

COLUMNS

Mobile loyalty programs are the new modern currency

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Mobile's not a tall order for Starbucks

By **Amelia Powell**

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Engagement is a word you hear thrown around quite a bit these days. Brands and retailers are the first to ask, "How can I better connect with consumers in a way that evokes a sense of loyalty and ensures that they will be back for more?"

With everyone fighting for the same attention, decision makers behind every brand are turning to digital methods, or, more specifically, mobile applications and mobile wallets as a way to engage consumers and build in incentives to create a direct relationship.

But for retailers, whether it is investing in a mobile payments app, a promotion or special offer, all roads lead to one thing for hooking the consumer, and that is loyalty.

Pay off

Loyalty sits at the heart of this relationship. It is the ever-present and beloved loyalty programs, which often rule the choices made when it comes to picking airlines, grocery stores, movie theaters, fast food retailers and coffee providers.

Nowadays, we find people making the same loyalty-driven choices when it comes to payment solutions Walmart, Starbucks, Chase Payments, Visa Preferred, Apple Pay, Samsung Pay and Android Wallet. There is a plethora from which to choose.

According to Forrester Research analyst Thomas Husson, "[Customers] are not specifically demanding new mobile payment offerings. Having access to loyalty program points and rewards within a mobile wallet is the No. 1 feature they are interested in."

With loyalty programs going digital and, in some cases, being the driving factor behind the retailer's move to adopt and understand the power of mobile wallets, it is time that the industry rethinks the wallet.

Retailers realize that mobile wallets can easily be the secret strategic weapon for boosting engagement and sales.

According to a recent Urban Airship study called "The State of Mobile Wallet Marketing," 69 percent of respondents said they are more likely to use the loyalty card if it is on their phone, especially true for millennials (82 percent) and households with higher incomes (78 percent).

The biggest problems with loyalty program participation forget they are members (40 percent) and forget the card (43 percent) can be solved by using mobile wallet for loyalty membership.

Besides the obvious reasons to offer loyal via mobile, these are the benefits that merchants and retailers gain:

Digital loyalty programs offer a competitive edge

Improve customer convenience

Loyalty points become another form of currency

Engage in real-time marketing through social gaming and achievements

Build trust and loyalty which, in turn, will drive more sales

Generate new revenue streams with consumer product promotion, offers, advertising and couponing

Looking at the market, it is interesting to see how retailers are approaching loyalty through the creation of their own apps as well as building integrated offerings with existing wallets.

At this time, it seems that both are solid approaches to earning the interest of consumers as long as they focus on loyalty as a key aspect to their offering.

Retail detail

Walgreens is an example of a company that incorporates a loyalty program directly into Apple Pay.

Walgreens' customers and its Balance Rewards loyalty members simply add their rewards card to Apple Pay's wallet app. From there, they can redeem the rewards by holding the smartphone near the contactless payment terminal when they check out.

There is also Kohl's, the retailer that built a mobile wallet into its own app.

Kohl's has long been known for its discount mailers. Now, with a mobile app, consumers can take their mobile device into the store, open up the wallet, and open up the rewards certificate that they can scan in the store. And the app is working.

Tests have shown that loyalty customers, almost 60 percent of whom do not have Kohl's charge cards, made two extra trips to the store and spent an incremental \$80 per year.

And, of course, we cannot leave out Starbucks, the company that is often cited for its game-changing loyalty program. But to take it a step further, the company is looking at working with other retailers to create a platform where consumers are rewarded with loyalty benefits from Starbucks, as well as other businesses.

Loyalty programs are not new, but have proven to be highly successful with each evolution, be it print/coupons, credit card points or miles.

One cannot deny the power of airline credit cards that reward card carriers with miles and travel benefits.

And as powerful as those credit card miles and points programs may be, many in the travel industry are already looking to make it possible for passengers to store and use miles or rewards balances in their mobile wallets.

As consumers push to move away from their cards and into their mobile wallet, we can expect more retailers to look for integrations with Apple Pay and Google Wallet to not only implement new payment options, but also look at these payment platforms as a new way to issue store loyalty programs and marketing.

We will see more retailers, banks and even non-banks look for ways to get into loyalty and rewards from a digital perspective.

WITH THE RISE of geo-location data, where more information is being pushed to the consumer, alerting them that a deal or reward is nearby is the one opportunity for mobile wallets that cannot be overlooked.

Phones will be the driving force for pushing payments forward, and loyalty programs will be what keep consumers coming back for more.





Amelia Powell is senior director of marketing for strategic partnerships at USA Technologies

*Amelia Powell is senior director of marketing for strategic partnerships at **USA Technologies**, Malvern, PA. Reach her at apowell@usatech.com.*

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