



**The 2014 Bond Loyalty Report reveals what consumers want—and could get—from mobile loyalty programs**

# WHAT'S IN IT FOR ME?

BY REBECCA HARRIS

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Every marketer wants to gain a share of the customer's (loyalty-card-filled) wallet. But they should be vying for a share of the customer's smartphone instead.

"Mobile holds tremendous potential to unlock new forms of value for both brands and consumers, particularly in the loyalty space," says Scott Robinson, senior director, loyalty consulting at Bond Brand Loyalty (formerly Maritz Loyalty Marketing).

But what are consumers' attitudes and preferences for mobile loyalty programs? And what are the drivers of satisfaction? To find out, Bond surveyed 5,660 Canadians, as part of the fourth annual Bond Loyalty Report. Here's what they found:

## CONSUMERS WANT MOBILE ENGAGEMENT, BUT THERE'S NO CONSENSUS ON WHAT IT SHOULD BE

Nearly two-thirds (65%) of consumers want to engage with their loyalty programs through a mobile device. But there's little agreement on the specific type of engagement that consumers want. The top three mobile engagements are: managing rewards, including checking point balances (39%); redeeming for rewards at time of purchase (30%); and paying for a purchase at the checkout (24%).

"The challenge is many consumers have not experienced what that engagement should look like because there aren't a lot of programs that have any mobile engagement, let alone a positive [one]," says Kyle Davies, account director at Bond. "We really feel there's an 'if you build it, they will come' element to mobile."

For instance, members of a coffee retailer's mobile loyalty program would undoubtedly love to tell the establishment when they're five minutes away so their drink will be ready when they arrive. "But we don't see customers saying they want this because they don't understand that it's a capability," says Davies. Mobile loyalty programs "are going to be driven by what's possible from the marketer's perspective."

And while skipping lines is great for customers, what's in it for marketers? One benefit of mobile loyalty programs is that they allow companies to communicate real-time with customers and give relevant offers as they're walking through the store, notes Alison Simpson, executive vice-president at Bond. "That is a powerful way to generate loyalty and generate sales."



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## What Makes Canadians Loyal and other non-mobile findings from the 2014 Bond Loyalty Report

**9.8** average number of loyalty cards per Canadian

**7.9** of these are active memberships (collected or redeemed in past 12 months)

### TOP 5 REASONS FOR NOT BEING ACTIVE IN A LOYALTY PROGRAM:

- ❶ No longer shopping with company
- ❷ Not earning points fast enough
- ❸ Program no longer fits with my lifestyle
- ❹ Communication issues (not enough, too many, not personal enough)
- ❺ Rewards not redeeming

**18%** of Canadians joined a new loyalty program in the past year

### TOP 5 REASONS FOR NOT JOINING A NEW LOYALTY PROGRAM:

- ❶ Fees 69%
- ❷ Privacy 55%
- ❸ Don't shop enough 50%
- ❹ Poor brand experience 38%
- ❺ Don't like brand 38%

**40%** of loyalty program members describe the communications they receive as relevant.

**93%** of Johnson & Johnson's Healthy Essentials members want to receive communications at the same or higher frequency than what they currently experience—the highest score across all programs assessed in North America.

**38%** of members describe their loyalty program's values as being aligned with their personal values.  
**HIGHEST:** Metro & Moi (60%)  
**LOWEST:** Winners (17%)

### TOP COOL & EXCITING BENEFITS

- ❑ Personalized Discounts 50%
- ❑ Personalized Offers 50%

### TOP CREEPY ENGAGEMENTS

- ❑ Program reviews friends' status to determine benefit eligibility 50%
- ❑ Offer special benefits to those who 'like' or 'follow' on social media 38%

## 2 PROGRAMS THAT DO MOBILE WELL DO WELL ON MEMBER SATISFACTION

Scene, Starbucks and PC Plus are three programs that Bond sees doing particularly well on the mobile engagement front (see below). The average satisfaction in these three programs is 75% versus 66%, on average, among all programs. With all three, membership information is contained in an app, which doubles as the card, allowing members to ditch the plastic. In all three, members can both collect and redeem for rewards with the app.

What also makes them especially well-loved is the way they communicate with members. Scene, Starbucks and PC Plus over-index on relevancy of communications, personalized communications and communications that make consumers feel valued and important.

"We observed a very tight link between the extent to which participants deemed the communications for brands as relevant and their satisfaction within those programs, so relevance is really the gateway to satisfaction," says Robinson.

## 3 GEO-MOBILE NOT READY FOR MAINSTREAM

There's an "if you build it, some will come" element to geo-location marketing. The survey found that having loyalty programs "determine your location and offer deals nearby" is still creepy to many. However, 24% think it's a cool capability.

Not surprisingly, it's much more attractive to younger audiences: it's "cool" for 38% of those 16-19, 36% for those 20-34, and 28% for those 35-44. Only 19% of those 45-64 think it's cool and only 7% of those 65+.

Geo-location marketing is also more appealing to higher-earners: 41% of upper affluent consumers think it's "cool," 33% of affluent, 27% of upper mass, 25% of mass, and 21% of lower.

"This means you can't blanket-coverage these types of benefits to everybody," says Davies. "This definitely has to be operated on an opt-in basis because there's a real potential that you would be alienating a segment of your members."

## 4 LOVE OF A LOYALTY PROGRAM DRIVES MORE ENGAGEMENT THAN LOVE OF THE BRAND

Consumers' love of a loyalty program is more of a driver for them to engage on mobile than love of the brand. There is a desire for mobile engagement among:

- ❑ Those who love the program and love the brand: 46%
- ❑ Love the program, hate the brand: 42%
- ❑ Hate the program, love the brand: 36%
- ❑ Hate the program, hate the brand: 21%

That means loyalty programs could offer a foot in the door for brands that would otherwise have a difficult time convincing members to engage with them through mobile. "Unsurprisingly, those who love both the brand and the loyalty program are most willing to engage on mobile," says Davies. "But people who love the loyalty program but not necessarily the brand (42%) are more willing to engage than the opposite group (36%)."

### PC PLUS

Designed for smartphones, PC Plus from Loblaw is a digital loyalty program that sends personalized offers to customers based on their purchasing habits. Members also get personalized dinner suggestions, recipes and shopping lists.

#### WHY MEMBERS LOVE IT

In the Bond Loyalty Report, PC Plus over-indexed on:

- ❶ Program is innovative
- ❷ Programs values are aligned with the brand/company's values
- ❸ Personalized communications
- ❹ Personalized experience
- ❺ Program is unique

### THE SCENE

The Scene program from Scotiabank and Cineplex Entertainment has more than five million members in Canada. Members earn points that can be redeemed for free movies.

#### WHY MEMBERS LOVE IT

In the Bond Loyalty Report, Scene over-indexed on:

- ❶ Program is unique,
- ❷ Program is innovative
- ❸ Ability to reach desired rewards in timely manner
- ❹ Proud to say I am a member
- ❺ Total earning potential to reach desired rewards

### STARBUCKS

My Starbucks Rewards gives people free drinks and food based on the number of points earned. Customers earn one "star" every time they pay with a Starbucks card or mobile app, regardless of what they spend.

#### WHY MEMBERS LOVE IT

In the Bond Loyalty Report, My Starbucks Rewards over-indexed on:

- ❶ Communications make me feel valued/important
- ❷ Program is unique
- ❸ Personalized communications
- ❹ Ability to reach desired rewards in a timely manner
- ❺ I love receiving communications



## MOBILE IS CHANGING. LOYALTY IS CHANGING. WE'RE CHANGING, TOO.

While we've been practicing brand loyalty since 1894 for some of the world's most beloved brands, we recognize loyalty is changing. So to reflect that change, we're changing our name.



Maritz  
Canada  
is now



### MILLENNIALS ARE CHANGING LOYALTY.

+80% of millennials versus only 65% of average Canadians are hungry for mobile loyalty from brands.†



**INFO@BONDBRANDLOYALTY.COM** to experience the 2014 Bond Loyalty Report and all the changes that are afoot.

† Among 3881 Canadian smartphone/tablet owners surveyed as part of the Maritz Loyalty Report 2014.



Google was quick out of the gate but competitors are coming on fast with a variety of payment alternatives, in a high-stakes mobile race to help you ...

# LOSE YOUR WALLET

BY JEFF FRASER



In just a few years, credit cards could be a thing of the past. Instead, you'll be paying at checkout by tapping a button on your smartphone. But whose digital wallet or payment app will you be using? Will it be made by a big tech company like Apple, Google or Amazon? Will it be your cellular service provider? Or will it be an app made by the retailer you're buying from? Gartner says that by 2017, the world will make \$720 billion in mobile payments. The race is on to see who gets the transaction fees.

## NFC-BASED PAYMENTS

One of the more attractive (and well-known) candidates for mobile payments is near-field communication (NFC), which most point-of-sale devices already use for credit card tap-to-pay services, like Mastercard's PayPass. With an NFC-enabled mobile device, you can wave your phone near the terminal to transfer securely stored credit card information and make a payment.

The leader in the space is Google, which introduced Google Wallet back in 2011. Google Wallet lets users upload credit, debit, loyalty and gift cards, and then use their phone as an all-in-one super-card for payments. At first Wallet functionality was limited to only a few models of phone, but Android 4.4 makes Wallet accessible to almost all Google phones. Google's biggest competitor in the U.S. is Isis, a joint venture established by AT&T, Verizon and T-Mobile that launched in November. Isis stores credit card information in the secure element of a special SIM card, and uses NFC to share credentials with merchants' devices. Isis is a compelling candidate to become one of the dominant mobile payments methods, since telecom providers have direct access to devices and can make sure they work properly with the payments system. The three companies have reportedly invested more than \$100 million in the product.

Here at home, Rogers is attempting to seize the same opportunity by introducing an NFC-based mobile payments system called Suretap in April. For now, users can only upload gift cards, though they come from a large number of Canadian brands like Harvey's, Indigo and Ardene. Rogers says it's working on deals with several banks to make credit cards available. Canadian banks have also created secure mobile payment apps, but because they need specialized SIM cards to work, they're only possible on partnered mobile networks. To name a handful: CIBC works with Rogers and Telus; RBC works with Bell exclusively; and TD works with all three.

Since iPhones and iPads aren't NFC-capable (Apple prefers Bluetooth), NFC-based mobile

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wallets like Isis, Suretap and CIBC mobile payments only work on Android devices. But that may soon change—rumours are flying that Apple is planning to include NFC in the iPhone 6 and launching a competing mobile wallet. On the other hand, using its Bluetooth-based iBeacon technology, Apple may avoid NFC altogether, and instead push merchants to adopt iBeacons for reading mobile payment information from iOS devices.

### MOBILE MERCHANT PAYMENTS

Making mobile payments work with legacy point-of-sale machines poses some major challenges. But there's a new, much more flexible variety of POS out there: mobile POS. Companies like Square, Shopify and Light-Speed offer apps and hardware that turn merchants' phones and tablets into miniature POS terminals. It's much easier for a customer's smartphone to talk to another smartphone than it is to talk to a debit machine from 2003.

Square is the most prominent mobile POS company to offer mobile payments. Aside from using a credit card with a Square POS, consumers can get the Square Wallet app, and upload their credit card and gift card info (just like Google Wallet). But rather than tapping an NFC terminal, the Square app talks directly to the Square POS, meaning the customer can see their purchase on the phone and tap a button to pay.

Digital payments processor PayPal has also gone the mobile POS route, partnering with Toronto-based startup TouchBistro. At restaurants running TouchBistro's POS app on iPad, diners can order food via smartphone—and now with PayPal integration, they can pay for it that way, too. PayPal and TouchBistro just launched in 50 restaurants and bars in Toronto to test consumer enthusiasm. In the U.S. and U.K., PayPal offers mobile payments through its own mobile POS app, PayPal Here.

### MOBILE GIFT CARDS

A few big brands have taken it upon themselves to create mobile payment apps. Users transfer funds to the app like they would a reloadable gift card. It's a convenient way to pair gift cards with loyalty benefits and promotional messaging on mobile. Merchant-controlled mobile payments also keep that all-important customer data in the brand's hands.

Without access to NFC or mobile POS technology, most brands have created apps that generate unique barcodes or six-digit number codes. The cashier reads or scans the

## MERCHANT-CONTROLLED MOBILE PAYMENTS ALSO KEEP THAT ALL-IMPORTANT CUSTOMER DATA IN THE BRAND'S HANDS

code, and the customer's purchase is deducted from their available balance on the app.

Starbucks has gained notoriety for its barcode-based mobile payments app, which the company says has seen major success since it launched in 2011. Customers pair the app with their refillable Starbucks Card, making any balance on the card available for mobile payments. Starbucks says it generated \$1 billion in mobile payments last year, and that 14% of transactions are now made on mobile devices.

The idea has also proven attractive to QSRs looking to make customer service even speedier. Both Wendy's and Burger King have been testing number code-based mobile payment apps over the past year, and in March announced plans to roll out the service across the U.S.

### WALLET DEVICES

Rather than try to engineer mobile devices to securely store credit card information, some companies have designed new devices altogether. Wallet devices mimic credit cards, but can be programmed like a smartphone. Users upload all of their debit, credit and gift cards, and when activated, the device emulates the mag-stripe or NFC data on the card. A wallet device with its own secure storage chip eliminates the need to find NFC-capable devices and partner with device vendors to provide specialized SIM cards. The downside is that wallet devices don't come cheap—the two main competitors, Coin and Wocket, both cost \$100.

Coin has built a handy black card that can be swiped through any standard POS terminal. To load cards, users plug in a card reader attachment to their smartphone, and swipe to upload the card's information to the Coin app. When it's time to pay, they tap the

card until it shows the name of the card they want to use, and swipe. Coin attempted some homegrown crowdfunding by offering pre-orders on its website for \$50 (50% off) last fall. According to *TechCrunch*, it reached its goal of \$50,000 in just 40 minutes.

Wocket, produced by cybersecurity company NXT-ID, is all about security—it bills itself as being more secure than a real wallet. To access cards stored in Wocket, users have to pass a biometric test—a voice match or fingerprint scan—and type in a PIN code. Unlike Coin, Wocket has a built-in card reader and doesn't require a smartphone to upload, though that makes it a little bulkier. (It's the size of a wallet, instead of a credit card. It even has a coin pouch attachment.)

### AUTOMATED PAYMENTS

Similar to the PayPal/TouchBistro arrangement, restaurant ordering and payments app Cover has launched at 50 restaurants in New York. Cover's payment method is set up to imitate that of Uber, the popular taxi app, which Cover's founder, Mark Egerman, told *TechCrunch* is "one of the best payment methods" out there. It eliminates the act of paying completely. Just walk in, order food and walk out—your order will be automatically charged to your uploaded card, and you'll be sent a receipt. There's also the option to split bills with other Cover users, or pay part of the bill on Cover and part traditionally, to make splitting things up simple and quick. For merchants, it's supposed to cut down on payment processing time; the only catch is that while it does work with traditional restaurant management systems, it takes significant time and energy to get going.

Here in Canada, nTrust and Estimote just launched a proximity-based mobile payments service that operates over 4G and wifi. Merchants set up Estimote Beacons, small devices that transmit data to nearby mobile devices via Bluetooth. A phone with nTrust installed will detect the beacon and alert the user that they can pay by mobile. The beacon then establishes a secure connection with the user's phone over wifi or mobile data connection, so the merchant can send a request for purchase and the user can complete the transaction. To coax more merchants into adopting the system, nTrust and Estimote are offering the Estimote Beacon for free, and charging transaction fees as low as 1%. The beacon also provides functionality for pushing notifications about sales and offers to users' phones.