



Where is Loyalty Marketing Headed in 2012? An Inside Look at Trends Impacting the World of Customer Loyalty



EXECUTIVE BRIEF

Loyalty 360 - The Loyalty Marketer's Association

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Taking a look back at 2011, several key trends greatly impacted the world of customer loyalty. From working to infuse gamification and mobile into loyalty programs, to contending with the explosion of social shopping and desire for immediacy of rewards, marketers were clearly striving to understand best how to capture the hearts and minds of the social media-savvy customer.

Armed with the knowledge amassed during the last year, marketers are likely to call 2012 “The year of customer engagement.” Despite the explosion of (or perhaps because of) the daily deal space, marketers realize that customer loyalty, versus acquisition, is critical for driving sustainable growth. Marketers that successfully cultivate loyal brand advocates do so by expectation matching—by implementing a true voice-of-customer model to get under the hood and create a comprehensive, 360-degree view of the customers. Only when armed with this insight can marketers deliver a brand experience that matches (and ultimately exceeds) customers’ expectations.

As such, loyalty is a much bigger, broader, richer and increasingly complex idea than it has been in the past. Loyalty is no longer about points, discounts, miles, rewards; it is about the way the processes, technologies, ideas, interactions engage an individual with the brand.

What’s on the horizon that will drive customer engagement and loyalty this year? We asked our members to help us uncover the key trends marketers believe will most impact the industry in 2012. A number of areas of focus bubbled to the top: customer experience, loyalty programs, social media and online marketing, mobile, and data. Let’s take a deeper dive...

Customer Experience

Loyalty 360 predicts:

Brands need to recognize customers at all touchpoints to deliver a quality customer experience. A recent poll by Loyalty 360 found that 78% of respondents believe that having a great customer experience makes them loyal. Creating this type of customer experience involves delivering quality customer service across all touchpoints, and marketers are realizing that this means integrating the call center into the overall customer experience.

“We all talk about the age of the customer; I think it’s also the age of the company that truly understands its customers, and how to better serve them. Power has shifted so fundamentally, away from the old world of “we know best” organisational behaviours. Out go command and control, occasional listening to customers, and even rarer acting on what we hear; in comes constant listening, and of course, acting on what we hear. This feels like one more return (!) to back to basics, and the realisation that the only way to build true loyalty is to firstly ‘do right by the customer’. There’s no short cut, it’s about meeting their expectations, consistently, and only then earning the right to be considered as a good company to stay with, to buy more from and so on. So, I’m really excited by the brave new world we face, because it grounds us in the everyday realities of just striving to do better and better by our customers and of course our being loyal to them – it’s the realisation that we can only really expect our customers to be loyal to us if we are firstly loyal to them and view them not as walking ATMs but as people like us, or better still like family

members. So, it’s the age of humility, listening and acting, and doing this all the time, and moreover, consistently!”

—**Rod Butcher, Head of Customer Experience and Insight, Aviva Group**

“As customer experience management gains momentum, feedback is being collected across more departments. Organizations need help unifying feedback channels for a more complete picture of their customers.”

—**Borge Hald, CEO, Medallia**

“Our belief in the importance of the customer experience in the loyalty marketing value chain is centered on the belief that the customer is judge and jury of all that we do and we must remain constantly vigilant of how customers perceive the value propositions and communications we put before them in order to be

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successful for our clients and to advance the data-driven marketing business. A dedication to customer experience demands that we develop loyalty strategy from an enterprise point-of-view. We know now that “loyalty” has a greater potential than just stemming attrition or increasing frequency of visit or purchase. We can apply what we know across an entire customer lifecycle to achieve multiple results, and this means we need to engage customers at each point along the chain as well as offer them incentive to stimulate specific desired behaviors and drive more value for the business. This type of strategy has to be played out in the exact moments where our customers interact with the brand, meaning in the shopping cart, in the store, and while using their mobile application. Front line employees need to be well informed and trained to communicate program benefits and web sites and mobile apps must be easy to understand and use for customers to stay engaged.

Customer experience will continue to be important as 2012 unfolds, in these and other ways: More focus on delivering benefits and communications that drive results that aren't dependent on traditional points-based constructs. The experience is delivered without the dependence on points and the associated drain of liability; “Real-time” expands beyond retail and into other segments, such as Travel & Hospitality, Payments, Restaurants, and the like; Conglomeration of like programs across industries that bring many like, and/or competitive, programs into an umbrella offering that is more beneficial and powerful for the consumer; and increased focus on social media as an effective, less expensive and dynamic marketing and brand engagement channel.”

–Michael F. Hemsey, President, Kobie Marketing

“2012 will be a critical year for marketers. Customers are now in charge of marketing...how, when and where it is consumed. For the most part, marketers aren't prepared for this new world. 2012 will conclude with a rapidly widening gap between those who made the early moves to create a marketing platform for dynamic customer engagements and who as a result are part of the critical customer conversations and those who chose to watch from the sidelines as their customers engage with someone else.

–John Thomson, CEO, Saepio

“Traditional Content Management will morph into Experience Management. The customer decides how, when and where they would like to consume information. Organizations need to pay close attention to the orchestration between the various channels to keep brand consistency and to provide the ultimate customer experience. Third, customers expect to receive only the information that's relevant to them. The better the information, the more likely the chance that they will participate in a(nother) sales engagement. Customers also expect organizations to offer information tailored to niche geographical and cultural markets. Those not engaging are missing out on an untapped revenue source.”

–Robert Carroll, CMO of SDL's Web Content Management Solutions division

“Customer experience roles will be redefined to go beyond just customer service for companies.”

–Kathleen Diamonon, Co-founder and Co-owner, The Turning Point Group

“Integration of mobile and social media into loyalty programs will continue to grow. As consumers increase their online time via smartphones, tablets and other web-enabled devices, loyalty marketers must embrace these new communication tools in order to maintain relevance. In addition, the importance of the customer interaction will remain a strong focus, due to the increasing importance of a personal relationship between a brand and its customers. Not only are customers receiving deals via group buying sites such as Groupon and Living Social, but they are able to comparison shop on-the-spot via tools such as Shopkick. As such, the customer experience—not price—will be the determining factor in long-term customer loyalty.”

–Mark Robeson, Senior Vice President of Sales and Marketing, VIPdesk

“The web continues to be a moving target when interacting with customer and we predict more companies will come to realize the importance of giving customers an online voice...for both ranting and raving.”

–Jennifer Kielmeyer, Web and Emerging Technologies Strategic Marketing Manager, Safelite AutoGlass® ■

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Loyalty Programs

Loyalty 360 predicts:

Loyalty programs will be seen Engagement with customers over a lifecycle is the new model for success. The only way to earn loyalty is through deeper customer engagement and data gathered from loyalty programs can be used effectively to drive a quality experience across all touch points and at all stages of the customer lifecycle.

Brands will also increasingly use the rich information about customer buying patterns generated via “loyalty programs” to create more targeted marketing/messaging. Gathering and tracking data amassed in the loyalty program will be used to help marketers with segmentation, messaging, for acquisition and retention. The information on customer transactions, likes, dislikes and preferences gives brands the deep level of customer intelligence needed to deliver the most relevant, highest quality customer experience and drive long-term loyalty.

If merchants don't offer compelling and engaging programs, they should expect to see an increase of dropouts and a decrease in engagement. Lastly, customers want to be rewarded for being loyal, but don't want to spend an exorbitant amount of time understanding how to signup, collect and redeem rewards. The most successful loyalty programs will be trustworthy, transparent and easy for the customer to understand.”

—**James Ray, Mocapay**

“As instant gratification continues to increase, the need for “hyper-relevant” messaging and programs will be key. Companies should know when a consumer in their database has redeemed an offer and not send them a reminder or any other communication, aside from a thank you, or suggestion based on that purchase. Mobile continues to refine our way of accessing information but there are still too many apps that don't provide any value. Marketers will begin stripping down content, providing instant gratification and relevance in the app the same way it is accessed in-store. Loyalty initiatives will continue to grow and be a stronger part of the marketing mix, not just an add-on program.”

—**Heidi Shurtz, Senior Manager Customer Relationship Marketing, Allergan Medical**

“2012 will be the “year of distribution”. While this will be partly driven by the pace of technology advancement in areas like mobile platforms, social networks, digital wallets, and ecommerce platforms, the real driver will be consumers. Loyalty Program members are increasingly looking for their programs to show up where they happen to be, not the other way around. ‘I want more places to earn my miles’ or ‘Where else can I use my points?’ are constant refrains we hear from Points.com users and through our research. As program members are quickly getting used to this kind of distributed servicing from all other aspects of their consumer lives (mobile offers, daily deals, multitude of apps, new social networks) they will get increasingly engaged in Loyalty programs that are following suit.”

—**Christopher Barnard, Co-Founder, President at Points.com**

“Loyalty programs continue to evolve as merchants find new ways to keep customers coming back and consumers seek to be better rewarded. In 2012, this evolution will continue as merchants look for new incentives and lasting programs. Social networks are becoming an important piece of every brand's marketing program - and loyalty is not different. As customers become more familiar with sounding off, good and bad, to friends and followers, merchants will begin taking the initiative to both praise and repair relationships through social networks. The best programs will embrace this advantage. We also expect to see merchants move from points to schemes and be less about an equal redemption of rewards for a certain amount of purchases. As merchants continue to forge deeper relationships with customers, their loyalty programs will move from the transactional to the relational basis for rewarding. Much like a friendship, merchants will understand more about customers purchasing behavior and reward them for being the kind of customer they are or that they know the customer can be in the future. Customers will be more willing to try a program out, but just signing up won't be good enough in 2012.

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“Recognize interactions as much as transactions. It has become increasingly important to track and measure customer interactions across every digital channel and communication platform and to use those interactions to extend the loyalty cycle. The data we leave on the “cutting room floor” can now be potentially more valuable than the data we do collect. Understanding transactional data is in many cases now the “floor” of your customer strategy rather than the ceiling. As our ability to track behaviour grows, it is likely that marketers will reward many more mundane customer activities besides simply making a purchase.”

–Rick Ferguson, Vice President Knowledge Development, Aimia

“We see two parallel emphases for loyalty marketing in 2012. On the one hand, it will include more of a focus on enterprise-wide or what we are calling ‘relationship rewards’ where customers are encouraged via rewards and incentives to have a deeper, broader experience with a financial institution or a business entity. In exchange, customers will want loyalty programs to be ‘about me’ and very relevant – which means offering redemptions that are significant and pertinent to a particular customer segment or base. As a result customer analytics will be more important than ever as well. From an institution’s or business perspective - loyalty will be thought of as a goal, not a program, and customer engagement will be the driver in loyalty programs.

Consistent with this emphasis on relevancy and engagement, and in tune with this “Age of Deals”, financial institutions and business entities will look to provide value to their consumers to enhance the relationship through access to relevant discounts and deals at merchants. This will take various forms and be delivered through multiple channels, but a shift towards more targeted offers will be seen. At the end of the day, it will be about targeting and reaching those consumer segments that adopt new technologies first to receive those relevant, timely ‘value-added’ offers. And it will also be about which institutions and organizations are ahead of the curve in getting themselves out there with both the technology and offers.

–Steve VanFleet, CEO and President, RewardsNOW

“Our predictions for top industry trends in 2012 center around broadening the liquidity and utility of rewards currency in the market. Consumer, reward issuer and merchant needs have demanded it: consumers seek value, simplicity and flexibility in exchange for loyalty; reward issuers seek control of rising costs and program liabilities while providing differentiated solutions, and merchants seek low-cost, effective ways to reach new consumers and drive sales.

We predict a significant increase in collaboration amongst and between reward currency issuers and merchants. Companies in cross-sector, non-competing verticals will find ways to collaborate with one another to address consumer and business needs while still maintaining the independence that their proprietary programs afford. This approach will lead to a number of consumer benefits including aggregation of rewards beyond the management solutions available today. Consumers will have opportunities to use rewards at check-out in combination with other forms of payment including cash, debit, credit, and stored value. We predict the industry will make great strides in more closely integrating rewards currency into the consumer’s normal, everyday shopping experience instead of today’s stand-alone static redemption catalogs.”

–Nancy Gordon, Chief Operating Officer, Swift Exchange

“While social media has been at the top of all loyalty managers to do list for the past year or two with organizations scrambling to be ‘liked’ or ‘followed’, ‘gamification’ will become an increasingly important concept over the next twelve plus months. Gamification isn’t about designing the next ‘FarmVille’. It is simply the idea of using game thinking and game mechanics to drive engagement. The idea as it relates to loyalty programs is to make the journey (accumulating) as fun as the destination (redemption). If organizations can inject more fun into the accumulation process, customers will seek out these opportunities more actively, they’ll talk about it with their friends and hopefully as a result they become more engaged with your brand. The good news for loyalty programs is that many have already incorporated gaming concepts like ‘status’, ‘competition’ and ‘prizing’ into their program designs. The next step is to build gaming into the everyday experience.”

–Shawn Bloom, General Manager, Scene LP ■

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Mobile

Loyalty 360 predicts:

Mobile digital wallets will mark a big shift in retail payments. With the value of transactions made over mobile devices estimated to be \$240 billion this year (Juniper Research) and predicted to triple that size over the next five years, it's not surprising that the battle over mobile wallets will continue to intensify. And with analysts at Forrester predicting that by 2016 consumers may be able to leave their traditional leather wallet at home and pay for most of their shopping over their handset, retailers need to think about the impact of mobile wallets as they build out their loyalty programs.

Mobile coupons will also go mainstream. Juniper Research forecasts that the total redemption value of mobile coupons worldwide will be more than \$43 billion by 2016, representing an eight-fold increase from \$5.4 billion this year. Cost effective mobile coupon campaigns provide merchants with an easy way to build customer loyalty.

“In 2012 I expect the greatest trends in search and digital marketing to be centered around mobile devices—right at the convergence of social and video media, as well as various ad types. This year will be the tipping point where high-bandwidth mobile form factors become smaller and ubiquitous—from Lenovo laptops to Intel-powered ultra books to Samsung tablets and RIM smart phones to even other smaller wearable devices. All of these devices will have high definition voice, image and video recording, send, receive, listen, view and, most importantly, recognition features. These features will enable instant meta-data and categorization for not just text, but also images, sound and video—like Android voice recognition or Shazam! Music recognition. This will provide an explosion of searchable and sortable media that will generate new query types and new advertising formats, all helping to provide the right message to the right consumers at the right place and time in their interest, buying, retention and loyalty cycles for all kinds of products and services.”

—**Russ Mann, Founder and CEO, Covario**

“A customer’s mobile number will become more valuable than an email or home address.”

—**John Orlando, EVP Worldwide Marketing and Business Development, Sixth Sense Media**

“Marketers will look for advice on how to create better mobile-optimized experiences. While some brands have made impressive strides in truly utilizing mobile-enabled marketing to deepen engagement with their customers, others have not quite figured out how the technology can be used as an opportunity for open communication and insight with customers. These marketers will seek out specific advice on how to successfully implement a mobile strategy that aligns well with their current marketing mix and provides value to their customer.”

—**Melissa Fernandez, Sr. Advisor, Destination Interactive**

“In the payments world, integration, convenience and security are king. Here, a mobile wallet provider will evolve as the leader. We may even begin to see the adoption of contactless payments solutions through NFC standards.”

—**Mike McDonnell, Vice President, Product Management & Client Services, Affinion**

“Mobility will become a top business and technology trend impacting customer experience. Many companies have a myriad of business processes, information systems and connection points with legacy and cloud based information sources. Using mobility to empowering the business with actionable insights, getting the right data to the right person at the right time with the right interface will be the way of the future to provide the best customer experience.”

—**Ven R. Bontha, Vice President of Customer Experience, CEMEX, Inc. ■**

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Social Media and Online Marketing

Loyalty 360 predicts:

We will see a focus on social media ROI. While marketers believe that social media is worthwhile, most don't know how worthwhile it is. As marketers become more sophisticated and skilled at navigating the social media channel, they will be more demanding of tools that track and improve ROI. In fact, the 2011 IBM Global CMO Study found that 63% of CMOs believe ROI on marketing spend will be the most important measure of their success by 2015. However, only 44% feel fully prepared to be held accountable for marketing ROI.

We will also see an increase in social personalization. Marketers will harness the power of recommendations and referrals to persuade customers and prospects to follow their friends' leads. They will become more proactive in encouraging reviews, implementing refer-a-friend programs, etc.

text and video has the ability to touch all senses that affect an audience's buying decisions. The dynamic content of video has the ability to foster a deep connection with the viewer in an effort to move them in the cycle of awareness, interest, trial and conversion. Video provides the opportunity for marketers to deliver a one-on-one personalized "behind the scenes" insight into a product or service and the value it provides."

–Melissa Fernandez, Sr. Advisor, Destination Interactive

"In 2012, marketers will leverage SoLoMo (social, location and mobile) to improve relevance to customers—based on where the customer is at any given moment and what his social media posts say about his interests and even what his friends are buying or discussing online."

–Sutowo, Director, Deloitte Analytics

"Despite the growing time customers spend online, email will not survive as a means to communicate with them. In 2012, bellwether companies will adopt applications like Twitter, Facebook and Salesforce Chatter to dramatically reduce email headaches and improve productivity in working with customers. Doing so reduces spam, viruses, phishing scams and inbox management for customers. Companies that remain heavily dependent on email will be left in the dust. In addition, as companies and brands start to reconnect and establish one-to-one relationships with consumers using social networks in 2012, the differences between B2C and B2B sales and marketing strategies will be reduced dramatically. Social networks and mobile devices both enable and demand one-to-one communication with customers. Mass marketing and "one-size-fits-many" communication to consumers are headed for life-support."

**–Chris Malone, Chief Advisory Officer,
The Relational Capital Group**

"2012 will be a great year for marketers to get a better grasp on how technology is impacting their customers and what engagement really means. Marketers will need to slow down the process of evaluating the opportunities available to them and ask for guidance in discerning which areas of interactive marketing represent the best opportunities for growth. In 2012, customers will be the generators of new marketing ideas and content. Online communities hold the key to better customer insight regarding needs and wants. More and more marketers will be tapping these communities for product trials, content suggestions, and brainstorming new initiatives. Marketers will need to leverage the insights provided by these communities to get a better understanding of their pains and what is important to them.

Video will also become a more important piece of customer engagement. Generally audiences tend to trust video more than

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“Companies have been doing more with fewer employees and shrinking budgets in the past three years. As they add staff in 2012 we will see a renewed focus on retention of existing customers versus acquiring new ones. Correcting negative relationships is a major opportunity for all organizations. Social media is a critical channel to showcase the “bright side” of these negative engagements. In addition to turning disgruntled customers into loyal followers, those companies with social media strategies will focus more on measurement in order to justify and fine-tune their efforts. Measurement will be critical in 2012 as firms experience cross-channel servicing issues stemming from increased adoption of social and mobile channels. We will see more traction in social CRM to unify the company’s voice and support the consumer across channels.”

–**Mike McDonnell, Vice President, Product Management & Client Services, Affinion**

“Students love Facebook, but now everyone is on it, so they’re using Twitter as a way to filter updates from friends and brands that really matter to them.”

–**Melanie Shreffler, Editor-in-Chief, Ypulse ■**

Data and Analytics

Loyalty 360 predicts:

Marketers will work to glean intelligence from social media feedback. The vast majority of real-time data created today is unstructured data. Study after study is showing that marketers are struggling with mining this data and analyzing it in order to derive valuable insights and actionable intelligence from it. In fact, a just-released report by EMC found that only 38% of business intelligence analysts and data scientists strongly agree that their company uses data to learn more about customers.

Marketers will also look at a mix of location-based behavioral data and attitudinal and preference data. This trend will have an especially important impact on the daily deal space. Brands will want to have this data and control the message rather than offering such huge discounts to anonymous individuals.

“Hal Varian, Google Chief Economist and Economics professor at UC Berkeley, believes the new “coin” of today is consumer data. In today’s globalized, fragmented economy, winners will increasingly be separated from losers by their ability to collect, analyze and derive actionable insight from consumer data. He has coined a term for those companies who have an edge in customer data insight: the Datarati. The challenge for these companies lies in making effective use of the data they’ve collected. So a new loyalty hierarchy will emerge, led by the Datarati, and based on the ability to connect those digital dots in service of customer relationships. We believe that the time to begin connecting those dots is now. Arguably the best way to join the ranks of the Datarati is to adopt at all times the perspective of your customers. Rather than starting with the technology and trying to force fit it into customer’s lives, start by understanding their needs, and then working backwards. Tomorrow’s winners will be those who reconcile these new data sources with the complexities of consumer life to deliver customer loyalty strategies to the mutual benefit of both companies and their customers.”

–**Rick Ferguson, Vice President Knowledge Development, Aimia**

“Marketers know that customer data and analytics-enabled insights must be applied to customer engagement and that old processes won’t meet new needs. Those who win in 2012 will refuse to be paralyzed by the intimidation of change or the fear of failure. They will embrace new technology, adopt a new marketing mindset, recognize that old processes can’t address new challenges, and thrive through effective, automated and dynamic customer engagement.”

–**John Thomson, CEO, Saepio**

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“We will see a few key trends this year. In 2011, there was a lot of momentum around monitoring social sites. In 2012, the focus will shift to acting on social feedback. Whereas B2C companies like have been visibly concerned with social media monitoring, the interest level from B2B companies is also increasing. Companies will also start looking beyond the brand for reporting solutions that reveal insights on specific hotels, store branches, restaurant locations and more. Specific location-based data will help employees act faster. Third, text analytics represents a paradigm shift. It offers the opportunity to better understand customer sentiment through more effective questionnaires that generate richer customer insight. Lastly, predictive analysis stands to play a bigger role in customer experience management as companies look at feedback to determine what operational changes they could make and what the effects of each change could be.”

–Borge Hald, CEO, Medallia

“Analytics, profiling, and segmentation are going to be looking at broader data, and will be your keys to customer relevancy and profitability. It shows you are listening and that your brand is smart.”

–James Ray, Mocapay

“The new landscape of empowered customers, dizzying technological advancements, and globalization is causing marketers to re-think their craft. Marketers not only have to deliver deeper customer engagement; they are now called to “future-proof” their business in terms of financial performance, customer relevance, and loyalty. The undeniable macro-trend that undergirds this shift in marketing perspective in the past year is Big Data. To this end, here are my top three predictions on marketing and technology for 2012: Analytics ascends into a strategic business capability. Businesses that have a data-oriented culture and use analytics more extensively to drive fact-based decisions, executions, management, and innovation will thrive. High-performance analytics start to take-off. With the volume, velocity, and variety of data skyrocketing, it’s even more critical to get timely insights needed so that marketers can make quicker decisions in an ever-shrinking window of opportunity. It is not just about taking action on complex issues, but taking better actions faster. Technologies that co-locate the data and analytics will become more mainstream to achieve marketing speed and efficiency. Integrated marketing management becomes more prevalent. Successful multi-channel marketing—across of-line, digital, and emerging channels—will necessitate integrating planning, operational, analytic, execution, and experience functions. Technologies that harness, integrate, and exploit data and customer intelligence across these functions for a more holistic marketing process will start gaining traction.”

–Wilson Raj, Global Product Marketing Consultant, Customer Intelligence, SAS ■

About Loyalty 360

Loyalty 360 - The Loyalty Marketer’s Association is an unbiased, market driven, voice-of-the-customer focused clearinghouse and think-tank that is committed to bringing loyalty to the forefront as a critical marketing strategy. A trusted source for cutting-edge research, best practices, and networking opportunities, Loyalty 360 gives marketers the expert insights and guidance they need to better understand loyalty and develop programs that effectively engage their customers and employees and build stronger relationships with them.

www.loyalty360.org

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