How Technology and Big Data Impacted the Loyalty Program Evolution

When it comes to customer loyalty programs, many brands are struggling to keep pace with the digital age. Brands have been slow to capitalize on new data-driven innovations to better engage (and retain) their highly-valuable tech-savvy customers. Yes, loyalty programs have become more common place and ultimately influence where 57 percent of consumers[1] make a final purchase, but the tech boom has consumers wanting more from their favorite brands and loyalty programs.

Consumers are demanding convenience across all touch points, more personalized offers and rewards for showing loyalty beyond the Point of Sale (POS). In order to remain relevant in the 21st century commerce experience, retailers and restaurants are being pushed to exceed the traditional loyalty program structure of "earn points and receive rewards."

This whitepaper will outline the obstacles brands must face to strengthen existing customer relationships in the digital age, which brands have a strong pulse on next-generation loyalty tactics and how technology can both help and hinder loyalty strategies.

THE EVOLUTION OF LOYALTY PROGRAMS

TIMELINE

1891

Green Shield awards stamps for purchases to be later redeemed for catalog products.

1929

Betty Crocker presents its box top program, marking the start of brand specific loyalty programs.

1981

American Airline's launches its Frequent Flier program.

1985

Subway rolls out a stamp-based loyalty program.

1990

The use of plastic loyalty cards emerge.

2003

US companies spend over $1.2 billion on loyalty programs.

2009

Starbucks debuts its mobile loyalty app to engage smartphone users.

2011

Consumers are introduced to card-less loyalty solutions.

Technology Pushes Loyalty Forward

It was pure ingenuity that once fueled the progression of customer engagement strategies. The idea of showing consumers gratitude for purchases began in 1891 with the distribution of Green Shield stamps. Fast forward to using paper punch cards to reward repeat purchases and the standardization of loyalty efforts in the form of frequent flyer programs. Today, card-less programs, mobile apps and social network capabilities have leading roles in the loyalty evolution.

The smartphone, which is a favorite companion among 75 percent of consumers[2], has undoubtedly introduced brands to behaviors and shopping habits that did not exist a decade ago. As tech-enabled consumers embrace the idea of storing digital loyalty cards on their smartphone, mobile technology has empowered many brands (and stalled others) to cultivate a deeper relationship with loyaty members via convenient mobile apps and payment opportunities.

With 1.76 billion smartphones in use worldwide[3], Big Data has further accelerated how brands gather intelligence about valuable loyalty program members. Brands have the ability to capture new data points gaining more insights and clarity into purchase patterns and buying motivators. Surveys by Information Technology analysts Gartner, Forrester Research and META Group suggest the data-for-dollars explosion is showing no signs of letting up anytime soon.

Future loyalty initiatives are set to grow even brighter with the Internet of Things (IoT). IoT is moving into stores and restaurants in the form of beacons, smart shelves, and more sophisticated gamification. As consumers are getting more accustomed to IoT, brands are slowly and carefully implementing strategies that don't cross the line between innovative engagement and creepy 'big brother' technology.

Loyalty In the Digital Age

As technology has pushed new engagement criteria to the forefront, today's best loyalty programs have found a balance between tradition and innovation. Others, however, have been quick to roll out loyalty programs, but slow to integrate certain features and functionality, which has led to a high number of non-active program members.

In order to keep strides with consumer expectations and strengthen program participation, brands should aim to integrate the following new 'must-haves' into loyalty programs strategies.
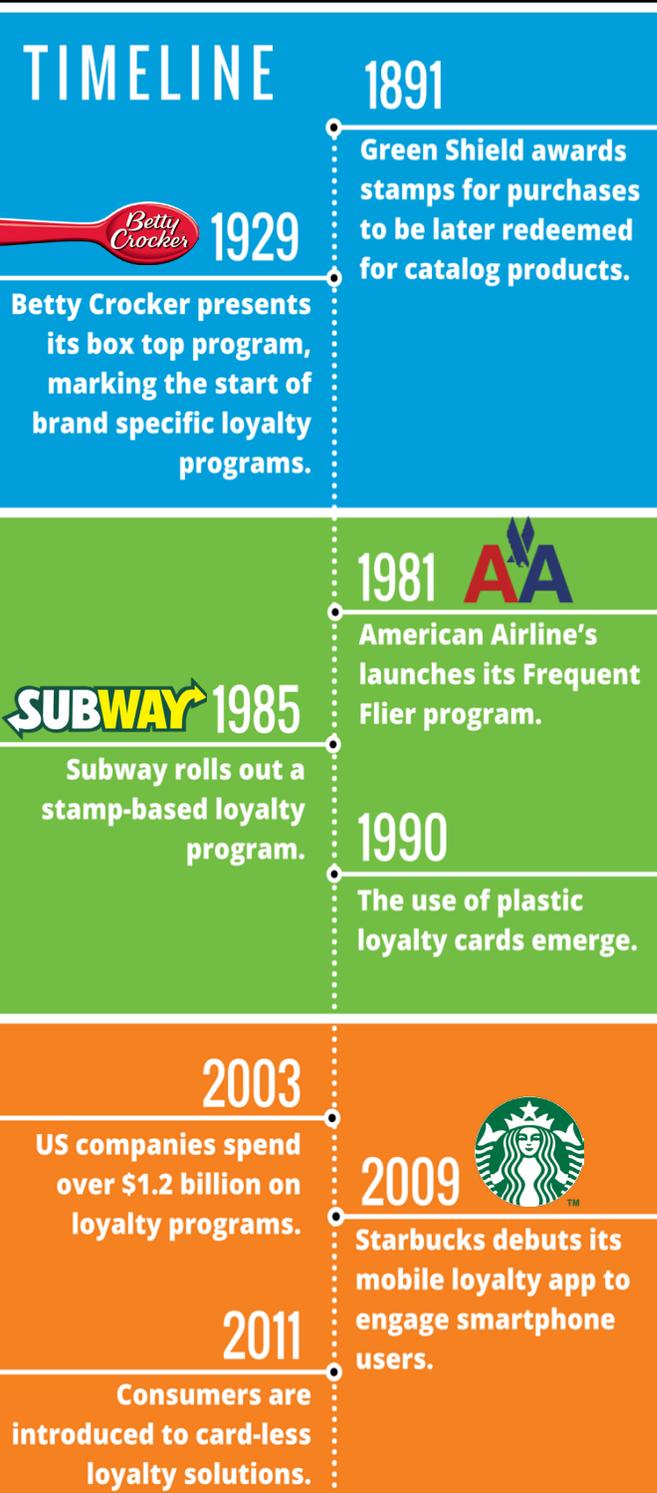
New Loyalty Program Strategy 'Must-Haves'

Offer mobile access to loyalty program features

Providing a well-rounded mobile experience allows brands to stay connected to loyalty members throughout the entire customer journey, and promote higher engagement during pre-store, in-store and post-store activities. Unfortunately, 73 percent of retailers do not offer customers mobile access to their loyalty program features[4].

Provide cross-channel redemption services

Consumers want the ability to cash in their hard earned loyalty perks where they shop, which includes online and mobile. With only 9 percent of loyalty programs offering redemption across all channels, there is significant room for improvement in this area[5]. Adequate redemption mechanisms will ultimately lead to a seamless multi-channel brand experience.

Give rewards for interactions beyond transactions

When brands reward customers for non-transactional behavior such as posting positive reviews, comments and tweets, consumers begin to feel an emotional bond with the brand. However, rewarding customers for some form of social media engagement is only practiced by 4 percent of loyalty programs[5]. Social media is the new 'word of mouth' and acknowledging brand advocates across social networks is key to driving loyalty in the long term.

Use personalized incentives to drive purchases

Today's loyalty program technology enables brands to capture and track buying behaviors, visit frequency and product preferences to better understand customers, and in turn, market to them more effectively. According to research conducted by Capgemini Consulting, only 11 percent of loyalty programs offer personalized rewards based on a customer's purchase history or location data[5]. In order to ensure consumers are deeply invested with the brand, all communications and offers must directly impact or relate to individual customer needs.

Address cravings for status and recognition

Consumers desire status and wear recognition like a badge of honor. Oleg Urminsky, a marketing research teacher at the University of Chicago Booth School of Business, believes all organisms are drawn to goals; and motivation increases as the achievement draws closer[6]. Incorporating loyalty tiers, such as platinum, gold and silver, into a structured engagement program will help brands separate one class of customer from another and actively push them through the loyalty journey.

Update the "earn points and receive rewards" structure

Seventy seven percent of basic transactional loyalty programs fail in the first two years[7]. Why? Too many brands are sticking with the loyalty manta of buy 10 and get one free; when the focus should be shifted to low cost, experience-oriented rewards. Loyalty programs need to offer more than general discounts and go beyond earning points to maximize relevance and deliver surprises to loyal customers.

5 Mistakes Preventing Loyalty Program Success in the Digital Age

1 Not offering customers mobile access to loyalty program features

2 Failing to provide cross-channel redemption services

3 Ignoring loyalty members who advocate for the brand on social networks

4 Confusing loyalty with rewards

5 Using impersonalized and ineffective incentives to drive purchases

OOPS!

Is Technology Helping or Hindering Brands?

While innovation and progression are, of course, required and encouraged when it comes to customer engagement technology, there is a danger in rushing to embrace new opportunities without having a strategy to compliment the latest tech trend. A multitude of traditional, social, and digital customer channels, combined with constantly emerging loyalty technologies, is making successful customer engagement both difficult and daunting for brands of all sizes.

Technology overload may be to blame for lackluster loyalty programs at the retail level. Brands need to push forward and simplify by picking a strategy, focusing on that game plan, and deciding which technology will help move that strategy forward. After all, the role of technology is to improve the loyalty program experience, which will ultimately drive loyalty to the brand.

Leveraging Technology to Bring It All Together

Technology and Big Data have clearly enabled brands to recognize, reward and interact with customers in a new way. In order to apply the standout examples outlined on the following page and introduce a seamless, tech-savvy loyalty experience to consumers, retailers and restaurants must ensure their internal processes are up to the challenge.

A fully integrated, multi-channel, personalized loyalty program requires the right technology platform. It needs to be fully integrated with internal systems, such as POS, e-commerce, social media, CRM, ERP, financial, and customer service systems. A best-in-class loyalty platform will have the capacity to support cross-channel reward redemption, aggregate data and support advanced analytics for real-time rewards management and personalization.

Industry best practices recommend integrating loyalty technology with existing POS systems in order to collect critical data that offers a more complete picture of a customer's product preferences. The ability to supplement social media and location data will further support a retailer's effort to leverage beacon technology and gamification programs.

Standout Examples of Loyalty Programs Leveraging Technology

The pharmacy chain's loyalty program allows members to connect their digital health trackers with the Walgreens mobile app. Members are awarded points whenever they engage in a healthy activity.

In order to capture a wider share of tech-savvy consumers obsessed with convenience, the Company welcomes customers to place orders via Twitter using a pizza emoji.

Macy's has piloted a range of location-based technology initiatives, as well as strategically placed beacons, to interact with a customer's smartphone. An article in Harvard Business Review reports that correctly timed proximity discounts can increase the odds of a purchase by an astounding 76 percent[8].

Starbucks' Cup Magic mobile app combines augmented reality and gamification to drive engagement. The app allows customers to point their smartphone at a customized coffee cup and watch it come to life through animated effects.

HSN's gamification efforts include the Spin 2 Win game, which users spin in hopes of getting three identical ticket offers to earn badges toward rewards. Spin 2 Win is one of more than 40 games available on the online HSN Arcade.

Subway is testing Wi-Fi monetization, urging guests to opt-in to the restaurant's Wi-Fi network to receive free items and additional customized rewards. It will provide Subway with some important analytics including how many people enter the store and the duration of time spent within the store.

Conclusion

If history is any indication, the loyalty evolution will continue and move even faster as more technology emerges. Brands must fight feelings of technology overload and take a step toward innovation, not for fear of being the last to adopt emerging loyalty trends, but for the purpose of maintaining a meaningful and profitable relationship with valuable consumers. Industry experts continue to agree that a loyalty program is one of the best ways to understand the customer, reach the customer and deliver a positive brand experience.

However, consumers are becoming bored and disengaged with run of the mill loyalty programs that ignore obvious technology advancements such as mobile access, cross channel redemption services and recognition for social media activity. Data driven technology has permanently changed the loyalty landscape; and brands who ignore consumer expectations and continue to confuse loyalty with rewards will lose the battle for loyalty in the digital age.

About DataCandy

DataCandy is a North American leader in loyalty and gift card software solutions for the retail and hospitality sectors. Since its inception in 2002, DataCandy has led the way in providing customer engagement solutions to more than 4,000 locations across Canada and the United States.

getinfo@datacandy.com

datacandy.com

(877) 632-6269

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