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Loyalty Talks

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Multi-Motivators

Choosing — and Using — the Most Effective Loyalty Incentives



Also Inside:

- Non-Transactional Data Infographic
- Q&A With Futurist Mike Walsh on the Customer of Tomorrow
- When Actions Speak Louder Than Acquisitions: How to Find Value in Non-Transactional Data
- Buttoned-Up Loyalty: The Case of Men's Wearhouse and Jos. A. Bank

The Best Lineup in Loyalty



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Retail Performance Specialist



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Futurist and Author



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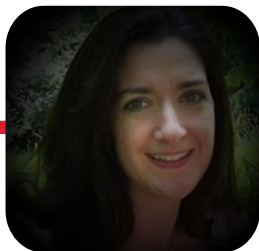
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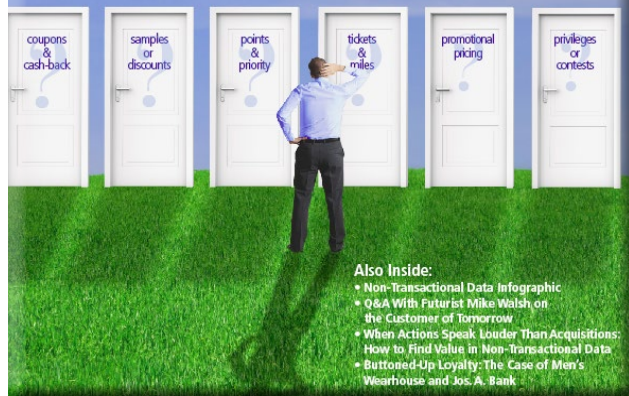
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24

FEATURE Story

Multi-Motivators

Choosing – and Using – the Most Effective Loyalty Incentives



Putting the Mo' in Motivators

28

COLLOQUY

Loyalty Talks

May 2014

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16

When Actions
Speak Louder
Than Acquisitions

4

Editor's Letter

6

Loyalty Landscape:

Non-Transactional Data Infographic

11

News Break

12

Touch Points:

Buttoned-Up Loyalty

30

COLLOQUY
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Loyalty Talks

Multi-Motivators

Choosing – and Using – the Most Effective Loyalty Incentives



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8

Q & A with Futurist Mike Walsh



EDITOR'S Letter

Motivating Footprints and What Else the Future Holds

By Dennis Armbruster



The legendary television detective Columbo could construct a complete human profile based on a person's footprint. Today, loyalty strategy has similar characteristics. Many organizations are trying to optimize their investments in loyalty by attempting to solve problems with traces of information and data scattered throughout their loyalty ecosystems.

In this month's issue, COLLOQUY reporter Bill Bangert explores how several organizations across different industries are recognizing their loyalty members for non-transactional activities such as exercising, taking the bus or even just brushing their teeth. As his story, "When Actions Speak Louder Than Acquisitions," reveals, recognizing non-transactional behaviors can result in increased sales, profitability and emotional engagement.

Speaking of motivators, our cover story has them in spades. "Multi-Motivators: Choosing – and Using – the Most Effective Loyalty Incentives" shows how the Kroger Co., CVS/pharmacy and Caesars Entertainment are reinforcing their loyalty platforms with focused initiatives, or motivators, that respond to specific consumer preferences. It's a smart approach but, as the story deduces, motivational

incentives do not translate to business success unless they stem from well-articulated business strategies.

Several organizations across different industries are recognizing their loyalty members for activities such as exercising, taking the bus or even just brushing their teeth.

Our feature Q&A in this issue is with Mike Walsh, author of the book "Futuretainment," a futurist and an expert on digital trends. Walsh, who will be one of the keynote speakers at the 2014 COLLOQUY Loyalty Summit in September, predicts the future of consumerism in a marketing world redefined by Big Data (or is it?).

We are happy to continue our loyalty awards series, "COLLOQUY Recognizes" which honors some of the most innovative loyalty initiatives today, and happier by the number of entries we received. It was a tough choice, but we've got a great line-up from around the world: Caribou Coffee, Global Hotel Alliance, Air

Canada, Vicinity and Coca-Cola Turkey. These winners, as well as those from the last issue and coming issues, will be honored at the COLLOQUY Loyalty Summit in September.

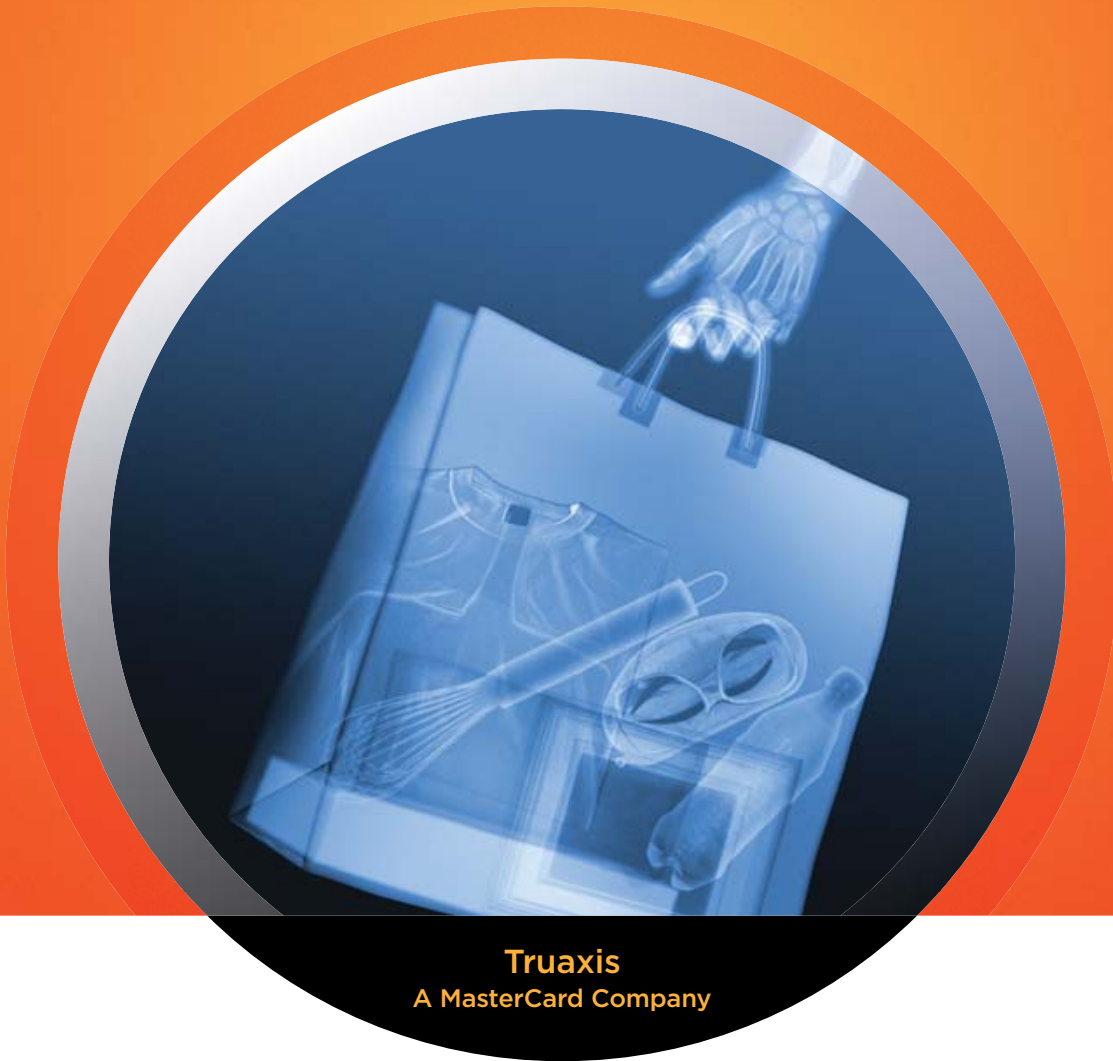
This issue also includes all of our other regular features, such as a Touch Points column by our retail expert Fred Thompson, who analyzes the loyalty implications behind the merger of Men's Wearhouse and Jos. A. Bank. Our "News Break" feature also returns, highlighting the most resonant headlines of the past two months.

And just one more thing (to use a Columbo phrase) – as we loyalty marketers know, not all people may be what the clues indicate. Our Loyalty Landscape feature has a write-up about a band called Big Data. One of the members is named Daniel Armbruster, which is quite a coincidence since many members of my family are musical. But for the record, he is of no relation. Q

A handwritten signature in black ink, appearing to read "D. Armbruster".

Dennis Armbruster, Editor-at-Large

Getting customers to buy is easy when you know how they spend.



Our transaction analytics helps see a true picture of consumer behavior.

Truth is, the transaction data collected from participating financial institutions is the most accurate way to predict consumer preference. It's at the heart of our loyalty platform, Truaxis, which uses industry-leading technology to deliver personalized rewards and money-saving offers to the debit and credit card customers of these financial institutions. Take advantage of this new channel to drive incremental business from your existing customers, and to help find new ones – all in a cost-effective, turn-key solution. After all, it's what's inside that counts.



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Loyalty Stamp Bankrolls Fishy Transactions



Sushi lovers can be relentless in their pursuit of the best seaweed-wrapped rolls, whether it's around the corner or around the globe. Some sushi connoisseurs in New Zealand turned to crime and used a sushi chain's loyalty card to carry out larceny.

St. Pierre's offers customers a free pack of sushi for every 10 packs they buy. The program is implemented by way of a customer card and an ink stamp, and the thieves were stealing the rubber stamps and marking their own cards. The company's sushi director estimates the chain lost thousands of dollars worth of sushi in the loyalty card fraud that lasted three to four years.

While St. Pierre's is considering eliminating the loyalty program, it might make more sense to continue rewarding loyal customers but with a program that is more technologically up-to-date and keep the ne'er do wells from netting a catch that isn't rightfully theirs.

Big Data Sings

If Big Data were music, some might expect a symphony. Instead we get a duo, which is getting big headlines for a Facebook project that creates customized musical videos based on personal posts.

The two members of the band Big Data describe their effort as a "paranoid electronic music project from the Internet." That paranoia is embodied by their creation, called Facehawk, which pulls data from the user's Facebook page to create a unique video for each user.

As their song "Dangerous" plays, content from the users' individual Facebook pages swirls on screen, eventually piecing together to form a hawk-shaped collage of their pictures and posts.



Alan Wilkis of Big Data told *Mashable* he hopes the interactive video reminds people of the privacy rights they surrender on an ongoing basis by sharing so much of their lives online.

That sounds like a Facebook posting worthy of a "Like."

Frito-Lay Mystery Strategy

Frito-Lay may be using the classic marketing tool of the blind taste test to determine the next flavor of Doritos, but it is using gold to sweeten the pot.



The snack maker is trying out three mystery flavors in plain foil-colored packages with yellow, red and blue labels that simply read, "Doritos JALISCO" and the number of the test flavor, with nothing on the label to indicate the flavor inside.

The "Bold Flavor Experiment" asks consumers to try each mystery flavor and vote for their favorites online. Voting ends June 30 and the winning flavor will be brought to market in the fall. To encourage voting, Frito-Lay is giving away daily prizes of \$1,000 in gold to people who vote on the promotional website.

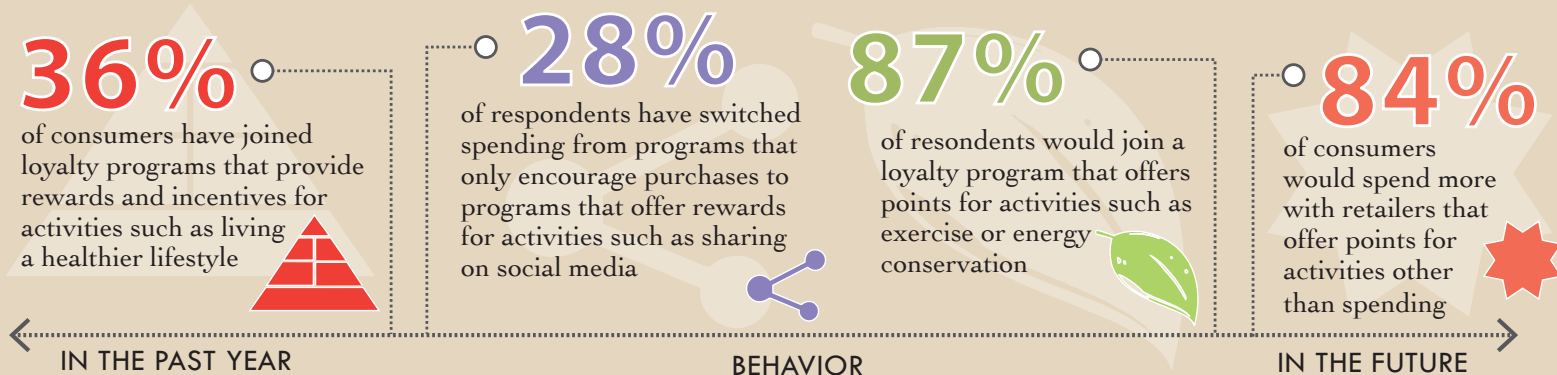
It will be interesting to see how engaged people become with this marketing plan. If nothing else, Frito-Lay may be about to find out if loyalty, like love, is blind.

NON-TRANSACTIONAL DATA

WHEN ACTIONS SPEAK LOUDER THAN ACQUISITIONS

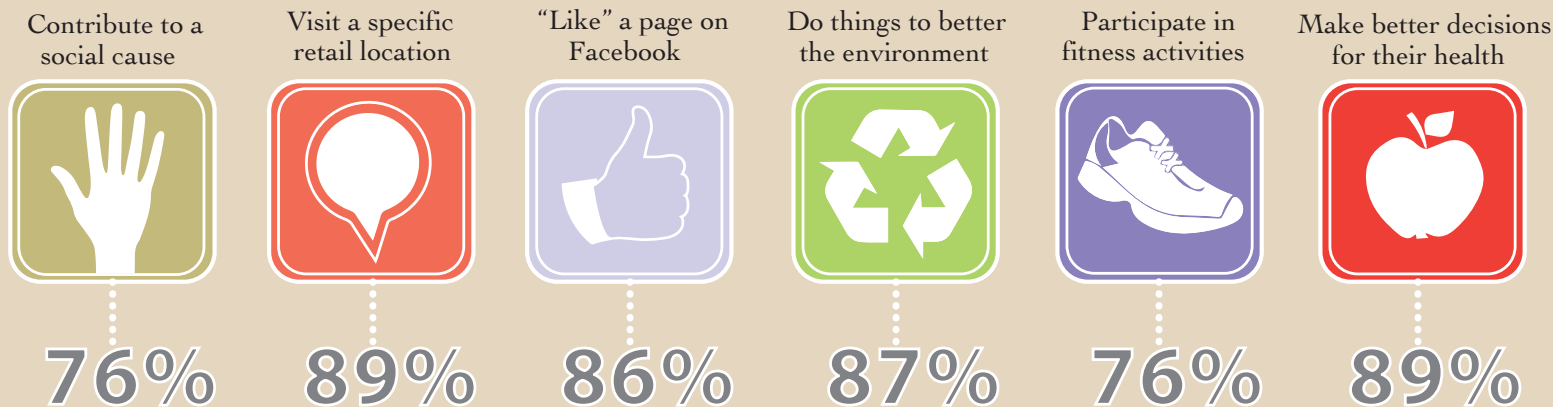
Shoppers are motivated by more than just money, but is talk cheap?

Shoppers will join programs offering rewards for non-purchase activities and will switch their spending behaviors to support these programs.



Customers engage with companies in different ways and want to be rewarded for that behavior

If offered rewards for non-purchase activities, respondents said they were "very likely" or "somewhat likely" to:



Customers want rewards for more than just purchases, but aren't sure what they want those rewards to be.

[Click here to read our full report on non-transactional data on page 16.](#)

83%  are motivated by cash incentives for activities other than product purchases, such as talking about a company on social media or visiting their stores 

56% said they want rewards that benefit their health and the well-being of their communities, when asked which rewards they prefer for adopting better habits

17% are more motivated by knowing their efforts support good causes and have direct impact on themselves or society 


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Source: COLLOQUY survey on non-transactional motivators, 1,500 consumers, April 2014

Q & A

Data Diviner

Futurist Mike Walsh on the Customer of Tomorrow

If today's brands want to maintain relevance with tomorrow's fast-evolving consumer, then they should think about the flesh, not the figures.

"Stop looking at the numbers, and start connecting with the people behind them," said Mike Walsh, author of the book "Futuretainment" and an expert on digital trends.

Walsh, who will be one of the keynote speakers at the 2014 COLLOQUY Loyalty Summit in September, talked with COLLOQUY about many emerging loyalty trends, including the "consumerization" of data, the risk of totalitarian correlations and the clickstream of the future.



Mike Walsh

COLLOQUY: The term "Big Data" is often misunderstood by both organizations and consumers. How do you define it?

MW: What many people call Big Data is often for me just simply overlooked data. In other words, data that in the past was considered too unstructured, too messy or just too unusual to pay attention to. There is nothing magical about this data itself. What is amazing is our new ability to derive meaning at scale from these new fragmented data sources, and use this to articulate compelling narratives for our strategic decisions or create entirely new kinds of experiences for our customers.

Q: In what ways has Big Data shaped and changed the contemporary consumer?

MW: We are all data consumers now – especially in our personal lives. We eagerly track how many 'likes' our posts on Facebook receive, how many people follow us and retweet our ideas on Twitter and the micro-indicators that describe how we sleep, exercise and eat. In fact, data has become so consumerized, we are almost surprised when the products and platforms we use don't provide us quantitative feedback!

Q: And organizations? How have they adapted compared with the consumer?

MW: Strangely, despite its potential, the use of data in the enterprise is far less integrated than it is in our personal lives. We are surrounded by information and reports, and yet it's rare for enterprise data to escape its departmental silo. So marketing may have a clear view of its loyalty data, but



this may not necessarily integrate with the parts of the business responsible for customer service, billing, product development or compliance. We may know what it costs to acquire a customer, but we don't have much of an idea about what it will cost to service them over a lifetime.

Q: What are the key missteps loyalty organizations make in using Big Data?

MW: Big Data analysis can reveal new and unexpected correlations, but this doesn't mean those correlations are always meaningful. In fact, they can be downright totalitarian when you end up mischaracterizing a particular customer based on a narrow interpretation of what the transactional data might indicate. Loyalty organizations need to strike a balance between the insights that easily scale from data analysis, and the less scalable, more human insights that come from what your customers are actually trying to tell you.

Q: How can organizations align their marketing strategies with this emergence of data? Is there a process?

MW: Organizations face two big challenges. The first is context, and the second is integration. Making sense out of marketing data means thinking like an anthropologist. What is the data telling you about who your customers really are? How do they think? What motivates them? What questions do they ask you, or more importantly, don't ask you? What are the customer touchpoints that really matter to them? With this context you can then move onto the second big challenge, integrating your loyalty and marketing platforms with your existing enterprise and IT systems. Your goal should be to organize your data around your key customer touchpoints, rather than your departments and systems.

Q: Your book, "Futuretainment," tracks the dramatic evolution of consumer behavior. What is the single biggest change you expect in consumer behavior over the next five years?

MW: We are only at the very beginning of understanding the new symbiotic relationship between consumers and their mobile devices. Soon, this dynamic is set to become even more interesting with the advent of wearable technologies and virtual reality. There will be no gap between the online and offline worlds. And more importantly, every action by a consumer will have equal, if not exponential, reactions by other consumers.

Q: What do loyalty operators absolutely need to know about the future customer, based on your research?

MW: The challenge for loyalty operators will be to hold two quite contradictory views of their customers in their minds. The first is the customer as he or she behaves in a cohort, and the second is the customer as a radically unique individual. The mob-like behavior of cohorts is important to understand when you are trying to build momentum and awareness around something, but at the same time the future belongs to those brands that can design experiences at scale for a single individual.



(Continued on next page)

"The 'Internet of Things' is hype today, but tomorrow it will be a fact of life."

Q: What makes a brand relevant to you?

MW: Great brands become the building blocks of your own identity. Their provenance and authenticity mean that they become part of your personal narrative, but they are fluid enough that they can mirror and incorporate your experiences as well. Emotional engagement is not something you can easily quantify. I take pictures with an old Leica film camera, I write with a Mont Blanc fountain pen in a Moleskine notebook, and travel with a beat up Rimowa trunk and a canvas Billingham satchel. The brands that are relevant to me are the ones that share my history.

Q: Let's look into the future. How would you describe the loyalty program of 2020?

MW: The world in 2020 will not look very different to the world we live in today. What will be different is the way data will be integrated in product and service design. Real-world behavior will be the clickstream of the future. The 'Internet of Things' is hype today, but tomorrow it will be a fact of life. Brands and marketers will stop worrying about distributing their messages, and will instead be focused on designing branded interactions that occur on the myriad of devices that will define our future lives. Loyalty marketers already understand the power of interactions better than anyone, so I can imagine that the world in six years' time will be a welcome one for them.

Q: What can attendees at the 2014 COLLOQUY Loyalty Summit expect to learn from your presentation?

MW: My passion is exploring the human side of data and disruptive innovation. But I think attendees should expect to have a little fun taking that journey with me. **Q**

Mike Walsh is author of "Futuretainment" and CEO of Tomorrow, a global innovation research lab. As a keynote speaker at the 2014 COLLOQUY Loyalty Summit in September, Walsh will provide cutting-edge information on how to rethink a marketing strategy based on real-time data and emergent patterns in consumer behavior. He'll also talk about the convergent trends of mobilization, consumerization and Big Data and what they will mean for personalizing customer experiences.

Click here for the
COLLOQUY Loyalty
Summit agenda



NEWSbreak

A news roundup from COLLOQUY.com

At COLLOQUY.com, we report daily on news and trends of interest to marketers across all industries and around the globe. In case you missed them, below are links to the top news stories from the last couple of months. Click the links to read more of each story or [here](#) to visit the archive.



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Marriott, American
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Freddie Awards



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Starbucks Credits
Loyalty Program for
Sales Increase



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Hooters Piloting
Loyalty Program, Aims
for Broad Rollout



LANCÔME
PARIS

4/21/14

Lancôme Launches
Social-Centric
Loyalty Program



4/10/14

Report: Millennials Are
Brand Loyal, Just in a
Different Way

TOUCH Points

Buttoned-Up Loyalty: The Case of Men's Wearhouse and Jos. A. Bank

By Fred Thompson



Merger. It's a word that can send even the most fervently loyal employees scrambling to update their resumes and contact every recruiter within social media earshot. It also can cause angst among even the most loyal consumers, who fear the brand value and experience may change.

As a result, companies are getting better and better at navigating the turmoil associated with combining two workforces, two cultures, two ... everything.

Few companies give much thought to how a merger can benefit their loyalty program members beyond a requisite communications and operational integration plan. Often, brands choose to exist separately, with their own identities, marketing budgets and loyalty programs firmly intact. Many defer loyalty program evolution to later stages of their integration roadmaps, preferring to tackle more familiar challenges early on.

But by doing so, those companies risk missing out on an opportunity to quickly capture additional market share – and mind share – of their respective loyal customers.

In this column, I want to explore how the Men's Wearhouse and Jos. A. Bank merger would benefit from cross-brand loyalty program integration. But before doing so, let's consider the benefits to be gained when two merging companies start unifying their loyalty strategies early on.

- **Back-end efficiencies/cost savings:** Even in circumstances where customer-facing programs remain distinct, the integration of information technology platforms, loyalty staffing and direct communications costs can generate a cost savings for the new organization of 5% to 10%.
- **Greater strategic alignment:** Developing a good loyalty strategy involves many key considerations, including marketing, creative, customer experience, operations, merchandising and location.



Photo: Andrew Burton/Getty Images

When the merger involves two popular men's apparel chains – Jos. A. Bank and Men's Wearhouse – it also means combining two loyalty programs, and that requires a different kind of navigation. This is especially the case when the two programs match up like pinstripes and plaid – each looking good on its own, but combined can cause enough confusion to land it on a worst-dressed list.

Integrating all of these operations can make for difficult conversations, which is why having them early in the process will translate to better understanding, and more efficiency, later.

- **Increased data and customer insight:** Information that reveals broader customer behaviors frequently enables companies to capture quick wins, which are critical for maintaining momentum through the merger process.
- **Greater utility and value to customers:** Customers have very high brand standards these days, and they respond more enthusiastically to companies that continually test their ability to recognize and reward. Let's face it, loyalty program changes that deliver increased value and utility to customers are newsworthy these days.

Tailoring the loyalty fit: Jos. A. Bank and Men's Wearhouse

Men's Wearhouse in March agreed to acquire Jos. A. Bank for roughly \$1.8 billion, stitching up five months of bids and counter bids. The deal is expected to close in the third quarter, at which point the companies should take a close look at their loyalty strategies.

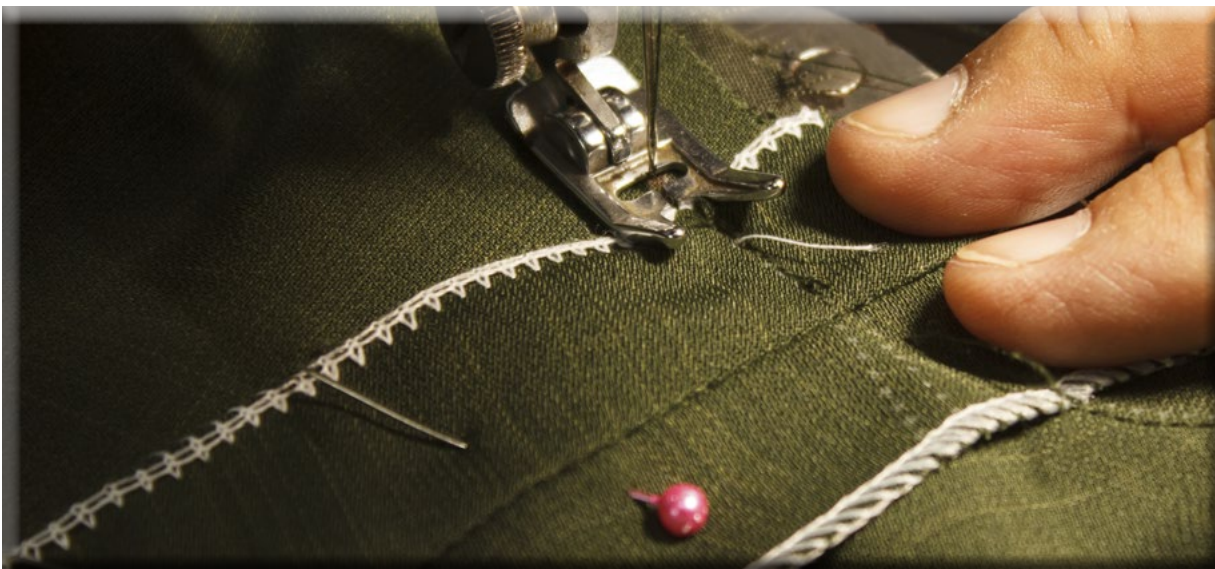
Men's Wearhouse operates a well-defined program, Perfect Fit Rewards, which is quite rich compared with other specialty retailers. Included in the benefits are free shipping, \$30 off tuxedo rentals and a \$50 certificate for every \$500 spent.


The loyalty strategy of Jos. A. Bank is less formally defined, with deals of the week and other soft benefits available on its website that can stimulate engagement with the brand.

Information that reveals broader customer behaviors frequently enables companies to capture quick wins, which are critical for maintaining momentum through the merger process.

Both cater to a similar audience – the male professional who needs a great-looking and great-fitting suit that won't break the bank. Price ranges are similar at each brand and they both offer diverse products outside of formalwear, including big and tall sizes.

(Continued on next page)





So how should Jos. A. Bank and Men's Wearhouse proceed? Given the respective business models and the brand alignment, this combined company would benefit from increased loyalty program integration through a number of approaches:

Embrace multiple brands within a unified loyalty strategy: Once combined, the Jos. A. Bank brand is expected to remain independent from Men's Wearhouse. Consumers will recognize the differences between the stores, but the loyalty value equation shouldn't vary. If the combined company offers a single way to earn across banners, then both entities will better serve their joint customers – and collect more consistent data. A good example of a company doing this well is Gap Inc., which has a unified loyalty strategy across Gap, Banana Republic and Old Navy.

Use Perfect Fit to deliver tailored experiences: A well-executed Perfect Fit program could serve as a platform from which to launch experiential loyalty initiatives that extend beyond suits – perhaps to include personal shoppers or invitations to VIP designer events. Access to such top-shelf services would place both stores top of mind when members make lower-consideration purchases.

Seek cost efficiencies that can be delivered back to the customer: In addition to the back-office cost savings and efficiencies, Men's Wearhouse should examine the high level of rewards in its published program structure. The issue with having such a rich reward structure is that it limits a company's ability to invest differently in high-potential customers who might not be sufficiently recognized and rewarded. It should keep directing rewards to the customers, but evolve the program so the company can be more nimble and flexible in how the rewards are delivered.

Create an insight engine for the combined organization: Both companies will have to establish who their best customers are across both organizations, which are their next-generation heavy hitters, and then how the combined loyalty platform can deliver efficient rewards, beyond broad pricing changes, that appeal to them. Practical tools like expanded segmentation, customer dashboard reporting and a centralized customer database will help to manage these issues.

Mergers are typically driven by the principle that combining the operations of two companies will result in an intrinsic competitive advantage. This could be a cost advantage, market share capture or expanded products or services. The same logic holds true for an organization's loyalty strategy, which when executed well amplifies the overall corporate and brand strategy.

To not address this early in a merger is like buying the suit, but not investing in the effort to have it tailored. **Q**

Fred Thompson is a COLLOQUY contributing editor.

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When Actions Speak Louder Than Acquisitions: **How to Find Value in Non-Transactional Data**

By Bill Bangert

For many organizations, rewarding good behavior is recognized as good business. But putting a value on the data this behavior produces – that can be as daunting as a four-minute mile.

For loyalty marketers, the challenge is not merely collecting all that non-transactional data, but using it to retain current customers and add new ones. Walgreens recently announced that the Balance Rewards program, launched in September 2012, has already reached the 100-million member level. But how engaged are those 100 million members, and to what extent is their level of engagement due to rewards earned from behavior compared to rewards earned through purchases?

There are examples of companies and organizations that are not just mining as much data as possible, but also turning those nuggets into gold. Information about customer activity outside the brand is being used to better understand what motivates and inspires customers holistically, and also in some cases helps guide that behavior to the benefit of the company or organization itself.

“This is why analytics and business intelligence are so critical for customer loyalty

programs: the more sophisticated your understanding of customer purchase behaviors and preferences, the more you can get out in front of customers’ behaviors, predicting their intentions to make sure they come back,” said Jill Dyche, vice president of SAS Best Practices, who has extensively explored and written about the business value of analytics and information.

There are examples of **companies and organizations** that are not just mining as much data as possible, but also **turning those nuggets into gold.**

Using non-transactional data to get customers to come back takes a different approach than traditional transaction data requires. Marketers are basically asking consumers to make room in their homes for Big Data. Marketers have to answer the question: What is the intrinsic value to the consumer? What will this mean for the data-gathering landscape in a decade?

Following are analyses of the effect of non-transactional data on loyalty, and how loyalty programs can benefit from the intelligent use of the information in three areas: healthy living, energy conservation or green living and data-producing products.



HEALTHY LIVING

Walgreens, Oregon CO-OP, Write the Rx to Healthy Insights



Exercising – whether it's running or biking or hiking or lifting weights – isn't just fashionable; for a lot of people in the United States it is done literally by doctor's orders.

The percentage of adults advised to exercise increased by about 10 percentage points from 2000 to 2010, according to the Centers for Disease Control. Not surprisingly, then, people who exercise could be a good target demographic for companies. According to a WebMD study released in January, 54.3% of Americans who make more than \$90,000 a year say they exercise on a regular basis.

When it comes to rewarding customers for healthy behavior, Walgreens is a leader in the field. Members who sign up for the Steps with Balance Rewards program earn 20 points for each mile they walk or run and for each daily log of their weight, and 250 points for syncing a FitBit, Body-Media or Withings device.

"It's been a pretty cool, pretty fast transition where everybody goes from not really focused on customer insights to where those insights are at the core of every decision we make," said Kathryn Zajac, vice president

of client services for Epsilon, the marketing company that conducted the program rollout. "I think one of the coolest things we were able to do from a data component is when we launched the program we were looking at two years worth of customer data at a customer level immediately."

Zajac said the program can track both pre- and post-program customer activity, which answers several questions: Are we retaining best customers? Are they spending as much if not more? Are other customers increasing spending, kind of moving up that loyalty ladder?



Not only major corporations like Walgreens have the wherewithal to use healthy living rewards as program engagement. In Oregon, a Consumer Operated and Oriented Plan (health CO-OP) is using a rewards program to more efficiently treat patients. The Wellness Rewards plan offers members three different ways to earn money, with each option worth \$100, so the potential payoff totals \$300.

The first way involves taking a health style quiz, which gives the CO-OP a way to identify members who have health risks.

“We can segment our population in these very early weeks and months and we can decide how we can cost-effectively reach out to them with resources,” said Dr. Ralph Prows, CEO of Oregon’s Health CO-OP.

The second way – the engagement phase – involves selecting a primary care provider.

The third way to earn \$100 is through a personal activation program. Members take eight challenges of building knowledge, skill and confidence in improving their health.

Prows acknowledged it may seem simplistic to dangle cash to get people to sign up for health care, but that’s OK in this case. “We want a strong incentive program here. We want people to get going and get going now, and we want them to take it seriously so we wanted to put some serious money out there.”

One of the primary goals of using this strategy is to gather data. According to Prows, the standard claims process requires at least a year to gather any meaningful data.

“This isn’t about selling a plan, people need to take charge of their health,” Prows said. “They need encouragement. To get them going, they need an incentive.”

Money is a very strong motivator, according to an April COLLOQUY survey of U.S. consumers. It found that when given a choice, 83% said they would be more motivated by cash-based incentives than by knowing their efforts are supporting a good cause and are directly improving their communities. (See page 7 for infographic.)

At the same time, 87% of survey respondents said they would be more inclined to join a loyalty program if it offered points for activities like exercise, energy conservation or recycling.

CONSERVATION

Canadian Metro Uses Data to Increase Ridership



The growing concern about the environment and the need to reduce carbon footprints provides loyalty program operators new opportunities to broaden engagement with their members. In St. John's Newfoundland, Canada, a mass transit system called Metrobus did this by upgrading its underused loyalty program, and saw immediate results.

Metrobus did so in 2012 by partnering with AIR MILES for Social Change, a loyalty program operated by LoyaltyOne. In the first year, ridership increased by 6%, far surpassing expectations.

Mark Chancey of Metrobus said AIR MILES' high membership numbers contributed to increased awareness that resulted in more people using the bus. He said close to 90% of households in St. John's are AIR MILES collectors, and those people used the miles to ride public transit in large part because it made them feel like they were doing something good for their community.

"Any time we see a ridership increase it means that more people are using transit and we all know the environmental benefits of that," Chancey said. "What we liked

about the program and AIR MILES for Social Change is that you're rewarding consumers' environmentally friendly behavior and it's such a natural fit with public transit."

So the community of St. John's benefits from fewer cars and SUVs on the road, and Metrobus benefits from more revenue from more riders. Plus there is the benefit for the transit company knowing more about its customers' behaviors, which the company is putting to good use.

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“Now with the data we have on our own smartcard side coupled with the data that the AIR MILES people have, we can really hone in on people’s behaviors and when they ride. If they ride weekdays only, we can really set the offers to get them on the week-ends,” he said. “If they ride during peak and we want to shift ridership to off-peak when there’s more capacity, we can really hone in on those people and create an offer that will get them into the off-peak.”

AIR MILES for Social Change also played a key role in increasing participation in the annual Community Environment Day hosted by the city of Toronto. The loyalty program teamed up with the city to encourage people to recycle batteries. Those who turned in batteries received 10 AIR MILES Bonus Cards.

The number of first-time participants in the program tripled, and overall attendance at the event rose by 35% from the year before.

Apple is another company sensitive to customers’ desires to be environmentally responsible. In April, Apple launched a program of accepting its own products for recycling. The service is free and any customer who brings in a product in good enough condition to be re-sold will be given store credit to buy a new Apple product.



While Apple doesn’t have a loyalty program in the traditional sense, the corporate behavior of being good stewards of the environment helps connect on an emotional level with like-minded customers, including those who might not be loyal purchasers of Apple.

HOUSEHOLD

My Beam Toothbrush is Watching Me



The aspiration of most any loyalty marketer is to get inside the consumer's head. Alex Frommeyer, co-founder of Beam Technologies, has done that with a toothbrush.

The Beam Brush syncs with a user's smartphone, and a sensor records the time spent brushing, which users can track and share with their dentists, orthodontists and insurance companies.

"One of the biggest misconceptions about our company is that we are a

toothbrush company and I do not give two s---- about toothbrushes," Frommeyer said in an interview. "I'm a data company and that's what I care about."

Launched in 2013, the Beam Brush has enjoyed a successful initial run, and while Frommeyer wouldn't reveal sales figures, he said that as of mid-April, his company was within 50 units of selling out completely. That means a lot of data has been gathered about a lot of incisors and bicuspid.

He said the brush helps dental insurers better understand the consumer or patient and how well they are taking care of themselves from an oral health perspective.

"The dental insurance industry looks at the opportunity to get a peek behind the curtain at something that matters, that affects the overall oral health of someone, and they say 'Wow, why haven't we ever

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been able to do this before, why haven't we been able to see this data before and how can it be implemented into our system, how can we determine its utility inside of the modeling that we already do with respect to risk?"



Consumers, meanwhile, can use Beam Brush to record the oral hygiene of their children while reinforcing their own good brushing habits (or improve not-so-good ones). Beam rewards users who meet pre-set Beam Goals with video games, movie tickets and special deals on purses, shoes and clothes.

Other household items are being equipped with data-tracking devices to provide marketers with feedback. Iota Partners, a consumer research firm, is attempting to better understand consumer behavior by putting instruments on household products.

Four Tips to Manage and Use Non-Transactional Data Effectively

1

Read and react: Non-transactional data provides marketers with a wealth of information about their customers and what they do outside the brand. It's critical to thoroughly analyze that data in the proper context and also to tweak loyalty programs to modify customers' behavior.

2

Make the benefits matter: Program benefits and rewards should be relevant and aspirational to the customer. Marketers should use the data gathered to devise rewards that will capture the consumer's imagination, increase engagement and lead to loyalty.

3

Use data to improve relationships: An emotional connection with a customer is priceless. By farming data to know what is important to program members, marketers can craft more meaningful experiences and communications that will show the customers the company cares.

4

Tap into the latest technology: Gathering data is possible in so many different ways today. Marketers should continually strive to explore new methods and practices, learning more about their customers by using the technology of tomorrow today.

“As the price of technology comes down, increasingly there will be and can be embedded sensing bits in products,” company co-founder John Cain told *Advertising Age*. In one case, the company equipped a household-cleaning product with cameras to see how the consumer was using the cleaner in the home.

“The client came to us and asked if we could do a customer journey. We said we can do one better – we can do a product journey,” Cain said. “We can outfit real-world products with cameras and ... data loggers.”

The issue of whether it’s worth a company’s efforts to increase customer engagement by encouraging behaviors that produce non-transactional data depends on what the company is selling, according to Jill Dyche. But in many cases, a brand can find within its market base an activity that, when recognized, can be used to reinforce the brand experience. It might be recycling, cleaning or a four-minute mile – it just has to be relevant.

“The definition of loyalty is customers returning to your store or your website,” she said. “They come back not because they don’t have a choice; they come back because you’re selling something they want or need, and – let’s be honest – because their last experience doing business with you didn’t suck.” **Q**

Bill Bangert is staff writer at COLLOQUY.

[Click here for the non-transactional data infographic](#)



Multi-Motivators

Choosing – and Using – the Most Effective Loyalty Incentives

By Lisa Biank Fasig



When it comes to competing for customers, marketers may view their promotional portfolios like a grocery store aisle. Every year, there seem to be more choices.

Should they opt for cash-back offers or coupons? Would a promotional contest be more effective in inspiring a desired reaction, or reward points? What about experiential rewards? It's the equivalent of choosing a toothpaste – tartar control or tooth whitening, a free sample or mouth-wash infusion?

Today, the toothpaste aisle isn't the only place bursting with selection. Increasingly, merchants are complementing their standard loyalty programs with focused initiatives, or motivators, that respond to specific consumer preferences and entice the shopper to add more to the basket. This approach, called multi-motivators, is gaining attention as a formalized, strategic effort among loyalty marketers, though most merchants may be doing it and not even realizing it.

But without an intentional strategy, which includes optimizing use across all available incentives, multi-motivators won't likely hold together long-term. An effective multi-motivator approach requires an organization to first build a loyalty platform, not merely a program, upon which it can layer other short-term promotions, partnership offers and cash-back incentives – alone or in combination.

The need to get it right can be costly. American companies invest more than \$2 billion annually in loyalty programs, generating 10% membership growth. Yet active memberships declined from 2010 to 2012 by 4.3%, according to the COLLOQUY Loyalty Attitudes Study. In short, every one

of these multi-motivator efforts is tasked with bringing a return on investment.

“You're spending incremental dollars to implement this program, what you need to understand is the incremental retention benefit of it,” said Earl Quenzel, partner of the marketing firm Quenzel & Associates, who has worked in the loyalty industry for 30 years. “What concerns the CFO and the smart CMO is what percentage of people would have stayed anyway? Where did I save money?”

An effective multi-motivator approach requires an organization to first build a loyalty platform, not merely a program.

Following are some examples of how Kroger Co., CVS/pharmacy and Caesars Entertainment, among other leading brands, are effectively using multi-motivating strategies, and how those efforts are helping them better understand and cater to their best customers, with the result being higher sales.

Aiming for snowflakes

Loyalty marketing represents one of the fastest-growing industries in the United States, with memberships in loyalty programs doubling from 2006 to 2013 to 2.65 billion from 1.34 billion. That's more than eight programs for every man, woman and child in the country.

As the field has grown more crowded, marketers are investing more time and money in their efforts to distinguish their programs. This is the impetus for multi-motivators.

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In general, experts identify four types of motivators:

- **Promotional pricing:** Discounts, coupons, partner-funded offers, cash-back programs or fuel rollbacks that encourage short-term purchases;
- **Points or miles:** The reward currency issued through a loyalty program;
- **Promotional programs:** Contests, sweepstakes and giveaways that deliver high-value rewards; and
- **Member privileges:** Special benefits offered through club memberships and subscriptions.

These efforts are in place across industries. Some chains, including CVS/pharmacy, offer segment-targeted programs such as ExtraCare's Beauty Club. In the entertainment and hospitality industries, Caesars Total Rewards reveals membership advantages through its Insider Pricing restaurant initiative.

Other merchants partner with outside firms to maximize their data analysis for one-to-one targeting, as is the case with the Kroger Co. and U.K.-based dunnhumby. Since their partnership began Kroger's customer engagement has evolved from manufacturing collaborations that produced "random acts of marketing" to household-specific promotions derived from card-level data, said Mark Wilmot, senior vice president and U.S. head

of communications and media at dunnhumbyUSA.

"When we started we were working off of segment platforms," Wilmot said. "Segmenting is good, and better than mass (marketing), but many people move through different segments through different times of the year. A lot of people look in the mirror and couldn't say what segment they are in."

DunnhumbyUSA dedicates 18 to 24 full-time data analysts to the Kroger account, enabling it to employ a multi-motivator strategy that

includes mailers sent to 8 million to 12 million customers several times a year. "They are snowflakes," Wilmot said. "No two are alike." Another example is Kroger's *My Magazine*, which mails to as many as 3 million households, but is produced in roughly 20,000 variations based on card data.

The investment is paying off. Kroger gets more than 60% participation on its mailers and other promotions. That compares with 15% to 18% when it segmented its market base.

At Caesars Entertainment, regular surveys and face-to-face discussions help define its multi-motivator strategies. Among them are Monday Multipliers, through which casinos in quieter markets might offer triple points to attract guests, and Insider Pricing, wherein the menus at Caesars restaurants list entrée prices for members alongside those for non-members.

"The hard part for us is trying to find out what motivates people who aren't our engaged customers," said Michael Marino, vice president of customer loyalty at Caesars.





Insider Pricing is one way to do that, as are partnerships with outside organizations, including Starwood Hotels and Resorts and the ticket seller FanXchange.

Through FanXchange, for example, Total Rewards in May launched TR Live Events, a website that enables Total Rewards members to buy tickets for events outside of Caesars – a first. Members can earn points or use them to make purchases.

“We’re trying to take (Total Rewards) from a program that helps you within our casino walls to a program that’s part of your everyday life,” Marino said.

In the first four months after launching the Starwood partnership in January, 10,000 Starwood members joined Total Rewards (no results on TR Live Events yet).

Caesars and Kroger stand apart because they operate their loyalty programs as engagement platforms,

said Caroline Papadatos, senior vice president of international corporate marketing at LoyaltyOne. “The emerging best practice is to think about your program as a customer engagement platform that allows you to collect customer data, derive intelligence and optimize your investments across multiple motivators,” she said. “Companies in general and retailers in particular are using multiple motivators, but they are rarely using them in combination with one another.”

The science of multi returns

Regardless of industry, the point of investing in an optimization platform and multi-motivator campaign is to retain best customers and increase purchases, with a clear return on investment.

One way to achieve that, according to loyalty expert Quenzel, is through a marketing sciences group that serves as a third-person authority,

not a committee supporting pre-determined corporate theories. It also is important to include the group in the entire process, not just measurement.

“Have them at the offer development table,” he said. “They can help determine the incentive, and ask for what they need to measure the program.”

“Think about your program as a **customer engagement** platform that allows you to collect customer **data**, derive **intelligence** and optimize your **investments** across multiple motivators.”

Armed with data that quantifies the results, retailers can choose the best motivators to suit specific customers.

CVS/pharmacy, for example, uses a common data analytics platform to develop segmented programs including ExtraCare’s Pharmacy and Health Rewards program and its Beauty Club.

“Knowing what your customers want does not mean you should decide for them – it means you should deliver smarter options for them to pick and choose from

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Putting the Mo' in Motivators

Effective multi-motivators work off a loyalty platform that is designed to analyze data and identify consumer needs and aspirations, ultimately building brand integrity.

Here are three qualities essential to succeeding as a multi-motivator:

- **Honor the goal:** For most organizations, the operational goal is growth, and that typically comes in the form of topline sales. However, when it comes to multi-motivator strategies as part of a loyalty platform, the goal should be determined by the specific behaviors a brand wants to encourage, and then achieved through the understanding of which motivator, or combination of motivators, will accomplish that.
- **Hire the best, and spread the knowledge:** Data scientists will soon be in short supply, and the organizations with the best talent will have the greatest chances of turning those insights into connections. The next step is ensuring these A-list analysts are disciplined in seeing the data in an unbiased manner and then sharing the results across the entire organization. This may require an organization to expand its training systems.
- **Share the wealth (and cost):** The organizations that excel at multi-motivating plans are those that know how to, and are willing to, engage vendors in a collaborative funding model. These partnerships enable a more strategic relationship between the vendor and the retailer and ultimately expose both to more conclusive data.



and even be 'wowed' by," Melissa Studzinski, vice president, customer relationship management at CVS/pharmacy wrote in an email. "For us, it's not about handing out loyalty cards – engagement is what is more important. It's about a two-way conversation with our customers."

The first step is understanding the effect each motivator has on consumer behavior, said Brian Ross, president of Precima, a LoyaltyOne analytics solution.

"The key to maximizing return on marketing investment is knowing when to use which incentive," Ross said. "This is where analytics comes in. Understanding what promotions motivate the right customers and customer behaviors can drive millions of dollars on incremental sales and profits."

In essence, when it comes to visualizing how multi-motivators work, it helps to return to the grocery store aisle. Many choices remain, but multi-motivators, when a part of a well-planned loyalty platform, can help inventory and categorize the variety of initiatives.

Certain items may rotate in and out of use to attract new or lagging members, and other more staple initiatives will remain constant, catering to the preferences of core members and sending well-timed offers.

In likelihood, the choices will continue to increase. But just like toothpaste, the goal is simple: make the customer smile. **Q**

Lisa Biank Fasig is senior writer and editor of COLLOQUY.

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COLLOQUY Recognizes Caribou Perks as Loyalty Program to Watch

Caribou Perks surprises members with a range of unpredictable benefits. Reward frequency is based on the number of transactions and perks fluctuate – ranging from size upgrades to free baked goods. Members get reward alerts via e-mail or text. Established earlier in 2014, the program with its mobile component attracted approximately 200,000 enrollments, accounting for more than 25% of Caribou's transactions. *Read more.*



COLLOQUY Recognizes Global Hotel Alliance for Localized Experiential Rewards

To increase redemptions of its GHA Discovery program, Global Hotel Alliance tweaked its Local Experiences reward component to include more personalized and authentic experiences. These range from shopping trips at Harrods in London to fishing off the Portuguese coast. In-hotel experiences include regional spa treatments and menu items prepared with local ingredients. Year-over-year, the program realized a 141% increase in redemptions. *Read more.*



COLLOQUY Recognizes Air Canada for Gamification Promotion

Air Canada's Earn Your Wings is a game-based loyalty promotion that awards players Wings for every takeoff or touchdown. Members earn additional bonuses as they climb a promotion-wide leaderboard and collect badges for car rentals, hotel stays and similar activities. The promotion created a competitive online community of 100,000 registrants and a return on investment of more than 560%. *Read more.*



COLLOQUY Recognizes Kirmizi Kasa/Coca-Cola Turkey for Digital/Mobile International Loyalty

Seeking to increase engagement, Coca-Cola in 2013 relaunched its Kirmizi Kasa, or "Red Vault," program with an integrated mobile website, mobile app and enhanced web interface. Members compile points by collecting "caps" and entering codes through any of the digital platforms, which also provide account updates and display the gift catalog. More than 2.7 million gifts were redeemed in 2013 and memberships doubled in eight months. *Read more.*



COLLOQUY Recognizes Vicinity Rewards for Small Business Loyalty

Vicinity, one of Canada's fastest-growing loyalty networks, issued a simple call to action: Love Your 'Hood. Designed for small- and medium-sized businesses, Love Your 'Hood encourages repeat customers through rewards and communications, including a print and online campaign highlighting the benefits of buying local. The outdoor and digital ads attracted more than 100 business participants and 25,000 new cardholders in less than two months. *Read more.*

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Click here and complete the short questionnaire to nominate your company's program or initiative for a COLLOQUY Recognizes award. Winners are chosen bimonthly by the COLLOQUY editorial team and receive recognition in COLLOQUY magazine and with a personalized Crystal Q at the annual COLLOQUY Loyalty Summit.



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