

## KEEP THEM GUESSING

### WHY LOYALTY PROGRAMS NEED RANDOMNESS

**Predictability is reassuring.** It's also boring. Think about it—when did you last you call IHOP to see if they still served pancakes? Or had any doubts whether the fall TV lineup would include a reality show where a houseful of beautiful people compete for televised validation? Some things are just a sure bet. The upside of the predictable things in life is that we don't waste any brainpower worrying about them. The down-



side is ... we don't waste any brainpower paying attention to them either.

**Game designers intuitively**

**know this.** Randomness, or "chance," is woven into most great game experiences, whether drawing cards or rolling dice. Randomness is novel, and novelty keeps us interested. The trick, of course, is balancing the predictable and the random to create a compelling experience that's not frustrating. Try these game mechanics in your next loyalty program.

**Game designers aren't unique in understanding how humans think.** Thanks to the growing fields of neuroscience and behavioral economics, marketers have a larger window into how human beings connect with what's important to them. We can see how the brain responds to different stimulations and gain a biological understanding of how branding, rewards and messages resonate with consumers.

**Typical loyalty programs are stale.** Marketers focus too much on structuring programs for a mythical consumer who only thinks rationally about the program's value proposition. Marketers need to keep in mind the goal of the program. Design teams also pride themselves on creating fair rules, in part, because they're highly predict-

able—members know exactly how the program works, how to earn points, and when they can redeem for a reward. Unfortunately, this focus on the rational and predictable means missing major opportunities for engagement, because you're asking members to go on autopilot.

**Neuroscience studies help us understand that all humans are rational and emotional.** Consumers engage more meaningfully when there's opportunity for an emotional connection with the brand or program. This emotional connection may trigger

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the release of dopamine—which translates into a feeling of pleasure. This same "pleasure chemical" is released when we receive rewards. People experience that feeling with other program attributes that are often underdeveloped, such as status, social interaction and randomness.

**The impact of randomness in this chemical interaction is that unpredictable wins produce the greatest pleasure response.** Neuroscience shows unexpected rewards have a heightened emotional effect, compared to the rewards participants know are coming. The effect applies even when the value of the reward is less than the expected reward. This means "surprise and delight" isn't just a good idea; it's a smart financial choice. Unpredictability also equals attention, as the brain is programmed to focus on the novel and seek patterns even in those experiences that are truly random.

**Once you choose to introduce a random element, the best approach is to adopt test-and-learn methodology.** Keep in mind the need to occasionally switch things up—ironically, even randomness becomes boring if it starts to feel too predictable.

—BARRY KIRK, solution vice president, consumer loyalty, Maritz Loyalty & Motivation

#### HOW TO:

### Make Freebies Worth It

#### GAIN BY GIVING AWAY YOUR BRAND

**Sales of promotional products went up last year,** according to the Advertising Specialty Institute. Danny Friedman, vice president of Added Incentives Inc., offered a few ideas about ways you could "give away" your brand.

#### PUT YOUR LOGO EVERYWHERE

Is it mobile? Can you wear it? Then put a logo on it. Everything from jackets and lunch boxes to umbrellas and hard hats is fair game. One institution of higher learning is giving away thousands of T-shirts at college fairs held at high schools, as well as lower-cost items like rulers.

#### SPEND A LITTLE MORE

You're worth it. Many banks are offering incentives like binoculars (to "see the vision of your future") or seasonal items, such as tailgate packages, fleece blankets and thermoses for football fans. Piggy banks are popular with kids who sign up for Junior Saver programs, and a Monopoly game that incorporates local vendors on the game board could be fun for both young and old. "It's a custom item that is more expensive, but what it's doing is incorporating the community and showing them that the bank is partners with all the vendors in town, with the bank the epicenter," says Friedman.

#### HAVE A SENSE OF HUMOR

One consortium of podiatrists marketed its services to nursing home administrators by handing out stress balls shaped like a foot. Dentists trying to take a "bite" out of a new market could try a tooth shape. —PATRICIA ODELL



## REWARDING THOSE WHO HAVE IT ALL | How to build loyalty with big spenders

**Here's a million-dollar question:** How best do you reward shoppers spending upward of \$1 million a year when their loyalty transcends traditional rewards?

**The answer:** Pair customer purchase data with the personal expertise of retailer sales associates, or brand ambassadors. While the data will hint at future shopper desires—a diamond bracelet to match a necklace, shoes to match a purse—it is the sales associate who can gauge the

shopper's values, her social calendar and the circles in which she socializes.

At Saks Fifth Avenue in Houston, for example, one sales associate offered to catalog the closets of his very best clients, recommending what should be kept and what should be donated. He then took this service a mile further by sharing his knowledge of the Houston social calendar to ensure his clients had an unrivaled, stylish look for an event. His in-depth knowledge of his customers, the local marketplace and fashion keeps his clients coming back.

With such rewards, luxury retailers will not only effectively recognize the top 10% of their clients, but could expand that shopping segment to represent 15% or 20% of the total. —GUY DILGER, consultant, LoyaltyOne Consulting

## LISTEN TO LOYALISTS

**TIP: LET YOUR CUSTOMERS TAKE THE LEAD WHEN YOU WANT TO REVAMP AN AILING LOYALTY PROGRAM**

**Want to change the fortunes of your loyalty program?** Let your customers lead the way. Take JetBlue Airways, for example. The airline faced up to the erosion of value in its TrueBlue Rewards frequent flyer program and after extensive consultation with members revamped its program. In the fall of 2009, the company eliminated blackout dates so that every seat on every flight is available for redemption. It also

changed its points system from one based on number of miles traveled.

"Our research showed the greatest customer frustration came from the inability to use the points earned," says Dave Canty, JetBlue's director of loyalty marketing and partnerships. "Users were also frustrated because points would expire after a year. While they were earning points at the front end, old ones would be falling off the back."

The airline already had an online panel of 15,000 customer advisers, so last year it handed them the project of helping to overhaul its loyalty program.

"We worked hard to get the value proposition right," Canty says. "The economy was just making people more conscious of how much they spent on airfare. And we incorporated some accelerators into the rewards program, so as not to penalize people who were consistently flying on low-cost fares."



To make sure members would always have somewhere to spend those points, Canty and his team convinced JetBlue's revenue managers to open up every seat on every flight. "We have literally closed the door on capacity controls and blackout dates," he says. As for point expiration, taking just one JetBlue flight a year now keeps a member's points alive.

The response has been "remarkable," Canty says—and good for business, too. "In the old system, redemptions most often came on our long-haul routes. Now we're seeing redemptions on short- and medium-haul routes, which takes a lot of pressure off our long routes." —BRIAN QUINTON

## FACEBOOK:

## STATE FARM IS THERE

**TIP: MAKE THE PROMOTION FIT WITH YOUR BRAND MESSAGE**

State Farm is running a promotion within the Facebook game **Car Town** where players receive virtual rewards for completing a series of consecutive challenges. The first round, which launched in December, challenged players to complete 10 full-passenger road trips within the game without any fender-benders. Those who emerged unscathed were awarded two blue points, virtual currency redeemable within the Car Town game world, and credits usually purchased by game players.

This month and until May, other State Farm challenges within Car Town will promote multi-car ownership and "good neighbor" behavior—a natural fit, since like many other Facebook games Car Town lets players ask each other for help with their chores.

"It's not just about slapping our logo on something," says State Farm advertising director Ed Gold. "State Farm is about cars. So if you've got a car game that isn't just a crash-'em-up, that is about living the car life, that's how we want to be involved."

Car Town, built by Cie Games, lets registered players collect and customize virtual cars, build their dream garages, and help their friends to do the same. Launched on the Facebook platform last July, it has a reported 7.2 million-plus active users. —BQ

