

CSPTECH

50 SHADES OF LOYALTY

A Love Connection Links Mobile Payment to Rewards Programs

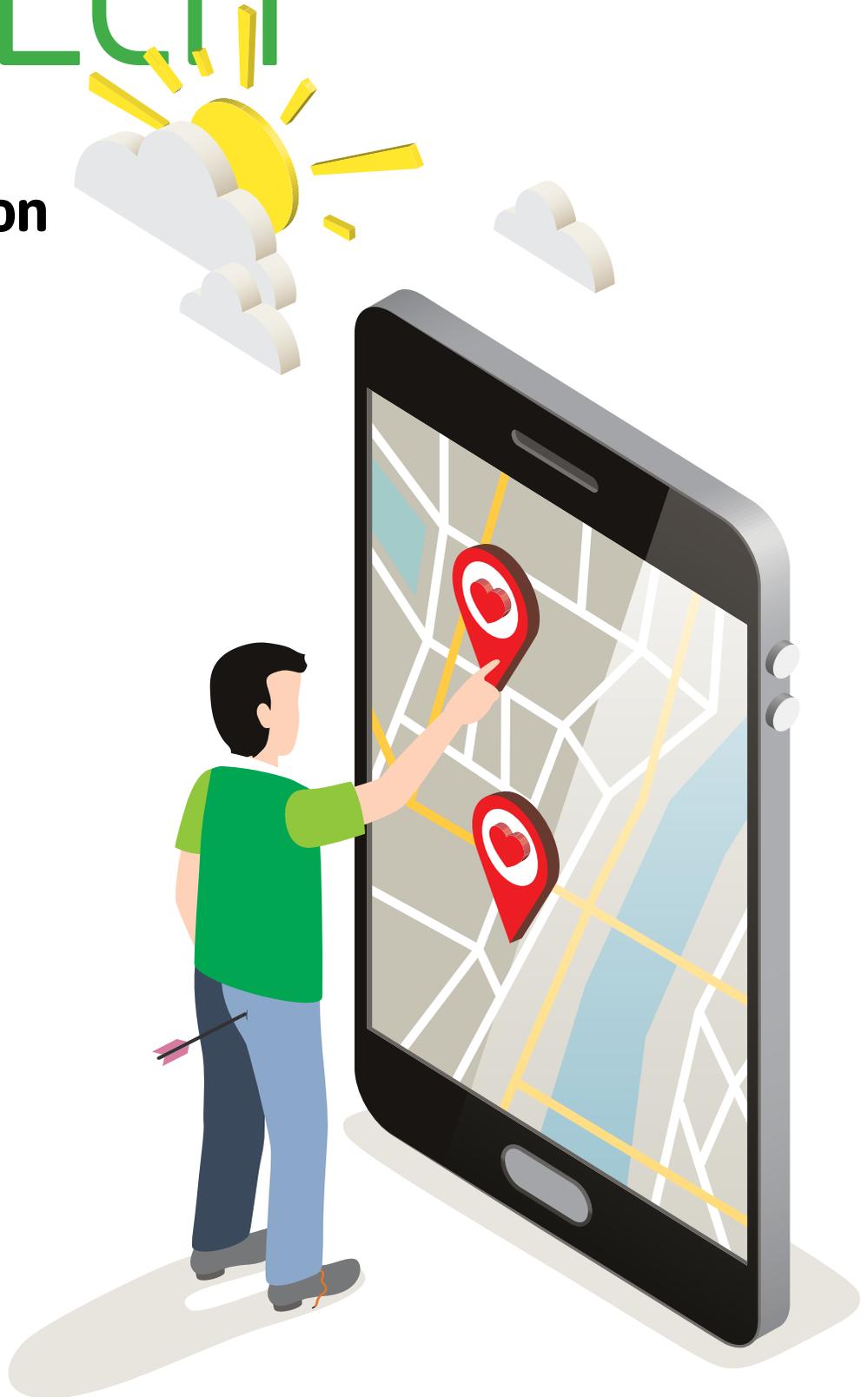
BY ANGEL ABCEDE

What does R&B vocalist Usher have to do with convenience? In January, a private party featuring the chart-topping singer was the grand prize in a Samsung Pay contest that enticed fans to try the mobile-payment service at their local malls.

As pressure to flesh out mobile strategies heats up, retailers face the critical question of loyalty—more specifically, the degree to which they can or want to be involved.

That's because mobile payment and loyalty are intertwining. With Apple, Google and more recently Samsung pushing their mobile-payment options and the growing number of near-field communication (NFC) terminals in the field (due in part to Europay MasterCard Visa, or EMV, migration), the amount of incentives—arguably the most basic form of loyalty—has exploded.

“[Mobile] payment is cool but will not compel consumer adoption by itself,” says Phil Schwartz, manager of information systems, credit card systems POS app support for Valero Payment Services Co., San Antonio. “All of the major mobile-payment platforms are offering additional features, like linked loyalty programs and electronic access, event tickets and boarding passes.”



There's a ripple effect for retail. "Merchants who are succeeding in rolling out mobile applications are providing significant rewards to consumers who choose to use their app," Schwartz says.

Reasons both disparate and related are marrying loyalty to mobile, especially mobile payment, says Pat Lewis, CEO of KickBack Rewards Systems, Twin Falls, Idaho. For the retailer and the card issuer, mobile payment has advantages, including cheaper processing and operational costs, plus speedier transactions. Loyalty has stand-alone advantages too, giving retailers a way to engage customers and influence behavior.

Mobile also makes loyalty easier to execute. According to Lewis, loyalty programs account for more than 50% of plastic use already. With mobile eliminating the need for plastic—and therefore the cost of making the cards—going mobile with a loyalty program is natural. If not tied to mobile, loyalty becomes inconvenient, especially if it means paying with the phone but pulling out a loyalty card to receive rewards, he says.

The sweet spot for consumers is convenience. Mobile can make both payment and loyalty easier, Lewis says, because ID, authorization, payment, discounts, points and coupons can all happen on the phone.

While the opportunity is the promise of enticing consumers with added convenience, the challenge for the retailer becomes balancing what they want with what they can afford. Tony Chidiac, vice president of



retail for GasBuddy OpenStore, Gaithersburg, Md., says retailers define loyalty in multiple ways. For some, it's a "club" program, in which five cups of coffee get them a sixth cup free; fuel "rollback" rewards at the pump; or digital coupons. For others it's transactional, embedded in the point-of-sale (POS) and tracking activity based on an individual's purchases. Transactional loyalty is more involved and expensive, Chidiac says, with about 35% of his mobile-app customers

having such programs.

For retailers preferring a "loyalty lite" approach with mobile promotions or "clubs" without a full-blown loyalty program, Chidiac says they can find solutions via Quick Response (QR) codes that can track five cups of coffee and trigger a sixth, or use third-party portals to access manufacturer coupons.

Retailers can succeed with various programs, says Drew Mize, COO, The Pinnacle Corp., Arlington, Texas. "Just because you're on mobile doesn't mean it has to be overly complicated," he says. "The key to success with the consumer is opening a dialogue that's personal to them."

In creating relevant promotions, retailers can base those decisions on sales and transaction data, Mize says. Pinnacle is developing mobile solutions that draw from its suite of POS, business intelligence and loyalty platforms, with an initial focus on consumer-facing apps. He says prioritizing the consumer will be a "bigger win" initially for retailers over internal operational apps.

The c-store industry hasn't invented anything new with mobile. "It's just a different delivery method," Mize says. "You're still delivering offerings and promotions specific to the consumer, but the great news being that it comes at a lower cost. There's no cost to issue cards or to get customers in the store. It's all on the phone."

However, the time to plan is now, says Chidiac of GasBuddy. Mobile payment has yet to take off, giving retailers time to decide on a loyalty strategy—and whether it will include mobile. "It's a two-way communication," he says, "one that consumers have begun to expect today."

The Loyalty Potential

Retailers have untapped potential with mobile loyalty programs, according to Pat Lewis of KickBack Rewards. Easier to set up and cheaper than plastic-based programs, mobile gives people easy access to all levels of loyalty offers.



25%

Average amount of loyalty transactions for c-stores with such programs

Source: KickBack Rewards Systems

40%-50%

The potential Lewis sees for the c-store industry, with many top-quartile firms already achieving that level. The more transactions going through a loyalty program, the greater opportunity to influence consumer behavior and reap savings on interchange fees.

