



European Loyalty Association

Hub Event - London

Building a Next-Gen Customer Value Proposition



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- Life-long learner, always prepping for the next race

Grateful to be with you and at your service!



What we heard from you – Who’s in the room?

- **65%** work in retail, **15%** in luxury goods
 - FMCG, Fast Casual, Hotels, Sports, B2B



- **70%** are omni-channel
 - **15%** each physical or online stores only



- **65%** say they are “Experienced but new to the category”
 - **10%** are brave souls who said they are brand new and “drinking from a firehose”



Where are we in the Customer Loyalty Journey?

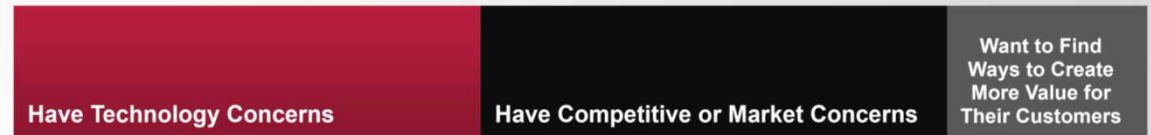
- **85%** have a loyalty program today
 - **55%** are 5 or more years in the market
 - **Only 10%** are brand new (less than 1 year)
- **65%** say their CVP is weighted to tangible & rational benefits
 - **Only 20%** say their CVP is “balanced”
- **85%** plan to update their program soon



Your Challenges & Obstacles

- **At the enterprise level:**

- 35% have technology concerns
- 35% have competitive or market concerns
- 15% want to find ways to create more value, perceived or otherwise for their customers



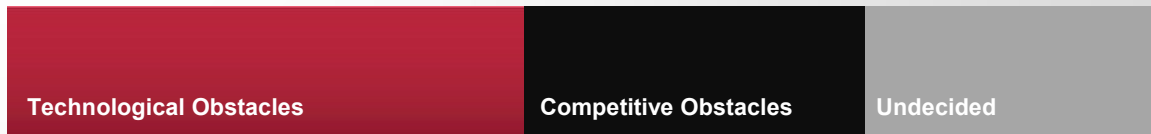
- **Good news!**

- 60% say their obstacles to program improvement are addressable through marketing (within their control)



- **Principal obstacles to program improvement include:**

- 45% - technology
- 25% - competition



Defining Loyalty

Clarifying Terms

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What is Customer Loyalty?

- Top of pyramid goal, path to customer centricity
- Emotionally driven, a state of mind
- Creates sustainable increase to Customer Lifetime Value



What is Loyalty Marketing?

- Customer centric marketing discipline
- Basis in behavioral science
- Requires enterprise execution & C-level support for success



To achieve Customer Loyalty, you must practice Loyalty Marketing



Focusing exclusively on your loyalty program does not ensure you will create loyal customers

If you're asking ...

“will I make money with loyalty?”

**... maybe you're looking at your customers
through the wrong lens**

A better question to ask

**Can I create better customer experiences
and**

deliver more value ...

... while encouraging profitable behavior change

... in a financially sustainable business model?

The Psychology of Customer Loyalty

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Foundations of Human Behavior

Self Determination Theory defines three intrinsic needs

Autonomy

- We seek growth and discovery
- I am my own best influencer

Competence

- We are competitive and welcome challenge
- We strive for achievement, sometimes mastery

Social relatedness

- We value relationships with others
- Community matters



Idiosyncratic Fit

- People have an irresistible urge to compare with others and seek advantage – **Social Comparison theory**
- **Idiosyncratic** = Something specific to an individual
- Explains the two **moments of truth** in loyalty enrollments
- Applies to all types of programs but speaks loudly about **Subscription** or Paid Tier programs

–Ran Kivetz and Itamar Simonson - 2003



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Loyalty Programs Reinforce Desired Behavior

B.F. Skinner introduced the concept of operant conditioning:

- Associations are made between behavior and consequence
- Actions followed by desirable outcomes are more likely to be repeated

Loyalty Impact:

- The prospect of earning a reward provides rationalization for continued engagement
- Using different schedules of reinforcement reinforces motivation



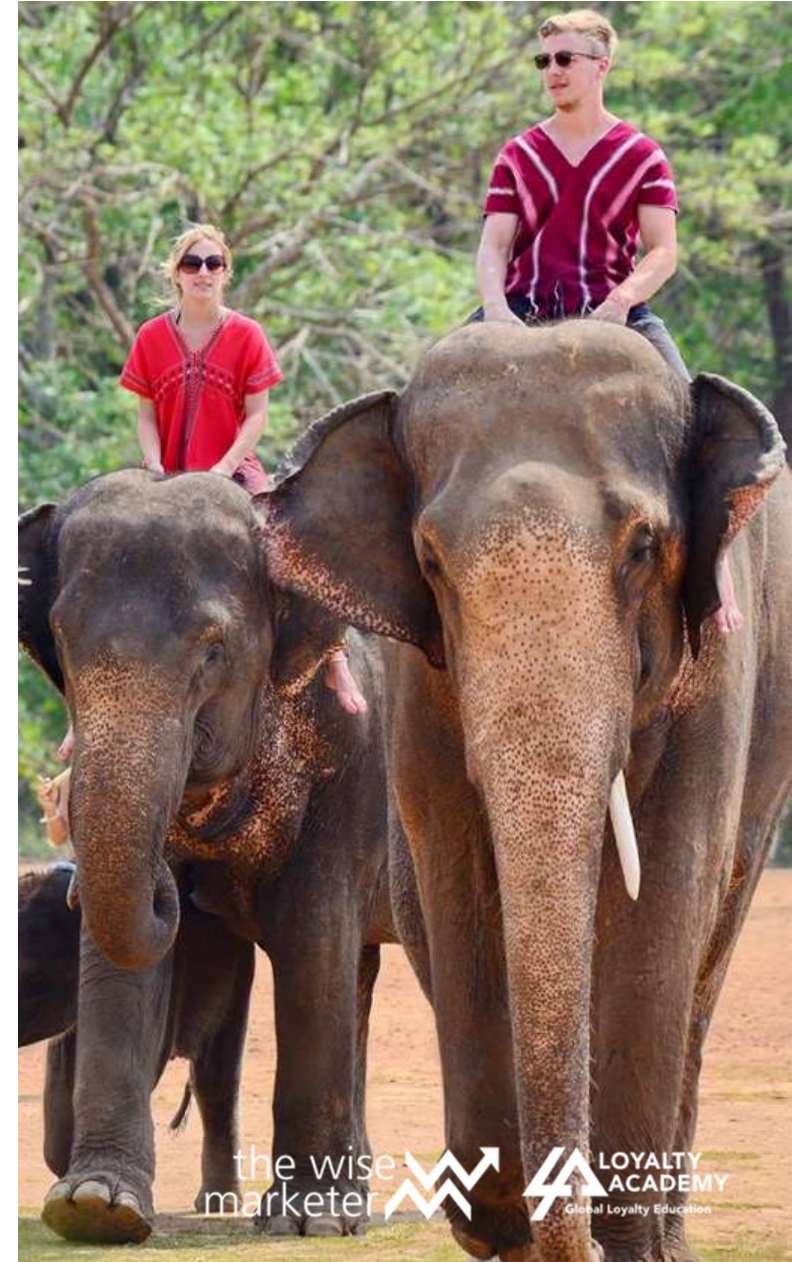
Over the long term, Emotion is more powerful

Consumers say they make purchase decisions for rational reasons, but most often make purchase decisions based on unconscious emotional factors

“The essential difference between emotion and reason is that, while reason leads to conclusions, emotion leads to action.”

-Calne, D. (2000). Within Reason: Rationality and Human Behavior. Vintage Books.

QR Code
Emotional Loyalty Strategy Brief



Perception of Progress becomes Reality

Creating Momentum

Dreze and Nunez: The Endowed Progress Effect - perception of progress toward a goal sparks motivation to complete the goal

- Humans prefer a head start; giving them a perceived advantage triggers further action towards a goal
- Profile completion, Prefilled forms on your ecomm site, 2 punches on a 12 punch card



Loss Aversion Stimulates Program Retention

Reducing Churn

A cognitive bias that describes why the pain of losing is psychologically twice as powerful as the pleasure of gaining.

- Customers do not like forfeiting program equity or benefits
- Loyalty program switching costs -Reinforce benefits and program status



Purpose Driven Marketing

Accenture reported that 63% of global consumers prefer to purchase from companies that stand for a purpose that reflects their own values and beliefs

We're in business to save our home planet

....Earth is our only shareholder – Yvon Chouinard

Autonomy

patagonia[®]

WARBY PARKER
eyewear



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Gamification

(Deep Engagement)

- Everybody likes to play. It's universal.
- Creating “moments that matter” using game play and advanced loyalty mechanics
- Present choices to people that are interesting, are consequential, and include time pressure to choose

Competence



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Emotion explains the “Say-Do” Gap

“The essential difference between emotion and reason is that, while reason leads to conclusions, emotion leads to action.”

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Current Trends in Customer Behavior

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What are consumers thinking about today?



92% of consumers are turning to loyalty programs for everyday spending

- More than 50% say they're actively looking for new ways to collect points and maximize the return when they spend money

Immediacy is important

- Paying with Points at POS is important for cost saving and flexibility, another tie to the current economic environment
- 84% of respondents indicate they are highly or somewhat likely to use PwP in the future.

Value needs to distract from price

- Consumers cited product price hikes and their ability to afford something (whether for personal or economic reasons) as the key drivers behind purchasing fewer items across categories

Wise Read: [Why Cash Could be King in Customer Loyalty](#)

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What are consumers thinking about today?



Loyalty programs have become increasingly similar to one another, hindering retailers from distinguishing themselves

- 46% of respondents had not increased their purchasing frequency since joining a loyalty program
- Almost two-thirds stated that the absence of a loyalty program at a store would not affect their shopping habits

Gen Z and high earners are most prone to switching brands

- More than 50% say they're actively looking for new ways to use their loyalty program equity

Leaders are offering member rewards for actions beyond the transaction

- Attending an event, leaving a product or service review, downloading the mobile app, referring a friend, and more
- 31% of consumer loyalty programs allow members to earn through non-transactional means

Mobility and proximity

Proximity raises the stakes for how our behavior influences others (Seth Godin)

- In Q4 2023, Mobile devices, excluding tablets, generated 58.67% of global website traffic
- 47% of people use a mobile app to check their email
- 81% of emails are opened on mobile devices (9/23)

SMS sparks even higher intensity

- Consumers are looking at their messages an average of 47x per day
- 97 percent of all SMS are read within 15 minutes of being received
- SMS offers deliver a 14x higher response rate to offers delivered via email



4 Words for Loyalty in 2024

TRUST

Making a commitment to building trust with our customers (those people we hope to refer to one day as “loyal”) should be the North Star guiding how we create customer experiences

TRANSPARENCY

The litmus test of transparency is what our customers see through the lens. If they see the lens as a bit cloudy, then it probably is, and we need to clean up our approach.

RELATIONSHIPS

Customer loyalty is less about making anyone truly “loyal” and much more about changing behavior. Relationships are fundamental to increasing customer lifetime value and “relationships grow at the speed of trust.”

GRATITUDE

Gratitude is the secret power of many successful people. The pandemic changed our outlook on the world as we knew it. Will 2024 will be the year that we can Boldly express our gratitude for our best customers?



Best Practices for a winning CVP

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Objectives Come First

Define **Objectives** First

- Before strategy
- Before structure
- Before execution
- Before tactics

Know what and how you will **Measure Results**

- Agree on the KPI's and Metrics that define success
- Devise measurement plan **before** going into market



The O.G. Definition

The Optimum Value Proposition Blends Reward and Recognition

RATIONAL

Rewards (Hard)

“I get my money’s worth”

- Offer
- Transaction
- Points
- Dollars
- Mercenary



EMOTIONAL

RECOGNITION (Soft)

“I am a valuable customer”

- Recognition
- Community
- Experience
- Special access & privilege
- Preferred pricing

“Man is an economic animal in search of self-importance.” *Brian Woolf*

8 Keys to Success (now and in the future)

1. Engagement & Enrollment

- Easy to understand, easy to access
- What's your initial data exchange include? Zero Party Data!
- At the POS: Phone number, QR Code, Mobile App?

2. Earning Velocity

- Are you clearly communicating value?
- Have you established a Moment of Truth?
- Have you enabled an idiosyncratic fit?

3. Tiered Benefits

- Apply value by segment priority
- Tailor Soft Benefits to the right audience
- Offer Paid Tier when the data justifies

4. Targeted Bonus strategy

- Drive specific behavior change
- Encourage channel adoption – Mobile, SMS, Digital Wallet
- Location based to build proximity-based share of mind
- Execute journeys – “3 specialty drinks” or “2X point days”
- Personalize based on profile attributes

5. Currency Strategy

- People value the ability to measure
- Liquidity can increase base currency value
- Surprise & Delight can leave them wondering
- Level of transparency must be balanced
- Secondary measures bolster a base currency

6. Program Partners

- Selective and complementary to your brand
- Kohls/Sephora, Dicks Sporting Goods/Nike
- Bank of America/Starbucks, Delta/Starbucks

7. Keep Reward Options Fresh

- Will everything be “on us”
- How much “aspiration” fits with your brand?
- Is there a place for Web3?
- Remember the economics of “perceived value versus cost to deliver”

8. Remember your Team

- “Always treat your employees exactly as you want them to treat your best customers” ... Stephen R. Covey, The Seven Habits of Highly Effective People

Group Exercise

“It’s really hard to design products by focus groups. A lot of times, people don't know what they want until you show it to them.”

-Steve Jobs



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Creating the Optimal Value Proposition

- 1. Self assess your standing with each of the 8 Keys to Success at your table**
- 2. Identify the Top 3 opportunities for improvement or to close a gap**
- 3. Prioritize Top 3 for focus and investment**
 - Biggest impact
 - Cost to deliver
 - Ability to fund through Opex
 - Can you deliver with current technology?
 - Cross functional dependencies?



Template for Success

CVP Evaluation Workshop

Keys to Success	Not addressed / Not in use	SubPar - Gen 1	Table Stakes	Excellent / Differentiating	Opportunity to Close the Gap (Top 2-3)	Highest Priority / Biggest Obstacle
Engagement & Enrollment	Paper only, web only	Known deficiencies	Out of the box	Friction Free	What are your best opportunities to close the gap to "best practice" or to competition? Prioritize based on ability to fund through Opex and enable through Technology.	Of your Top 2-3 opportunities, please prioritize and choose just one that you "must" address. What are the considerations and what is your biggest obstacle?
Earning Velocity	Have not calculated	Known deficiencies	At par with market	Differentiating		
Tiered Benefits	Not in use	Basic application	In use and informed by data	Effective with even Paid Tier		
Targeted Bonus Strategy	Not in use	"Dbl Point Tuesdays"	Baby Steps	Sophisticated		
Currency Strategy	Not in use	1 pt/£, €, \$	Awarding multiple behaviors	Beyond the transaction		
Program Partners	Not in use	Swap for a single currency	Accessing portfolio of options	Strategic partnerships		
Keeping Reward Options Fresh	Classic reward options	On us only	Added liquidity, choice, control	Web3, PwP		
Remember your Team	Who?	Test only	Participation	Training and incentives		

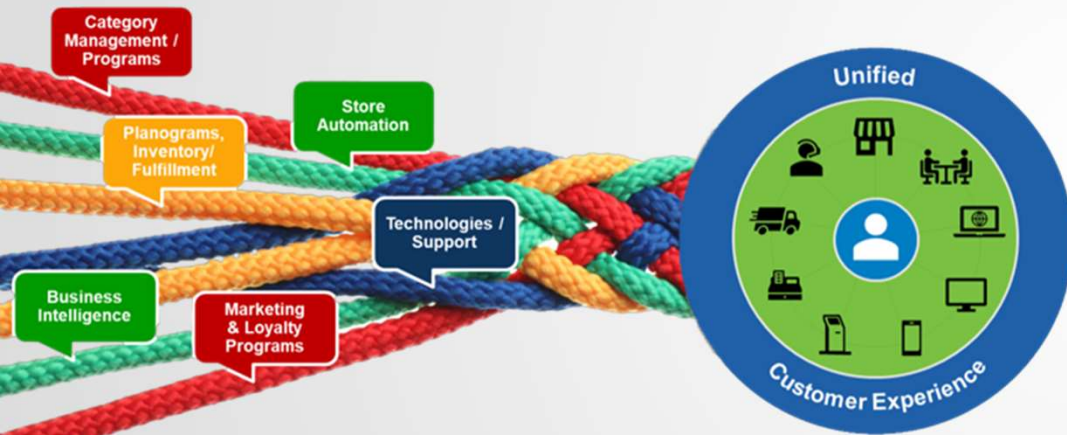
Exploring the Future

(Concepts & Market examples to inspire)

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Elevating Customer Loyalty to the C-Suite



Business Alignment

Bring cross-functional alignment around a common roadmap and plan to manage competing priorities

Operational Excellence

Focus on getting the basics right. Keep it simple with minimal touchpoints and steps for customers and associates

System / Program Integration

Integrate customer facing and back-end systems to evolve and enhance a seamless CX

Financial Benefit

Forecast the potential for incremental EBITDA and create a measurement plan endorsed by key stakeholders

Mobile apps should be about more than loyalty

Brand Awareness / Values

Welcome/Enrollment Offer

Enrollment

Fuel Pricing

Loyalty

Tobacco Offers

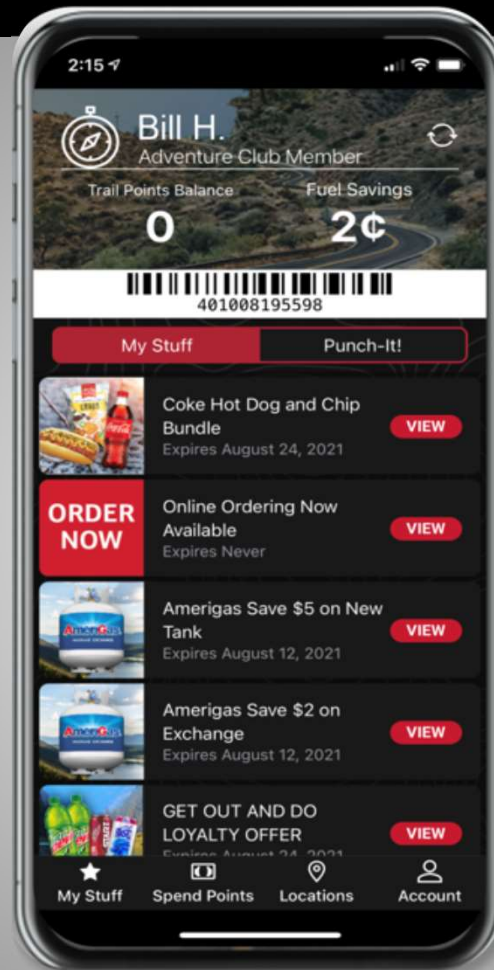
Alcohol Rebates

Age Verification

Mobile Payment/Wallet

Self Checkout

Foodservice Ordering/Delivery



Subscriptions

Targeted Coupons

Push & In App Messaging

Customer Surveys

Employment Recruitment

Contests

Mobile Games

Analytics

Barcode Scanner

Payment Auth Codes

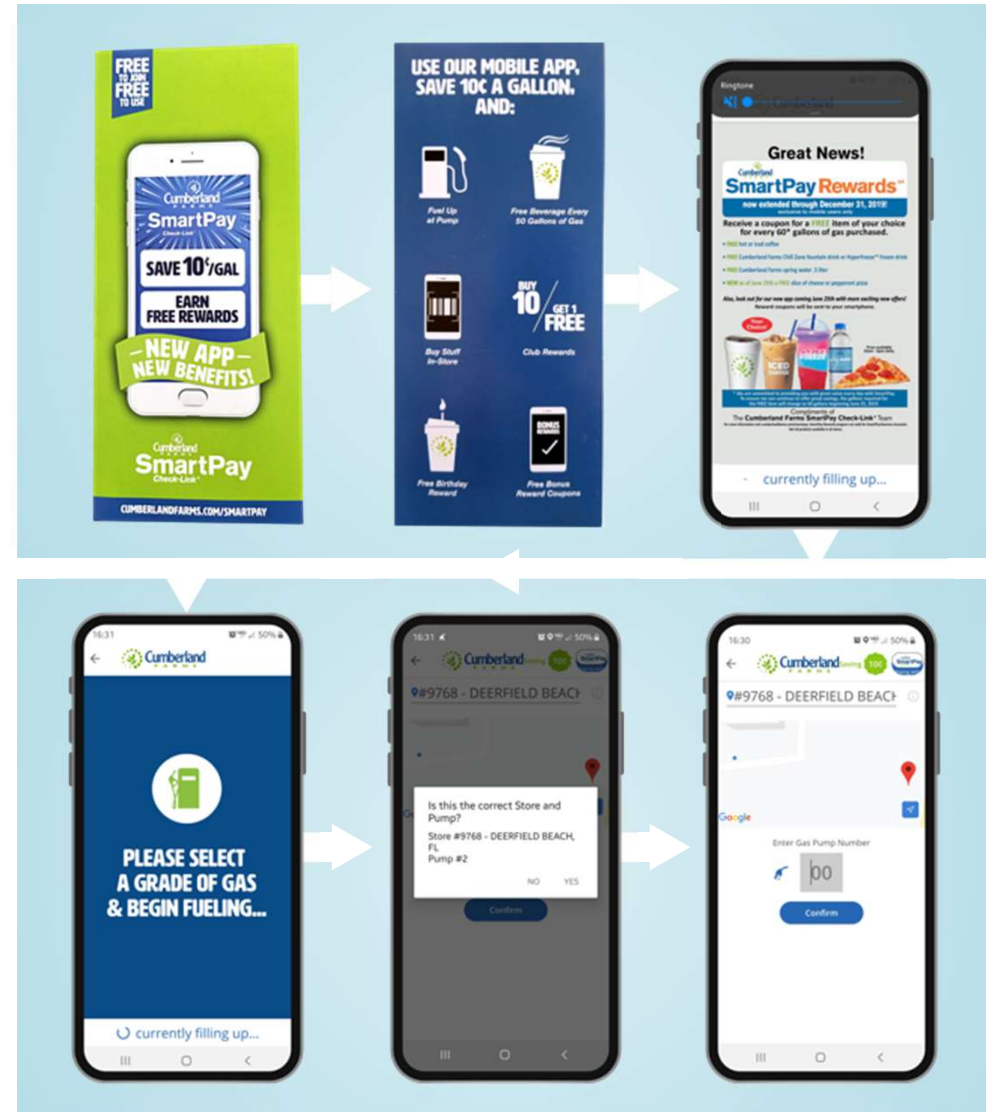
CPG Integrations (Contests, Gaming)

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Cumberland Farms

- EG America – #4 ranked group in US - 1,681 locations across 10 brands
- SmartPay offers \$.10 / gal discount with link to checking account for in digital wallet (ACH)
- Merchant processing savings fund fuel discount
- Mobile app has location services and will activate fuel dispenser
- Supplier offers grouped in mobile app
- High single digit penetration – it's not for everyone – but share of tank and spend inside store is highest across customer universe

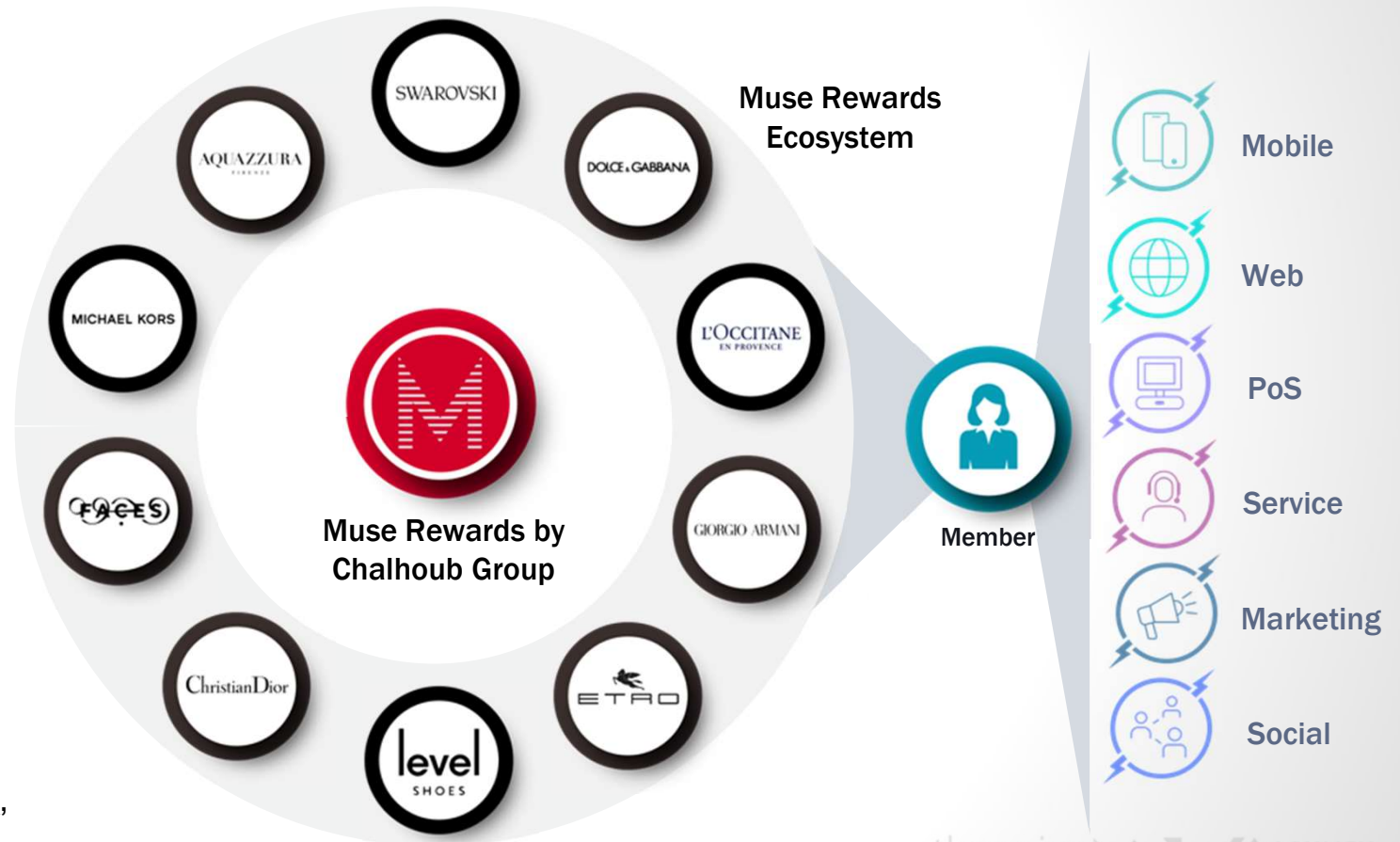




Chalhoub Group

MUSE Rewards

- Leading international luxury retailer in GCC
- Over 700 stores across 14 countries
- Portfolio of 80 Brands
- Engagement with high net-worth customers
- Drive profitable behavior and customer value.
- Cross brand synergy via data leverage
- Differentiated, high-impact customer benefits
- Exclusivity and 'money-can't-buy' experiences are consistent with lifestyles of key customer segments



- ❑ **Congratulations, you've earned 1 credit towards the Certified Loyalty Marketing Professional™ designation**
- ❑ **You can earn another credit online by taking one free course (retail value of \$225 USD) ... and you can earn more credits by attending future ELA regional Hub meetings or The BIG Handshake**
- ❑ **You can continue your certification online at an ELA offer of \$1,500 USD (\$250 discount from the on-demand retail price of \$1,750 USD)**
- ❑ **ELA offers CLMP™'s a complimentary 'Professional Membership' for 12 months (Brands/retailers only) - usual price is €399**
- ❑ **The CLMP™ Community is 900 strong across 50 countries**

Let's Talk

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