

Innovation is alive and well and living in loyalty programs

Innovation is alive and well among coalition loyalty programs around the world. Despite their advancing age, coalitions are continuing to innovate to keep their programs fresh and relevant to their target members. This applies equally in Africa as consumers' buying power increases, and retailers must think up new ways to keep existing customers and attract new ones.

This is one of the findings of *Independent Coalitions Around the World 2007*, published today by Razor's Edge Business Intelligence, a specialist loyalty research company based in Johannesburg.

Says Bruce Conradie, the company's Managing Director and the principal researcher on the project, "Loyalty program operators have always been revitalising their programs (if they don't, the programs become irrelevant and fail). That was not news, but we were pleasantly surprised to realise that after decades of running programs, marketers were still able to innovate in a relevant way."

Developments that caught the attention of the researchers included a number of environment awareness measures and charity-support options. In 2006, Tesco Clubcard (not a coalition) introduced Green Clubcard points. The points are awarded to Clubcard members for taking eco-friendly measures, such as using their own shopping bags and depositing waste material into bins for recycling. In Canada, a loyalty program has been launched that rewards program members for purchases of environmentally friendly products, such as, hybrid cars, bicycles, car-sharing memberships, and passes for public transport.

Nectar, the UK coalition, in January 2007 introduced a cellphone disposal benefit. The scheme allows program members to turn unwanted cellphone handsets into Nectar points, by giving their old cellphones as donations. Nectar arranges for collection of the cellphones and distribution to under-developed countries. This is done through the charity Greener Solutions.

For corporate image motives, the report maintains, program operators may wish to innovate along these lines, irrespective of the support they receive from program members.

Using customer data to advantage

Some innovation arises naturally from the better use of customer data. Both Nectar and Tesco in the UK send letters to members who move house. The letters include information and maps on the locations of the nearest partner stores.

Another area the researchers believe is fertile ground for originality is the types of rewards offered by loyalty programs. Experience rewards and money-can't-buy rewards are gaining popularity among loyalty marketers. In 2005, the South

African program eBucks offered members the chance to win a trip into space.

The *Independent Coalitions Around the World 2007* report profiles 10 loyalty coalitions in seven countries. The fieldwork was started in August 2007 and the survey was undertaken by Razor's Edge in association with the University of Johannesburg, The Wise Marketer, and Colloquy.

Commenting on the findings, Conradie says, "If you study loyalty programs year after year, you can easily develop the mindset that real innovation in loyalty is no longer possible.

"I had got that way to some extent. It is, of course, dangerous ground, as we know from that often-quoted statement by the US patent commissioner who, in 1899, supposedly said that everything that could be invented had been invented. I certainly did not want to fall into that trap.

"Still, I felt that loyalty program innovation was largely a thing of the past. However, industry heavyweights attending a loyalty conference in London in September thought otherwise. As a result, we were particularly looking for it in our survey work. We have concluded they were right."

An imprecise art

Qualifying his comments, Conradie is quick to point out that gauging innovation is an imprecise art. The Razor's Edge findings must be regarded as opinion, since no effort was made to measure innovation levels objectively.

The skills demonstrated by the surveyed loyalty programs can be applied more generally. Most innovations in evidence are not wholly new products or ideas. Rather they are fresh takes on old concepts. Innovation in this way is cheaper and easier to implement than attempting to break completely with what has gone before.

The *Independent Coalitions Around the World 2007* report is available from Razor's Edge. For more information go to <http://www.razorsedgebi.com>. The price of the report is US\$900.

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