

# The New Currencies Are Coming!



By repurposing and monetizing existing assets, brands can increase customer engagement and achieve better business results.

# “Brand Experience,” what comes to mind?

Is it an immersive event complete with free entertainment and free samples; the feeling you get when being greeted by the concierge of a luxury hotel; or peace of mind knowing your online order has arrived and is securely tucked inside your front door? Well it's all the above and more. Each experience with your brand influences customer loyalty and it all boils down to your **brand promise and the ability to deliver on that promise**. Customers have needs and expectations when engaging with your brand, even more so with your program.

In a market where products and services are quite commoditized and heavily populated with points programs—many of which are “me-too” look-alikes of one another—brands are struggling to set themselves, their products and services, and their loyalty programs apart. With today's changing customer expectations, loyalty marketers recognize the need to evolve their programs and improve member engagement, but at the same time, they're under pressure to reduce program operating costs and find new sources of revenue. What's the next move for brands to win the loyalty game?

One emerging solution is to break the mold of traditional earn-and-burn programs and create new currencies that meet real human needs. Trade in redeemable points currencies for customer experience based currencies anywhere you can. It's a strategy not many companies have embraced yet, but the payoff for those who have is significant. Offering alternative currencies can differentiate your brand, motivate customers and deliver markedly improved business results.

## What Are New Currencies?

*The New Currencies of Customer Engagement™ are perks and benefits that are created by repurposing and monetizing existing assets or imagining new customer experience treatments that can be unitized.*

They deliver on specific needs customers find valuable, such as **time, ease, convenience, meaning,** and **confidence**, and allow brands to enhance the customer experience.

Time  
Convenience  
Brain-space  
Silence  
Confidence  
“Thank You”  
Meaning  
Discretion

# Are the New Currencies of Loyalty.

# 85%

of consumers  
said they find  
alternative  
currencies  
highly valuable.

85% among Gen X

88% among Gen Y

86% among Gen Z

The *Loyalty Report 2018* found that the consumer appetite for perks beyond points is strong. In our survey, **85%** of consumers said they find alternative currencies such as Wi-Fi access, an empty seat next to them on an airplane, and quicker checkout lines for members only to be highly valuable. The business benefit is that **by turning existing assets into new currencies, and tapping into unmet needs in this way, brands can reduce the high cost of traditional rewards.**

In most loyalty programs, approximately **80%** of ongoing costs are rewards and dividends associated with the program—not the design of the program, nor the operating system.

And consumers tell us **the current earn-and-burn elements of rewards and redemptions are only one third of what drives their satisfaction with a program... two-thirds are the experiences that program facilitates with the brand.**

Alternative currencies can also potentially lessen a program’s dependency on the dividend tied to the points currency. While some new currencies will have a one-time cost for infrastructure, the rewards themselves often have no material cost to the business to deliver. Brands should consider repurposing waste or other sunk costs by elevating importance, exclusivity and scarcity while maintaining high perceived value. This can significantly impact the bottom line and drive engagement.

For example, for many airline passengers, a time-saving currency such as priority check-in is more valuable than a free companion ticket. Chasing the empty seat can become a paid-privilege, like extra leg-room has been—which directly monetizes the benefit. When a passenger gets a taste of it once, for free maybe, they become aware of the enjoyable experience and set out to experience it again.



UBER



## Here are some examples of companies leveraging new currencies:

For time-starved urban shoppers, **Amazon Go** gives back the currency of **Time** and rewards customers with a faster and easier grocery shopping experience. Where Amazon's original loyalty currency for Prime was number of "FREE ships" (really, subsidized, prepaid ships)—in the future Amazon could offer Prime members only Amazon Go perks, like order ahead and pick-up, based on the number of shops/entries they make.

**Uber** ride-upgrades provides passengers with **Access** to a luxury riding experience in a "Select" or "Black" vehicle. Ride-upgrades encourages riders to upgrade their riding experience and choose Uber more often than its competitor Lyft. This model monetizes the enhanced rider experience while simultaneously increasing a rider's profitability.

**Hilton Honors** serves up the currency of **Choice** with benefits such as digital check-in, choice of room and late checkout—each currency can be unitized (once, twice, five times, unlimited this month or even unlimited all year) and stratified according to each customer's unique or potential value.

**Nike** is set to test a new app concept that recognizes shoppers when they enter stores, lets them scan products for availability and pay without waiting in line. *Nike App at Retail* is set to be tested in markets such as Portland, OR and The Grove mall in Los Angeles. The concept recognizes the currency of **Convenience** but Nike should be selective about who can access some of these features. For example, by tracking the number of scans, no-lineup payments can be doled out in increments rather than given to everyone, equally. In so doing, you begin to train customers that the **WAY** they buy from you is to be valued as much as **WHAT** they buy from you.

**Delta** and other airlines are using Clear, which provides biometric technology-powered I.D. checks and automated screening lines to streamline the security process for airline passengers. Delta Sky Club members with Clear memberships experience the currency of **Ease** as they use their fingerprints to enter Delta Sky Club locations.

**Time, ease, access, etc. are the currencies that often need unitization to be scalable for brands.**



# The Modern Loyal Customer Experience

Across various sectors, there are endless assets that can be “currencified.” An apparel retailer can use change-room bookings, number of try-ons and instances of return grace as new forms of currency. A fitness club can offer priority bike bookings with premium locations next to a fan. Airlines can unitize things like priority meal service or empty seats valued by passengers who want added confidence they are going to get the meal they want, comfort and privacy without someone next to them.

# 87%

of loyalty members are interested in having various details of their activity watched, monitored and tracked to receive access to personalized rewards or engagements.



When considering how to apply this to your program, think about human needs and why they might matter more to a member than a point, accelerator, or other veiled discount of some sort. Look at all the ways you can modernize the customer experience and “currencify” the various data elements consumers provide your brand. Members do see the value exchange.

*Look at all the ways you can modernize the customer experience and “currencify” it.*

Increasingly, consumers accept, expect, and even **demand** tracking of their activity— if there is something clearly in it for them. The [Loyalty Report 2018](#) found **87%** of loyalty members are interested in having various details of their activity watched, monitored and tracked to receive access to personalized rewards or engagements. That number rises to **88%** among households with children, **91%** among the under-30 cohort, and **94%** among the affluent.

# The Way Forward

How do marketers and program operators break away from the traditional and adopt new loyalty currencies successfully? Here are **6 ways to create the modern loyalty customer experience**:

**1 Thoroughly assess your brand ecosystem.** Turn over rocks you wouldn't otherwise look at. Audit and identify assets that you can monetize and turn into new currencies for rewards and recognition. Determine if it will help your business to operate any one of the new currencies, and to what degree.

**2 Design your program with the right customers in mind.** The ideal customer is one who will prioritize time, ease, and other benefits over monetary rewards. The wrong program design caters to your worst/low-value customers. For example, for TJX loyalty members, the return period for a refund is extended from 10 days to 30 days. That sends the message to customers that they can buy a ton of stuff instead of being selective, and return it later—giving the brand a false positive on sales and revenue that's hard to project. Loyalty should breed dependability and profitability for a brand.

**3 Embrace the idea that there is no singular right loyalty program.** There are a multitude of “right” loyalty programs for each user. Segment and personalize, identifying different customer types who are motivated by different currencies and rewards—then unitize and stratify them for utmost efficiency and lessen the likelihood your competitor can decode and rip off your formula. For example, which hotel guest would value regular early check-ins or late checkouts versus points towards a free night?

**4 Measure what your customers prioritize and identify customer groups that are willing to pay for perks.** Some customers will pay more for online groceries and some will pay a premium to have UberEats delivered to their couch because they prioritize ease over saving money. Our survey found that **37% of loyalty members would pay a fee for enhanced benefits**, compared to 30% last year. Willingness to pay for enhanced benefits is significantly higher among Gen Z (47%) and Millennials (46%). The way to afford a better program for all is to subsidize with the best customers paying for better benefits—for themselves, but indirectly for others too.

**Don't necessarily eliminate dollars and points entirely.** Consider points to be your anchor currency and use new currencies selectively. Points can be used to acquire more members, offer familiar incentives and excite members on their way to earning a reward. New currencies can be used to “surprise and delight” customers. The selective application allows you to enrich the value proposition ONLY for those customers who deserve it, or those who show signs of becoming your best customers.

**Pretotype.** Pretend your prototypes first. The concept of pretotyping involves creating “false doors” and other fictions to gauge customer interest in a not-yet-built product or service. Instead of investing time and money in piloting and full-on prototyping, pretotyping allows brands to test ideas and concepts quickly and inexpensively, getting statistically valid behavioral reads on customer appetite, willingness, etc.

There are no shortcuts to achieving customer loyalty, and it's a fair amount of work to capture data, figure out how to harness it, and turn it into a currency. Companies also may need to evolve their technology since most platforms are built to recognize people only via a points system. A flexible platform will recognize and reward customers for their loyalty with new currencies, dynamically adjusting who gets what as their behavior with the brand materializes.

The exciting part for brands is a new way of creating value for customers and treating them uniquely, while delivering better business results to their enterprises.

**New currencies don't have to cost a thing, but they can be worth a fortune. ■**

**What's Next?** Learn how to *unitize* the New Currencies. [Click here](#) to be notified when we release the next report.



# Authors



## **Sean Claessen, Executive Vice President, Strategy & Innovation**

When Sean Claessen solves for X, he always asks why. Through relentless curiosity, he has coalesced creativity and analytics, evolving the traditional strategy role to mesh finances and data to visual acumen and design thinking. After years of living in Ad Land, he wanted to give clients results, not just a string of F-words: Fleeting-Frivolous-Fun work—instead, work that could better use space, time, and money to solve problems. He joined Bond in 2008 as Executive Creative Director, and has taken years of millennial marketing, experiential excitement and an appetite for innovation into new realms. He now draws on Loyalty and Customer Experience vocabularies to innovate better in-store, digital, and people-related solutions that create return on investment and return customers. A firm believer that disruption and rapid “pretotyping” offers all new possibility, he’s relentless about agile testing and perpetual iteration. He thinks bigger, goes beyond, and shines light where others would just shoot in the dark.

Sean has been instrumental in solutions for big brands like Under Armour, New Balance, Sephora, AVEDA, Ford, Harley-Davidson, and UFC. His experience spans Financial Services to Manufacturing, Retail to Hospitality, because he doesn’t just address problems; he nurtures potential—in both his clients and his team. A regular speaker and frequent industry commentator, at conferences and for publications around the world, Sean brings insight and entertainment to any topic. A natural-born leader who is both brilliant and electric. Through example and action, he energizes people and brands to want more, do more, and be more.



## **Kyle Davies, Vice President, Global Insights**

Kyle leads our North American Marketing Research business, with a team of expert researchers dedicated to helping our clients better understand their business. A mix of inquisitiveness, data-geekiness, and business experience make Kyle a trusted consultant to many of North America’s top businesses in the fields of financial services, tech/telco, retail, pharma and more. Kyle brings more than 10 years of experience as a marketing researcher.

Research rigor, innovative methods, smart analytics, intuitive and attractive reporting, focused insights and recommendations; Kyle encourages a healthy mix of these principles in all of the work done by Bond’s Marketing Research team, helping our clients find clarity through insights.

Our Marketing Research team designs, builds, operates and reports on studies using a variety of methodologies, focusing on helping our clients understand Brand, Choice, Experience, and Loyalty. We offer a full range of qualitative and quantitative approaches, in studies ranging from small ad-hoc studies to large ongoing tracking programs.



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Bond Brand Loyalty is a global customer engagement agency that specializes in building brand loyalty for the world's most influential and valuable brands. Our mission is to make marketing more rewarding for customers, richer and more resilient for brands, and to deliver profitable business outcomes for our clients. We build measurable, authentic, and long-lasting relationships through a combination of services that includes loyalty solutions, customer experience, marketing research, customer analytics, live brand experiences, and proprietary technology platforms.

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