more, he sees flying as a social occasion, a chance to get to know, however briefly, interesting strangers from all walks of life. It's also a chance to be alone, to think. There's something about lifting off into the sky that opens up people's sense of possibility about themselves and their futures. That's why you see so many frequent flyers with their noses in self-help books.

■ **Ryan Bingham has a personal goal of reaching 1 million frequent flyer miles. What is it about these rewards that he finds so appealing? And why is he so reserved about discussing it?**

One thing he loves about rewards programs is how they make him feel special, noticed, appreciated. They're like the gold stars you earn in grade school for reading books and cleaning up your desk. He also takes pleasure in them as a game because they let him set little private goals that distract him from the heavy issues of life. Plus the idea of free tickets and hotel stays lets him fantasize about trips that he might take once he's finished with his work.



VINTAGE BOOKS

He keeps his points totals to himself because he likes having a little secret and also because he's superstitious - he doesn't want to break the magic spell of silently piling up invisible riches. He's running a little race inside his head, one that's deeply private, that's his alone.

■ **It's been over ten years since *Up in the Air* was originally published and yet the story is still very timely. What do you think are its most enduring elements?**

The lasting aspect of my story, I think, lies in the mysterious feeling of freedom, solitude, and anticipation that comes from continually moving from place to place and living by your wits. Human beings, down deep, are partly nomads who can adapt to wherever they happen to be and make almost anywhere feel like home. We're hungry for adventure and novelty and perpetually eager to solve new problems, meet new people, and experience new sensations. We also love getting things for free, and that's the illusion, at least of loyalty programs, which seem to reward us simply for living and going about our business.

■ **When not traveling for work, where is your favorite place to be?**

In Livingston, Montana, my home, where the scale of the mountains and the big sky make me feel small, like one atom in a vast universe that I don't control and am not expected to try. I also like the beach in California because the tide brings in new surprises each day.

Walter Kim is a regular reviewer for The New York Times Book Review, and his work appears in The Atlantic, The New York Times Magazine, Vogue, Time, New York, GQ and Esquire. Kim is a graduate of Princeton University and attended Oxford on a scholarship from the Keasby Foundation.

editorial@mediaplanet.com

Maximizing your hotel reward programs

Even though they are increasing in popularity, hotel loyalty reward programs—better known as frequent guest programs—still have lots of catching up to do to the Frequent Flyer Program in the minds of the general public.

For the majority of Americans, when you talk about travel rewards most will default their thinking to programs offered by airlines along with the associated perks and, more so, the restrictions that come with them. That's where the loyalty programs from hotels come in. They tend to offer greater flexibility and fewer restrictions than their flying counterparts and as John Bartold, the Vice President of Loyalty Solutions at Epsilon, puts it: "Hotel programs have matured and become more robust." When utilized properly they are a great loyalty investment not only for the frequent business traveler but also for the average traveler who may only take one or two vacations a year.

For the frequent business traveler, maximizing hotel rewards will entail more than just earning points—it will mean striving for elite status with one or more of the programs to make use of the benefits that come with that status. For the average traveler the focus is more so on the points earned

but should not exclude a push for status. What does a focused hotel rewards strategy for an average traveler mean? It can mean traveling more luxuriously on a vacation by being able to use frequent guest points to redeem for a hotel on the beach rather than staying at a property six blocks off the beach that would have been originally budgeted for.

By following these five steps, the infrequent or frequent traveler can make sure they are maximizing their hotel reward programs:

Book your stay with a hotel chain

Most hotel loyalty programs will require you to book directly with them whether it is online or by phone to earn points and elite status stay credits. If you book via a third party travel website chances are you will not earn points for your stay. "Make sure you set your preferences properly as some programs offer points per stay or points per dollar," Bartold states. "If you are at a budget hotel it may be better to earn a flat amount of points rather than points per dollar."

Focus on one program

While you don't want to put all your eggs into one basket, if you spread all your stays across many hotel programs, chances are you'll

never earn enough points for a free night or enough credits for elite status. By trying to focus on one program you will ensure that you are rewarded for your loyalty to that program with enough points for some great redemption opportunities. When picking your program don't just look at the earn side, look at the redemption side as well. For example, does the program have properties in desirable locations that you would want to redeem for?

Tie in a co-branded credit card

If at all possible, you will also want to get a credit card tied into your primary program to accelerate the points balance in your program and most cards will come with other benefits like free nights, elite status and more.

Utilize bonus offers

One of the easiest ways to earn more points for your hotel stays is to utilize one or more of the many bonus offers doled out by the hotel reward programs. It has become industry standard for the majority of the hotel programs to run system-wide promotions every quarter that offer various rewards like bonus points, gift cards or free nights. The key is to register for them all just in case you are staying in a city that does not have a property from you primary

program. As social media expands in the hotel loyalty space, Bartold explains, "hotels are moving some bonuses away from a financial reward (i.e. hotel stay) and rewarding members emotionally with points for engagement actions via social media." So make sure you are up to date with all the latest social media trends from the hotel companies and as Bartold stresses, keep all your information up to date so that you don't miss out on any of the offers.

Take advantage of redemption specials

Many of the hotel reward programs run specials for reward night redemptions. Whether it is a 30 percent point discount on full point redemptions or a cash plus points option that a variety of the programs offer, there are numerous choices for members of these programs to redeem for stays and save points or use them when they may not have enough for a regular redemption.

Patrick Sojka is the founder of Frequentflyerbonuses.com.

PATRICK SOJKA
editorial@mediaplanet.com



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Balance Transfer Fee will apply, unless otherwise disclosed. The Cash Advance Fee is 3% (\$15 minimum). There is no annual fee. Minimum Interest Charge is \$1. HSBC Bank Nevada, N.A. is the issuer of, and its affiliate HSBC Card Services Inc. administers, the GM Card. General Motors is responsible for the operation and administration of the Earnings Program. MasterCard® and the MasterCard brand mark are registered trademarks of MasterCard International, Incorporated. The names, emblems, slogans, vehicle model names, vehicle body designs and other marks appearing in the advertisement are the trademarks and/or service marks of General Motors, its subsidiaries, affiliates or licensors. ©2012 General Motors.

NEWS



DON'T MISS!

Three steps to building loyalty that lasts

Gain identification of the consumer.

Once you know who you're interacting with, learn more to make each interaction even more relevant and valuable.

Start with consumer purchase data. Leveraging the data in your customer's purchase file helps identify the type of goods or services the customer is interested in. However, good marketers need to go further.

Engage members to gain information about their interests and hobbies, as well as communication preferences, i.e. when and how they prefer to be contacted. Consumers generally respond well when asked to complete a profile and indicate their preferences through a preference center.

The key is to demonstrate how the information they provide will be used and how it will improve their experience with your brand. The more transparent you are about the use of the information you're asking for, the more willing the consumer is to share.

Don't stop there. Learn even more about the consumer with third party data.

Reach out to your partners or other companies who also know your loyalty members for promotion or co-marketing opportunities. Such partnerships allow you to offer more rewards to your loyalty members while enriching both of your data repositories.

Also, there are marketing data providers, such as Epsilon Targeting, that can provide demographic, psychographic and socioeconomic information. Typically these providers need only a name and address to match to consumer records on their databases. Once a match is made, consumer information is provided based on the needs of the marketer.

Marketers should always practice caution when sharing data and adhere to all applicable privacy policies.

Become part of their social circle and connect with them on a regular basis. This can be done via social networks.

Social media offers new information options through profiles, interests and activity of subscribers. With social channels, you can find consumers who have joined your fan page or 'liked' something about you.

You can also use social media to invite feedback. Inviting feedback from your loyalty program members allows you to capture new data or insights while engaging them. Ask for reviews of recent purchases, their opinion of the store location they visited or for suggestions for future promotions. Feedback also helps you control the conversations taking place about your brand.

JOHN BARTOLD,
EPSILON
editorial@mediaplanet.com

Automobile loyalty programs put consumers in the driver's seat

The renowned media scholar and writer Marshall McLuhan is credited with once saying the car "has become an article of dress without which we feel uncertain, unclad, and incomplete."

McLuhan might have carved out quite a niche in automobile marketing. The architects of today's car company loyalty incentive offerings fully understand that for the consumer, buying and owning a car is a unique and deeply personal experience.

The acquisition of a car usually is a person's second largest purchase (after a home) and involves significant expenses during the life of usage. Expectations are high. Things can go wrong. Happiness can be elusive. Even happy customers can be seduced by competitors.

The smart automobile marketers want to put consumers in the driver's seat. Smart consumers should jump in for the ride and take advantage of discounts on vehicles, service rebates, perks and other special offers.

Marketers subscribe to the theory that buying a car means buying a relationship with the manufacturer and dealer. The marketer's goal is to deepen that relationship, to know enough about the customer to make purchasing an auto easier and more affordable, to save time and money on maintaining the auto, and ultimately to serve not just satisfied but dazzled customers who come back to buy again.

Just this month, automotive marketing company uNotifi touted a service that helps dealers and auto centers augment their customer databases with customer lifestyle information.

"Dealership marketing today is all about creating and fostering relationships with customers," said uNotifi CEO Fred van der Neut. He said lifestyle data goes beyond traditional "miles driven" measurements to reveal a consumer's interests, activities and tastes, and provides information about how they spend their time.

General Motors, no stranger to the consumer lending business, was one of the automobile marketing

"Marketers subscribe to the theory that buying a car means buying a relationship with the manufacturer and dealer."

pioneers in 1992 when it launched a general-purpose credit card offering rebates to buyers of GM cars and trucks.

Twenty years later, the company still considers the GM Card to be a valuable tool for customers making their purchase decision. Card members receive five percent earnings on credit card purchases toward an eligible new GM vehicle.

Toyota saluted "Americans' love affair with their vehicles" when introducing the nearly 4-year-old Toyota Rewards Visa. The program is designed to help Toyota owners reduce the cost of ownership and turn everything they buy into Toyota Rewards Points redeemable toward service, parts, accessories

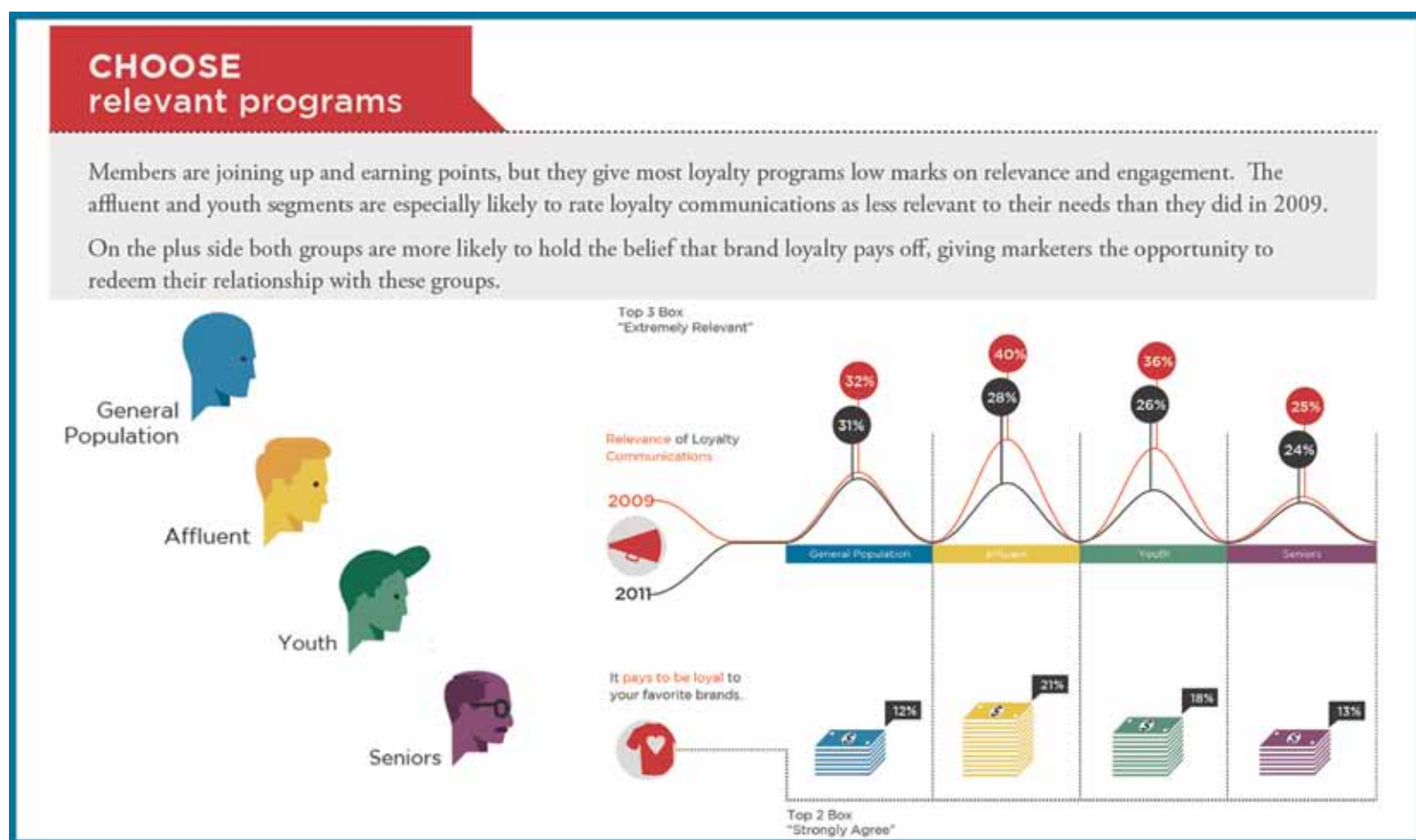
and vehicles to buy or lease.

Ford positions its Owner Advantage Rewards program as the company's "way of thanking you for your business each time you purchase parts or service from your participating dealership."

The globally competitive Ford may be providing a glimpse of the future by renewing in February an agreement with Nectar, a United Kingdom multi-partner customer rewards program that includes the Sainsbury's grocery chain. Ford said the partnership helped it achieve a 21 percent increase in yearly customer retention.

Jon Wellsman, director of Ford's customer service division, said the Nectar partnership "has enabled us to go about this more strategically than many of our competitors by rewarding customers with meaningful offers—a clear driver in their decision to revisit one of our dealerships."

TIM SANSBURY
editorial@mediaplanet.com



THE PERFECT RECIPE TO MAXIMIZE REWARDS

Given today's sluggish economy, there has never been a better time to take advantage of loyalty programs for every scrap of value they offer.

Read the fine print and make major finds

Know the terms and conditions of your programs. A quick read of a program's parameters helps you learn how it fits (or doesn't fit) your lifestyle. Does your usage mean you aren't likely to earn enough to make it worthwhile? Do you know the points' expiration policy? Are the rewards relevant to you? Travel is a category where knowing makes all the difference. Among legacy carriers only American Airlines has strong inventory of domestic-travel seats at the 25,000-point level; most airlines require twice that.

Take count, then use the cards that count the most

Count the loyalty program cards in your wallet and on your keychain. Add the ones where you just give your phone number. Belong to more programs than you realized? Join the club. The average U.S. household belongs to 18. Spreading shopping over that many programs dilutes the rewards value you get back. Ask yourself, "Which brands or companies do our family like and use the most?" And, "Which brands or companies offer the highest-value programs?" For example, if you are the outdoorsy type, look at memberships in stores like REI or Bass Pro Shops. REI members get discount rentals, shop services, savings on travel, and an annual dividend that bumps up with an REI Visa Card.

Double your savings with combo deals

A loyalty program that doubles earn-

ings in "twofer" deals helps rack up points fast enough to make adjusting your shopping habits worthwhile. For example, a Target REDcard® saves 5 percent on any purchase. But join Target Pharmacy® Rewards too, and prescription buys can double savings to 10 percent. Some grocery memberships do the same with fuel programs tied to their in-store pharmacies. Another example would be booking a flight with a loyalty program credit card where the purchase awards you both airline points and credit card points.

Treat yourself to soft benefits

Practically all loyalty programs come with soft benefits that add real convenience and save time. Banana Republic offers free alterations to its loyalty program members. Kroger offers a phone app which easily downloads coupons directly onto a member's Kroger Plus Card. Zappos ships and accepts return shipping free of charge

for program members. Look for add-ons like ease of use, member-only shopping hours and check-in lines, free shipping, and special access to events to maximize your time and minimize daily hassles.

Keep track, keep it simple

Go back to the basics of maximizing rewards - use what you've earned. In selecting programs, pay close attention to how easy or difficult it is to earn and redeem. Consider using the services of rewards-tracking websites that help consumers manage their points and miles. COLLOQUY research shows the average U.S. household active in loyalty programs earns \$622 a year in points and miles but fails to redeem \$205 of those rewards. Don't leave money on the table.

Dennis Armbruster is the Vice President of LoyaltyOne Consulting.

DENNIS ARMBRUSTER
editorial@mediaplanet.com

PANEL OF EXPERTS

Bill Hornbuckle
Chief Marketing Officer, MGM Resorts International



Don Berg
Vice President, Loyalty Programs & Partnerships, IHG



Robin Korman
Senior Vice President, Loyalty Marketing, Wyndham Hotel Group



Greg Brown
Vice President, Loyalty, Promotion, & Relationship Marketing Choice Hotels International



Question 1: In order to maximize their benefits, what should consumers look for when choosing a rewards program?

Consumers should look for rewards programs that fulfill individual, personal preferences and evolve with members' changing expectations and desires. Key partnerships that strategically align with rewards programs add value by allowing members to gain access, receive offers and earn additional benefits with complementary brands located throughout the country and world.

Customers also want that "wow" factor and bragging rights. If a loyalty program can provide that, such as access to exclusive, unique experiences you can't get anywhere else, then you've got a winner.

Consumers should ask three questions. How many ways can I earn and redeem the program's currency? Choosing a program with a broad hotel product scope, a large number of locations and a wide mix of earning and redemption options is critically important. How valuable and flexible is the program's currency? According to member research, the single most important feature of any hotel loyalty program is no point expiration. Customers should look closely in the terms and conditions to determine whether that program expires its currency based on account inactivity. Also, consumers should look for programs with a wide array of non-hotel reward options. How easy is it to do business with the program? Can you re-deposit your points when you cancel reward redemptions without a fee? Can you redeem using a combination of points and cash? Can you redeem for any hotel in the world? Can you earn points on additional guest rooms associated with your stay?

Consumers should focus on programs that offer a wide range of the products and services that they frequently use. With some programs, it can sometimes be difficult to earn and redeem points with brands you like to patronize and for products you enjoy. Loyalty programs should offer rewards that are not only relevant, but easily attainable. For instance, with Wyndham Rewards, members can start earning points on their first stay and can redeem for a reward after staying only a few nights with us. We offer free nights as well as over 250 gift cards, flights, event and theme park tickets and merchandise so no matter what you want, we have a reward for you.

Loyalty programs should also provide rich and frequent promotions that allow members to maximize their earnings. Offers like "double bonus points" can really make a difference in the quality and likeability of a program.

Consumers should seek a program that makes it easy to earn rewards. A great hotel rewards program will have thousands of locations to earn points, including key destination markets around the world. In addition, a great program will offer many other ways to earn points through partnerships, including co-brand credit card programs allowing guests to earn points quicker. Most importantly, programs should not only provide the ability to earn rewards quickly, but also have appealing rewards that are easy to achieve. Free nights are the primary reward, and a good program will have attainable point levels for the free nights. It is also important to find a program that offers additional reward options including airline miles, dining and retail gift cards, and aspirational rewards.

Question 2: How essential are loyalty programs to building customer retention in today's market?

Today's informed, discerning consumers want to be recognized and appreciated for their loyalty. Dynamic rewards programs that go a step further by personalizing offers and demonstrating a commitment to what's important to each individual member are able to build deeper and more long-term relationships with the consumer. With experienced-based products such as destination resorts, loyalty programs are critical in tracking and defining guest preferences that allow a brand to give the type of preferred access we all enjoy.

They are absolutely essential. The proposition for these programs is quite simple: Use our product and we'll give you personal incentives and special treatment. The influence of this proposition is readily proven through transactional analysis and market research. But that just scratches the surface of the value that these programs generate. For example, loyalty program members usually pay a higher room rate because they are typically traveling for business. They are more likely to book through the hotel company's direct channels, and loyalty program members tend to provide more positive comments than non-members through social networks and on travel web sites. Finally, loyalty programs create a platform that allows for far more effective and efficient marketing, including the ability to respond rapidly to changing market conditions and competitor activities.

Loyalty programs are not only essential to building customer retention; they have increasingly become a critical competitive tool in today's marketplace. Everything the travel industry has done over the years with direct, targeted marketing is still gold. However, with loyalty programs becoming more common and expected by the consumer, the bar has been raised. The challenge for loyalty programs is to make sure that they break through the clutter and have something unique and meaningful to offer the consumer. Loyalty programs will have an increasing need to evolve to keep up with consumer expectations in order to fully realize the value of these programs to the business.

They are absolutely essential in the hotel industry. Hotel rewards programs are valued by consumers for the rewards and recognition they provide. Guests can accrue real value by staying often with their preferred brand. For hoteliers, it allows us to engage and show appreciation for our most important guests. We know when our best guests are going to be at our hotels and these programs enable us to take that extra step to ensure they have a comfortable stay in our hotels. Initially designed for business travelers, successful hotel programs have adapted to also offer significant value to leisure travelers as well.

Question 3: How have advancements in social media and technology led to increased loyalty and brand advocacy among a customer base?

Consumers have become brand ambassadors and more invested than they once were. Through strategic marketing relationships, we've enabled M life to identify and reward engaged members, whether they are at one of our resorts or interacting with us on their mobile phones and social networks. This ability helps to enhance members' travel experiences, develop relevant and timely interactions, recognize loyalty when members share with their community of friends and ultimately reward them for it. Technology and social media are ever-changing and create endless possibilities. Rewards programs that effectively interact with members will see dramatic growth, not only numerically but in loyalty as well.

Social media has magnified the transparency that was already provided by the internet. When customers have a common link and interest, such as loyalty program membership, every program benefit, and every program flaw, is efficiently exposed to thousands of current and potential customers. Program executives have no alternative but to listen and react to what customers are saying. Loyalty programs that aren't actively participating in and effectively managing these networks are simply dead in the water. Technology has generated a quantum leap for loyalty programs to market more effectively and personally to their membership base. Technology, however, can never replace good value and personal service. A program that provides its members with a valuable and flexible currency, rules that are easy to follow, and service that is both personable and friendly, will ultimately generate the greatest loyalty and brand advocacy.

Social media provides a unique way for consumers to engage with a brand. It also puts a lot more power in consumers' hands by giving them channels through which they can easily give their feedback. We recently added TripAdvisor ratings and reviews to wyndhamrewards.com. These types of enhancements allow potential guests to quickly identify and book the hotel that best meets their needs, and they also provide an opportunity for all loyalty programs to put processes and resources in place to properly address comments as they are posted.

The other big advancement in technology is mobile. For the travel industry especially, this is huge because mobile is now enabling consumers to receive messages and consume content on-the-go, in real time—and conveniently. Location-based capabilities have huge potential and can greatly help to improve relevant one-to-one communication—"sending the right message at the right place at the right time."

The hotel industry's use of social media is in its infancy but consensus says it will develop into a powerful tool. Over time this will become one way consumers can learn about special deals, particularly at an individual hotel or regional hotels basis. It gives consumers the power to follow the hotels or brands they like in a social environment and the ability to further share the information with their friends and followers which is also a value to the hotels. Additionally, the ease of access to social media will make product 'rating' systems easier for consumers to use, and thus more important.

CONSUMERS' choice

Today's loyalty programs are trying to engage consumers whose wallets and keychains strain with over a dozen memberships. The most attractive programs deliver a variety of options, are easy to use and include special perks which are as unique as the brand itself. It's these soft benefits which allow companies to differentiate themselves from their competitors while delivering the unique value that's exclusive to their brand.

NEWS



FACTS & STATS

Loyalty by the numbers

■ According to Web Flyer, there are 89 million members of airline frequent-flyer programs in the world, 74 million of them in the U.S. alone. (The Web Flyer, 2009)

■ Seventy-three percent of customers who are enrolled in rewards programs say that they hope that data generated as a result of their participation in rewards programs are used to develop a better program for them. (Market Platform Dynamics)

■ Women (62 percent) are significantly more likely to belong to a store or membership loyalty program than men. However, more than half of the men surveyed (54 percent) say they are part of a program. (Maritz)

■ About 75 percent of consumers said the economy had a positive or neutral influence on their decision to join a loyalty program. (Colloquy)

Over **60%** of U.S. households said that loyalty card programs were important in their shopping decisions.

■ Customer spending is 46 percent higher with companies that offer reward card programs. (Total Research Corp & Custom Marketing Corp's Loyalty Monitor Study)

■ Loyalty program penetration among U.S. debit card issuers is already at 20 percent and rising rapidly. (The 2009 Colloquy Loyalty Marketing Census)

■ 28 percent of customers reported that they are "Extremely Likely" to increase their visits to a business if they have a loyalty reward card for them. (Total Research Corp & Custom Marketing Corp's Loyalty Monitor Study)

■ Over 60 percent of U.S. households said that loyalty card programs were important in their shopping decisions. (AC Neilsen)

■ Participation in loyalty programs—especially among younger adults—has risen 19 percent since 2007, with retail loyalty programs getting the highest scores for adding value (Colloquy)

■ More than 76 percent of all U.S. grocery retailers with 50 or more stores now offer a frequent-shopper program. (The Food Marketing Institute, 2009)

■ Reward program members are 70 percent more likely to be word-of-mouth champions (defined as customers who are "actively recommending" a product, service or brand) than the general population. (Colloquy)

■ Most companies can increase revenues by nearly 50 percent while retaining only 5 percent of their customer base. (Frederick Reichheld)

■ Nearly 90 percent of Americans participate in some type of rewards program, and most are enrolled in more than one. (BusinessWeek)

■ A typical company receives around 65 percent of its business from existing customers. (Return on Behavior Magazine)



TIP
5
TAKE ADVANTAGE OF USEFUL TECHNOLOGY

RYAN BINGHAM LOOKS FOR GOOD NEWS AT THE AIRPORT
Only engaging loyalty perks lift his mood. George Clooney stars as Ryan Bingham in the dramatic comedy "Up in the Air," a Paramount Pictures release.
PHOTO: DALE ROBINETTE
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Are you engaged with your loyalty program?

What's your relationship with your loyalty programs? If you say "we're just friends," you're in line with the majority of other program members in North America who don't have a close program relationship. According to the 2011 COLLOQUY Cross-Cultural Loyalty Study, few customers are fully engaged with their loyalty programs and brand. Virtually every form of customer interaction measured by the study—including swapping brand information via social networking sites and learning about special offers and program details via cell phone—was down in 2011 compared to 2009.

Interestingly, we found that only 31 percent of Americans (and just 22 percent of Canadians) find rewards-program communications "extremely relevant." When we compared these findings to those of consumers in emerging economies, their assessments for marketing and loyalty communications are double those of the U.S. and Canada.

Why are our loyalty relationships cooling off?

The answer to the question harkens back to a factor that can doom many

personal relationships: A failure to communicate. This revelation has been a big wake-up call for marketers, and it should grab your attention, too.

The upshot is that the loyalty market here has matured. Members aren't motivated by the same needs that prompted them to participate in the first place. We've been living with loyalty programs for over 20 years now, and just as in a long marriage, we're probably a little bored. Many of the program offerings have become a little predictable, and communication isn't what it used to be.

But before you sit back and wait for the magic to return, realize that fixing relationship problems takes the effort of both parties. If you yearn for the excitement you felt when you first signed up, you have to do your part to rekindle this beneficial partnership, too.

There's a lot at stake here. U.S. loyalty and rewards programs represent an economic engine worth \$48 billion in perceived reward value. In other words, you matter. Companies want you to be actively engaged and communicative. Here are three easy steps you can take to help loyalty marketers create a loyalty program that you'll love—and will love you back.

"Investing a little effort into revitalizing your loyalty relationships can make everyone happier."

Provide information

Yes, it's personal data. But consider offering it anyway. Every piece of information you give marketers helps them craft and offer promotions, coupons, and communications that are meaningful to you. For example, a dog owner who shares that information with his grocery store will probably receive pet food coupons at the register, not discounts for baby diapers. Of course, read the privacy policy first so you understand and are comfortable with how the company will use and protect your information.

Don't be a moving target

Focus on the media that best suit

your habits and preferences. If you prefer to receive text messages on your mobile, want emailed offers, prefer using apps, or even if direct mail is your thing, respond to offers and communications via those channels so the company knows what you like. Most companies also make it easy to update your profile and media choices online.

Personalize your program

Look for new and creative ways that the company offers to personalize the loyalty program just for you. For example, when you check into a Courtyard by Marriott, do you want free wifi or a welcome chocolate-chip cookie? If you have a Citi card, you can pool your points with Facebook friends and redeem for a group trip, wedding gift, or donation. Customizing your program tells marketers what you want to see more of in the future.

Investing a little effort into revitalizing your loyalty relationships can make everyone happier. You could find yourself moving from "just friends" to "newly engaged." Congratulations!

PHAEDRA HISE

editorial@mediaplanet.com

The Economic Power of U.S. Loyalty Program Membership

Share of Membership and Perceived Value of Reward Points (Issued/Sold) by Industry Category

Financial Services

% of Loyalty Program Memberships 20%

% of Perceived Value of Points Issued/Sold 37%

Travel and Hospitality

% of Loyalty Program Memberships 32%

% of Perceived Value of Points Issued/Sold 36%

Retail

% of Loyalty Program Memberships 40%

% of Perceived Value of Points Issued/Sold 25%

Other

8% % of Loyalty Program Memberships

2% % of Perceived Value of Points Issued/Sold

Customers have clout. U.S. loyalty and rewards programs represent an economic engine worth \$48 billion in perceived reward value. Companies need customer-members to be actively engaged to help them make these programs more personally relevant and beneficial.



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Loyalty Solutions

increase customer loyalty
drive revenue
grow your business

80% of collectors say that they look for chances to collect miles while shopping.¹

73% of collectors say, given a choice, they will choose a retailer that offers miles.¹

84% of collectors say they are more likely to return to an online store offering points/miles.¹

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INSIGHT



DON'T MISS!

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

European and Asian cell phone 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.

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.

Phaedra Hise is Senior Editor at COLLOQUY.

PHAEDRA HISE
editorial@mediaplanet.com

One small step for marketers, one giant leap for customer intimacy

Today, loyalty marketing and information sharing are as common as coconuts in the produce aisle. But getting from customer information to customer intimacy has taken many leaps—in technology, in confidence and in consumer understanding.

Consider that years ago, back when the concept of customer intimacy sounded like something that could get you fired, I was fighting an uphill battle just trying to get merchants to understand something a lot less sexy: the power of customer data.

I recall one presentation, when a skeptical retail executive scoffed at my results. "How many of our customers were captured in this study?" he asked. "Two hundred, 500 or 1,000?" I told him: "Roughly 689,375."

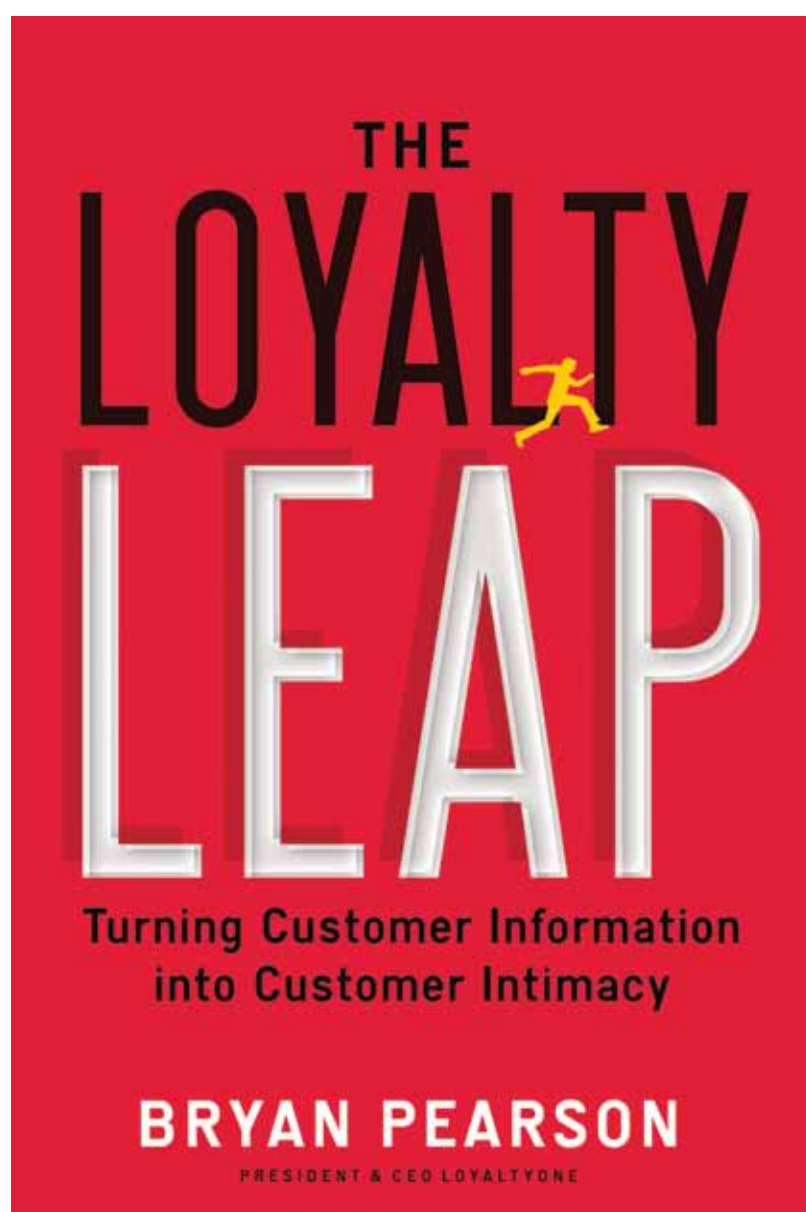
Twenty years later, that merchant and I are still working together, though the landscape has changed markedly. Loyalty is now a multi-billion-dollar, global industry spanning most every industry. And customers have much higher expectations regarding the value exchange that occurs when they share information.

For instance, I have a friend who used to shop at the same grocery store almost every week, and every week she complained: the

"It took a leap of faith on her part, and some responsible data use on the part of the new merchant, but now she is much happier."



Bryan Pearson



Bryan Pearson

President of LoyaltyOne and author of *The Loyalty Leap: Turning Customer Information Into Customer Intimacy* which will be published in May, 2012. For more information, visit pearson4loyalty.com.

store layout was cumbersome, the employees were ill informed, and she was often overcharged on sale items.

Yet every week she returned, using her loyalty card that recorded all of her purchases, even though the coupons she got in return were rarely for products she purchased.

My friend was hardly loyal, though I have a hunch the merchant thought she was. In fact, I bet a lot of companies define "loyal customers" by repeat business and longevity.

It would be a mistake to confuse repeat business with customer loyalty, or intimacy. Repeat business may be the simple result of location, price, service or product. It also is driven by routine, needs and availability.

Customer intimacy, meanwhile, is when a customer chooses to stay with a brand even when an equal or potentially better alternative is available.

How is customer intimacy achieved, then? My guide includes four basic, but important, steps:

■ Build emotional loyalty

Know what your best customers love about you and build on that.

■ Ensure you are relevant to your customers

Resonate with your customers through a differentiated experience.

■ Use data responsibly

When consumers share personal information with you, they are entering into a value exchange. Give them something of worth in return for the data they give you.

■ Make the loyalty leap

Get organization-wide commitment to redirect your focus from the product to the consumer.

These four steps should enable most any merchant to hold on to its customers, even in the face of worthy competition. Take my friend. She eventually dropped her nearby supermarket in favor of a merchant that is further from home and no less expensive, but it responds to her shopping patterns with offers and services that are relevant.

It took a leap of faith on her part, and some responsible data use on the part of the new merchant, but now she is much happier.

*Bryan Pearson is president of LoyaltyOne and author of *The Loyalty Leap: Turning Customer Information Into Customer Intimacy*, which will be published in May. For more information, visit pearson4loyalty.com.*

BRYAN PEARSON

editorial@mediaplanet.com

The loyalty landscape

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%), shaving their heads (27%) and giving up air conditioning all summer (31%), 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% 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 CDKing 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.

A roundup of loyalty news you can use compiled by COLLOQUY (colloquy.com)

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James Wright
SVP Marketing,
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Within the last two years, there has been a large increase in fashion rewards programs offered. What do you attribute to this growth?

→ In today's retail marketplace, it is critical to build integral and meaningful customer relationships to sustain long term brand growth. A strong loyalty program can serve as the foundation for these relationships. Loyalty programs have proven successful at driving brand engagement, increasing customer retention, and helping to insulate companies from economic fluctuations.

As the fashion retail marketplace becomes increasingly competitive, loyalty programs help reward and incent customer retention while attracting new customers to the brand. Strong loyalty programs encompass a brand's personality, connect with the consumer, and in turn, generate transactions.

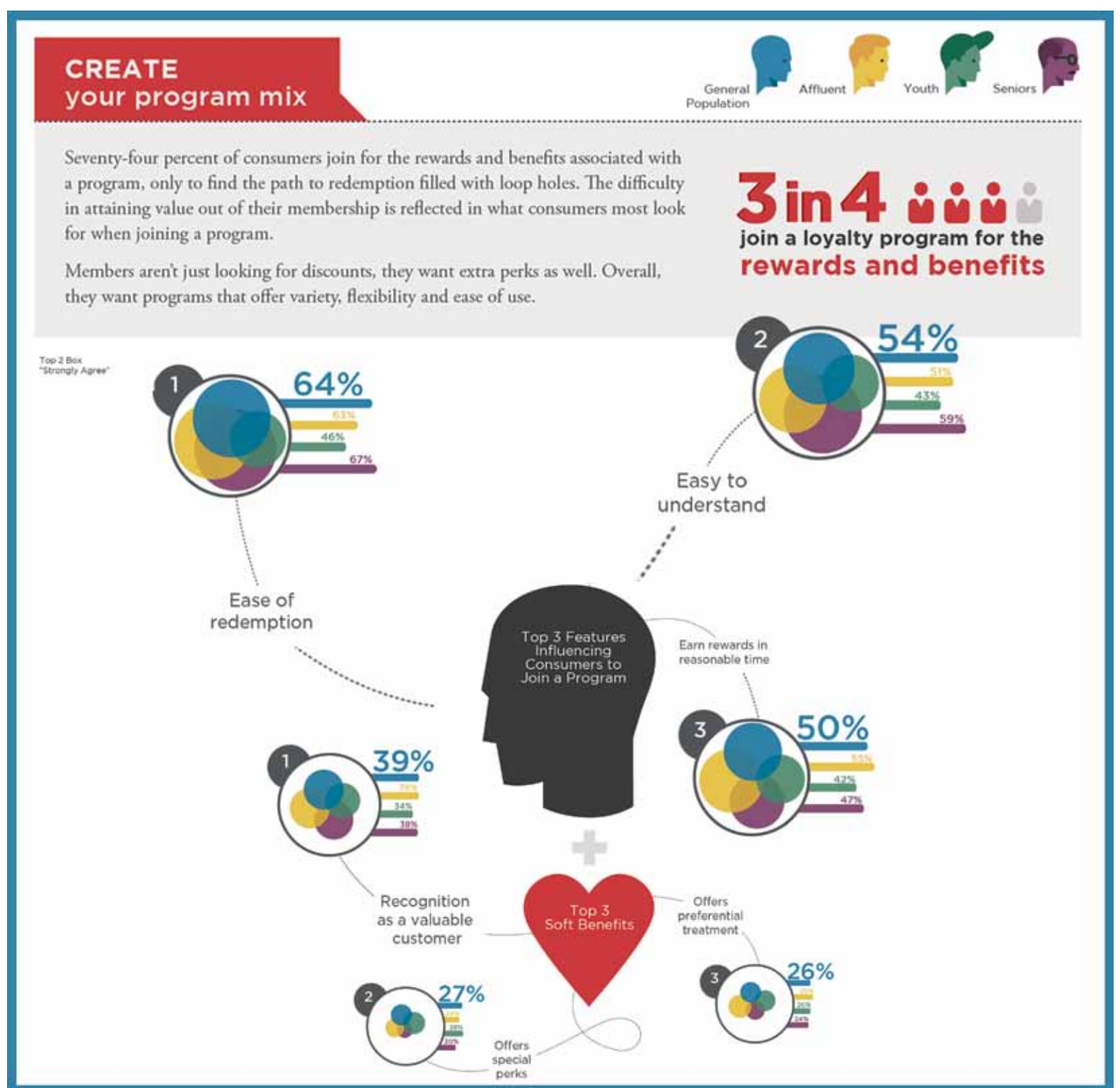
What types of exclusive amenities are available to members of fashion loyalty programs?

→ Brands continue to find better ways to offer benefits that create differentiated brand experiences that make each customer feel special. The key is to listen to your engaged customers. Give them what they want. With all the instant communication avenues in the world today, loyal customers are more than happy to tell you what they love about your brand and what makes them feel special.

When it comes to fashion loyalty programs, we allow our customers to truly experience the lifestyle of the brand. Many fashion programs are built on an award system of points that reward for spend and frequency. From there, it's also about special access to the brand. Access can include exclusive previews to new collections, special offers and giveaways, and VIP invites to special events.

“Loyalty programs have proven successful at driving brand engagement, increasing customer retention, and helping to insulate companies from economic fluctuations.”

JAMES WRIGHT
editorial@mediaplanet.com



THE REWARDS OF LOYALTY

■ **Question:** How do retailers get customers to actually use their loyalty programs?

■ **Answer:** By designing programs that provide as much benefit to the customers as they do to the retailers.

Customer loyalty programs have come a long way since the days of Green Stamps, but unless these programs are carefully crafted, they still may not accomplish what they set out to do.

In a retail environment that has mushroomed with online marketers as well as an ever-expanding crowd of discount shops and resellers, traditional retailers are finding it difficult—yet all the more imperative—to distinguish themselves from the pack. It is easier than ever for customers to compare prices and shop around. And when it comes to online shopping, the competition is only a click away.

Even as it is getting harder to come by, customer loyalty has

never been more important. According to a recent study at the Kellogg School of Management at Northwestern University, only 12-15 percent of customers are loyal to a single retailer, but that small group of shoppers accounts for anywhere from 55-70 percent of sales. Customer loyalty programs are designed in part to help retailers maintain that base. In addition to keeping the customers coming back, loyalty programs are also a valuable source of data about buying habits, trends, and customer demographics. This information is crucial if a retailer, particularly a bricks and mortar retailer, is to stay competitive.

What's in it for me?

Unfortunately, however, the best-laid loyalty plans often go astray. Colloquy, an organization that provides retailers with information and research about frequency marketing, estimates that while the average U. S.

household participates in 14 loyalty programs, over half of those are inactive at any given time. Retailers might depend on them, but customers, it seems, all too often ignore them.

Retailers aren't giving up easily, though. The trick to making such programs work, it seems, is realizing that loyalty works both ways. Savvy retailers are quickly learning that if they want the many benefits of their loyalty programs, these programs have to offer tangible benefits to their customers as well—something more than superficial discounts any alert shopper can find without having to join a program.

Retailers, particularly fashion retailers, are beginning to offer truly exciting and creative rewards, such as fitting and tailoring services, personal styling sessions, private sales, and free tracking of color and size preferences. Email alerts of sales, electronic coupons, and discounts that can be earned at different

levels of spending are all popular with customers.

Networked shoppers

Retailers are also learning that whether or not they market online, they must engage their customers through the latest technological trends. Linking loyalty programs to social media and making these programs accessible through smart phone apps is as important in today's market as a presence in the Sunday sales fliers was in the past. Plastic keychain cards have been replaced by QR codes and tweeted announcements of “secret” or “unannounced” sales.

Loyalty programs are nothing new—as anyone who remembers Green Stamps or frequent flyer miles can tell you. But to be effective, programs must change with the times and be as attentive to customers' needs and lifestyles as they are to the needs of the retailer behind the program.

AVERY HURT
editorial@mediaplanet.com

Digital payments: can't generate loyalty without making change

Remember the quaint old days when retail competition merely meant vying for a portion of the consumer's wallet? Well today that competition is literally over the wallet, and how consumers pay for their retail purchases.

A recent story in the *Wall Street Journal* reports that two dozen retailers, including Walmart and Target, are collaborating on a mobile-payments system to compete with Google Wallet and other similar products that allow consumers to purchase products with their smartphone apps. Turns out that

merchants are dissatisfied with the mobile-payment products launched so far, in part because they limit the merchants to providing personalized offers and coupons.

In other words, digital wallets, as they are, prevent merchants from using the consumer data they collect to deliver a complete customer experience. Merchants understand their consumers' behaviors across many dimensions - from what they do while perusing the aisle to which products they prefer to order online. By building their own digital payment systems, retailers believe they could increase customer loyalty by

layering their in-store and online behavioral data with purchase-processing data.

And it should be pointed out that digital transaction processing is a potentially lucrative business. The market for mobile payments is expected to exceed \$600 billion by 2016, the WSJ reports.

But lost in the conversation is the need to make digital payments, like every other touch point where the consumer interacts with the brand, relevant. If the merchant's loyalty program remains intact, and it simply adds a digital wallet feature as a delivery channel, is it distinguish-

ing itself from others or merely catching up?

There is a quagmire of delivery channels out there today, and consumers are as overwhelmed by these choices as merchants are competitive. In the end, the retailer that wins the wallet will be the one that provides an experience that really stands for change.

Bryan Pearson is author of The Loyalty Leap and blogs about loyalty at pearson-4loyalty.com.

BRYAN PEARSON
editorial@mediaplanet.com



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