COMARCH CRM&MARKETING

HOW MOBILE IS REDEFINING LOYALTY
DIVE INTO MOBILE

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1. HOW MOBILE IS REDEFINING LOYALTY

The history of the loyalty programme is a long one. The first known loyalty scheme dates back to 1793 when a merchant in the US state of New Hampshire started giving customers copper tokens to collect and redeem against a future purchase.

Sperry & Hutchinson launched its scheme in 1896. Shoppers collected Green stamps, which they used in grocery stores, gas stations and retailers throughout the US (these stamps eventually became greenpoints as the company turned to digital rewards as internet use spread).

The 2017 Ofcom Communications Report found that most UK households had access to both high-speed broadband and a smartphone and that they move "seamlessly between fixed and mobile connections". What we have now, is more choice.

Why shop at the high-street bookseller when we can get the same book delivered to our door (or sent to a device) for less money? How can these traditional shops compete?

While convenience and cost are important factors in purchasing decisions, we also attach emotions to brands, and we remember our experiences with retailers. We want to be seen and treated as individuals, not as part of a demographic.

Like any relationship, shoppers want the brand to pay attention to what they want and to care about what their needs are. They want appreciation for loyalty – not just in cold hard cash, or physical rewards, but in how the brand and its representatives interact with them. Are they a valued customer, or just a faceless number on a spreadsheet?

Mobile technology is helping brands discover more about their consumers as individuals. Mobiles are helping businesses gain insight through the analysis of customer data. Apps are becoming platforms where retailers can build relationships with their customers, and create a foundation of trust. Connected technology is providing retailers with contextual awareness, allowing them to serve customers the right content, at the right time and in the right place.

In short, mobile is helping businesses create more effective and targeted loyalty programmes which their consumers find more rewarding.

ADAPT TO THRIVE

Retailers need to adapt to thrive in this new mobile-dominated retail environment. Global consulting firm, Accenture, emphasises the need to adhere to the three Ps of adaptive retail:

- Pervasiveness – brands communicate with consumers in a way that fits their lives.

- Personalisation – communication and offers tailored to individuals.

- Privacy – balance discovery with trust. Businesses need to develop a trusting relationship before people are comfortable with the business using their data.

Just because you can do something, doesn't mean you should. Creating, or adapting an existing loyalty pro-gramme to incorporate insight from data analytics, or to give members a gamified experience is important, but without trust, none of these strategies and tactics will work effectively.
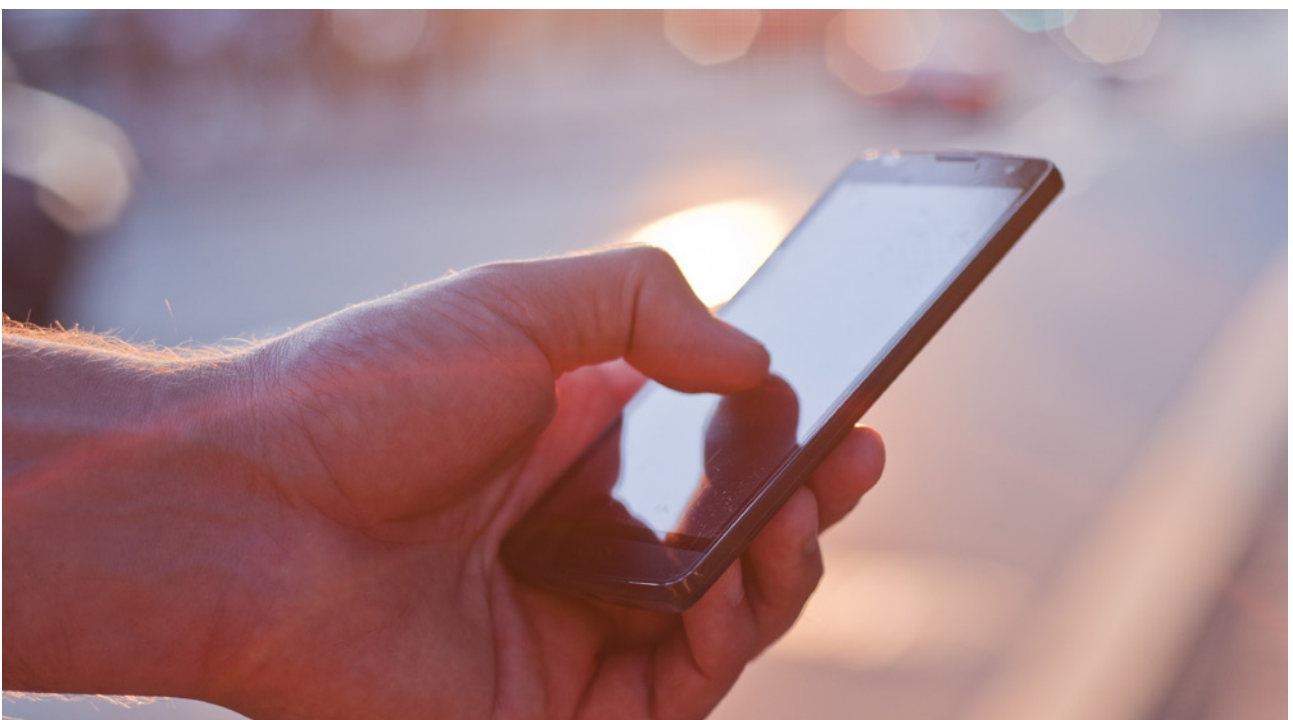
2. THE EVOLUTION OF MOBILE AND ITS IMPACT ON LOYALTY

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Smartphones have become almost ubiquitous. Analyst firm, IDC, forecasts that global smartphone shipments will reach 1.77 billion in 2021, an increase on the 1.47 billion units shipped in 2016.

We're rarely without our mobiles. Deloitte found that smartphone owners check their phone often, with 34% checking it in the middle of the night, 32% checking it as soon as they wake, and 89% using their smartphones at work. In Oct 2016, mobile web usage overtook desktop web usage for the first time.

Our research into the Future of Retail at the end of 2016 discovered that 20% of consumers across the UK, Switzerland, Germany, the Netherlands, Italy and Poland found that promotions tailored to their tastes and interests were vital in developing and maintaining their loyalty to a retailer. Retailers can work with consumer's developing mobile habits by analysing data and using in-store beacons to target individuals with specific, timely offers that are designed to suit their tastes and needs. Mobile technology is allowing businesses to refine their marketing, and as a result, rewards are becoming unique and meaningful.

In addition, while privacy is always a concern for consumers when sharing their data, many are happy with retailers using it, as long as they're honest and open about why they need it and what they'll use it for. In fact, 43% of the 3,029 shoppers we surveyed were open to retailers accessing their personal data, but only if the retailers used that data to develop personalised rewards.

In total, 88% of respondents said that they wanted to be rewarded to allow retailers to use their personal data for marketing reasons. Transparency is still a crucial factor, with 90% wanting to see what kind of data the retailer is collecting, and 92% saying it's important for them to know how their data is being used by retailers.

Mobile technology, combined with connected devices, allows loyalty programme providers to reward a greater range of activities. For example, when you use Samsung Pay, and you're a member of Samsung Rewards, you can earn more loyalty points by also tracking activity in your Samsung Health app.

Mobile devices have allowed loyalty schemes to become more relevant to individuals. A reward is only rewarding if it's something that the person wants but can't afford, or justify spending the money on, or if it's something that the person needs, but cannot afford conventionally.

Without the insights provided by data analysis, brands are offering what they think a specific demographic wants, and they're failing to connect with the individual customer. If businesses aren't careful, their loyalty programmes can alienate rather than inspire.

3. DELIVERING BEYOND SPEND
– DRIVING ENGAGEMENT THROUGH GAMIFICATION

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WHAT DO WE MEAN BY GAMIFICATION?

The gamification market is predicted to be worth over $11 billion by 2020, but what is gamification? Gamification involves businesses using the strategies and devices implemented in games and applying them to business practices. It's about rewarding behaviours that the business wants to encourage. It's about creating engaging experiences that keep people coming back for more.

Developers design most (finite) games around certain core features such as:

- **Rules –** the game gives the player clear rules and signposts on how to progress.
- **Missions –** the game is structured into a set of missions, tasks and acts for the player to complete.
- **Levelling –** the more experience you get, the more powerful your character becomes.
- **Rewards –** the higher your level, the better your rewards.
- **Achievements –** when the player completes a marked objective, they get recognised for it (often on a public profile, if the player agrees).

Gamification is when businesses apply these features to business practices. Some businesses use gamification to motivate employees, but it can also be used to engage customers.

- Sky's loyalty programme – Sky VIP – is using a levelling / experience-based reward system when it provides more valuable rewards to members who have been customers for longer, rather than giving the better rewards to those who spend more with the business.

- Europcar does a similar thing when it lets members "tier up", receiving better quality rewards as they progress from the Privilege Club to Privilege Executive to Privilege Elite.

- Some businesses highlight specific achievements – for example, Amazon calls attention to reviews that are posted by a Top 500 Reviewer. Badges give the individual bragging rights and show others that engagement is welcome and rewarded.
- Sky VIP rewards loyalty by providing exclusive services to scheme members – with VIP members having access to VIP-only TV channels.

Businesses can devise useful engagement strategies using gamification, but they need to pick the right kind of gamification for what they want to achieve, and what behaviours they want to encourage in their customers.
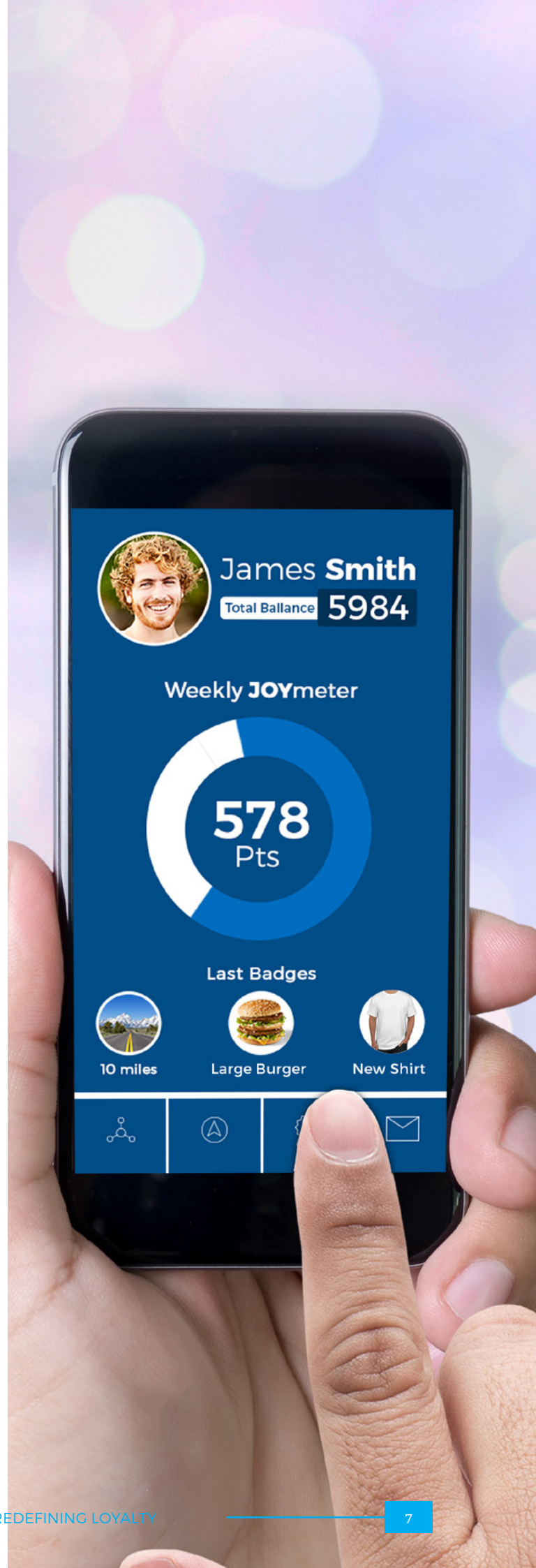
4. WHAT STRATEGY IS RIGHT FOR THE BUSINESS?

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BADGEVILLE'S GAMIFICATION FRAMEWORKS

Badgeville has four frameworks that focus on creating gamified experiences for customers – each focuses on creating specific results for the business.

1. CORE GAMIFICATION
The business uses game strategies to drive individual customer behaviour. For example, by encouraging them to share, like, comment and buy.

2. COMMUNITY EXPERT
Useful for when the business has a customer community. It helps identify community contributors via badges and title-bumps (like going from a 'member' to 'expert'). This recognition helps to increase the quality of individual contributions and community cohesion and gives people a social reason to stay engaged with the brand.

3. COMPETITIVE PYRAMID
For businesses that want to focus on using gamification to encourage people to compete for supremacy. Leaderboards are useful here.

4. GENTLE GUIDE
A useful framework for offering training and guidance through a series of steps the person needs to take. It provides an easy and efficient path to completion by letting people know what they need to change to get the desired result (and so is useful for employee training as well).

5. WHAT BEHAVIOUR DOES THE BUSINESS WANT TO ENCOURAGE?

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THE FOUR BARTLE TYPES

In 1996, Professor Richard Bartle published a paper where he examined the dominant personalities in multi-player games. He identified four types of people:

ACHIEVERS
Achievers are people who crave achievements, reward items, game currency (or loyalty points). They'll socialise, explore and kill other player's characters, but the real fun comes from earning achievements, finding the best rewards and levelling up. (They act on the world.)

EXPLORERS

Explorers are information gatherers. In a game, they go off and investigate the world map and what's possible in it. They want to find the bugs and the Easter Eggs (surprises) in the game. They find achievements pedestrian, see a lot of socialisation as redundant and only kill if they have to. The fun comes from discovery. (They interact with the world.)

SOCIALISERS

Socialisers love the game's chat function (or, these days, play a lot of the online multiplayer part of a single-player game). The game is a medium for them to talk to other people and something for them to bond over. Killing another person's character is best avoided – because relationships are what drive these people. (They interact with players of the game.)

KILLERS

Killers go out of their way to hinder (or sometimes help) other people playing the game. "Killers get their kicks from imposing themselves on others." Socialising tends to be done to taunt recent victims. (They act on the players of the game.)

HOW ARE THESE TYPES REPRESENTED IN GAMIFIED LOYALTY PROGRAMMES?

Achievers like to get regular status bumps, badges and positive feedback from their loyalty experience. Simply Party Supplies gives loyalty members clear guidance on how they can earn badges and points, increasing their status in the community and eventually giving them a significant discount on their purchases.

Explorers look for fun experiences and discovery. They'd be interested in the scavenger hunt Heineken ran during its US Open sponsorship campaign in 2013.

Socialisers will want to be able to share their experience with other people in the programme – if there's a customer community or social network page to join or follow, they'll be there. They love programmes with a co-operative element. For example, REI (Recreational Equipment Inc.) rewards its members by giving them a 10% annual dividend – the more profit the company makes, the more rewards its members receive.

'Killers' sounds alarming, but these people are just in it for themselves and don't care about other people's experiences, stories or rewards. They're incredibly competitive and will want to be in the lead. Some businesses use leaderboards to encourage this sort of competitiveness in their sales teams, while some gyms use them to encourage member's to use their membership and compete with fellow gym members.

Human motivation is, of course, much more complex than these archetypes, but they're worth keeping in mind when designing a gamification element to your programme. What kind of behaviour do you want to attract? Too competitive and you may push out the more collaborative programme members, but would that matter?

6. HOW BRANDS ARE USING GAMI-FICATION

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TRUE VALUE

Hardware retailer, True Value, uses an app that allows loyalty members to monitor the points they collect, while providing the retailer with the rich data needed to personalise rewards. The scheme has seen some stores achieve a 371% return-on-investment from its loyalty programme.

Comarch's Loyalty Management Solution included an integrated mobile loyalty app, which makes it easy for customers to view their past purchases, store their coupons and update their loyalty profile.

The app's real-time connection to in-store points-of-sale make it easy to check on loyalty status during check-out, makes redemption of benefits easy and allows loyalty members to receive a seamless, familiar, experience no matter what store they visit.

Loyalty members spend 20% more on average than non-loyalty members.

JETBLUE

JetBlue's TrueBlue loyalty scheme uses gamification. It rewards members for completed tasks, providing them with virtual and physical rewards.

It rewards members by giving them the right to use their points towards the cost of any seat, at any time and by giving them six points per dollar when booking on jetblue.com.

There's a form of co-operative rewards as families can earn points together via family pooling. The airline also shows appreciation for its loyalty programme members by ensuring that they face no blackout dates on JetBlue flights, and their points have no expiration date.

By recognising customer loyalty with points that they can redeem for rewards, and by encouraging a social aspect to its scheme, JetBlue is creating an experience that's both engaging and socially rewarding while allowing loyalty members to save money.

GILT

Gilt is a member's only high-end online fashion retailer that runs an exclusive loyalty programme called Gilt Insider. It starts by giving loyalty programme members points to bank straight away.

The programme has three tiers - the starter tier, Select (5,000points), Premier (10,000pts) and Noir (25,000points). The Noir programme is seen as exclusive and offers benefits like VIP customer service, waitlist priority. Premier members get one-hour previews before their flash sales start.

It also provides clear guidance on what members need to do to qualify for rewards and move to new tiers, giving people a clear structure on how to 'play the game'.

7. HOW TECHNOLOGY IS CHANG-ING LOYALTY PROGRAMMES AND HOW COMPANIES CAN EMBRACE THEM

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The marketing firm, Bond Brand Loyalty recently estimated that $100 billion worth of loyalty points are unclaimed. Some of those who don't claim points will be saving up for a big reward or keeping the points as a kind of rainy day fund, but many aren't claiming them because they just aren't engaged in the programme. They don't know how many points they have and it's not something they think about often.

This could be because:

- The redemption process is cumbersome

- There's no communication with loyalty members outside the purchasing process – so people just forget to use them

- The person's signed up for various programmes and doesn't always have the right loyalty card on them when they need it

As we've seen, many of us check our mobiles constantly. Loyalty programme providers that want their customers to use their benefits are using technology to integrate these schemes into the lives of consumers, creating programmes that are more convenient and increasingly transparent.

Mobile technology also gives us more opportunity to engage with brands, which strengthens the trust that's the foundation of consumer-brand loyalty.

APPS

Apps are creating a convenient experience for consumers by making their lives easier. People frequently have to complete a number of mundane but necessary tasks to get to the enjoyable parts of their day; innovative loyalty programmes can provide their members with apps that make these tasks more efficient or eliminate them.

VIRGIN HOTELS

Virgin Hotels launched the Lucy app in 2015. It's a combination of digital recommendation platform, a social hub and a control system for the room, for example, it lets guests control room temperature and stream entertainment to their room.

HILTON

The Hilton Honors app - allows members to use their apps to check-in, select their room and unlock their door. This makes the guest's life easier and frees up hotel staff to focus on more meaningful tasks than check-in admin.

HARRIS + HOOLE

Coffee shop Harris + Hoole has an app that lets you pay for coffee, collect virtual stamps and specify your signature drink so that the shop can have your order ready to pick up as soon as you walk in the door.

VITA MOJO

Vita Mojo is a new restaurant that lets customers create a personalised meal via iPad or mobile app (it has over nine billion meal combinations). While this isn't part of a loyalty programme, it shows how service businesses are using apps to create hyper-personalised experiences for their customers.

WEARABLES

Wearable technology – from fitness trackers to AR and VR headsets (which we'll look at later) – the demand for wearables is continuing to grow. The market is predicted to be worth $51.60 billion by 2022.

Connected technology generates data that businesses can (and are) using to help tailor their services to fit how people use them and to minimise the impact of essential – yet dull – activities (such as, for example, queuing for a ride).

DISNEY

Disney uses a wristband – The Magic Band – for guests to wear throughout the theme park. They can use it to pay for shopping and rides, and in return, it provides Disney with data on the guests' individual preferences and how people move throughout the park. It also enables characters to greet children by name and acknowledge when it's their birthday.

It's connected to an app – My Disney Experience – where guests can plan their trips, book activities and make reservations.

Disney started using these bands to create a more interactive and engaging experience for guests; an experience that makes people want to return.

WALGREENS

American pharmacy store chain, Walgreens, has linked its reward scheme to its member's physical activity and wellness actions. For example, participants can:

- Earn 250 points by linking a health app or device to the account
- Earn 20 points per daily weigh-in
- Earn 20 points per mile run, walked or cycled

This offers a way for the brand to encourage and support people in their goals and gives them insight into what their customers want and need from them.

TUI GROUP

TUI Group trialled the TUI Smartband in 2015 and linked it to TUI's My Holiday app which allows families to track their holiday spending, pay for items around the resort, access hotel rooms and control the air con in their rooms.

MOBILE PAYMENTS

The EU mobile payments market is expected to be worth $165 billion by 2021.
It's not just payments that people are using these apps for; businesses are incorporating them into loyalty programmes, and, in some cases, they are creating loyalty schemes to reward those who use the payment app.

SAMSUNG PAY

Samsung pay is a payment app with its own reward scheme. Samsung Rewards gives users of the payment app 10 points per purchase completed via the app.

The reward catalogue is public, so even non-members can see what they could earn – rewards include a Gear VR headset for 12,000 points and a Gear Fit 2 for 16,000 points, or VISA / Sephora gift cards for fewer points. Members can also win prizes and get the chance to earn more points by completing certain goals in the Samsung Health app.

The scheme uses a tier system where members who make more purchases, get placed in higher tiers and earn more points-per-purchase.

GREGGS

UK high-street baker, Greggs, uses its app – Greggs Rewards – to let customers pay for their purchases and earn points. They also get one in eight coffees free, get a treat on their birthday, get VIP tasting sessions and get an entry into prize draws. People can still use the loyalty app and pay by card or cash, rather than mobile.

LOCATION-BASED SER-VICES

The location-based services market is predicted to be worth almost $62 million by 2022, according to Allied Market Research.

Location-based services use the data provided by mobile phones and mobile technology like geo-fences and beacons to allow advertisers to target specific people, or groups, in certain areas. For example, a retailer may use beacons to serve offers to certain individuals in their stores, while a local restaurant may set-up a geo-fence to serve certain ads to the business park down the street.

Businesses aren't just using this technology to attract new business and encourage repeat spending; they're also using it as part of their loyalty schemes.

For example, a retailer may create an app that allows customers to tailor what sort of content they receive in-store (such as alerting them to product availability). Using the app, shop assistants could see what sort of purchases the customer has made with them recently, and whether or not they seem to have a favourite brand.

This lets the retailer not just direct them to great offers as they shop, but allows them to increase the relevancy – and timeliness - of the loyalty rewards they provide.

PITTSBURGH PENGUINS

The Pittsburgh Penguins National Hockey League team used location-based tech and beacons to improve their fans' experience.

They run location-based campaigns, partner with local stores and provide fans with reward points and exclusive offers and content from the stores. They use a mix of technology – beacons may work for their own arenas, but they can't use them in opponents' arenas, so they use geo-fencing for these events. By the end of the first season using location-based campaigns, they saw open rates of over 10% and click-through rates of around 50% for their mobile campaigns.

VIRTUAL REALITY

The virtual reality market is predicted to be worth $75 billion by 2021. Much of that revenue will come from areas like gaming, training and medical applications, but VR is also being used by businesses to provide customers with additional insight and build trust in their brands – helping to develop long-term loyalty.

RBC REWARDS

RBC Rewards is a Canadian reward coalition loyalty programme that uses virtual reality headsets to let loyalty programme members try rewards before they buy them. This should mean that people stand a better chance of being satisfied with the rewards they choose and feel confident about spending their reward points in the future.

LOWE'S

Home improvement store, Lowe's, uses a VR room to let customers walk around their planned kitchen design before they finalise it. While not tied to a specific loyalty scheme, it's a way for the retailer to create the foundation of trust that a long-term loyal relationship depends on.

8. SUMMARY: THE KEY BENEFITS OF MOBILE LOYALTY

Businesses create loyalty through developing trust. Without trust, people won't feel comfortable in giving the business access to their data no matter what promises it makes about the benefits they will see.

However, when people do trust businesses with their data, it's clear that mobile optimised loyalty schemes deliver excellent results for loyalty scheme members and businesses alike.

1. By modifying, or creating a loyalty scheme that uses mobile technology, businesses will create experiences that are more relevant to the individual, and that stand a better chance of encouraging them to act.

2. Businesses can use gamification to engage and reward participation in loyalty schemes, but before first, identify the kind of behaviour the business wants to encourage and know what the ultimate goal of participation is.

3. By using mobile technology and connected devices in ways that integrate into the customer's journey and habits, businesses can make the customer's experience seamless and increase the likelihood of them redeeming their rewards.

4. Businesses can use the data generated by mobile technology to identify the pain points in the customer's experience and use that data to create mobile apps that take the drudgery out of the loyalty programme experience.

What remains clear is, no matter what kind of technology the business uses to run loyalty schemes, at its core a loyalty programme represents a business' commitment to serving its loyal customers by providing them with superior service and relevant rewards. New technologies allow businesses to refine and tailor these programmes to an extent that they've never been able to before.

COMARCH

ABOUT COMARCH

Comarch has over twenty years of experience in designing, implementing and integrating state-of-the art IT solutions. The most important service offered to the largest enterprises is a comprehensive suite of IT solutions and professional services, which can help to build and manage loyalty programmes, create rich consumer experiences and personalised interactions, automate marketing processes and, finally, boost profits. Our software supports the entire loyalty value chain. Comarch has multi-industry experience, gained through work with over eighty clients, including FMCG companies, retailers, telecoms, financial institutions, travel companies, such as JetBlue Airways, London Heathrow Airport, BP and many more. Our range of services also include big data analytics and innovative customer engagement systems based on gamification, which increase profits and strengthen relationships between customers, partners and the brand.

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