



DIRECT MARKETING NEWS

Innovations in loyalty

Dianna Dilworth | December 01, 2010

THE NUMBERS

Loyalty
membership
pays

1.8B

→ Loyalty program
members in US,
according to Mintel

82%

→ The average increase
in order size from a Harley
Davidson H.O.G. loyalty
member compared to a
non-member

7%

→ Average amount that
Marriott's rewards members
grow each year

101K

→ Delta Airlines' Twitter
followers

Loyalty programs remain an important component in marketer's customer retention programs, but marketers today are apt to deliver perks that are far more personalized, flexible and skewed toward experiences. They are also more egalitarian in nature, even if it means allowing customers to use earned points with a competitor. As the adage goes — and studies have proven — loyal customers spend more often in both the short and long term, meaning that organizations have become more willing to listen to their requests.

Marriott International hopes its customers see value in the new tweaks it has made to build customer loyalty. The hotel group beefed up its loyalty program over the last year to be more customer-friendly and to offer more flexibility. Marriott Rewards members now have additional ways to earn points, more potential kinds of awards to earn and no longer have to worry about blackout dates — once a hallmark of most travel loyalty programs.

In March, Marriott launched an instant redemption program, where members can redeem points for anything that appears on their hotel bill. "So you can pay for drinks in the bar, play golf, use the spa or pay for meals in restaurants and get rewards points for the money spent," says Laurie Goldstein, senior manager of PR at Marriott International.

Another such program, launched last year and extended through 2010, is the Elite Rollover Nights program. As part of this benefit, each night above the 50 nights needed to maintain Marriott gold level status rolls over to the next year, preventing another common customer gripe about loyalty programs — expired points. The goal is to provide members an incentive to stay with Marriott once they have earned gold status, while also preventing them from trying to earn points in competing loyalty programs once they hit the 50-point maximum.

"It used to be that if you stayed 60 nights in a year, you would earn 50 to get to gold and the other 10 would be lost. Members would get to gold but knew they wouldn't get to platinum, so they might start staying at the Hilton to build up points there, figuring that those 10 nights might not count for anything at Marriott," says Goldstein. "This flexibility really helps us get members to stay loyal to us."

The recession has been hard on many loyalty marketers, particularly in the travel industry, an area where loyalty programs are ubiquitous. Travelers across the board are looking for the cheapest prices, making loyalty less important. In 2002, 42% of travelers were loyal to one travel company but by 2010 only 30% of travelers remained loyal to one company, according to a Forrester Research study.

“Loyalty programs have evolved to have a greater emphasis on personalization, as marketers are looking to build a more customer-centric experience and avoid churn,” says Henry Hartevelde, analyst and VP at Forrester Research. “Loyalty marketers are also focusing on the special benefits of having status in their program, trying to encourage consumers to want to earn status.”

Last year, Delta merged with Northwest Airlines and in doing so also merged Northwest’s loyalty program into its Delta SkyMiles, creating what it says is the world’s largest loyalty program. The SkyMiles program now has more than 81 million members.

This year, Delta added a new elite status level called Diamond to enhance its program and make it more enticing to members. In addition, Delta ditched its award ticket redemption fees for flights booked within 20 days of departure and added a perk in which Delta SkyMiles credit card holders get their first bag checked for free on every Delta flight. Delta also introduced “Rollover Medallion Qualification Miles” this year, in which SkyMiles members could roll over their miles to keep up their status.

Four ways to measure loyalty

Loyalty programs can help businesses retain customers, but they can also be expensive. In order to justify the spend, marketers must constantly assess these programs.

Read more at: <http://www.dmnews.com/four-ways-to-measure-loyalty/article/191706/>

“We’re constantly evaluating our program and offering new benefits and promotions to ensure we’re recognizing and rewarding customers’ loyalty,” says Beatriz Sims, manager, Delta SkyMiles program. “One program benefit that we’re particularly proud of — maybe because we’re the only

airline that offers it — is the ability for our highest-value customers to enjoy unlimited complimentary upgrades on all domestic tickets.”

Elsewhere in the travel industry, InterContinental Hotels Group (IHG) introduced a bold new loyalty feature this past spring to help drive customer retention by allowing Priority Club Rewards (PCR) members to use their point rewards to book competitor hotels. IHG created the “Hotels Anywhere” program to encourage Priority Club members to continue to use its program even when it does not have a hotel in the region. For example, IHG does not have any hotels in Hawaii, so if a customer has enough points built up for a free stay on their IHG card, the company will pick up the bill at a competitor. That way, it won’t risk losing a customer to rival hotels in order to earn points for a free stay in Hawaii.

“We seized the market opportunity to drive IHG’s loyal business and leisure travelers to PCR to book stays and redeem points that otherwise would have gone to competitor hotel companies or online booking sites,” says Lincoln Barrett, VP, guest marketing and alliances, IHG.

“I thought it was a little risky at first, but based on the feedback that they got from their customers who really appreciated the flexibility, it turned out to work quite well,” says Kelly Hlavinka, partner at Colloquy, a loyalty marketing consulting company.

Personalized perks

Added flexibility in loyalty programs is a growing theme in a variety of industries. Northwest Airlines loyalty card partner, US Bank, rethought its loyalty strategy when the airline merged with Delta. Northwest’s WorldPerks miles converted into Delta SkyMiles, but US Bank still had a large portfolio of customers who carried its cards. In order to keep this business alive, the financial institution decided to introduce a new rewards program of its own called FlexPerks, which members could use to earn points that are redeemable across more than 150 airlines.

They marketed this program and a new card to the former WorldPerks members and managed to recruit 85% of the accounts to activate their new FlexPerks card and retained more than 90% of the balances on those cards.

“We found that people are frustrated with loyalty programs, so we wanted to make ours easy-to-use, transparent and offer members additional value beyond just earning and redeeming points,” says Bob Daly, SVP, retail payment solutions at US Bank.

The financial services company spent time interviewing customers and doing market research to find out which benefits worked and which didn't before developing the new card. The bank found that many customers were frustrated with blackout dates and the rising cost to exchange points.

“It had to have the ability to quickly earn the currency, the ability to very easily redeem that currency without any hurdles, and members should be able to derive tremendous value when using the currency,” says Daly.

US Bank also discovered that 85%-95% of airline tickets purchased using the Northwest card cost less than \$400, so it set that figure as a base point for redeeming points, figuring it could make more customers happy at that level. Now 20,000 Flex Points equals a \$400 flight, with the points going up as the cost of the flights go up. The new program also removed booking fees. “We wanted to be transparent. If there was a flight out there that cost \$400, we would book it for 20,000 miles,” says Daly. “There is no smoke and mirrors like you see with some airline programs.”

US Bank sent out a series of direct mail postcards to former Northwest members, inviting them to join the new program. The postcards explained the new points system, highlighting their value and claiming that the competition's 20,000 points were only worth \$200. The bank also relaunched its website, sent e-mails and ran print, online, TV and radio advertisements. During the campaign, US Bank gave away bonus points to members that shared their e-mail addresses during the campaign as a way to reduce list acquisition costs.

Loyalty marketers are also expanding the kinds of rewards that they offer to their members, including offering access to exclusive events and personalized perks. Rather than just offering reward points for free hotel rooms, members can exchange points for tickets to concerts or sporting events and they can even create their own rewards using a concierge service. For example, if a reward is not offered through Marriott or a partner, members can call

the Marriott concierge to create their own reward and the concierge will then look into the cost and let them know what it would cost in points.

“Loyalty programs are a way to bring a brand promise to life, and the most forward-thinking companies are trying to make sure that their loyalty program stands apart, by offering more personalized benefits and rewards,” says Hlavinka.

Marriott has also extended its list of partners to include a variety of retail and services partners. For example, a member can redeem points from LifeLock, an identity protection company. “We want to offer them other options in case they don't want to travel,” says Goldstein.

US Bank is giving away extra perks to members that use their cards to purchase tickets to select events. Customers that used their card to purchase tickets to the new Minnesota Twins ballpark received a voucher for free food at the game and the chance to win access to a special US Bank “homerun porch.”

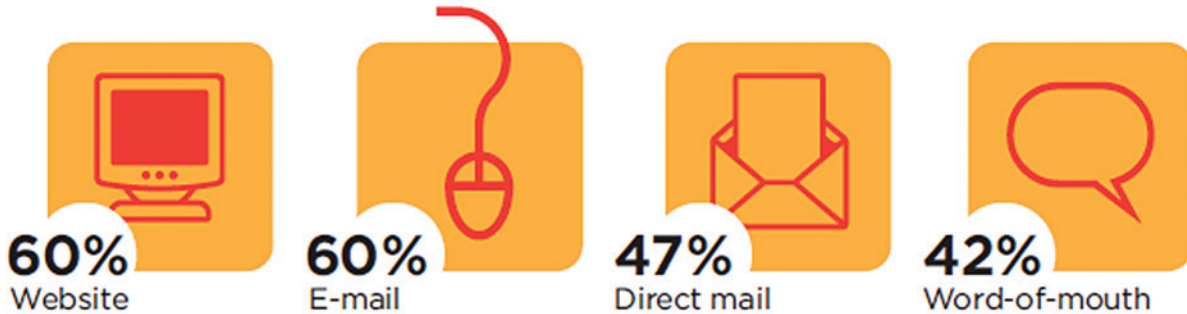
“Customers more and more are looking for soft benefits and access to stuff that is exclusive,” says Daly.

“These special opportunities are skewed towards offering members experiences that are out of the ordinary and are in line with whatever the brand promise is,” adds Harteveltdt.

Out of the ordinary experiences work as a motivator in some customer relationship cycles while others might prefer an upgrade to first-class or even cash. Finding the right mix is what all marketers are struggling to understand. US Bank's soft benefits also include hotel upgrades and late checkout from its 300-plus global hotel partners or a free rental car day for booking a weekend day for customers that use the card to book with US Bank partner National Car Rental. It also offers a \$25 travel allowance along with any reward ticket. Members can use it for a number of perks.

“You can use it to check a bag, or buy some food on the plane or to check into an airport lounge,” says Daly. “This comes from customer feedback. They were frustrated by baggage fees. It had been \$20 and we increased it to \$25 this year, when the airlines raised their baggage fees from \$20 to \$25.”

Marketers promote loyalty programs everywhere these days. In order to gain new members and retain current loyalty members, marketers showcase rewards programs in a multitude of channels.



Source: CMO Council and InfoPrint Solutions Co. *Loyalty Leaders: Feeling the Love from the Loyalty Club*, January 2009

Card members can also redeem FlexPoints to cover the cost of their annual fees. “We know that annual fees can lead to attrition, so we wanted to create a value for customers,” says Daly. “Also if you spend a certain amount of money on your card within a year, you are exempt the annual fee.”

Marketers also find that charitable promotions motivate some customers, making cause marketing another potentially important trend to watch in loyalty programs. This fall, US Bank introduced an option to earn flex points at an accelerated rate by making charitable contributions. “We are trying to engage our card members to earn points more quickly, and we are also trying to encourage giving, especially in today’s hard times,” adds Daly.

Mobilized loyalty

Customer loyalty programs can range from quite simple – a hole-punched local coffee shop card – to the very sophisticated – real-time individualized offers based on an integrated customer purchase database – but today, many marketers want to figure out the mobile component. Mobile allows marketers to be in front of their customers at all times, literally in their hand or back pocket.

In October, retailer Shop ‘n Save, an independent grocery retailer located in Illinois and Missouri, introduced a mobile couponing program for its loyalty members. The retailer worked with technology supplier You Technology to add a mobile club as part of the chain’s “Perks” loyalty program.

The mobile club lets shoppers respond to in-store ads for different offers by texting to a shortcode. The coupon is automatically added to the customer’s loyalty card, so when the customer checks out with their groceries using the loyalty card, they automatically receive the discount at the register.

“Mobile is a natural extension for loyalty programs, since consumers are using mobile phones a lot these days,” notes Ken Fenyo, president and CEO of You Technology. “Shop ‘n Save has the data to understand what loyalty members buy, but now they can see how customers respond to these mobile deals and use this to inform other channels. The win on the loyalty side is that all of these communication channels will become integrated digitally.”

Social media marketing also provides marketers a new way to reach their current and prospective customers in real time. In 2008, Marriott launched the Marriott Rewards Insiders, a social networking site where members can network with other members. “We had heard from members that they like to hear from the brand but they also wanted to be able to talk more with other members,” says Goldstein. “They use it to share recommendations, like what is the best Chinese restaurant near the Marriott’s Moscone Center location [in San Francisco] and so forth.”

The site also allows members to search for destinations or book a hotel room.

YOU Technology in the News

US Bank also embraced social media in a contest it hosted this summer. Members were encouraged to take a photo on an award trip and share it on the US Bank website along with a brief story about their trip. Members receive 500 points just for entering and two winners are chosen every month – one from online voters, one from US Bank’s internal team. These winners get an additional 20,000 miles.

Special promotions, exclusive perks, unique experiences and bonuses for tiered members are becoming the norm as loyalty marketers look to compete in a competitive marketplace. “Loyalty is fancy word for greed,” says Harteveltdt. “In other words, I’ll be loyal to you if you do something for me. And today, loyalty marketers have to offer a lot more than just points for a reward to retain customers.”



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