THE LOYALTY MARKETPLACE:

Re-imagining the Consumer-Brand Relationship

Loyalty programs have barely changed in 35 years. They are shallow, disconnected and depersonalized. Consumers give away their information for free, without a feeling of control over their privacy or data. They never feel truly valued. Even customers who provide brands a huge amount of value barely receive specialized attention.

Brands, meanwhile, struggle to reach consumers in a transparent and direct way. They want a sustainable and scalable way to offer personalized experiences, and they want to reward loyal consumers. But they have no idea what their customers are doing when they're not engaging with them, so they don't have the data they need to offer real personalization. Regulations like GDPR and CCPA are making things harder than ever.

The consumer-brand relationship is ripe for reinvention.

The REACH Loyalty Marketplace is a new platform and mobile app that facilitates a richer and more direct relationship between brands and consumers.

In the Loyalty Marketplace, consumers can harness their privacy and data power while earning income and rewards from the brands they love. Brands enjoy a transparent and compliant venue for rewarding consumers for more than just purchases, and they unlock a powerful way to create dedicated brand champions.

At a time of looming economic hardship and changing privacy norms, this is the future that both brands and consumers need.

Taking Their Eye Off the Ball, or How We Got Here

Over the last 20 years, many brands got lazy and stopped paying attention to what matters most. Starting with the emergence of the Internet as a viable marketing platform around the year 2000, and the infectious, “shiny-new-toy syndrome” that followed, brands have become increasingly enamored with technology, particularly when it comes to harvesting consumer information. After all, why go through the hassle, effort, and cost of maintaining an ongoing personal relationship with consumers/customers when brands can get everything they need, from credit reports, banking information, credit card transactions, search data and browsing history?

At least that's what brands thought.

More and more brands began deploying loyalty programs, with digital technology becoming the great enabler and equalizer. Brands that could not afford to operate a “conventional” loyalty program began exploring digital options. Brands began realizing how effective programs could be in addressing a variety of marketing issues and challenges, going well beyond the customer retention for which they were known. This was particularly true when it came to harvesting of relevant customer data that can provide unique insights into consumer behavior and competitive actions.

Too Much of a Good Thing

Unfortunately, in a rush to get in on the action, many brands started taking shortcuts. Instead of first determining if a loyalty or brand engagement strategy was required, brands simply attempted to mimic successful travel programs. Alternatively, they rushed to purchase an off-the-shelf CRM system, or relied on a third-party program from a partner or credit card issuer.

Loyalty programs became the go-to solution for brands, which worked diligently to enroll their current and prospective customers. Today, over 90% of brands in the US have a loyalty program and the average consumer belongs to just under 15 programs, although they are only active in roughly 6. Loyalty program memberships in 2019 grew to a staggering $4 billion-plus in an overall ecosystem that generates over $320B annually, more than the gross domestic product of 80% of countries today. With that proliferation, programs became commoditized, leading to "program fatigue" and making programs irrelevant to many consumers.

The proliferation and growth of loyalty programs and their membership was not the only area of marketing to be catalyzed by digital technologies. The robust economic growth that followed the global recession in 2008 drove widespread adoption of technologies to, purportedly, support the marketing process. New MarTech applications began to emerge, each promising increased sales and cost reductions, many at the expense of personal customer relationships that required people and commitment to support.

Yet the economy and its impact on consumer spending provided the illusion that all was good on the brand marketing front, encouraging even more investment in MarTech to the point where any rational person not caught up in the “movement” would question the need for so much technology in areas where a simple conversation or correspondence combined with occasional problem-solving kept most brand customers loyal.

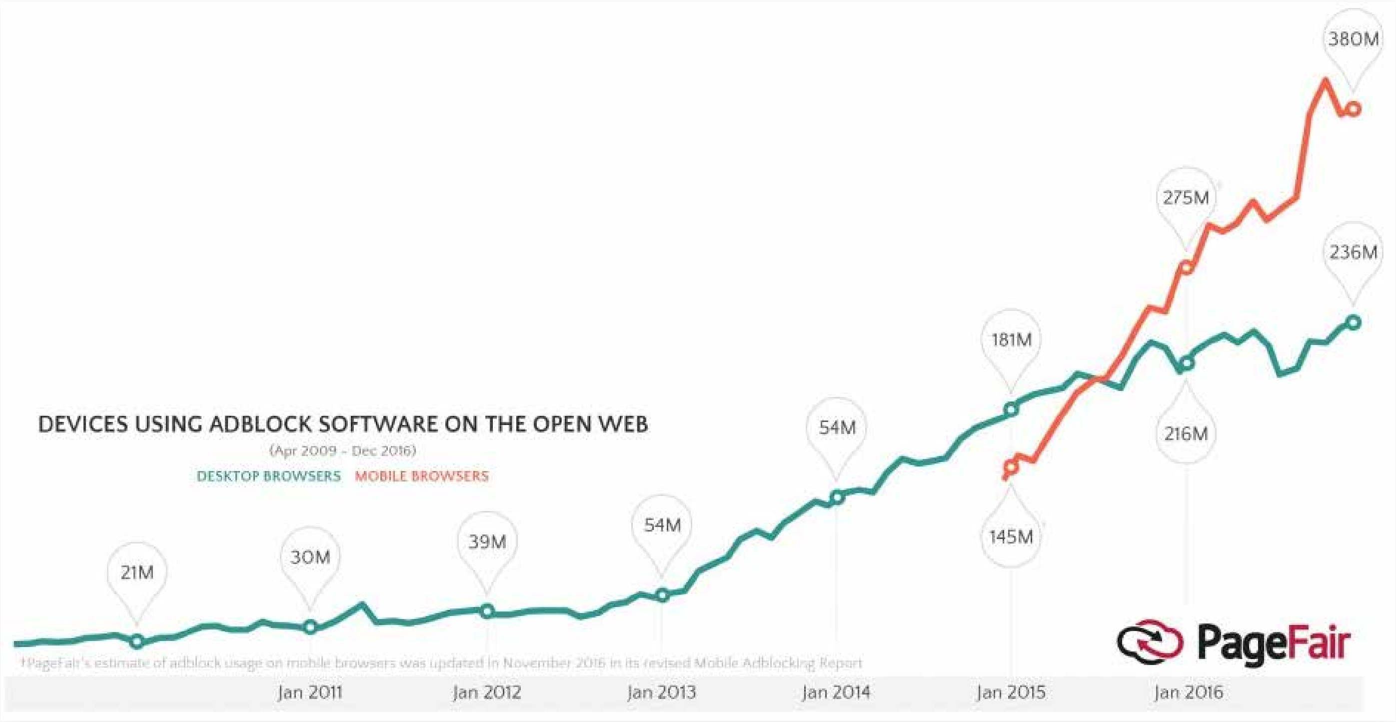
The insanity that is MarTech is very effectively depicted in the image below, which paints a very disturbing picture of just how little perspective and common sense is apparently being applied to decision-making when it comes to a brand’s relationship with its customers.

The Marketing Technology Landscape (Number of MarTech Solutions)

Yet even a robust economy could not keep every issue under wraps, and some of the more significant challenges began to emerge. It began with consumers finally having enough of the irrelevant messaging to which they were being exposed, which forced the regulators to get involved. It started with Federal Do Not Contact legislation focused on telemarketing, followed by the CAN-SPAM Act targeting e-mail correspondence and practices.

More recently, highly publicized data breaches have resulted in the regulators being called upon once again, highlighting vulnerabilities of the technology brands gorged themselves on over the last 10 years. This combined with the lack of transparency that became apparent when first consumers, then the regulators, began asking questions is what resulted in General Data Protection Regulation (GDPR), which first took root in Europe, followed by the California Consumer Protection Act (CCPA), with other states considering legislation of their own. All will not only make it harder for marketers, but force many brands to fundamentally change the way they do business.

Brands, and often their agencies, that indiscriminately deluged consumers with messaging that was neither relevant nor timely soon found themselves walled-off from consumers looking to regain some semblance of control with ad-blocking technology. Today, it is estimated that almost one-third of US consumers are now using ad blocking technology, and one look at the growth of this technology (below) should send shivers down the backs of most brand marketers.



Loyalty programs also began to suffer, something brands became aware of when they attempted to turn to their "go-to" solution to get them out of trouble with less than satisfactory results.

Since 2004, 77% of new rewards-based loyalty programs failed within their first two years of operation, a staggering number. Even the established juggernauts created by the airlines and large hotel chains are now suffering, with average member satisfaction, once in the mid-90% range, dipping well below 50%, with burgeoning Millennial and Gen Z consumer satisfaction falling under 30%. How many businesses, outside of monopolistic utilities, survive long-term with consumer satisfaction levels below 30%?

As revealed by Merkle's 2020 Loyalty Barometer Report, "Consumers participate in rewards programs for the discounts and free products; however, if they believe it's too difficult or takes too long to unlock these rewards, the program can actually damage the relationship and decrease desired consumer behaviors."

The decline in loyalty program efficacy and perception is not surprising when realizing these programs have evolved very little, since first introduced in the mid-1980's. Instead of growing with the increase in membership and improving to meet changing consumer needs and expectations, brands instead have sought to reduce program costs by adding restrictions and devaluing their reward currency. Where brands used to invest over half of what it cost to operate their program in member benefits that investment has deteriorated to between 15% - 20% today, with annual program costs soaring to between 2% and 4% of gross revenue, much of it to fund the cost of points or miles and the systems to keep track of them.

Clearly, something must change, especially when considering that brands in the US have over $100B in unredeemed loyalty currencies on their balance sheets, according to a 2016 study by Bond.
(Bond Brand Loyalty, Inc.)

Loyalty, Relevancy, Privacy…It's About Empowerment and Respect

Loyalty programs may just be the canary-in-the-coal-mine, signaling brands there is significant trouble ahead. Consumers are increasingly feeling powerless, particularly if they need to contact a brand. Where consumers would once find a sympathetic ear that would do everything possible to ensure their satisfaction when reaching out to a brand with a question or problem, they now face an automated attendant or chat-bot at best, with no such agenda, or at worst, no possible way to contact the brand.

Brands have seemingly forgotten what it means to be customer-driven. Gone are principles like the one popularized by Jan Carlzon, the CEO of Scandinavian Airlines Systems, in 1989 in his book "Moments-of-Truth." Carlzon believed every brand experience was comprised of a series of potentially defining moments with the power to make-or-break a customer relationship, which he called "moments-of-truth." His strategy was predicated on treating customers as individuals and not merely as data points. In a very real sense, Carlzon introduced, and more importantly, truly understood the concept and value of a personalization strategy before it became trendy.

Today it seems like every brand has made personalization a top priority, often without really understanding what consumers expect from a personalized product or service experience. More importantly, brands today have forgotten what Carlzon never took for granted: **a successful personalization strategy requires a personal relationship with the customer.**

A successful personalization strategy requires a personal relationship with the customer.

Consumers are becoming increasingly frustrated with technology that stands between them and brands with which they used to have, or want to have, a more personal and direct relationship. Their inability to get brands to listen is what can make consumers feel powerless. However, it is the growing number of consumers that believe brands no longer value and respect them as individuals, the antithesis of what Carlzon believed, that may become the straw that breaks the camel's back.

It's easy to understand why consumers feel this way. After all, how much of an impact can a single consumer have on a brand, especially in a robust economy that is driving sales increases across the board.

That said, what is it that keeps so many brands from showing their customers the respect they deserve, and the rewards and recognition they have earned for their loyalty. Whether it's respect for a customer's privacy by asking permission and becoming more transparent, respect for their time by not inundating them with irrelevant messaging, or respect for their opinion when it comes to what frustrates them about the brand's loyalty program, all can either conspire to wreak havoc on a brand if ignored, or begin to rebuild trust if embraced.

Given the likely impact of COVID on the economy and what is likely to be our new normal, brands would be well-served to really think about their options and how a weakened economy could affect an already weakened foundation.

Redefining the Brand-Consumer Relationship

The economic environment brands are likely to face post-COVID will create significant challenges. However, it is likely the combination of :

1. pressure from regulators and new legislation focused on privacy, security, and the value of personal data;

2. blowback from related issues that could become hyperbolized in the upcoming presidential election; and

3. the possible wrath of consumers that, up-until-recently, had no idea brands were using their personal data and making money without sharing it with them, that is going to force brands, as Adweek put it in their May 29th issue to "Either Evolve or Decline."

For brands to evolve they must look at themselves candidly and introspectively, likely by asking themselves some tough questions. Given the importance of loyalty programs, one of the first questions a brand might want to ask is: **"Why does our loyalty program only encourage and reward purchases when there is so much more consumers can do to add value to our brand and business?"**

Brands that answer that question honestly and openly can take the critical first step to rebuilding their relationship with consumers by addressing a proven platform that still has enough leverage with consumers to provide the critical catalyst many brands need to turn things around.

However, simply tweaking existing programs will not get it done, and attempting to redesign their existing program could take months, if not years, assuming the brand has any idea for how to redefine or re-imagine loyalty. Brands need something that can work symbiotically with their existing loyalty program and provide enough material value to consumers they are willing to re-engage and essentially, give brands another chance. However, they must be willing to cede control to the consumer, which may be the only way to give them permission-to-believe that brands are serious about rebuilding a more personal relationship with them.

Capitalizing on the Growing Trend Toward Shared Economies

A Loyalty Marketplace, which is a hybrid version of the two-sided shared economy marketplaces that have been so successfully exploited by Uber, Airbnb, eBay, and many other emerging growth companies, may be the ideal solution. The Loyalty Marketplace is a way to forge a true partnership between consumers and brands based on an equitable exchange of value.

A recent report from Worldwide Partners revealed how it is crucially important for forward-looking brands to move their focus "from a traditional customer experience (CX) to a human experience (HX)." The fascinating report reveals that "as consumers increasingly demand human-first rather than tech-first experiences, brands and marketers need to react to avoid disconnect. We need a new way of thinking – to go from a standard of CX to an ethos of HX."

The insights of the Worldwide Partners report dovetail with the conclusions of another excellent recent report from Accenture, which reveals how "customers aren't just making decisions based on the stalwarts of product selection or price. They're now assessing what a brand says. What it does. What it stands for."

The report goes on: "By standing for something bigger than what they sell, tuning into customers' beliefs and taking decisive action, companies have the chance to recast their customer relationships and connect with consumers on a deeper level."

A Loyalty Marketplace can also help brands navigate the challenges associated with GDPR and CCPA, and enable them to collect critical personal information, purchase behavior, and insight into what consumers do when not doing business with them, directly from consumers. This eliminates the inaccuracies, statistical errors, and in some cases, fraud, that makes much of the data brands pay for today less than effective, as evidenced by the fact they miss their target audience close to 50% of the time. Further, the data REACH provides can drive a true personalization strategy, something over 90% of US brands have in their top five corporate priorities.

This idea of the human touch is crucial to the idea of the Loyalty Marketplace. Commitment is based on a relationship that has both rational and emotional elements, where consumers can assess the value of a brand relationship by determining what they get from the brand (rational) and how they feel about the brand (emotional). The Loyalty Marketplace allows for brands to recover the real bond between brand and consumer that technology has damaged. With a Loyalty Marketplace, we can move toward a true partnership based on the equitable exchange of value, where that value is both tangible and intangible.

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Earn.**

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