Winning Hearts—and Markets—with Mobile Customer Loyalty Programs

Strategies and Solutions for Operators, Brands, Agencies, and Media Companies

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Overview

Loyalty programs are a key part of the mobile marketing landscape, going beyond awareness-building and one-off promotions to drive sales by enabling ongoing communications, relationship-building, and value generation with customers. This paper discusses the role loyalty programs play for operators, brands and agencies, and media companies, and defines the capabilities required to deliver them effectively.

Loyalty Programs and the Businesses that Use Them

Loyalty programs play an increasingly important role in competitive markets, where the similarity of mobile offers makes differentiation hard to achieve and a rising volume of advertising noise makes it difficult for brands to stand out. As mobile operators and other companies work to increase customer retention and value, they must go beyond one-off tactical marketing initiatives and create ongoing programs that connect customers with their brand in relevant, meaningful, and uniquely differentiated ways. After all, the first step toward increasing the value of a customer base is to make customers happy. By giving customers more of what they want—more value for their money, a more personalized and exciting customer experience, more opportunities to engage in the content and activities they like— companies can demonstrate their commitment to listening and responding to their customers' needs, and lay the foundation for profitable, long-term customer relationships.

While they come in many variations, the essence of all loyalty programs is to establish an ongoing context for learning more about customers, influencing their behavior, and providing them with added value in return. The information gathered through loyalty programs, including both opt-in profiles and user activity tracking, helps the company provide a more relevant and competitive experience, increasing retention and lifetime customer value. For operators and media companies, this information also enables targeting to increase the value of advertising inventory. Once customers have been recruited into the loyalty program, their behavior can be influenced through targeted coupons and incentives that reward actions such as purchases, upgrades, downloads, customer referrals, new feature usage, and prompt bill payment, as well as providing additional profiling information. An effective loyalty program thus results in a higher value relationship for both the business and its customers.

Members of the mobile ecosystem use loyalty programs to support several different, sometimes overlapping objectives.

- **Operators** use loyalty programs to increase revenue, stimulate usage, and strengthen customer retention to reduce churn, especially of prepaid customers. The customer information captured through the program enables the operator to generate additional revenue by offering targeted, high-eCPM advertising opportunities, as well as by making its segmented customer base available to brands and agencies for the execution of their own loyalty programs.
- **Brands and agencies** use loyalty programs to learn more about their customers in order to increase the relevance and competitiveness of their products and services, as well as to drive specific offers and influence customer behavior in strategically useful ways.
- **Media companies** use loyalty programs to build and retain their audience by capturing the information needed to deliver a more relevant, personalized experience to each user. Like operators, media companies also use loyalty programs to capture audience profile data that increases the value of their advertising inventory.

Examples of Loyalty Programs

The core mechanics of a loyalty program generally proceed as follows: first, the business introduces the program through mobile, online, and traditional advertising and recruits customers to join. As part of enrollment, customers provide profiling information (not mandatory but highly recommended); this is then complemented by data on their usage patterns and can be used to define customer segments. The company then uses this information to provide additional value to the customer, as well as to support its own strategic goals: driving specific user activity, supporting products and services, increasing advertising revenue, and so on.

As implemented by different members of the mobile marketing ecosystem, this basic model takes many different forms. Common examples include the following.

Mobile Top-Up

Highly popular among mobile operators, mobile top-up programs reward mobile customers each time they top-up a prepaid card. These rewards can include free content or services, bonus minutes, chances to win, and points which can be accumulated and redeemed for premiums. For the operator, mobile top-up programs can be highly effective in increasing ARPU and reducing churn. Depending on how the program is structured, users can also be rewarded for topping-up at higher amounts in order to reduce frequency and generate revenue more efficiently.

In the UK, mobile operator O2 offers a "Top-up Surprises" program in which customers are invited to play a short "silver game" or "gold game" on the O2 website every time they top up at or above specified amounts. Winners are presented with several options for prizes, which include everything from a single track music download to laptop PC to a spa day. The Top-up Surprises program is complemented by an "O2 Rewards" program which gives customers extra credit and perks every time they top up, including rebates of up to 10% of their top-ups back every three months as well as discounted concert tickets, extra credit, or coupons. A ticker on the program's home page lists recent prizes awarded to customers, building excitement and reinforcing the message that O2 rewards its customers constantly.

Opt-in Club

Often used by operators, opt-in clubs invite customers to provide information about their personal demographics as well as their preferences for the types of marketing offers they'd like to receive. In exchange, members receive more targeted, relevant, and personalized messages which are sent at a frequency that they can specify themselves, including exclusive offers, promotions, and contests. Individuals who have indicated a taste for live music can be invited to free concerts or offered advance sales of upcoming gigs; car enthusiasts can be invited to test-drive the latest models; gamers can be given coupons for new titles and gear; and so on. This type of program is highly effective for recruiting a large, segmented opt-in database which increases advertising revenue and helps operators provide more effective marketing solutions for their brand partners.

Loyalty Club

Retailers and other brands use loyalty clubs to achieve several objectives. In this scenario, the ability to link specific customers with specific purchases helps the company better anticipate and fulfill their needs while influencing their behavior.

One of the most successful examples of a loyalty club can be found in the UK, where Tesco's Clubcard program is used to understand what customers are purchasing to support effective inventory management. Similar to the recommendations offered by e-commerce websites, Clubcard holders are also stimulated to buy items related to their usual purchases, either as upgrades or add-ons, through discounts, double reward points, and other incentives. Monthly vouchers are awarded, targeted to each member's profile and purchasing history, to bring customers back into the shop and drive specific purchase activity. Similarly, US-based retailer Safeway offers a "Just for U" program which offers coupons, personalized offers, and timely alerts of specials on items that a member has bought in the past.

Mobile Coupons

Operators, brands, and media companies use mobile coupons in several ways. Like traditional offline coupons, mobile coupons can be used to drive purchases, increase spend, and support a brand's local outlets. Unlike traditional coupons, mobile coupons can also take advantage of the portable, real-time nature of the mobile channel to influence customer behavior at the point of purchase. For example, each time a customer makes a purchase, he can be invited to text in a code to receive a voucher in real-time to use in the same location, or one nearby. With this mechanism, a single drink can turn into a round bought for friends; a purchase in one store in a mall can lead to coffee purchased next door; repeated visits can be rewarded with a premium gift; and so on.

Treats

Companies throughout the mobile ecosystem use treats to reward customers emotionally for being active users. Customers who qualify based on lifetime, usage, and/or ARPU receive gifts targeted to their usage patterns, personal information, and preferences. Treats increase customer engagement, strengthen loyalty, reduce churn, and influence customer behavior.

Mobile Community

Mobile communities extend the loyalty program model to incorporate features such as portals and social networking functionality. In addition to deepening customer engagement and influencing their behavior, the community provides a persistent channel for customers to receive brand or operator communications, as well as to access and share personalized information about their products and services. Increasingly, operators leverage established social networking platforms such as Facebook and Twitter within their own mobile communities. For example, Verizon, a top-tier US mobile operator, prompts users who have made content downloads to provide a user review of their experience; these are uploaded to the operator's page on Facebook, as well as becoming part of the user's "feed" to their friends' pages. In this way, Verizon provides additional value to the user, promotes its downloads to the user's circle of friends, and draws user-generated content to its social network presence.

Content Personalization

Media companies including the UK's Daily Mail Group use content personalization programs to understand what their customers are most interested in—sports, politics, business, lifestyle, personals, and so on—and provide more personalized, relevant content. At the same time, this information enables more targeted advertising, increasing ad revenue while further enhancing the user's experience.

Developing Your Mobile Loyalty Strategy

At a high level, the question isn't whether to implement a loyalty program, but how; given the high cost of acquiring customers, the ease with which they can defect, and constant pressure from aggressive competitors, building and leveraging customer loyalty is now a mission-critical priority. As discussed above, these programs can be implemented in a virtually unlimited number of variations; there is no single "best" strategy or program design. This creates tremendous flexibility for operators and other companies, but also makes it essential to begin any customer loyalty initiative with thoughtful analysis of the objectives to be pursued and the best way to reach these goals. A few general principles provide a starting point for this exercise:

- **For operators**, an effective mobile top-up program is now essential as a way to protect market share, reduce churn, and increase ARPU. The specifics of the program can vary widely, from the rules for accumulating and redeeming points to the rewards given to the addition of game play and other experiential elements, depending on factors such as the interests and priorities of the operator's customer base. But operators who neglect this part of their business will inevitably lose customers and market share to more interesting and rewarding competitors.
- **Operators and media companies seeking to increase advertising revenue** can use opt-in clubs and mobile communities to capture valuable information about their user base to drive more targeted, higher-value advertising programs.
- **Marketers of all kinds**, including operators, retailers, and other brands, should view loyalty clubs, mobile coupons, and treats as core mechanisms for influencing customer behavior and supporting a broad range of marketing initiatives from new product launches to inventory management.
- **Companies seeking to leverage social networking for customer engagement** can use mobile communities to increase the relevance and value of their social media presence.
- **For media companies and mobile operators** seeking to stand out amid an overwhelming flood of online content, content personalization provides a way to win viewers by helping them discover the information that matters most to them and establishes the provider as an go-to source of news and media.

Loyalty programs can also be combined in numerous ways. An operator's mobile top-up program can also include treats; mobile coupons can be offered through a mobile community or opt-in club; the information gathered through a content personalization program can be used to provide treats in the form of value-added content.

Whatever strategy and initiatives you develop for your company, the success of the program will depend to a large extent on the technologies and services through which it is implemented.

Arming Your Loyalty Strategy for Success

Loyalty programs of all kinds are typically delivered using the technology and services of a mobile marketing and advertising solution provider. As you evaluate these providers, it is important not to fall into the trap of focusing on the short-term requirements of a specific program without considering the broader range of capabilities you may require later. Point solutions addressing a single type of initiative can leave your customer data, marketing content, and other assets trapped in a silo, limiting their utility for new programs. Even if you're only using a narrow range of functionality at the moment, it should be delivered in the context of a comprehensive solution set which provides maximum flexibility and agility to address all your customer loyalty needs both now and in the future.

To be an effective partner for the long term, your solution provider needs to be able to bring several essential capabilities to the table. These include:

- **Full-featured CRM** (Customer Relationship Management) to capture and manage customer profiling information, analyze and define customer segments, and manage customer relationships and communications throughout the lifecycle of the loyalty program.
- **Content creation tools** that enable the fast, cost-effective creation and deployment of creative elements such as WAP and web sites, landing pages, customer messages, and mobile coupons, as well as both online and offline ad units to promote the program.
- **Authentication mechanisms** to track the participation of specific individuals, verify their reward levels, track credits and redemption, and support user privacy and security.
- **Multi-channel communications** to promote and execute the program across the full range of company channels—text, email, web, social networks, physical mailings—to make it as simple and convenient as possible for customers to participate. For example, the company should be able to drive customers from emails to a dedicated web page; from SMS to a WAP portal; from a bill insert to a social networking page; and so on.

Delivering Mobile Loyalty Programs with Velti

As a global leader in mobile advertising and marketing, Velti has helped major operators, brands, agencies, and media companies worldwide create and execute mobile loyalty programs of all kinds. Velti's extensive domain expertise and industry-specific best practices are complemented by a complete, proven technology platform designed to meet the full range of requirements for every type of mobile loyalty program.

Real-Time Customer Interaction

Loyalty programs are most effective when they function in real-time to reward customers with immediate gratification, influence them while they're still at the point of purchase, and deliver a seamless user experience.

Only Velti delivers truly real-time mobile loyalty programs. Using this capability, companies can:

- Interact with customers based on their current activity—not just a static profile—to increase relevance, timeliness, and quality of experience.

- Provide recommendations and special offers for related purchases while the customer is still at the point of transaction—making it simpler to take advantage of the opportunity and increasing the likelihood that they'll do so.
- Reward top-ups and other activity immediately to more effectively reinforce the behavior, rather than delivering prizes as an afterthought with only a tenuous connection to the original activity.

Full-featured CRM

Going beyond the bare-bones CRM functionality offered by other providers, Velti loyalty programs are powered by a complete CRM system which supports a broad range of mobile initiatives to engage consumers through relevant, high-value experiences. As a result, mobile marketers can:
- Register customers easily by allowing them to opt-in via text, online, and mobile Internet.
- Capture and manage the information they need to improve their understanding of customer values, activities, demographics, and behavior.
- Create ideal customer segments automatically based on demographics and historic response data.
- Communicate with customers across the full range of channels, including text, multimedia messaging, WAP push, iAd, and Skype, as well as social networks like Twitter and Facebook.

The Power of the Platform

Velti loyalty programs leverage integrated functionality from the entire Velti mGage^{TM} mobile marketing and advertising platform to increase effectiveness and impact. For example:
- Integrated campaign management tools make it simple to create, implement, and monitor loyalty programs throughout their lifecycle.
- Content creation tools accelerate program development with an automated process to create messages, connect them to short codes, and launch in minutes. Out-of-the-box templates support mobile initiatives of every kind.
- Analytics and reporting help marketers track and optimize their campaigns based on real-time insight into customer response and behavior to improve marketing efficiency and return on investment.
- Complete ad serving and ad routing capabilities make it possible to deliver highly targeted, relevant messages to program participants.

The power of the Velti mGage platform is enhanced through continual optimization built into the system. Data on the real-world behavior of customers and the performance of the programs in which they participate helps ensure that each program offers the ideal experience, content, offers, third-party prizes, and other elements to achieve maximum impact and ROI.

An Established Global Customer Base

In addition to complete mobile marketing technologies and best practices, Velti helps brands and agencies jumpstart their loyalty programs by providing access to the large customer base held by the operators we already work with. Facing a fluctuating customer base of their own, brands are often forced to rely on untargeted advertising to recruit participation. Velti makes it possible to achieve a higher conversion rate and reduce waste by communicating directly with the relevant segments of an operator's registered customer base.

Conclusion

As the mobile channel continues to grow in importance for both marketers and consumers, mobile loyalty programs play an essential role in helping companies throughout the mobile ecosystem leverage and expand the value of their customer relationships. The many variations of programs that can be implemented, and the flexibility of the best-of-breed enabling technologies now available, make it possible for each company to design and execute programs tailored to the exact requirements of their marketing, product, and brand strategies, as well as the preferences of their customers. For companies that take full advantage of the opportunities they offer, mobile loyalty programs can deliver a significant and sustainable impact on revenue as well as a position on the leading edge of today's mobile lifestyles.

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