The first-ever COLLOQUY Loyalty Awards—a part of our 20th Anniversary festivities—pay homage to savvy marketing, intelligent and informed loyalty initiatives, and bold forays into customer-centric Enterprise Loyalty. Join COLLOQUY in celebrating those companies that illuminate the pathways to transformational loyalty practices. And learn from the finalists and winners as they tell us of robust innovations and well-deserved success stories.
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COLLOQUY means "conversation or dialogue." Providing loyalty thought leadership since 1990, the COLLOQUY media enterprise is your reliable resource for innovative strategies that drive profitable customer behavior.

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Innovative Loyalty Marketing: News and Opinion From COLLOQUY

Inflection Point of No Return

How integrating data into merchandising and operations is gaining favor and momentum among today’s retailers

**BY PIETRO SATRIANO**

**EARLIER THIS YEAR**, a well-known and highly-respected retail analyst in Canada, Perry Caicco of CIBC World Markets, hosted the annual CIBC Retail and Consumer Conference. The speakers included the CEOs from several of the top Canadian retailers, including Bill McEwan of Sobeys, Allan Leighton of Loblaw, Eric La Fleche of Metro and Jurgen Schreiber of Shoppers Drug Mart.

All of them made reference to how they were changing their decision-making regarding the use of customer data to promote its integration throughout the organization, including merchandising and operations. Whether they have partnered with an organization specializing in advanced analytics; hired people specifically for their background in customer-centric retailing; or over-hauled their loyalty offering to dive more deeply into customer segments, it’s clear that many enterprises finally have the readiness necessary to take the next step toward true customer-centric data use.

I believe an important and exciting inflection point is happening in this regard—one that retail is embracing and that companies are realizing they can’t ignore. Customer-centricity, through data integration into merchandising and operations, is gaining some serious momentum and favor across retail verticals and up and down the corporate ladder.

Of course, the entire C-suite must be engaged in this endeavor—for while the marketing department is an important enabler and can help lead the effort, Enterprise Loyalty is just as much, if not more, a movement from within merchandising and operations. That means it becomes an effort borne across the entire enterprise.

While the marketing department is an important enabler and can help lead the effort, Enterprise Loyalty is just as much, if not more, a movement from within merchandising and operations.

**Tipping points**

I believe four factors clearly explain why an inflection point is happening right now:

**Existing assets are the focus of the New Economy.** For nearly two decades, until the current recession, retail growth was really a function of real estate expansion and, in some cases, format reinvention. With today’s tight economy and the days of easy growth behind us, however, retailers are focusing on increasing the productivity of existing assets. Customer-centric retailing lends itself to that focus because it centers around getting more out of your existing customers.

**The success of others has been closely watched.** Industry players have taken notice of the well-publicized data-driven success of Tesco, Kroger and Shoppers Drug Mart. Whether these efforts are seen as a means to extract funding from the CPG community, or, at the other end of the spectrum, to truly enhance their businesses—or a mix of the two—the results are clear: There is less real estate being added, and more emphasis is being placed on advanced data analytics that can drive customer-centricity.

**The Walmart factor can’t be ignored.** As Walmart adds footage to its low-priced formats, similarly adding footage becomes less economical for the incumbent retailers. This factor directs these retailers to get more out of their existing assets and protect their existing customers as Walmart expands its reach. No retailer today can ignore this fact.

**Future impact of the data**

With the inflection point happening now, I believe the impact of data on the retail landscape can’t be ignored—and those retailers who don’t get on board will be left behind. Here’s what I think you might see in how data usage will impact retailers over the long term:

**Greater focus on what makes a particular retailer distinctive with its core customers.** Having a set of assets or products more tailored to some segments than others should create stronger differences across retailers. But historically, this situation has not been the case. Without knowing their customers, retailers have tended to all do the same thing in terms of promotions and efforts to drive traffic. As a result of using your customer data in the right way,
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The COLLOQUY Loyalty Awards

In the elegant atmosphere of the appropriately named Grand Ballroom of the Arizona Biltmore, COLLOQUY bestowed its inaugural Loyalty Awards to companies exhibiting innovative approaches to maintaining customers and to enriching customer-brand relationships. COLLOQUY honored companies in five categories detailed on the pages that follow. Winners received engraved Tiffany crystal awards at a ceremony Sept. 16, during our 8th Annual COLLOQUY Loyalty Summit.

Judging was conducted in two stages:
1. An independent jury of 10 individuals selected three finalists in each of five award categories from all entries submitted.
2. The industry itself—COLLOQUY subscribers—then determined the winners online, rating each finalist’s entry on a scale of 1-10 based on the initiative’s innovation in meeting the category’s requirements.

In this special section, learn about the finalists’ savvy strategies and exceptional execution. And give thought to telling us about your own initiatives for our 2011 Loyalty Awards, when we extend our reach beyond North America. So join us now in celebrating this year’s winners, and join us with entries next year so that we might be celebrating your achievements in 2011.

Our Jury:
- Nancy Gordon, COO, Signature Systems LLC (EVP, Citi, at the time of jury evaluation)
- Jennifer Hawkins, VP/GM Consumer Card and Product Development, American Express
- Kelly Hlavinka, Managing Partner, COLLOQUY
- Garret Ippolito, VP, MasterCard Worldwide
- Scott Key, SVP, Relationship Marketing and Business Direct, Gap Inc.
- Richard Levey, Senior Editor, DIRECT and Chief Marketer
- Kyle Murray, Dir. of the School of Retailing in the School of Business, University of Alberta
- Randy Petersen, Chairman, Inside Flyer
- Aubyn Thomas, Head of CRM, Database Marketing, Analytics and Loyalty, Luxottica Retail (President of Atlanta DMA at the time of jury evaluation)
- Mark Vandenbosch, Professor of Marketing Faculty Scholar, Richard Ivey School of Business, University of Western Ontario

The first-ever COLLOQUY Loyalty Awards honor companies who have exhibited savvy marketing, intelligent and informed loyalty initiatives, and bold forays into customer-centric Enterprise Loyalty. Join in the celebration of companies that illuminate the pathways to transformational loyalty practices.
Master of Enterprise Loyalty

The COLLOQUY Master of Enterprise Loyalty Award goes to the company that can best demonstrate that its Enterprise Loyalty strategy has been adopted and integrated across the enterprise, resulting in improved financial and/or customer performance.

COLLOQUY Loyalty Award jurors appreciated ThankYou Network’s value to the customer. For example, one juror rated ThankYou high due to its progress in keeping the customer at the heart of everything it does, despite being a large, complex organization. Another liked how it moved Citi toward a more intense customer focus. Meanwhile, a voter added that Citi has done a good job of staying at the top of the competition.

Winner: Citibank/ThankYou Network

Six years ago, Citi came up with an idea for incenting customers to increase their business across multiple lines. Knowing its customers wanted to feel appreciated, and seeing an open opportunity to build long-term loyalty through rewards, the company launched ThankYou, which today boasts more than 13 million members.

The program gives points and rewards to people for doing things they would normally do—such as paying their bills online, making purchases with a credit card or having checks direct-deposited into their checking accounts—but doing it with Citi instead of a competitor. Points are also awarded for shopping in Citi’s online mall with more than 400 merchants. ThankYou works across three divisions—credit cards, retail banking and brokerage firm Smith Barney—and offers double rewards for members who acquire more of the bank’s products and for increased engagement across these products.

According to Foresee research findings, ThankYou members are extremely satisfied with the program. They are also the most profitable of Citi’s customers, contributing significantly higher spend than non-members. In addition, retention improves as customers become more engaged with ThankYou.

Citi says it envisioned the ThankYou brand as being synonymous with a positive customer experience and a feeling of appreciation, while increasing revenue across product lines for the company. The program was designed so that customers who use more products would earn points faster. ThankYou rewards, which start as low as 100 points, are redeemable at partners including Amazon.com and Sony Music Entertainment.

Members can also redeem for cash, put points toward bills such as their mortgage payments or student loans, or can make donations to green or disaster-related causes. In response to the earthquakes in Haiti and Chile, for instance, ThankYou members used points to donate more than half a million dollars to the American Red Cross. And with a program called “Your Wish Fulfilled,” members can use points for anything at all. ThankYou also uses contests to engage members—in 2009, for example, members participated in a gift card design contest.

The ThankYou website receives more than 2 million unique visitors per month, the company reports, while the number of redemptions has doubled in the last five years as a result of increased membership and a greater selection of rewards.

Over time, ThankYou messaging has become more customer-centric, focusing more on customer wishes and expectations. The program solicits “Member Memories” to document positive experiences with the rewards program and to show genuine interest in what customers have to say. In addition, based on customer feedback, the program has enhanced its rewards choices and opportunities to earn points.
A multi-phased approach for customer communication was developed to prepare SkyMiles members for the upcoming changes and manage their expectations. Delta sent more than 14 million emails and direct mail pieces advising members of the merger and assuring them that their miles wouldn’t expire.

Delta evaluated all program levels and identified critical objectives, while realizing that the transition needed to move as quickly as possible. Delta identified gaps in the programs and worked to fix those most critical to members. They heavily trained customer-facing staff to handle challenges, questions and service requests. Delta and Northwest enabled members who were in both programs to combine their redeemable miles until the merger was final.

A cross-departmental team was established early on to provide stakeholders with information, process changes and promote program awareness to ensure company-wide readiness. Weekly status meetings included representation from Sales, Reservation, Airport Customer Service, In-flight, Marketing, Customer Care, and IT. A transfer feature and integration timeline were available on delta.com. More than 20 million emails and letters detailing the program changes and benefits were sent, more than 12.5 million new SkyMiles cards were issued, and more than 5,000 information packets were distributed to both domestic and international call centers.

In the end, Delta received significant positive feedback from customers, indicating that they were successfully prepared for the merger. Customer retention exceeded expectations, and SkyMiles received a higher-than-forecasted increase in membership throughout the year.

Finalist: Scotiabank & Cineplex Entertainment/SCENE

In May 2007, Scotiabank and Cineplex Entertainment—which operates 130 movie theaters with 1,347 screens in Canada—partnered to launch SCENE, a loyalty program that rewards members for their entertainment activities, including the use of Scotiabank VISA cards for movie expenses. Before SCENE, Cineplex had more than 60 million visitors each year, but had no visibility into their behavior, while Scotiabank sought to increase customer acquisition and retention, particularly within the younger, movie-going set. SCENE was designed for mutual benefit between the two companies, capturing actionable data for Cineplex and turning potential customers on to Scotiabank.

To meet its objectives, SCENE developed a customer-segmentation model, including eight key clusters based on member activity across two dimensions: movie-going frequency and concession spend. Through this modeling, Cineplex identified families and students as segments that could be targeted better, and began working on programs designed to increase their use of Cineplex properties.

They created targeted email communications designed to drive incremental purchase frequency, concession spend and DVD store sales.

“Customers are telling us they like the value proposition,” says Shawn Bloom, General Manager of Cineplex. “Points are easy to accumulate and redeem and the program is easy to understand.”

Messages were tailored to members’ overall activity and demographics. An online advisory panel was also developed to generate member feedback for development of new program benefits, offers and services.

Thanks to learnings from its segmentation strategies and cluster data, SCENE has exceeded its three-year membership goal by 40%, or 2.5 million members. Average yearly visits increased by 2.5 visits, while annual concession spend increased 40% from year one to year two and 27% from year two to year three.

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Finalist: Delta/SkyMiles

In October 2009, the Northwest WorldPerks program merged into Delta SkyMiles, increasing the program’s membership from 42 million to a nearly staggering 74 million. Not surprisingly, the integration was complex and required extensive coordination across every department.

-we had a very short window of time to integrate the programs and create the world’s largest loyalty program,” says Jenny Ho, General Manager of the Medallion program. “As you can imagine, this was a complex process. However, we made it happen and the integration went as smoothly as we could have expected.”

Juror: “Of the many merger efforts I’ve watched in the last 20 years, this was the best execution of any and shows that their plans and goals were more than realistic.”
The Innovation in Loyalty Marketing Award goes to the company, regardless of vertical, that has implemented innovative loyalty-marketing strategies resulting in improved financial and/or customer performance. Innovation may reflect state-of-the-art marketing media, processes, technology, measurement, channel use and/or other marketing areas.

To date, more than 2 million members throughout the U.S. and the U.K. have joined RecycleBank’s loyalty program and are earning rewards points for things like recycling plastics, mailing in their old electronics, and choosing a wind-based electricity supplier.

"We’re one of those rare programs out there that markets green association but at the same time drives sales," says Azim Esmail, RecycleBank’s Director of Rewards and Loyalty. "Our program offers us the ability to work with everybody. We’re able to touch key green brand points across the entire spectrum."

**Winner: RecycleBank**

Imagine being rewarded every time your weekly recycling is collected. Or for mailing your old technology to a designated recycling center. RecycleBank’s partners reward people for taking green actions such as these.

While most companies and brands compete for a customer’s business on the front end—the sale—RecycleBank competes for that same customer’s business on the back end—when they throw the remnants, packaging, unused materials and other trash away. RecycleBank is, effectively, a market maker, creating a new market—and a new loyalty program—where one did not exist previously—and one in which, today, there is no direct competition.

Social responsibility was the key for voters choosing RecycleBank as the winner in the Innovation in Loyalty category. One voter commented that “going green is the new green,” while another called RecycleBank “a real innovator” in the loyalty space.

Points earned are redeemable at over 2,600 companies in more than 20 categories—companies include such major brands as McDonald’s; Friskies; CVS; and Bed, Bath and Beyond. Members can redeem for coupons and discounts (for example, 100 points for $3 off a bottle of Nature Made vitamins) or products themselves (for example, 88,000 points for a digital camera). Members can also track their environmental footprints by seeing how many gallons of oil and how many trees their households have saved as a result of their recycling efforts.

The five-year-old firm also works with hundreds of municipalities whose collection bins have been retrofitted with tracking devices. When the bin is emptied, the weight of the recycling is logged against the homeowner’s account and rewards points are applied. On average, households can earn $130–$200 in reward value each year. Communities serviced by RecycleBank also have the option to donate their points to schools through the RecycleBank Green Schools Program.

"I think there are three main pillars within any loyalty program that drive people to participate," says Azim Esmail: "The monetary value they get out of it; the emotional value of achieving something such as gaining points, having more points than their peers and being part of a higher tier; and having a sense of being part of a community. Those three pillars are what RecycleBank is building its foundation on."

Partnerships are also key. "We have 100 national partners that worked with us in the last month, and we recently partnered with Procter & Gamble, Leapfrog and Old Navy. Our ability to create those relationships will help differentiate us and provide more member value."

Since 2005, participating RecycleBank members and communities are responsible for saving more than 10 million trees and 672 million gallons of oil. Now that’s loyalty.
Best Buy was looking for a promotion that would increase spending from its Reward Zone (RZ) members after a tough year. RZ members want special treatment for their loyalty, so Best Buy created the November Private Shopping Event. Members received a direct mail or email inviting them and a guest to attend on a Sunday evening after closing. The two-hour experience included one-on-one service, specials, demos and giveaways. Each of the 450 participating stores received a playbook to help them prepare, while district managers attended a pre-event conference call.

The events were sponsored by two main vendors, each from a different category. Members could log on to MyRZ.com one week prior to the event to see specials. Each store also unveiled individual offers on event day. General managers received a list of their stores’ top members for sending out personal invitations.

The Private Shopping Event generated over $17 million in sales, or about $43,000 per Best Buy store, and drew an incremental lift in sales and margin over 20%.

“I think what really made this event a success is our Blue Shirts [front-line associates] in the stores,” says Best Buy’s Bob Soukup. “They really went out of their way to make it a special experience for our members. The fact that the Blue Shirts were there and were excited and welcoming and treated members special I think made all the difference in the world in the success of this promotion.”

Finalist: ScotiaBank & Cineplex Entertainment/SCENE

SCENE, an entertainment loyalty program, was launched in 2007 as a partnership between Scotiabank and Cineplex Entertainment. The program reached 1 million members within its first year and currently has over 2.3 million members.

In 2009, marketing strategy shifted from customer acquisition to ensuring that members were actively participating in the program and redeeming points. At the same time, the company shifted from sending out mass emails to using targeted, triggered emails based on members’ recency and frequency of program engagement. The Member Engagement Strategy focused on three areas: reinforcing the value of the program to newly enrolled members; motivating at-risk and absent members to participate; and upgrading moderately active members.

Jurors liked the focus on trigger messaging to most-valuable customers.

“...Part of it is the way we’ve been able to tap into pop culture. Canadians definitely have an affinity for movies. A lot of thought went into creating a strong offer for movie lovers—one free movie for every 10 visits and 10% off all your concession spend.”

Targeted welcome emails generated a lift 3.1 times higher than the baseline cohort, while emails targeting earning activity generated incremental behavior 3.2 times higher than its equivalent baseline cohort. The “1st Redemption Targeted Campaign” saw a lift over control of 2.81%, while the incentive that offered a free movie outperformed a points-only offer by 44%. Members also found engagement communications more relevant. Open rates were more than 21% higher for engagement emails, while clickthroughs were more than 60% higher.
Innovation in Travel/Hospitality Loyalty

This award goes to the travel/hospitality company that has implemented innovative loyalty strategies resulting in improved financial and/or customer performance. Entrants represented such verticals as hospitality, outdoor recreation, airlines and even B2B (travel agents).

Winner: Hyatt Hotels & Resorts
The Hyatt Gold Passport / The Big Welcome

Perhaps no industry was hit harder in the recession than travel and hospitality. However, rather than wait out the downturn and let growth and market share pass them by, Hyatt chose to aggressively go after their objectives using one simple premise: giving back at a time when their members needed it most. Since generosity and authentic hospitality are key to the Hyatt brand, the Hyatt Gold Passport team made “being generous” a key focus of the promotion by building in generous rewards topped off with random acts of kindness.

“We’ve always managed the company for the long-term,” says Jeff Zidell, Vice President, Hyatt Gold Passport. “A lot of these initiatives were in our heads before the recession and we said we’re not going to let the cyclicalities of the environment and downturn lead us down a path that is not customer-centric.”

Called “The Big Welcome,” the promotion had three goals: drive new and existing members to the program, increase the number of nights people stay, and create customer engagement with the brand. Hyatt created a global contest and added benefit enhancements to its points thresholds to encourage redemption during the campaign period, including eliminating capacity controls and blackout dates for standard room redemption, expedited check-in for elite members, and suite upgrades four times a year for Diamond members.

“Our thinking was, let’s take care of our best customers,” says Zidell. “It came down to which features and benefits are competitive matches and which are leapfrogs. We tried to come up with competitive leapfrogs at each level.”

Hyatt maintained a global focus by offering separate and equal rewards for North America, Europe and Asia. One winner from each region received 365 nights at Hyatt properties of their choice and 1 million air miles to help them get there. In addition, 10,000 people in each region received a free night at any Hyatt, while numerous smaller prizes were also awarded.

To get applicants fully engaged with the brand, they were asked how they would use 365 nights at Hyatt locations. Entrants used words, pictures, video and audio to sell their idea to Hyatt judges.

Hyatt launched a global marketing campaign called ”The Big Welcome” to generate buzz, media exposure and applicants, using newspapers, magazines, email and the global microsite TheBigWelcome.com.

Hyatt also engaged employees, empowering them to demonstrate “authentic hospitality” by performing “Random Acts of Generosity,” such as offering customers a free massage, laundry or dinner. A total of $1 million in Random Acts was dispersed, and employees had free reign with their giveaways.
The Bluegrass Hospitality Group (BHG) is a $25 million restaurant group with five brands: Malone’s Prime Beef Steakhouse, Sal’s Chophouse, Harry’s Bar and Grill, Aqua Sushi, and Drake’s. The organization felt a rewards program could help this group in three ways: to thank and reward loyal customers for their consistent patronage; to drive a customer-focused “Culture of Excellence,” and to create an unmatched competitive advantage in the Bluegrass Region of Kentucky.

The amount of research, planning and testing that went into this program prior to launch is impressive. Over a period of seven years, the owners spent a significant amount of time with other restaurateurs and companies with rewards programs to find out what worked and what didn’t. They spoke extensively with their customers and employees, testing their model repeatedly, soliciting feedback from all parties involved. Once BHG had a model that worked, it launched an aggressive training program, replete with a contest to ensure that all employees not only were excited but also were consistently replicating the appropriate value across every location.

The initial goal was to enroll 20,000 members within the first year. BHG achieved that goal within the first two weeks. Eight months post launch, members total 36,500 plus, resulting in over $7 million in sales.

A major differentiator for this loyalty program is its use of data analytics and segmentation in all customer communications, in particular targeting the top 100 customers by total spend, frequency and recency. Data is then used to drive trigger messaging such as welcomes, weekly surveys and 90-day “miss-you” messages (miss yous are tracking at a 15% response). A personal company, BHG knew it had to hone in and drive personalization in almost everything it was doing.”

Finalist: Bluegrass Hospitality Group/BHG Rewards

Delta took on the revamping of its Medallion program at a time when it had more than enough to do—right in the middle of the merger with Northwest and its WorldPerks frequent-flyer program. But that’s exactly why the airline felt the timing was right. With everything changing, it wanted to reinforce the loyalty of its top-tier members, capture loyalty from Northwest’s incoming top tier, and at the same time, increase its customers’ share of wallet through both frequency and yield.

A new suite of benefits were offered to Medallion members, including rollover Medallion Qualification Miles (MQMs), a fourth Diamond level for flyers who earn 125,000 MQMs or fly 140 segments per calendar year, and Choice Benefits, which offers Diamond and Platinum members choices in redemption options. Customers were allowed to qualify for the new Diamond Medallion tier based on their entire 2009 flight behavior. The Rollover MQM program launched two months earlier than the start of the regular program (in January 2010), and waivers were introduced on Direct Ticketing Fees.

Customer response was positive. “Our top-tier customers appreciated the added benefits, exclusivity, and Diamond Medallion-level service,” says Jenny Ho, General Manager of the Medallion program. “The Rollover MQMs were well-received, and the Platinum and Diamond Medallion members appreciated the flexibility of the Choice Benefits.”

Finalist: Delta SkyMiles Medallion Program

In March, satisfaction scores for the program grew substantially for the first time in three months and continued in April (based on the airline’s own study). Since the new 2010 Medallion program was announced in July (2009), revenue from Medallion-level customers has increased 20%, along with an improvement in yield.

“That the program is delivering both incremental revenue and the benefits we promised customers is something we are very proud of,” Ho says.
Innovation in Retail Loyalty

Winner: Godiva Chocolatier
The Godiva Chocolate Rewards Club

While Godiva Chocolatier has been a successful multichannel retailer of high-end chocolates for over 30 years, company executives recognized that further growth of the brand would depend on the ability to overcome two hurdles: Customers who turned to Godiva only at gift-giving times, and a lack of sophistication in the retailer’s ability to analyze customer data.

Godiva’s solution was a new customer loyalty program, the Godiva Chocolate Rewards Club (GCRC), which seeks to build year-round excitement around the brand by giving customers more of what they want—chocolate. At the same time, the new systems Godiva planned to put in place to power the program would help the retailer gain a better view of customer behavior across multiple channels, so it could craft more impactful marketing messaging.

The central component of the program is a straightforward offer to drive store traffic, with members receiving a free piece of chocolate once a month when they visit a boutique. The expectation was that customers would make a purchase when they are in the store.

“We kept it very simple with the free chocolate initiative in order to give customers what they want,” says Les Jones, Senior Project Manager, IT, at Godiva. The retailer used social networking tools to help it uncover what customers were looking for in a loyalty program, which helped ensure the program’s success.

Godiva rolled out the GCRC program in three phases over the course of 12 months between late 2008 and 2009, so as not to overtax store teams while new POS, loyalty and database systems were implemented. In the prelude phase, the company collected email addresses at point-of-sale and migrated its existing customer database, with 6 million names, onto a new multichannel database. In phase one, customers were able to begin using their GCRC bar-coded loyalty cards in stores, redeem for free chocolates, and start accumulating points toward other rewards. Because the company-owned retail boutiques are a significant part of the brand’s interaction with customers, Godiva also implemented at this time an in-store video training program highlighting the importance of the GCRC program. Phase two completed the integration of customer data across channels.

According to Jones, the cooperation between the marketing/loyalty team and the IT team to put the program together was one of the keys to its success. In fact, the two departments worked so well together on the complex project that Godiva now uses the cross-functional team as a model for how to execute similar projects.

Success certainly tastes sweet for Godiva. As of May 2010, more than 2 million customers had signed up for the new loyalty program, well above the retailer’s goal of 500,000. In addition, over half of its sales are associated with a loyalty account while the average loyalty sale transaction is 20% higher than non-loyalty transactions.
Finalist: Kroger and the American Dairy Association Healthy Rewards

The Healthy Rewards program was singled out by COLLOQUY’s Innovation in Retail Loyalty jurors for, among other things, the unique way in which it uses a retail loyalty card to support a specific product category.

Developed by Kroger Co. and the American Dairy Association Mideast to help drive sales of private-label dairy items at the grocery chain’s Columbus and Cincinnati stores, Healthy Rewards offered Kroger loyalty cardholders a unique loyalty card offer: Members who spent $20 or more on any combination of private-label milk, cheese and yogurt items in a single transaction would receive an offer for free or greatly-reduced entrance to a local activity such as a sporting event or other family-friendly entertainment. Unlike many retail promotions, which have a time limit, this one was ongoing.

The program was promoted via an extensive integrated approach using in-store radio, POS materials, FSI’s, email and sampling, among other strategies. Kroger and the American Dairy Association also partnered with participating entertainment venues where possible to market directly to their customers.

Finalist: Oklahoma City Thunder/CLICK! With Your Guests

In the summer of 2008, the professional basketball franchise anchored in Seattle learned it would be relocating to Oklahoma City, Oklahoma. The move presented a particular challenge for the team’s guest relations department, since the city of Oklahoma owns the new arena where the team now plays, and manages many of the part-time employees who work there. “The vast majority of the staff in the arena during a game isn’t employed by the Oklahoma City Thunder, yet these employees have one of the biggest impacts on the guest experience,” says Pete Winemiller, SVP, guest relations for Oklahoma City Thunder.

The guest relations department’s innovative solution to this challenge was a loyalty strategy called CLICK! with your Guests that acknowledges and rewards part-time employees for their help in creating excellent guest experiences. This is accomplished via plastic chips which full-time employees can give to part-time employees who are doing a good job helping customers. Once employees collect four chips, they can redeem them for a variety of items. The guest relations department has also enlisted secret shoppers to measure employee performance and hand out rewards to high-scorers. And, the program was recently expanded to give fans the ability to nominate employees who are doing a good job.

The basic idea behind the program is that “the more successful the employees in the arena are, the happier the customers are,” says Winemiller.
Innovation in Financial Services Loyalty

Winner: U.S. Bank/FlexPerks Visa

As the issuer for Northwest Airlines’ WorldPerks Visa card, U.S. Bank was already very familiar with travel rewards programs. So, when the newly merged Delta/Northwest Airlines announced its intention to also merge each airline’s loyalty program into the Delta SkyMiles brand, and consolidate both under one credit card issuer, American Express, U.S. Bank saw the chance to build its own travel rewards program.

“We had a tremendous opportunity to take a blank sheet of paper and address what we thought the needs in the marketplace were,” says Bob Daly, SVP, Retail Payment Solutions at U.S. Bank.

One of the more significant needs uncovered by the firm’s research was that consumers were unhappy with airline frequent-flyer programs. Overly restrictive redemption guidelines, a reduction in service levels by many airlines and new travel fees for checking baggage are some of the reasons that were named by consumers for their growing frustrations with these programs.

With this information in hand, U.S. Bank developed FlexPerks Visa, a travel rewards program that enables cardmembers to “earn points quickly, redeem points easily and when they redeem them, get tremendous value,” says Daly. The program offers a low threshold of 20,000 FlexPoints for redeeming airline tickets valued up to $400 on over 150 airlines, no blackout dates and the chance to earn double points on everyday activities such as cell phone charges and gas and grocery purchases.

FlexPerks also offers unique features such as a $25 allowance with every award ticket for use toward airline fees for checking baggage, in-flight meals and access to airport lounges. Additional features may be added in the future, including point-earning opportunities that don’t require members to use their cards.

But U.S. Bank was recognized by the Loyalty Innovation jurors and voters as much for its innovative launch strategy for FlexPerks as for the program itself. The challenge facing U.S. Bank was that American Express used its significant marketing muscle to encourage WorldPerks members to switch to the Delta SkyMiles card at the same time that U.S. Bank wanted to convert these same cardmembers to FlexPerks. To help meet its goal, U.S. Bank devised a comprehensive launch strategy that one juror described as an “outstanding use of well-orchestrated and a dynamic level of customer touchpoints in an intense, competitive situation.” The effort included a series of special events such as movie screenings and concert tickets, direct mail, a FlexPerks website, and TV and radio advertising. Many of the offers were targeted based on cardmembers’ previous behavior, while the creative highlighted customers venting their frustrations with rewards programs and discussing how FlexPerks better meets their needs.

A secondary goal for the launch was to quadruple U.S. Bank’s opt-in email list, with email registration required for certain offers.
While many rewards-based credit cards offer incentives for consumers to spend, the new Citi Forward card took a different tack—after Citi’s research indicated young adults want to be rewarded for good financial behavior.

Citi Forward offers several unique benefits meant to encourage fiscal responsibility, including a reduction in customers’ APR when they make a purchase, stay under their credit line and pay on time three billing periods in a row—as well as rewarding 100 points for each billing period they pay on time and stay under their credit limit.

“One of the critical pieces for us was to understand the needs and wants of customers and then to develop a product in response to those needs,” says Anthony Merola, SVP with Citi Cards. Other ways Citi Forward tries to meet customers’ needs include a variety of online tools designed to help cardmembers better manage their credit, such as a Spend Tracker, and the ability to be alerted via email or text messaging when customers are close to their credit limits or when payments are due.

Because the need to be recognized for good behavior goes beyond fiscal activity for many young adults, Citi Forward also comes with opportunities to earn rewards for socially responsible acts such as donating to a local food drive.

Finalist: JPMorgan Chase/Ultimate Rewards

JPMorgan Chase introduced the Ultimate Rewards program in 2009 in response to research that showed consumers had become frustrated with too many loyalty options and less-than-satisfying experiences with the programs they did join.

Seeking to simplify the rewards card experience for its customers, Chase created a single umbrella program for three main credit cards—Chase Freedom, Chase Sapphire, and Ink from Chase. The three brands replaced 100-plus different cards, each with different benefits, which Chase had introduced over the years. Each of the new cards targets the needs of specific customer segments, with Chase Freedom offering 1% cash value from the first dollar spent while Chase Sapphire provides lifestyle-oriented benefits, such as an online booking tool for travel. Ink from Chase was developed for small businesses and provides a way for them to reward employees.

A key component of Ultimate Rewards is the level of cardmember flexibility that sets it apart from other loyalty programs. For example, cardmembers can allocate points toward a recent purchase via a statement credit and redeem points for a wide selection of merchandise offered through Amazon.com.

“We’ve really tried to create a program that provides anything and everything that our customers would want, knowing that each of these different segments has very different needs,” says Rob Rosenblatt, GM, Loyalty, at Chase Card Services.

Chase also sought to create an online platform for Ultimate Rewards that would be “the easiest to use rewards website, bar none,” says Rosenblatt. Not only would this improve customer satisfaction by making rewards redemption easy, but Chase also believed it would increase customer engagement levels and help manage the program’s costs.

The results reflect why Ultimate Rewards was named a Loyalty Innovation finalist. Chase has seen a 20%-plus increase in online rewards redemptions and a 25%-plus increase in the number of accounts redeeming points each month when compared with its previous loyalty efforts.
Today, the percentage of people in the U.S. over 60 is about 18%, according to a 2009 study from the United Nations Population Division of the Department of Economic and Social Affairs. In China, that number is 12%. But, in 2030, the make-up of old versus young will look radically different. Over 30% of the population of countries such as Canada, Russia, China and most of Europe will be over 60. In the U.S., this shift won’t be quite as dramatic—by 2050, about 27% of our population will be 60 and over. But Japan will grapple with a whopping 44% of their 60-plus population in the coming decades.

This graying of much of the world will dramatically affect everything impacting the U.S. and other developed countries, from economics and...
education, to politics, social issues and the environment. A 2008 report from the Center for Strategic and International Studies’ Global Aging Initiative maintains that the trend towards global aging is “a fundamental demographic shift with no parallel in the history of humanity...the transformation will have sweeping economic, social, and political consequences.”

2. A burgeoning middle class. Recent research by Goldman Sachs, called “The Expanding Middle,” indicates an “unprecedented explosion” in the middle class around the world, driven in large part by the growth in BRIC countries such as India and China, where the middle-income group will soon represent nearly two-thirds of the world’s population. China’s middle class alone is expected to reach 650 million by 2030. And overall, the World Bank predicts a surge in this group’s size globally from 440 million to 1.2 billion by 2030. This boom in emerging countries like China and India will drive a corresponding jump in consumption and increasing demands and stresses on vital natural resources that have to go where this burgeoning economic sector is located. So, there will be more demands for services and more demands for infrastructure in other areas of the globe. According to the Goldman Sachs study, the overall range of shifts and changing due to the rise of the middle class “may well drive a...broad range of economic, social and political pressures on a scale not seen since the formation of the developed country middle classes in the second half of the 19th Century.”

3. Increasing extremes of wealth. As the middle class increases so that more people become incrementally wealthier, the population of the poor will shrink—by about 23% percent, according to the World Bank. But—63% of the globe’s population will still occupy this dire category. And, the World Bank suggests that the poor will be even relatively poorer than before, just as the middle class and wealthy are getting wealthier. According to a report by the National Intelligence Council, Global Trends 2025, this divergence is a “dark side to the global middle class coin.”

4. More boom-and-bust cycles. In some cases, with the world’s burgeoning middle class as well as a generally shifting world population, excessive liquidity will flow into the market, creating boom-and-bust cycles at an increasing rate—due to an increasingly interconnected globalized economy. According to Global Trends 2025, “increased U.S. debt and the refusal of emerging markets to allow currency appreciation despite booming economies, has created a mutually supporting, albeit ultimately unsustainable cycle of imbalances.”

5. Technology advances towards the seamless, instant and personal. It seems like every day debuts a new technological tool that makes shopping more seamless, connections to others even faster, and the social experience even more personal—from the iPhone to Twitter to Foursquare. That pace will only quicken over the next two decades, creating an environment that will be challenging for businesses to keep up with in terms of connecting to their customers. “Users’ expectations for control over their media will increase,” says the Future Exploration Network’s 2008 Future of Media Report. “Abuse of personalized advertising will create a backlash. Some will opt-out, and others will opt-in if sufficient value is created.”

After all, this is a fragmented environment that mimics the fragmentation of media—from three major TV networks to the splintering into smaller viewerships across hundreds of cable channels, for example. As this comes to pass, the future environment promises to be less of “How do I get my customers to opt-in?” and more of “How do I entice my customers to ‘friend’ me?”
1. THE NEXT NEW NORMAL

Given the above driving factors, there is little doubt that a decade or two from now, we’ll be serving customers who are not just time-starved as they are today, but “uber”-time starved. Consumers will deal with not only an uncertain environment but also one that is “uber”-turbulent. And consumers will be living and working in a way that is “uber”-local.

But, it will all seem normal. The Next New Normal, that is.

For example, not only will we consider the above-mentioned over-riding forces, from an aging population to increasing extremes of wealth, as normal, but also we’ll find that the norm for households will become multi-generational. And demographers such as Joel Kotkin, author of *The Next Hundred Million: American in 2050*, predict that even if particular homes won’t house multiple generations, customers will start to live more localized and keep their parents and grandparents closer to their communities. It will also be the norm to be of a “minority” ethnic group—Kotkin says that by 2039, due largely to immigrants and their offspring, the majority of working-age Americans will be “minorities.”

Kotkin also suggests we will also have what he calls a “New Localism” take hold that puts a real focus on the community around the suburban center. Because of our ability to communicate with one another virtually any way and anywhere we want, the prediction is that we will have less commuting; much of the population will centralize their residences and workplaces.

If the New Localism becomes the norm, businesses must figure out how to customize and engage at the local community level. And engagement will involve more than only messaging, but also product, prices and all the things that are relevant to individual communities. “After all,” says Kotkin, “it will seem quite ridiculous to customers in Seattle to see frozen salmon flown in from the Atlantic at the big box retailer down the street. The New Localism era will be one in which customers simply won’t tolerate such incoherence.”

So, your best customers tomorrow will be even more time-starved than we can conceive of today. We all know the stresses we have on our time today, but the problem is only going to compound as people try to juggle career, leisure activities, care for multiple family generations, their own self-development, and their own interest in the community. Turbulence in the environment and the rapid change of the sources of economic strength coming from a global perspective means people will be less trusting of corporate messages. So, we have been talking about the need for authenticity—and the customers’ instincts on authenticity in the Next New Normal will be highly honed.

What you can do now to meet the Next New Normal:

- **Start to test householding options.** If households are dealing with multiple generations of parents, grandparents and kids, and the New Localism in which the community is vitally important to our customers comes to the fore, marketers must figure out how customers can pull their resources across their families, their friends, their networks and their communities to enjoy things relevant to all or most of them. Examples might include redeeming for event resources to host their local high school reunion, or for activities and resources to help a local community center, or simply letting the extended family get away for a ski trip. Start testing this now so you can learn how people engage, what’s relevant, and how to start to prepare.

- **Establish the infrastructure and process to push control down to store level.** Some retailers already have the ability to allow store or district managers to customize messages as needed. For others, the infrastructure and process must be put in place. Tomorrow, we may need to customize the kinds of products we carry in a local community if we want customers to come to our corporate store and not the local competitor that pops up. So, we must be able to tailor product, pricing and store layouts to these communities. The least we can do today is enable our store managers and district managers to react when they see the need for a particular promotion, or to target their messages to the shifting ethnic and demographic makeup of the community they serve.
A more relevant offer could have doubled your response rate.

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2. THE NEW “I-NETWORK”

Over the next two decades, customers will take it completely for granted that, thanks to ever-more-fragmented technology platforms, companies must deal with them on their terms. Communications and engagements must be on demand, engaging and entertaining, and personalized to match their communications capabilities, while enabling them to network with the people most important to them. This trend is taking hold today, but it will be table stakes tomorrow.

For example, do you think grappling with Facebook and LinkedIn and Twitter is overwhelming today? If media consumption is already fragmenting, imagine if we start to see even further fragmentation within those fragmented networks. And layering in the same multitude of preferred communications technologies over the next two decades will mean more niche personalization for customers—and a super-sized challenge for marketers.

Another way of thinking about this can be summed up with an acronym, AC/DC—Access/Connect and Device/Content. What we mean by that is consumers can access their network anywhere, with the ability to connect everyone, but the device may be anything and the content will be everything. With the New I-Network, consumers will start to take hold of their ability to connect with their community and form their own networks, which will focus totally on them. The concentration will be on “my” network, “my” priorities, on “my” terms. We must develop that concentration to ensure that we’re not banished to the outside of the I-Network taking hold.

Of course, we don’t know what form the devices that allow consumers to engage in the New I-Network will take—whether a Star Trek-like communicator, a computer chip imbedded in the wrist, the iris-recognition system portrayed in the film Minority Report, or something else entirely. According to the World Future Society’s Top 10 Predictions for 2030, nano-implants will become widespread, where all conversation will be seamless, recordable and recoverable.

Obviously, we can’t really predict whether that will really happen. But the point is that as the device becomes more intimate and personal, like something in your retina or a chip in your wrist, or even if it’s a device we still carry in our hand, we will move to new heights of challenges in terms of opt-in. At that point, we must think not only about how to enroll customers, but also about how to establish their willingness to invite us into that network and allow us access to that device so we can connect with them, identify them, track their behavior and reward them. In that topsy-turvy environment of the future, even the terminology of “enrollment” and “opt-in” will be passé. Again, the whole idea of connecting with our customers and getting them to connect with us will look more like “friending” than it does enrollment and opt-in.

We know that how customers deal with the new reality and connect in the future will change. The good news is that the underlying needs of customers will still hold true. And nobody is better suited to understand those needs than those in the loyalty industry: The need for safety, the need for reassurance and trust in the relationships they have with each other and businesses they work with, and the need for connection and bonding. We must create the customers’ ability to feel like they belong to something in their relationships, not only with individuals, but again, with the companies they conduct business with.

The other piece of good news is that the drivers of loyalty will still hold true: The need to identify who our customers are even if they are identifying themselves to us; the need to provide meaningful value propositions to those customers so that they want to include us in their network; the need to have relevant and effective communication through whatever devices they use—these will all be key.

Of course, we can’t forget that we still must be able to derive insights from the data to shape the communications and customization that will be expected of us.

What you can do now to take advantage of what COLLOQUY calls the New “I-Network”:

Shift from the idea of “value proposition” to your brand’s “compelling cause.” It’s essential to break through to customers on their terms but in a way that’s authentic about your brand—what you really stand for. We must think about how we can move beyond just transactional information and even demographic data to understand what causes are important to our customers. Today is the time to start testing ways to motivate customer willingness to reveal their personal causes and passions, so we can speak to them on those terms.

Test and learn from today’s opt-in dilemmas. If you think it’s hard to get customers to opt in to email or mobile communications today, imagine how hard it will be in dozens of new formats—even something as seemingly wild as a chip in a customer’s wrist. Companies must attack the opt-in dilemma and figure out how to crack the code to gain permission to connect with customers on these new emerging devices on a scale that can drive the growth of your business. The best approach? Devise a comprehensive action plan to connect with young adults. The best timing? Start it today.
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Experience a new approach to loyalty and rewards.
3. THE NEW MARKETING REALITY

The new reality in the world of marketing will be the growth of consumer power—which will expand and multiply to the power of 10. A decade or so from now, the abundant commodity will be marketers—who will all vie for the scarce commodity, a customer’s time and attention. Where the emerging Web 3.0 of today is already upon us, with devices and tools that allow consumers to take advantage of the power they already have, we may find that the future’s “Web 10.0” will allow consumers to seamlessly unite and really set their terms for transacting with us.

There are already glimmers of the New Marketing Reality today. Take the Chicago-based web-based company Groupon, which launched in November 2008 with a unique idea: Offer daily deals and discounts on popular local goods, services and events through a free daily email to thousands of subscribers; let consumers pass them on to friends and family through email or social networks; but activate the deals only when a minimum number of people agree to buy.

By requiring enough critical mass of other consumers to say, “This is an offer I want to jump on board with,” Groupon allows the whole idea of the I-Network to blossom—customers can seamlessly unite on the web and pool their collective bargaining power for a hyper-local deal. “We want to do for local e-commerce what Amazon did for normal consumer goods,” Groupon CEO Andrew Mason recently told Forbes.

When we think about the New Marketing Reality, we must prepare for a time when a critical mass of our customers may set the terms of engagement. “If you want my time and attention,” they will insist, “this is what it’s going to take for you to break through.”

The new reality in the world of marketing will be the growth of consumer power—which will expand and multiply to the power of 10. A decade or so from now, the abundant commodity will be marketers—who will all vie for the scarce commodity, a customer’s time and attention. Where the emerging Web 3.0 of today is already upon us, with devices and tools that allow consumers to take advantage of the power they already have, we may find that the future’s “Web 10.0” will allow consumers to seamlessly unite and really set their terms for transacting with us.

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The long-range trends discussed above predict a future that can seem overwhelming with its quick pace, turbulent changes and increased competition for consumer attention and share of wallet. However, it is a future that marketers will have to work diligently to keep pace with, including addressing each of these issues now. Whether we speak of the global movements of the Next New Normal, the technology fragmentation of the New I-Network or the rising consumer power at the heart of the New Marketing Reality, it’s clear that it is a shift in the thinking of marketers today that will make a difference in the world of business tomorrow.

That shift in thinking will impact more than changes in your program’s value proposition and offers. Instead—it will mean a fundamental shift in the way the entire enterprise works and relates both internally and in building customer relationships and loyalty. The days of creating programs for our customers is already vanishing into the past. The reality we’ll be dealing with is the experience that we want to create with our customers to make sure their needs are anticipated, understood and met—in their time frame, in the way they want to be connected with, within the framework of the marketing environment and world of tomorrow.
Loylogic solutions engage your program members to earn and burn more miles and points: a single IT platform and one provider to meet all your loyalty needs.

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LONG GONE ARE THE DAYS WHEN sharing vacation pictures involved setting up a slide projector and a screen in a dark room for a handful of friends. Now images and experiences dart across the internet as vacation and business travelers post pictures or thoughts about their stays on Facebook or Flickr. They might tweet about an excursion, post a video on YouTube, or write a hotel review on a site such as TripAdvisor or on their personal blogs.

These new channels have provided and facilitated new approaches in the communication, engagement and marketing aspects of our business. When IHG (InterContinental Hotels Group) started to think strategically about social media, our goal, of course, was to encourage customers to stay at our properties, and to be loyal to our brands (which you’ll find displayed on page 25) and to our loyalty program, Priority Club Rewards.

We began with a few questions.
• What was the best social media approach, especially considering the many touch points we have with customers?
• How could we increase the effectiveness of our marketing campaigns through the various communication channels?
• How could we ensure that every touch we have with a customer is effective and encourages that customer to take action?
• And how could we best mine the existing deposit of information for usable insights that we could pass on to the various internal IHG teams?

A key element in our effort has been establishing three private online communities drawn from our Priority Club members (the world’s first and largest hotel loyalty program in existence, more than 52 million strong). Each of the three private online, invitation-only communities is made up of approximately 300 Priority Club members.

Membership in the private communities rotates approximately every six months, with more-active members invited to stay on longer than less-active ones. Each group contains a mix of customer types—some who stay with us often and some who are infrequent guests, some business travelers and some leisure travelers. And it’s through those private communities that we explore and address our strategic goals and questions. We think of this initiative as a three-way conversation: IHG now has around-the-clock access to our customers, so we can talk to them about topics and ideas important to us; our customers can talk to us just as easily, whether to offer unsolicited or solicited feedback; and the customers can talk to each other, in conversations that we may or may not have facilitated but from which both customers and IHG can extract value. One of the most surprising benefits, in fact, has been the amount of conversation taking place between the members. We have, for instance, used the information gleaned from those conversations to roll out new programs in our hotels and to make changes to some of the tiers in our loyalty programs and our rewards.

For example, communications might mean getting specific feedback from our guests on a new creative campaign: Will they likely respond to it? Does it make sense to them? That’s real-time, in the moment. Or we might use the communications to look ahead and evaluate broadly, whether about travel in general, or the marketing space generally, or social media, or about one of the brands within our portfolio. In addition, the private communities enable us to engage a variety of internal stakeholders within IHG. Longer-term strategic discussions, for instance, are useful to those who manage our brand plans. And tactically, we can work with our interactive marketing team, the direct mail team, or the broadcast team to test new campaigns and possibly make changes on the fly. That kind of internal partnering throughout our organization has ultimately facilitated IHG’s buy-in around the value of social media and social marketing.

As we see it, there are three key...
benefits of our current social marketing strategy. First, it allows us to drive deeper insights through honest conversation and ongoing dialogue with our customers. Second, it’s fast—we can quickly initiate such activities as responding to a question or an idea, even within 24 hours if necessary, so our content is always fresh, and we can respond to issues rapidly. Finally, and not surprisingly, it’s less expensive, particularly when compared to the investments in time and cost required by more traditional measurement instruments.

Of course, private communities are only one aspect of any social marketing strategy, but they can provide real-world case studies on how your company can approach foundational social principles that will be true in any channel, public or private. For example:

- **Listening.** Several members of my team as well as other IHG employees have “seats” in the community so they can go in at any time, plug into a particular topic of conversation and just listen to what’s going on.
- **Engagement.** From time to time we ask members to share their pictures and videos with us in the same way that they might share conversations—and then feature some great shots in marketing collateral, with permission of course. It thrills the customers, and provides a huge win for all.
- **Response.** One of the first places that we heard a need for a mobile app for our customers was from our private community. Based on what we heard, we conducted R&D and testing and fine-tuned the new app to fit the needs we heard from customers.

Remember these key points as your company moves into social marketing.

**Be brave.** If you’re not yet active in social media, get involved. You don’t need to tweet 40 times a day or spend all your time blogging, but you do need to put a toe in. Customers now expect real-time responses and instantaneous feedback, and while the communications tools themselves may change, those expectations will not.

**Know where your customers are.** Don’t rush to be on Facebook simply because it’s Facebook. Figure out which technologies are the right ones for reaching your customers. Those of us in social marketing sometimes forget what marketers know in every other channel—you must begin with your strategy in mind, understand your customers, and decide what your objectives are. Then you can figure out the right technology for you. Regardless of what your business is, your customers are already talking somewhere. If you can find where they’re gathering, you can begin to be a relevant part of the conversation.

**Focus on what you need to know to drive growth.** Regardless of where you choose to engage customers, what you do in those channels should tie back to your business priorities. If you’re interested in driving revenue, for instance, develop a plan to measure your success in doing so. If you’re using Twitter for customer service, establish a means of assessing results. In other words, clarifying your goals and tracking outcomes will help you grow in the desired directions.

**Integrate your social marketing effort with the other tools of your business.** A common mistake made by early social media adopters was to extrapolate too broadly on the things they were learning. If one customer complains about, say, the pillow quality at a Holiday Inn, we shouldn’t rush out to change all our pillows. Any number of anecdotal reasons might have inspired the complaint. You must triangulate whatever information you gather from social media. That is, you must match it against your traditional research instruments and against third-party data that may be coming in from other sources.

The explosion of social media and social marketing and the customer’s expectation of easy, instantaneous communication are forcing many companies to think in new ways about their strategies and even about their organizational structures. Social marketing needs broad horizontal support. It cuts across customer service, across marketing, across operations, and across information technology, so company-wide buy-in is crucial, and often there are walls to be broken down. But a social marketing strategy is a given in today’s business environment, for the simple reason that social media is where your customers are.

Nick Ayres manages social marketing for IHG.
they might first appear. Gamification is firmly grounded in the types of behavioral psychology factors that loyalty marketers have fine-tuned for years. To those factors, add in the rampaging interest in online casual gaming. In the month of June 2010 alone, online gaming sites attracted almost 103 million visitors, according to comScore Media Metrix. Game developers know how to craft a process that creates that dopamine high; loyalty marketers do, too.

Stereotypes would have it that online gaming is dominated by teens, and indeed that’s partially true. Two demographic groups drive the games category, according to comScore research: “young males (of whom there are more), and older females (who spend more time on the category). High reach and heavy usage in the 45-54 and 55-plus female groups reflect the growing popularity of casual games among women.”

That latter demographic is directly in the sweet spot of another network that’s increasing its exploration of brand-related gaming: Bravo Network. “One of the things we found with our audiences is they like games,” says Mari Ghuneim, Vice President for Bravo Digital Media. “We have also found that they are pretty tech savvy”—which, combined with fan passion for the program—ming, provides solid foundation for digital engagement.

Such engagement is an important tool in the loyalty marketer’s kit. Gamification allows companies to engage their best customers in non-purchase behaviors that can lead to bottom-line benefit such as retention and transactional lift. Engagement forges another link in COLLOQUY’s Relationship Chain, which has proven that increasing customer involvement translates to greater patronage and, eventually, advocacy. And, like many components of loyalty initiatives, games are sticky engagements—with numerous motivations for returning to the brand.
Through gaming and rewards, "We’re strengthening the bond we have with each person accessing USA content across multiple platforms," says Jesse Redniss. "While viewers can go on air and experience the show for an hour a week, we’re focused on extending the fan engagement beyond these moments-in-time to become a living organic experience.

And gamification broadens the range of the marketing mix. Mari Ghuneim notes that Bravo’s use of games is hardly in marketing isolation—it’s a part of an integrated approach to audience engagement. She collaborates with other groups in the company to coordinate, for instance, digital, on-air and mobile initiatives. "I think we do a really good job of creating experiences that are very 360, and run across platforms," she says. An example of such coordination is the on-air trivia sweepstakes run in conjunction with Bravo’s Real Housewives of Atlanta. "We wanted to see what we could do to drive live viewing of a program," Ghuneim says. "In that particular execution, viewers who correctly answered an on-air trivia question got a virtual badge—but only if they answered it during the time the program is on air."

The benefits of brand gamification to consumers mirror those available from traditional loyalty-program participation. Sure, points are involved (and point-gathering and tier-climbing in both worlds is a measure of accomplishment). But what else? Jesse Redniss sums it up quickly: "Gamification really addresses basic human needs: reward, challenge and self-expression. We’ve taken these concepts into consideration when looking at all online properties that support our on-air original series."

Let’s look at each a little more closely:

**Rewards and a sense of accomplishment: Real Housewives of Atlanta** viewers who answer the on-air trivia question correctly earn more than the virtual badge that bestows bragging rights, but also 500 points and an entry into a sweeps that awards a night out with a Real Housewife. In the case of Club PSYCH, points are redeemable for merchandise from the PSYCH store—T-shirts, mugs, DVDs and pineapple items (reflecting a running comic theme in the show). But there’s also the even-more fun part: users can earn points redeemable for virtual goods—at Club PSYCH, players can earn the types of toys and tchotchkes that lead characters Shawn and Gus have scattered about their office. Viewers can use those virtual goods in setting up their personal online virtual PSYCH offices.

**Self-expression.** The points that Housewives fans earn from the on-air trivia sweeps—as well from viewing content and engaging with online features like blogs, videos, and photo galleries—can be applied to acquiring virtual Housewife fashion and bling that members can use to dress up a non-paper doll avatar—their personal housewife. Decorating a PSYCH office or glamming a Housewives avatar allows customers to display creativity and to show off—in the context of the brand—to their peers, who understand the brand relationship and can appreciate the creativity. Self-expression is another means of achieving social status.

**The natural impulse to compete—and win.** In participating in brand-specific games, users can achieve high scores and badges that in part communicate I’m a bigger fan than you—or in FourSquare parlance, I’m the mayor of this brand. As Jesse Redniss says, “Social gaming and the social communities have supercharged our ability to attract new people and to bring the experience out wider, much faster. FourSquare and GetGlue and all kind of social achievement companies are setting the tone in the marketplace.”

Head-to-head competition drives participation, as well. Housewives fans can take their online avatars a step further, by pitting their self-expressions with those of other fans, putting their glam avatar up against other avatars for the community to vote on. All this can lead to fodder for word-of-mouth from your most avid customers, your champions and advocates, passing along a gaming challenge, perhaps?

**Game-changer**

A key to successful gamification of a brand in the electronic world is staying fresh and keeping the games aligned with the brand. "We are absolutely putting our ear to the digital and social lines out there so we can gauge the response coming from our consumers and better respond with fresh content," Jesse Redniss says. "Every week new challenges are launched allowing fans to gain more points. . . . If you are launching an app in the app store or you are launching a game, these are organic living breathing things in the digital world."

For my part, I’m about to write a conclusion to this story . . . right after I sling a few more pretzels . . .

*Bill Brohaugh is COLLOQUY Managing Editor and ace pretzel slinger.*
True Colors
How JetBlue Airways brightened and refocused its TrueBlue frequent-flyer program

BY DAVID CANTY

Looking through a long-term loyalty lens
The original TrueBlue was not built with a long-term vision in mind. On the plus side, it included a simple segment-based concept depending on the length of the flight. But the expiration policy was tough—points began to expire 12 months from the day they were earned, and each point expired on a different date. As you were earning, other points were dropping off the back end—so not surprisingly, only 6% of customers ever got to redeem a reward.

Our team and the airline clearly recognized that TrueBlue needed an overhaul, including the entire value proposition. After all, members were getting fatigued with our program, and with airline programs in general—customers were sick of having to pore through the fine print. My long-term vision, in fact, is to get to a place where we can do all of our marketing with zero asterisks or little crosses at the top.

To determine the best path for the new TrueBlue, we needed feedback and data. So, we recruited 15,000 customers from our TrueBlue membership base and formed an online panel that received surveys about their thoughts on the program.

Then we were in for a surprise: The surveys and participants’ opinions about them began being published on FlyerTalk, a popular online community for frequent flyers. So, we decided to have a little fun with that—we split the panel and sent each group different surveys. A resulting debate over the different surveys soon appeared on FlyerTalk as well. We got a lot of good data back from the survey and the online discussions, and now this online panel is used not just for loyalty but also for product development.

Responding to the customer data gleaned from the online panel, the relaunched TrueBlue is based on the panel’s clear opinion that customers
wanted a program that was more flexible, without blackout dates, with more ways to earn, no seat restrictions and an improved expiration policy. With that foundation, we moved forward.

**Creating a loyalty palette**

Delivering the final program was an effort across the entire enterprise, where every single area within the organization had representation and responsibility. We went to each area and said, "This is what we’re doing, we need you all to be brought into this.” This was an absolutely necessary part of the process: With an aggressive timeline, you can’t really afford to have anybody dropping the ball.

That sped-up timeline came because after a December 2008 thumbs-up to move forward with the TrueBlue relaunch, a separate meeting divulged the fact that the airline’s reservation program was changing. So, not only were we literally developing the program from scratch, but we had to integrate it with our existing reservation system and then have it ready to launch with the new system.

Within 30 days, we managed to bring on a vendor partner to develop the platform that would support the program, which we wanted to ensure had lots of flexibility, sophisticated accounting modules, ways to quickly onboard partners and an intelligent analytics program. After all, one of the great things about loyalty marketing is you have so much data about your customers, but it’s important to use that data in an intelligent way going forward.

Informing and educating customers regularly was also an essential part of the changeover. The company particularly wanted to address any angst or concerns customers might have about their old points. So, over the last year the program has basically had two currencies as we shift to the new program but honor the old one as well.

The most important piece of communication, however, was internal. One of the great things about working at JetBlue is that we continue to ensure all our crew members feel they are invested in everything we do. We decided to have fun with that educational aspect and developed a trivia game that included new questions about the relaunched TrueBlue. It allowed us to measure the knowledge base of our crew members. By the end, they really understood the program and that allowed them to be advocates. I believe this is essential—I highly recommend getting all of your employees invested in understanding your program.

**The new colors of loyalty**

The new TrueBlue was launched on November 9, 2009—it was exhausting, but we got there. It has been well-received by customers, including the program’s co-branded card with American Express and partnerships with Hilton HHonors and American Airlines. Still, we continue to look for ways to build the program and hear from customers all the time about making slight tweaks.

As for those blackout dates and seat restrictions? Gone. We decided to open up every seat, since customers place a lot of value on utility, and regardless of how expensive it is to redeem, the fact that it’s available is valuable. This has actually allowed JetBlue to generate revenue because customers buy up, buy points or engage more with partners.

Redemption starts at 5,000 points, and with members earning 6 points per dollar spent, rewards are easier to reach. If you get the co-branded card, you get there even quicker, and we’ve embedded some bonus programs, as well. It’s a very rich program and once customers get to taste redemption, they want more.

With the first anniversary of the new TrueBlue this past September, I can report that enrollment is up 50%, the attrition rate is down and point sales are up 50%. In addition, the program has become more balanced, with customers redeeming less for only long-haul flights and redeeming more for mid- and short-haul jaunts. People are starting to see the value, for example, in redeeming for a flight from New York to Boston.

The relaunch of TrueBlue has even
led to the program turning into a brand-to-watch of its own. A new advertising campaign focusing on TrueBlue includes the tagline “Be True”—with the idea that we continue to look for ways to be true to our customers.

A TrueBlue open community also launched in September, which has been a resounding success thus far. When it was first launched, so many people enrolled that the company had to stop sending promotional emails. Since then, it’s grown organically. It’s out in the open, not behind a firewall, and customers can share, connect and find out where others are traveling. We get a lot of value by allowing our customers to talk about their experiences, whether they are good or bad.

A rainbow of new rewards—and deeper relationships

The entire process of relaunching TrueBlue was stressful and challenging, but ultimately as rewarding as the rewards program itself. Curve balls will always be thrown your way, and there will be bumps in the road, but you must stay focused on the end goal and understand that the issues can and will be addressed. We tried to ensure that everybody was accountable and had ownership of their specific function.

In the end, it was hugely rewarding to be a part of the successful transformation of TrueBlue, particularly when it comes to relationships with JetBlue customers—including continued back and forth from the online panel. When you get feedback from customers and you continue to engage with them, it’s important that you use that data to inform your future direction and also inform those customers and acknowledge the fact that they contributed. That has allowed the company to build a deeper relationship with customers—they are basically formulating the future of JetBlue.

Inflection Point of No Return

Continued from page 2

competition may be reduced as companies become more targeted and not every store goes after the same people.

A greater degree of partnership among CPGs and retailers. Data can provide the CPGs great access to insights and probably a more quantifiable return on their investments, while retailers can enlist the help of CPGs to deploy data-driven strategies and reward them for data-driven success.

Some kind of card will become table stakes in retail. Gathering information is the biggest challenge of data-driven, customer-centric retailing. And I would argue that you have to somehow reward customers for that information. Walmart is one of the few retailers that work with category data and other types of data that don’t necessarily tie to an address, although the launch of the new Walmart credit card might change that. Most retailers will need a card and some sort of incentive to unlock the potential that customer-centric retailing offers.

Pointing to the future

Ultimately, Enterprise Loyalty and customer-centricity focuses on how customer data can help enable better decisions. Marketing is a natural place to put that effort; however, because of the significant investment required for the data capture, the rewards and the processing, there must be a C-suite-level mandate that emphasizes that these efforts are worth pursuing. As the inflection point I’ve discussed shifts to a continued upward trajectory, I believe retailers will start reaping the benefits that come with delving deep into their data to implement customer-centric principles across the entire enterprise.

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The Proof Is in the Partnership

Internal partnerships fuel important Enterprise Loyalty wins

BY DENNIS ARMBRUSTER

AS A FOOTBALL FAN, I enjoy the ESPN “C’mon Man!” segments in which the announcers show game footage of players’ missed opportunities, and urge them to—“c’mon, man!”—work to their true potential. Sometimes I’m tempted to give a hearty “C’mon, team!” in meetings with organizations that are flirting with the idea of customer loyalty strategies—including broad, game-changing initiatives that seek to employ customer data throughout the enterprise.

Many of them tell us, “I love that Enterprise Loyalty line of thinking—it’s the way of the future. But it’s a long-term vision and we need to demonstrate through quick wins that this is the better way. In the infamous words of fictional football player Rod Tidwell in the movie Jerry Maguire—“Show me the money.”

Yes, a simple “aw, c’mon” isn’t going to do it.

These conversations represent a “pay-as-you-go” approach that affords you the opportunity to engage other parts of the organization in proof-of-concept tests. If successful, the tests build confidence that indeed there is a better way, and build the foundation to drive organizational change. That’s particularly so because successfully reducing attrition and building engagement and lift within your own domain can open some eyes to the potential of Enterprise Loyalty, but to truly generate senior-level buy-in, you must demonstrate broader impact.

That’s where the pay-as-you-go approach can build foundations for a fuller Enterprise Loyalty approach. An efficient first step to demonstrate the value of extending data usage to other sectors is to work with internal business partners—a person or group outside of your area willing to collaborate on testing ways to do some things differently. That partner might be Merchandising, Pricing, Store Operations, Product Development, or even other marketers—the loyalty marketing, direct-marketing and e-commerce teams might operate in completely different parts of the organization.

Any way you look at it, the CMO can’t do it alone. Even if the CEO mandates that the organization become more “customer-centric,” ultimately the CMO, the COO, the CFO and others must work together, because, practically, you’re talking about everything from program and campaign strategy, business case development, employee engagement and compensation to pilot market identification to working cross-functionally in departments that have traditionally operated in somewhat of a mutually exclusive manner. A series of proof-of-concept tests can effectively demonstrate that by working together with a similar customer view, organizations can realize significant improvements in sales and profits.

A series of proof-of-concept tests can effectively demonstrate that by working together with a similar customer view, organizations can realize significant improvements in sales and profits.

Investigate:

• Who in your organization understands the power of data and that a customer-centric approach to business strategy may be a better way? Not just understanding numbers, mind you, but understanding the meaning behind those numbers from a customer-behavior perspective—and how to derive and react to that meaning to run their business.
• Who has the most potential to win deeper customer intelligence and engagement from broadened loyalty efforts—and can be convinced of that potential?
• Who has demonstrated creative approaches to their challenges, and has demonstrated willingness to take calculated risks?
• Who has reached out to other departments in the past? These folks have already proven that they have a collaborative mindset.
• Who has the vision to picture the win? Proving out a concept involves the notion of seeing is believing—but to see, you must have vision.

Successfully collaborating with the right partner outside marketing can begin the organic spread of customer-centric strategies throughout the enterprise. Successful partnership fulfills what the senior leader who’s considering the investment needs to expand the Enterprise Loyalty concept: facts, proof of the existence of a corporate culture willing to change, and a robust measurement plan that is socialized and easily communicated.

Supplying numbers, generating results and proving that collaboration works is the strongest, loudest way to figuratively shout, “C’mon, CEO!”

Dennis Armbruster, a COLLOQUY Contributing Editor, is Managing Partner of LoyaltyOne Consulting—and in the true football coaching spirit, he doesn’t mind the Gatorade shower he gets after every successful client engagement.
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