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[Data Security Spurs Advancements In Loyalty](#)

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As loyalty programs evolve, ensuring customers that their private information is secure and being used appropriately is essential in gaining their trust.

By Erin Rigik, Associate Editor.

The secret to succeeding with a loyalty program in 2012 is to make sure you're offering customers value on their terms, while also ensuring them that their information is safe, secure and being used in a responsible manner.

"If you're capturing customer information you have to make sure you're holding it in a secure place—that's a big concern for consumers," said LoyaltyOne CEO, Bryan Pearson, author of a new book due out this month called, "THE LOYALTY LEAP: Turning Customer Information into Customer Intimacy."

Trends show technology continues to push loyalty programs to evolve at a rapid pace, making it all the more important that retailers keep up with the latest developments.

Some current top loyalty trends include:

- 1.) Rewards programs moving toward value and away from just discounts.
- 2.) Companies forming partnerships to maximize the reach of customer rewards.
- 3.) Enterprise loyalty, or freeing up customer information so it can be used by all parts of the organization.
- 4.) Leveraging technology on a social, mobile and local level.

Trending Now

"We've seen everything from soup to nuts in terms of reward programs and structures, but there are two places we're seeing the augmentation of the value proposition," said Pearson. "One is a movement in offering value beyond discounts. This ties into partnerships. In the past there were many standalone programs where the consumer earned discounts for future or current purchases. Now we're seeing a trend where companies are coming together to create greater value propositions through partnerships and coalitions or multi-merchant programs to create more value for the consumer."

Enterprise loyalty is becoming increasingly useful, allowing all parts of an organization to make use of customer data. For example, merchandising, pricing and even store design personnel can leverage customer data on a more granular level to market programs to their core customers. "That creates opportunities for companies to change the way they do things like assortment, pricing and promotions to optimize those areas most efficiently, and changing the way they think about bringing their brand experience to life," Pearson said.

Technology is now a key part of today's loyalty programs, impacting loyalty programs on social, local and mobile levels. Social media is key in engaging and listening to what customers want, while mobile and local marketing programs work together to engage customers in the now. "The mobile phone is the first portable marketing device people carry with them all the time, and this opens up a whole bunch of location-based marketing opportunities," Pearson said.

C-Stores Leverage Loyalty

Mid-Atlantic Convenience Stores (MACS) is right on trend with its new loyalty initiative shopkick, which it launched in 12 of its stores in the Washington D.C. metropolitan area in April through its partnership with ExxonMobil.

The shopkick app uses smartphones' ability to recognize a high-pitch signal emitted by a device installed in each participating store. When a customer opens the app and walks into the store, the smartphone registers the signal and the customer wins 'kicks' or points that can be redeemed for gift cards.

"The future of loyalty is about empowering the end user," said Derek Gaskins, senior vice president of marketing and merchandising for MACS. "The thing about shopkick that stood out to us was that it's a coalition program. From a consumer standpoint, they love it because they don't have to carry multiple store cards, and they can earn these kicks at Target, Best Buy and at Exxon, etc., and so they're earning it on their terms. They can choose to redeem for e-gift cards for the venue they care about the most, including a gas card."

Gaskins noted c-store retailers are challenged to get gas customers into the c-store. "Unlike with Foursquare, where you can check in while you're at the pumps or driving by, with shopkick the customers physically have to park and go inside. And research shows if you can get a consumer to walk in, the likelihood of them purchasing something is much higher than those who just fuel up, pay at the island and leave."

Once in the store, customers have the opportunity to earn additional kicks by scanning barcodes of specific products using the camera on their smartphone.

Secondly MACS aims to drive basket size and also help draw customer attention to specific or new products. While MACS isn't currently using the program to collect market basket data, it is looking to move in that direction going forward.

Safeguarding Customer Information

When adding any loyalty program, it is essential to protect customer information. Be sure to research how implementing your loyalty program could impact your level of PCI compliance, for example. To ensure customers their information is safe and being used responsibly, first and foremost, get them to "opt in."

"Once the consumer opts in, the key is to not overwhelm them with messaging and to make sure you're making an effort to reflect the choices and experiences they have with your brand in the communications you share back with them," said Pearson.

The first step in safeguarding customer data is being transparent and reasonable. "This extends to what you choose to collect from a data perspective. When government and regulators get involved in the privacy debate, it's because they see people are overstepping the bounds of what is reasonable," Pearson noted. "Transparency means you are always communicating what you are doing with that information to the consumer."

Chains looking to form a long-term relationship with a customer based on the data must first receive permission to do so. Pearson recommended protecting that data as though it is a corporate secret and being careful not to wear out your customers' trust level. If they share information with you, create a relevant basis for that relationship and be thoughtful of what you're sending, and be sure it's based in a true value exchange.

"Our research shows customers are willing to share quite a bit of information about themselves if they get value in return," Pearson said. "If they feel you are taking that information to optimize corporate profitability, but not bringing value to them, you run the risk of them backing out or making a different choice in where they shop."

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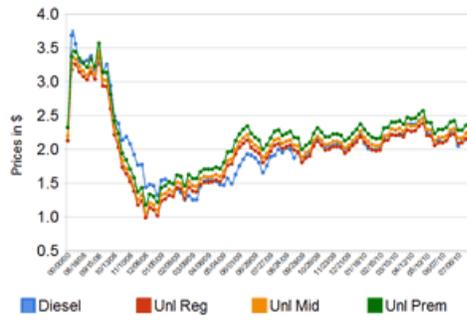
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