Chief Marketer B2C Special Report

The Location of Loyalty
How location-based targeting is helping brands drive customer value and loyalty

t's a stunning statistic: There will be 2.5 billion smartphone users globally within two years. Some 86 million of those users will make a purchase on their devices, according to eMarketer. That makes location-based marketing a burning-hot topic among loyalty marketers looking to not only drive allegiance by geography, but to embrace mobile technology.

Location-based marketing, particularly through mobile phones, is improving loyalty. Geo-targeting is rising fast as a must-do marketing strategy as shoppers recognize the value in receiving promotions like a coupon or loyalty points in exchange of sharing information, including location data.

A new report from Forbes Insights and xAd, "Location: A Strategic Marketing Imperative," finds that shoppers have come to expect immediate value that is personalized and relevant—regardless of whether they are shopping online or in store. That value encourages consumer loyalty.

"[Consumers] are getting more and more accustomed to the fact their location plays an integral part in the value proposition of the services they use," Joe Laszlo, vice president of industry initiatives, Interactive Advertising Bureau," said in the report. Whereas in the past, there was "some hesitation or concern" about divulging personal details, he said, "the equation now is much clearer as far as the benefits of sharing location data."

Dunkin' Donuts knows that first hand. Its DD Perks loyalty program has 3 million+ members and more than 13 million app downloads. It has learned to use location data to drive loyalty among its customers

using consumer intent, like the customer heading for their first cup of Joe in the morning or the Perks member about to walk by a local Dunkin' Donuts store.

The brand uses this data to serve custom, relevant messages or coupons to encourage loyalty and instant gratification. For example, once in stores, Dunkin' can serve up messages to Perks members about new products and offer coupons to try the new offerings. Last month, Dunkin' Donuts was recognized for the tenth consecutive year by the 2016 Brand Keys Customer Loyalty Index as a top brand for consumer engagement in the out-of-home category. It also leads the packaged coffee category in customer loyalty for the fourth year in a row. The honor recognizes brands that receive the highest loyalty and engagement assessments and surpass competitors for "delighting" customers.

As a testament to that loyalty, Californians had long been waiting for Dunkin' Donuts to open stores in that state. Last November, 350 people camped out to be among the first to get into a new restaurant in Santa Monica. That kind of brand love is hard to come by. It takes focus, change and transformation, even for a brand like Dunkin' Donuts that is 65 years young, operating 19,000 restaurants in 60 countries.

"Traditional marketing continues to work very well for Dunkin'," says John Costello, president, global marketing and innovation, Dunkin' Donuts. "If I put a picture of something up in a restaurant, I sell more. If I take the picture down, I sell less. On the other hand is the proliferation of mobile. We're a company where traditional marketing—TV, out-of-home and in-store POP—is very effective but we made the decision to

TURNING UP THE HEAT
NEST MAKES OLD LOYALTY MECHANICS NEW AGAIN

A funny thing is happening in the loyalty industry. Consider the fact that the average North American consumer is enrolled in a record 13 formal loyalty programs that include typical features like monetary rebates, points and discounts to lock members in and keep them coming back. Now, consider that actual participation in those loyalty programs (that is, customers engaging and making purchases) shrank 14% from the previous year, according to the 2015 Bond Loyalty Report.

The widespread availability of loyalty programs is outpacing consumer demand. This oversupply is creating a growing sense of customer indifference toward the most potent mechanisms that differentiate a brand.

Funny, right? Not so much.

Loyalty programs consist of subtle levers and mechanics that build profiles, collect data, extract insights, scale intimacy and drive real behavior. That's Loyalty 101.

With so many brands vying for share of mind, purse, closet and smartphone, loyalty programs often come down to a tit-for-tat arms race where the ammunition of discounts, play money and Pavlovian plastic cards result in the kind of collateral damage that looks a lot like customer promiscuity and an eroded bottom line.
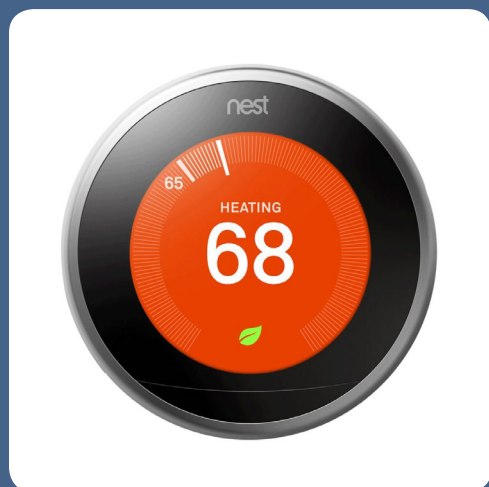
But here's the punch line: Customers are enrolled and deeply engaged in more programs than they even recognize or report.

Those unknown programs aren't the formal loyalty offerings we're accustomed to seeing (and signing up for and later ignoring) from run-of-the-mill grocery stores, gas stations and airlines, but loyalty design principles and mechanics that have been baked into the very products and services of some pretty nascent and disruptive brands.

Nascent brands are learning what and what not to do from brands with existing loyalty programs

Google-owned Nest is a perfect example of an on-the-rise brand that is differentiating itself by crafting "informal" loyalty programs to engage customers on a more personal level. That means fulfilling customer needs while appealing to their aspirations and aligning with their values.

If you're one of more than a million people who own a Nest Thermostat, you were probably intrigued when a little green leaf appeared on the screen to signal energy efficiency. While Nest is a "learning" thermostat, in that it learns your usage patterns and adjusts temperatures automatically, it uses the leaf as a badge to reciprocally train users to know when and how they're conserving energy—and, over time, teaches them to progressively lower the temperature of their homes in the winter, let it rise in the summer and use less overall power.

Through the lens of loyalty design, that leaf isn't simply an indicator of conservation, it's a nonmonetary currency that Nest users align with their values and are trained to pursue.

Loyalty programs train people to respond to certain cues—that's what makes Nest so powerful. It employs key loyalty mechanics like a unique identifier (user account), regularly delivered personalized communications (relevant emails and app notifications) and a non-monetary currency (the leaf). Nest collects data, extracts insights from usage histories and influences users from the comfort of their own homes.

Nest sends each user a monthly energy report with information on how many kilowatt hours all Nest Thermostat schedules have saved since 2011, as well as lets people know how much energy they have used to heat or cool their homes. Did you catch the nuance? Everything a user does to interact with their Nest Thermostat is about what they can do to save energy—and that gets signaled back to them in real time.

The monthly reports are based on usage and tell users how much they've used. Nest is able to communicate to its users how close they are to their goals and how far they've come, which taps into those parts of the brain where our feelings of motivation live (which just happens to be a bit of a holy grail for marketers—that is, loyalty marketers, smart marketers, and increasingly, *all* marketers).

Established brands can learn a thing or two from the way Nest, Tesla and other disruptive brands are changing the loyalty landscape. They're taking the lessons and tools from the loyalty space and applying them to different parts of their business to strengthen existing touchpoints and create new ones with customers that are ownable and unique.

The managers and executives responsible for loyalty in their organizations need to knock down the walls and move beyond the silos. The next wave of loyalty for established brands is not to retrofit a points program over top the customer journey, but to use customer experience and loyalty mechanics to create a unique constellation of benefits that win the hearts and minds of customers, and make it harder for competing brands to copy.

Loyalty might be viewed as an old dog, but it's certainly teaching new tricks to the brands that are disrupting categories and driving a new wave of loyalty through customer experience. —*Sean Claessen, executive vice president strategy, Bond Brand Loyalty*

LOYALTY 2.0
HOW TO UPGRADE YOUR LOYALTY PROGRAM WITH THE RIGHT TECHNOLOGY

Loyalty programs are getting a facelift. Load-to-card mobile and the digital coupon format have nearly quintupled in the past two years. Consumers, no matter their age, now expect instant validation and highly personalized offers, giving rise to revolutionary loyalty programs with unique, timely messages to meet their needs. While some brands, like Walmart, have pivoted by investing more resources into a digital strategy, many other brands haven't caught on, and as a result, are losing out on consumer acquisition and engagement.
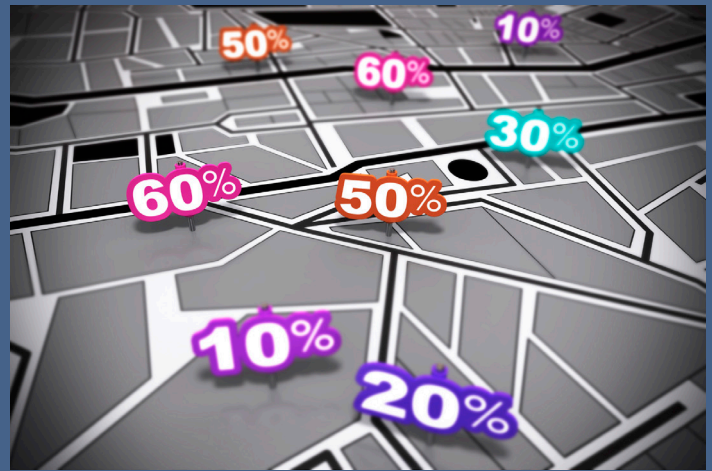
Before revamping any loyalty program, internal teams should agree on its unique value proposition, the core behaviors of the audience and key metrics. But as brands continue to transition loyalty programs from supplemental consumer engagement tools to integral pillars of marketing efforts, using the right technology will ultimately affect how brands achieve a new level of sophistication. To do so, brands must consider options like putting aside resources for stronger data analytics programs, investing in localization or the ability to digitally validate offers anytime, anywhere. No matter which strategy a brand chooses to adopt, creating a truly convenient and personal program for the customer is ultimately achieved by knowing which of the latest technology solutions to apply. Here's what brands should know when it comes to relevant technologies and building strong but flexible loyalty programs.

Beyond Data Analytics

When it comes to loyalty, there should never be a "one-size-fits-all" perspective. A brand that caters to 30-somethings who play sports and a brand that targets 30-somethings who play music may need entirely different loyalty solutions based on differences in interests, hobbies and motivators. Here, prioritizing a more advanced data analytics program can help identify the nuanced differences between groups. Consumers across industries value rewards in different ways, so brands can start by gleaning data that reveal behaviors such as items viewed, actions taken, time spent on page and purchase history. Understanding how long your customers have been with you is also smart, as offers can be tailored to whether you're sustaining a strong relationship or forging a new one.

Bring on the Beacon

Beacon technology and geo-location capabilities are tools that offer incredible potential in creative loyalty initiatives, based on where a brand might access a user, but also where a user might access a deal. Receiving relevant offers in a loyalty program while passing by a favorite store or restaurant remains a huge incentive to start or continue engaging with the brand. For example, surprising local users with unexpected discounts or flash sale offers to get them in-store not only increases awareness and appreci-

ation for the brand, but puts them directly on the path to purchase as well. Remember when ShopKick's iBeacons brought in almost $1 billion for its retail partners last year? Since we've seen success with beacon tech in the past, it will likely continue to prove its worth, and is particularly important considering users spend more time on their mobile devices while shopping than ever before.

Money Talks

Financially oriented applications like Apple Pay, Android Pay, Chase Pay and MasterPass should be on brands' radars, because it's arguably this kind of technology that has the most potential for providing less friction to purchase validation and incented offers in the realm of loyalty programs. Investment app Acorns invites beginning investors to deposit spare change into an account. Its Found Money initiative allows brands to reward customers with money not into pockets, but into future investments by using the app. The Acorns collaboration is just one example of how much innovation and creativity can be achieved in a loyalty program by simply introducing stronger, fully supported mobile and digital applications.

Automated Intelligence

Tech-enforced loyalty programs will allow brands to see what couldn't be accomplished before. Real time offers and automated surprise-and-delight capabilities will allow for a brand to reward loyal customers through automation without possible delays caused by human error or intervention.

Throughout 2016, loyalty programs will continue to feature technologies with powerful multichannel integrations. Loyalty programs will become more creative, service-oriented and all-encompassing, expanding to include, for example, more automated hotel check-ins, airline flight reminder texts, or virtual fitting room experiences. These offerings allow for more varied ways to engage with consumers, and ultimately enhances personalized experiences. As long as new technologies are constantly in play, brands can continue to upgrade their loyalty strategies. —*Russell Zack, senior vice president, products & solutions, HelloWorld*

6 TIPS TO IMPROVE LOYALTY PROGRAMS
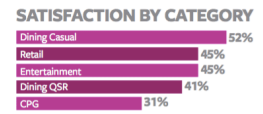
HELPFUL TiPS

Loyalty is rooted in relevant customer experiences. Successful loyalty programs integrate customer data to provide offers, benefits and communications that are meaningful to the program member. Marketers should consider the following to increase membership and keep their current members engaged:

1. **Test and learn**—Once a program is developed, it shouldn't 'sit on a shelf.' Conduct ongoing evaluations to determine what's working and what isn't. As your customer shifts and evolves, so should the program. Smart marketers are agile and can respond to changing consumer demands and industry trends.

2. **Integrate the program**—A loyalty program shouldn't be a stand-alone program. It should be integrated into the organization's overall brand and value proposition in a seamless way.

3. **Use your data**—If customers aren't receiving offers that are relevant to their lifestyle and needs, odds are they'll stop using the program. Leverage loyalty program data to identify key customer experience elements, and revise your offer and strategy based on what your most valuable customers want.

4. **Personalize communications**—Consumers respond best to personalized offers that focus on products or services relevant to their needs.

5. **Consider Surprise and Delight**—Loyalty programs that offer 'surprise and delight' experiences have the opportunity to connect with a customer at a deeper level, creating long-term customer loyalty with the organization or brand. However, it's important to offer relevant experiences based on the data collected. The rewards should be tailored to your best customers.

6. **Gather Customer Feedback**—According to a recent study between LoyaltyOne and Verde Group, shoppers who have a poor customer experience are putting a significant amount of revenue at risk. Of the consumers polled who had a poor customer experience, 81% decided not to contact the retailer about the issue. Among these silent shoppers, 32% said they were unlikely to recommend the retailer to friends and family. By comparison, shoppers who did notify retailers of their poor experience and had their problem completely resolved were 84% less likely than silent shoppers to be at risk of decreasing their spend. Use the loyalty program as a customer touch point to gather valuable customer feedback.
—Jeff Berry is a research director at Colloquy

48%
of members would like to **engage** with programs via a mobile device

MEMBER SATISFACTION IS UP
43% ↑ (39% in 2014)
of members are **very** satisfied with the program experience

SATISFACTION BY CATEGORY

Category	%
Dining Casual	52%
Retail	45%
Entertainment	45%
Dining QSR	41%
CPG	31%

Source: 2015 Loyalty Report/Bond Brand Loyalty

Continued from page 1

go deep on mobile. It took some real courage on the organization's part where traditional advertising works very well.

Mapping consumer location-data to earn loyalty is just one tactic for Dunkin' Donuts. It spends copious time listening to customers to improve all aspects of the customer experience; something as simple as helping mobile customers find Dunkin' locations builds and earns that loyalty.

"Mobile is devouring the world," Costello says. "It's become an entire ecosystem. Have we all adapted? Perhaps not. What we found is that it's easy to get caught up in the features and benefits of mobile and forget about the consumer. We listened to consumers and offered what they want. A store locator was a key feature. It isn't the sexiest thing in the world, but it's what our customers wanted."

The Forbes Insights report also found that "location-based marketing allows brands like Dunkin' Donuts to be sensitive to varying cultural and geographic sensibilities, as well as individual expectations, by recognizing where consumers are and at what time of day."

Even though a relatively small percentage, 28%, of loyalty members say they want a personal experience, that's up 21% from 2014, an indicator that efforts like Dunkin' Donuts to personalize communications with loyalty members is not only paying off but expected from members. ❗

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