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Signal-to-Noise Ratio



**Building Multi-Dimensional Relevance
in an Age of Communication Clutter**

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BUILDING MULTI-DIMENSIONAL RELEVANCE IN AN AGE OF COMMUNICATION CLUTTER



Introduction

"The message that gets broadcast to you, me and the rest of the earth's population has nothing to do with me in particular. It's worse than noise. It's an interruption. It's the anti-conversation." So notes *The Cluetrain Manifesto* more than a decade ago, when public use of the internet was relatively young and the technologies we enjoy today were dreams, lab experiments or the darlings of a few early adopters.

Now that such technologies have flourished, the threat of interruption and anti-conversation from today's barrage of marketing communications is certainly worse now than in 2000 and is in fact considerably worse than it was even last year, when we published a white paper titled *The Multi-Channel Future*. Noting that consumers have more communications choices than ever before, that white paper encouraged smart loyalty marketers to tap into those choices to deliver efficient, proactive messaging. *The Multi-Channel Future* established the advantages and the need for a well-planned multi-channel communication strategy, and then laid out best practices and specific strategies for communicating with customers via multiple channels.

And now it's time to take the next step, leveraging the ability of multi-channel communications to counter and break through the ever-increasing flurry of messages bombarding consumers, in a time when the need to do so has become even more urgent.

That next step is building multi-dimensional relevance, using a system of delivering crisp, clear messages in today's noisy communication atmosphere. Channel selection—the core topic of *The Multi-Channel Future*—is one such important dimension. But broadening message relevance to incorporate a wide range of other preferences is equally important. How often do your customers want to hear from you? What types of messages are invited? What times of the day, and what days of the week, are appropriate for messaging in various forms? Answers to these questions also play key roles in reaching customers—and the answers can come not only from preferences implicitly stated by your customers, but also from more fully understanding your customers' preferences and tendencies by observing and reacting to their behaviors.

Loyalty marketers must focus on the *convergence* of these stated communication preferences and observed behaviors. A customer may prefer to receive offer messages only on weekends when there is more time to weigh them, but will accept notices of redemption expiration at any time. Breaking through the noise requires reaching customers in all the ways they prefer to be reached—and by reaching them in ways fully aligned with how they go about their day-to-day

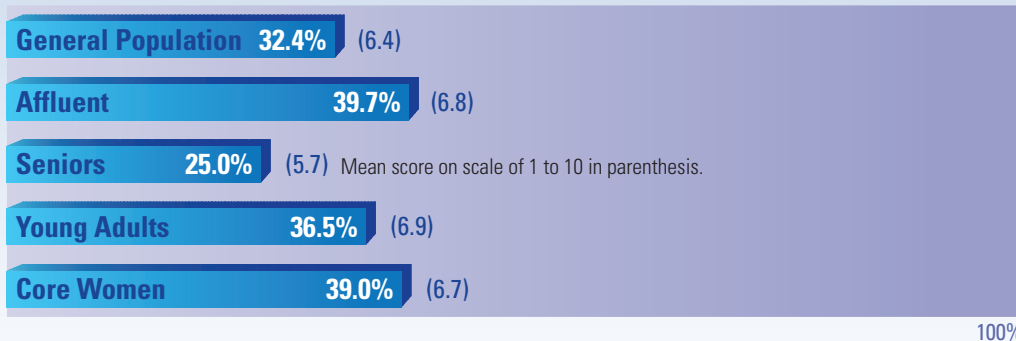
interactions with the brands they patronize. Marketers learn about such preferences not only from direct customer feedback, but also, more importantly, through carefully analyzing observed behavior and proactively providing consumers the opportunity to adjust the means of contact that they will permit through opt-in.

To measure the power and purity of an audio signal, engineers and scientists use a mathematical formula called *signal-to-noise ratio*. This measurement gives them an exact understanding of the balance between the signal they're sending and the interference of unwanted background noise. Loyalty marketers must adopt a similar strategy of understanding.

The need for working with your customers to secure up-to-date opt-in status is two-fold. One, of course, is to maintain regulatory compliance with such regulations as the FTC's Telemarketing Sales Rule, which took effect in September of 2009: Marketers who reach consumers via automated voice messages must secure express consent for sales calls in the form of written permission or digital signature. More important, however, is the marketer's need to rise above what's required by government to the point of supplying what's demanded by customers seeking relevant service and, ultimately, respect.

With all these concerns at play, the stakes in fine-tuning the signal-to-noise ratio are considerable. But, unfortunately, much of loyalty marketing has fallen short of effectively calibrating the messages. Exhibit 1 delivers the alarming news:

Exhibit 1: Relevance of Loyalty Communications



- Source: 2009 COLLOQUY Loyalty Demographic Study, U.S. Results
- Q: Thinking about the communications you receive from rewards programs, how relevant are they to your needs? n = 2,157
- Percentage displays top 3 box (8,9,10) on a scale of 1-10. The mean scores on a scale of 1-10 are shown on each bar.

Under a third of U.S. loyalty program members find missives from their programs to be relevant. There's work to be done, and fortunately, loyalty marketers have the tools to get it done. Thus, we explore the loyalty-marketing signal-to-noise ratio, concentrating on a signal critically important to those marketers tasked with customer engagement, dialogue, and communications:

**Relevance and engagement =
the right message, the right channel, the right frequency, the right time.**

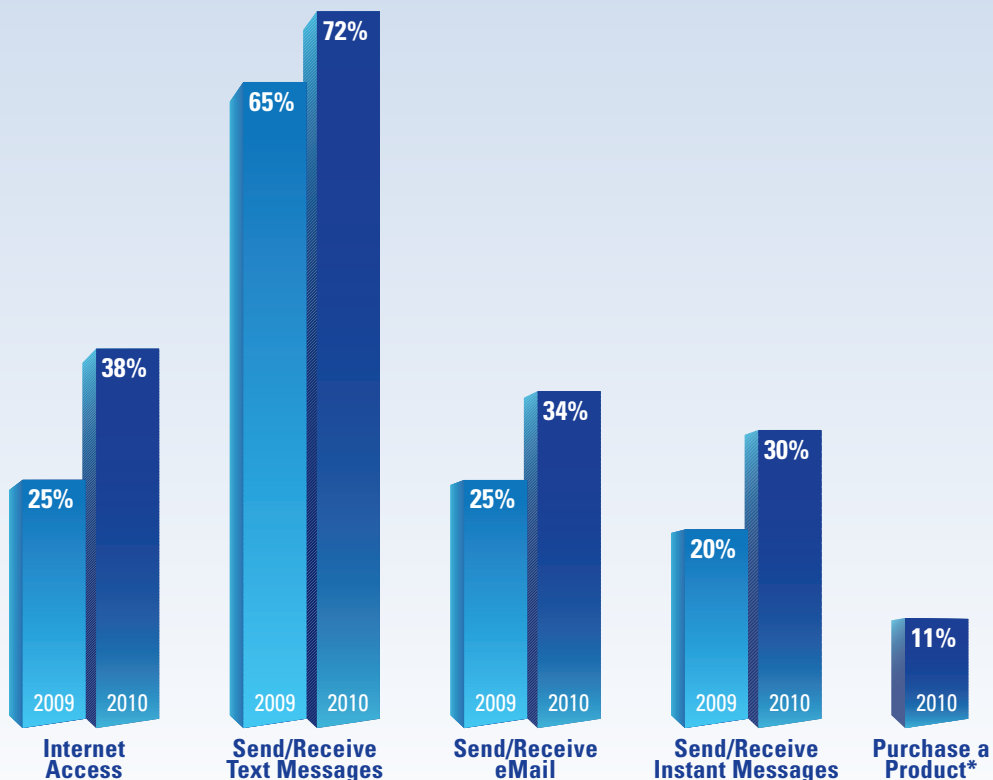
I. The Multi-Channel Present

How much power and purity do the messages we send possess when they reach our customers? Customers are bombarded with marketing messages, most of which they have little interest in, leading them to block out nearly all the noise they hear. And that is the stuff of *The Cluetrain Manifesto*'s "anti-conversation."

In loyalty marketing alone, the message volume is increasingly intense. Consider that according to COLLOQUY's 2011 Loyalty Census, in the U.S. alone, loyalty memberships numbered more than 2 billion in 2010, about 16% more than just two years earlier. That's 18 memberships per household at the receiving end of regular statements, offers, announcements, reminders and informational content. In 2011, the message volume will be even more intense.

To the proliferation of those sending messages, add the burgeoning number of channels that can deliver those messages. Long gone are the days when marketers could rely exclusively or even primarily on direct mail, voice mail and email. By the late 2000s, Facebook had risen as a significant communication platform. Now texting and Twitter and geolocation plays such as Foursquare have muscled into the mix. And, significantly, there's no question that mobile communication has arrived—not as the wave of the future but as a dominant channel in the present. According to the *Mobile Access 2010* report by the Pew Internet and American Life Project, 38% of U.S. cell phone users accessed the internet from their phones, a tremendous increase from the year before, when 25% of U.S. cell phone users used the mobile internet. The study also showed increases in other types of mobile usage of interest to marketers, as shown on Exhibit 2.

Exhibit 2: Non-Voice Mobile Phone Usage

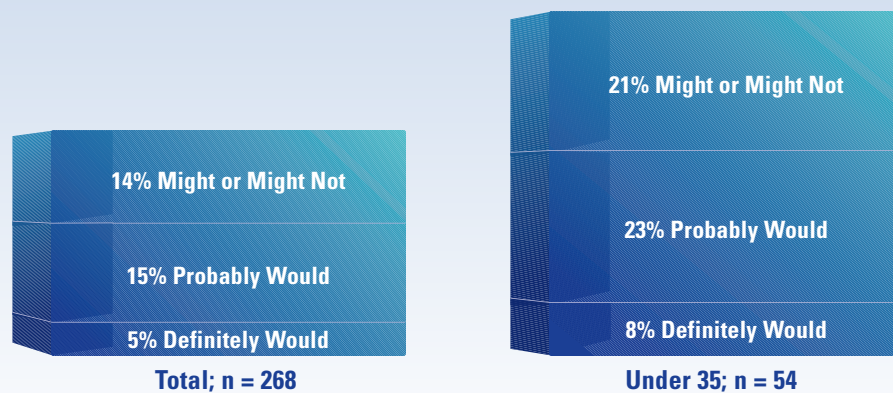


• Source: data from telephone interviews conducted by Princeton Survey Research Associates International April 29 to May 30, 2010, sample of 2,252 adults, age 18+
 • * = not asked in 2009

Smartphones promise similar impact. As COLLOQUY reported in its 2010 cover story, “Transformers,” according to Nielsen research, by 2011 smartphones will likely constitute most cell phones in the marketplace, with more than 150 million cell phone subscribers using smartphones worldwide. Nielsen shows that in the fourth quarter of 2009, 30% of new cell phones sold were smartphones, up from 25% the previous quarter. For the first time, in the third quarter of 2009, more people accessed the internet from smartphones than from regular cell phones. And according to an annual survey conducted in 2009 by Deloitte, one in five shoppers said they intended to use their cell phones to shop over the 2009 holiday season—45% to research prices, 32% to find coupons or read reviews, and 25% to make purchases.

SoundBite’s recent survey conducted with Harris Interactive confirms such use, particularly in the area of coupons via mobile. The study shows that 20% of all mobile users definitely or probably would take advantage of coupons and promotional codes. Exhibit 3 shows developing interest in mobile coupon activity (and drives home the point that one size does not fit all).

Exhibit 3: Consumer Interest in Mobile Coupons



• Source: SoundBite/Harris Interactive poll, July 2010

• Q: How likely would you be to take advantage of loyalty program benefits if coupons and promotional codes were delivered directly to your mobile device?; total n = 268; 18-34 n = 54

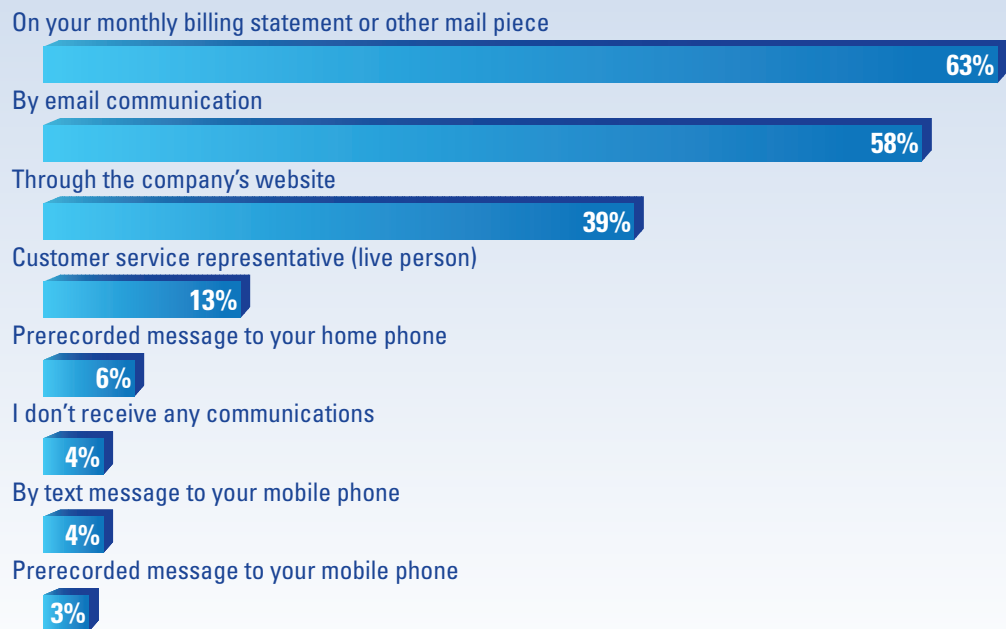
What’s more, the 14% of the total and 21% of the 18-34 group who might or might not take advantage of promotions present an opportunity to draw them off the fence—with proper incentives and opt-in, of course.

Marketers must acknowledge these rising new platforms and find productive uses of the ones most appropriate to their customers. Yet, many companies continue to rely on “the tried-and-true” methods of the past, and are finding that these strategies are less and less “true” every day. Redemption rates decrease as customer interest erodes.

And the impact can be even more serious. For example, the financial services sector is seeing significant growth in the mobile communication area. In 2010, 17% of customers received text messages from their banks, and that number is expected to rise to 22% by 2012. The importance of using preferred communication channels is also made clear by a 2010 survey by Javelin Strategy & Research in which 8% of consumers said they switched banks because their banks did not offer mobile banking. Making preferred channels available to your customers—for communication and even for the services your company provides—is more crucial than ever.

For a glimpse at how marketing communicators may be falling into the traps of the old “tried and true,” consider these numbers regarding currently used communications vehicles in Exhibit 4.

Exhibit 4: How Retailers and Credit Card Companies Communicate Loyalty Program Information



• Source: SoundBite/Harris Interactive poll, June 2010

• Q: For loyalty program information, how are your preferred retailers/financial institutions communicating with you now?; n = 268

Reaching customers in new ways—after securing their permission, of course—presents differentiating ways to deliver communications and value.

To that end, marketers should employ multiple channels. According to SoundBite's Harris Interactive survey, most consumers say they prefer to receive messages regarding their loyalty programs via email. However, putting all your marketing eggs in a single basket won't fully generate positive results. Another recent survey emphasizes the importance of multi-channel communications in customer interactions. *The IBM Institute for Business Value 2009 CRM Leadership Study* defines three types of leaders: Customer Insight Leaders who mine, analyze and leverage data; Digital Channel Leaders who leverage digital channels for customer interactions and innovations, and New Era Leaders, who do both. These leaders "represent an extremely powerful combination of having insight and knowing exactly what to do with it, digitally as well as across all channels." According to the study, 67% of New Era Leaders have multichannel strategies, more than double of other study participants, at 31%.

Of course, begin by learning which channels your customers prefer to use—and monitoring the feedback you receive. For example, with the explosion of mobile messaging in the past few years, studies show that more than ever before, customers are comfortable in hearing from you through this channel. At the same time, acknowledge the range of customers you serve and the equally wide range of preferences and technological capabilities. Glance back at Exhibit 3 for a quick reminder of how audience differences as basic as age can affect consumer preferences and tendencies.

Blending platform flexibility with customer preferences and behaviors enables your signal to penetrate the noise and to foster successful relationships with your customers. Understanding those preferences helps prevent turning off customers through irrelevant messages sent the wrong way at the wrong time. Of course, the opposite approach—right message sent the right way at the right time—is optimal. Therefore, understanding customer preferences in all these areas is absolutely crucial. A multi-channel approach won't do much good if you don't know what your customers want or how and when they want to receive what they want.

To that end, the SoundBite/Harris Interactive survey seeks to present a clearer idea about customer preferences, offering guidance as we all move into the multi-channel, multi-dimensional future.

Through deeper engagement with the customer in all facets of the relationship, programs can see increased redemption rates and revenue—along with increased feedback usable to refine communication and marketing strategies.

II. The Multi-Dimensional Future

Understanding customer preferences and behaviors with a holistic, 360-degree view cannot be over-emphasized in this day of competitive noise. However, too many loyalty program marketers continue to establish and rely upon one-dimensional preference points. Isolating such preference points only adds to the problem. For instance, getting an email address and a general opt-in obviously isn't enough if the goal is to develop significant customer relationships that resonate across the entire spectrum of the company's brand and the entire spectrum of the customers' needs and interests over the lifetime of the customer relationship. Establishing other preferred communication channels is a necessary step, yet even more information is needed. Marketers must discover other critical data points, such as when customers are most likely to respond, when they want and don't want messages, how often they want to receive them, and what type of messages they want to receive. The key is aligning each of these dimensions the critical foundation of message content. The way consumers prefer to receive and respond to messages will likely vary for different message purposes, including enrollment, promotion, redemption reminders, thank yous, surveys, coupons, and so on.

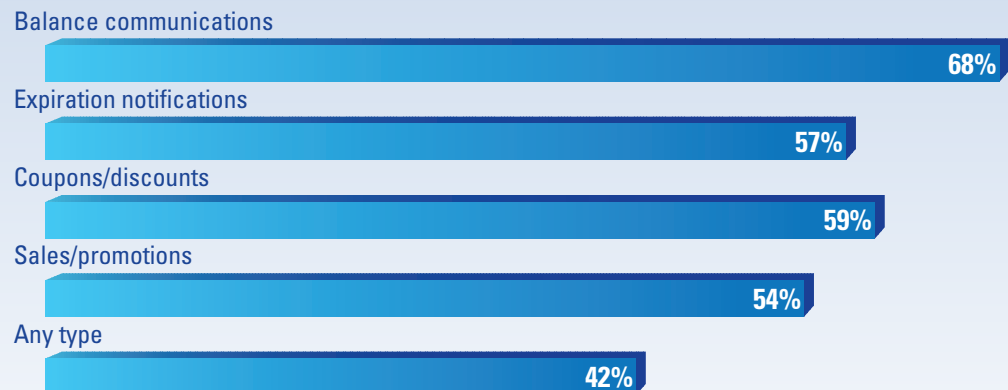
Each of these data points has value in itself, but that value increases dramatically when used in relation to the others. A concentrated signal is far clearer than a series of isolated emissions. A member of your loyalty program, for example, might want offers only through email to a personal email address only on weekends. The same customer might accept account activity updates via the same channel but will also accept texts at any time of the day but only twice a week. Again, the key point of alignment is the purpose of the message; preferences and responses will vary based on the intended purpose of the communication.

The lesson here: Let the customer build the targets for your targeted messages. According to the 2009 Chief Marketing Council Survey, many loyalty program members feel that communication and service is not being personalized or targeted specifically to them. In that survey, 44% of respondents identified spam and junk email as the primary negatives associated with loyalty and rewards program membership—a clear indicator that many companies are sending messages with little perceived value to their members.

Conversely, sending the right message through preferred channels and with preferred frequency can lead to increased revenue. As the SoundBite/Harris Interactive survey shows, consumers want certain types of messages with more frequency than others—and are much more likely to act upon those messages when received as they prefer to receive them.

None of the concerns stated in the Chief Marketing Council and Harris Interactive survey stands alone. All exist within a multi-dimensional reality that requires a holistic approach from loyalty marketers who understand the often subtle interrelationships among them. Through deeper engagement with the customer in all facets of the relationship, programs can see increased redemption rates and revenue—along with increased feedback usable to refine communication and marketing strategies.

Exhibit 5: Willingness to Receive Certain Types of Loyalty Rewards Program Communications



• **Source:** SoundBite/Harris Interactive poll, June 2010

• **Q:** Which of the following types of rewards program communications would you be willing to receive from your preferred retailers or financial services institutions (like a credit card or bank)? [Read list, select all that apply.]; n = 268

• **Label Key:**

- Balance communications: "Rewards points/rewards cash balance"
- Expiration notifications: "Notifications before rewards points/rewards cash expire"
- Coupons/discounts: "Coupons and discounts"
- Sales/promotions: "Special sales and promotions"
- Any type: "Any type of new activity"

For example, pay particular attention to the phrasing of the headline for Exhibit 5: "Certain Types" of information. Respondents report that they want messages about their rewards balances (68%) and rewards expiration (57%)—those are specific messages with specific benefit to recipients. But venture into vagueness, and interest wanes. Less than half are interested in "any type of" message. Lesson learned: ask specific questions that return specific, actionable answers. In this case, also note that the highest-ranking answers relate to direct impact—here, the impact is on member rewards.

The Harris Interactive survey supports the potential power of messages with relevant, beneficial information. For example, 27% of participants reported that they would be more likely to use their credit cards that feature loyalty rewards programs if they were regularly informed of their points balances. Those numbers jump in younger demographics—if informed regularly of their balances, 48% of women age 18-34 and 65% of all respondents age 18-24 reported that they would be more likely to use their credit cards. Such a significant percentage would mean increased revenue and a well-justified ROI as you align your resources with established needs and preferences.

Clarifying your message

Building a crystal-clear signal-to-noise ratio in the Multi-Dimensional Future depends on the basics of preference, behavior and relevance—three critical concepts that are, of course, intertwined. Leveraging those concepts requires strict adherence to the guidelines of Loyalty Communications 101, the very foundations of creating respectful, value-driven dialogue that your consumers welcome.

Because one key to success is discovering your customers' preferences within a number of dimensions, you must develop strategies for acquiring and acting on that information. Your strategy for establishing preferences rests on these cornerstones.

Cornerstone 1: Establish the range of pertinent preferences. Here you can employ a few levers taken from the journalist's tool kit, and employ the 5 W's from Newspaper Reporting 101:

- **Who**—is the customer, in terms of interests, lifestyle and customer lifecycle?
- **What**—messages do they want to receive, such as coupons, special offers, notification of points expiration? In what language do they want to receive the messages?

In designing your range of preferences, remember to ask only questions that will return actionable answers. Engagement is a two-way conversation.

- **When**—do they want to receive messages? Do they prefer a certain time of day, day of the week? How often do they want to receive messages? Regular communication is important, but we don't want to risk annoying the customer by sending messages too frequently.
- **Where**—do they want to receive messages? Learn both the preferred channels and the accepted channels.
- **Why**—do they want to receive messages? Here we gather information that can supply relevance.

Cornerstone 2: Ensure that all communications are interactive. In designing your range of preferences, remember to ask only questions that will return actionable answers. Engagement is a two-way conversation. The customer shares a bit of information, and you respond with a relevant answer to prove you're listening and to increase overall relevance.

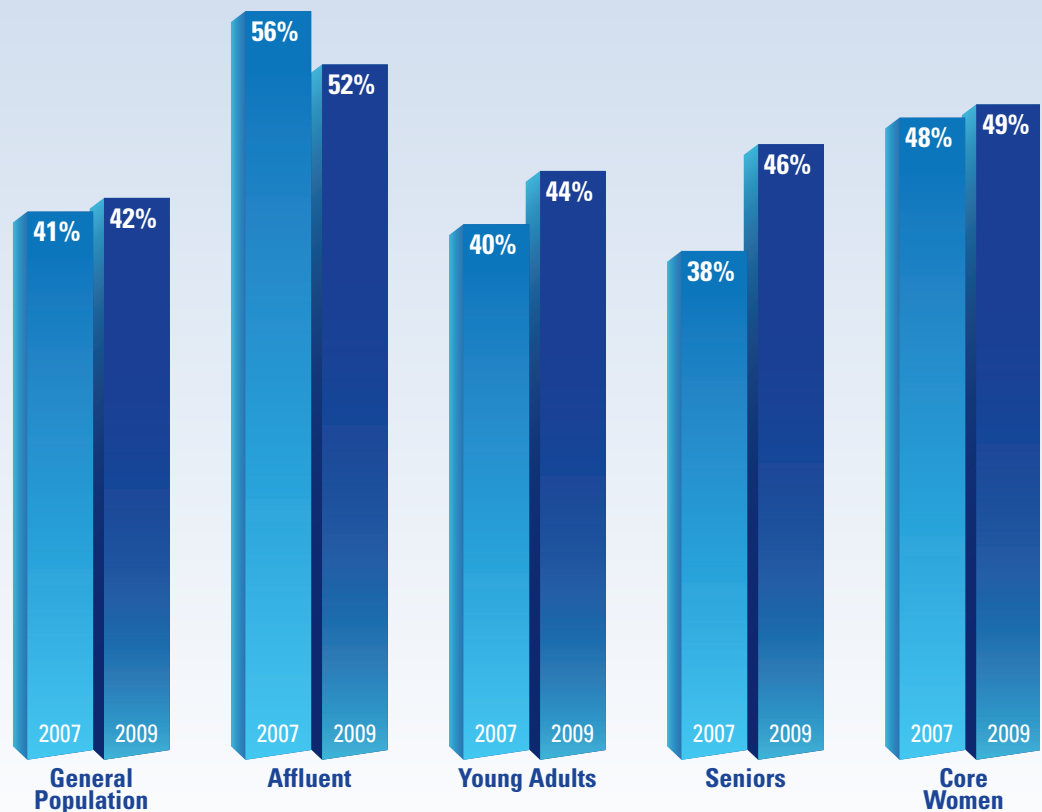
Remember, too, that we're thinking multi-dimensionally now. When establishing your range of preference inquiries, consider how the answers will intersect with other data points.

Cornerstone 3: Take multiple opportunities to update preferences, and to demonstrate the value of such updates to customers. This increases the value of engagement and, as noted before, increases the overall relevance and value of future communications.

- **Make every customer interaction count.** Don't miss a single opportunity to learn more about your customer. For example, when enrolling customers into your loyalty program, ask specifically about communication preferences. Waiting until you're deeper in the relationship risks losing customers' interest and engagement, squandering their initial excitement about the program. And if you've missed the opportunity to ask for their preferences upfront, do so as soon as the next opportunity arises. In fact, even after you've established preferences, ask again at every opportunity. For example, at such milestones as anniversaries, membership renewals and tier upgrades, ask again, finding out if those preferences have changed and explaining any new options you've developed since the previous time you asked. And the best times to ask? After positive experiences—a successful redemption, for instance, when they're clearly seeing the value of continuing the relationship.
- **Incent preference additions.** For instance, "If you opt in to voicemail messaging, we'll credit 1,000 points to your rewards account," or "Text messaging allows us to deliver real-time special offers unavailable through email and voicemail—sign up for some great deals." This strategy is particularly important as more and more consumers rely on mobile communication. A Retrevo Pulse Report states that 50% of shoppers under 35 use their mobile phones for product research and as many as 36% between the ages of 35 and 44 are doing it. And those numbers will continue to grow.
- **Ask customers to designate both "preferred" and "accepted" channels.** Text messages might be preferred, but voice messages might be accepted, as well. Use text as your primary channel, therefore, but also send occasional voice messages as appropriate. This gives you flexibility to match communications vehicles with message type and other considerations. For instance, a text message warning that program points are about to expire might communicate urgency better than an email. But beware abusing customers' permission by overloading "acceptable" channels.

- **Test different mixtures of multi-dimensional messaging.** Use the stated preferences and observed behaviors of your customers as a starting point. Then observe the response and adjust accordingly. For example, designate a group that receives a text message, another that receives an email, and another that receives an email followed by a text. Test such initiatives against controls. Measure the response and the ROI from these groups and then adopt a strategy and continue to measure and refine it. Vary the channels until you've found the best fit, with the understanding that the fit will continue to evolve.
- **Seek one-to-one relevance, but prepare for segmentation relevance.** In cases where one-to-one messaging might be inappropriate or impossible, employ the multi-dimensional approach against those customer segments you've identified as most responsive and most profitable.
- **Make contact with the specific goal of asking.** Survey your customers. COLLOQUY's 2009 Loyalty Demographic Study shows that loyalty program members are generally very active in responding to surveys, and in fact are more so than they were two years previous—as demonstrated by Exhibit 6.

Exhibit 6: Engagement with Loyalty Communications: Responding to Member Surveys



• **Source:** 2009 COLLOQUY Loyalty Demographic Study, U.S. Results
 • **Q:** How active are you in each of the following?—Responding to member surveys; n = 2,157
 • Top 3 box (8,9,10) on a scale of 1-10

Relying on stated preferences isn't enough. Customers won't always tell you what they want, and, in fact, they don't always know what they want. The say-do gap can be in full force here.

- **Don't assume that the way customers want to be reached is the same as the way they want to reach you.** Marketers tend to focus their preference questions to members on how they prefer to be reached. But we must be mindful that developing profitable relationships with members requires two-way communication. We must discover how they prefer to reach us—which is not always the same way they want to be reached.
 - ~ Think about communicating with your customer through “multi-channel blending,” a strategy that integrates automated voice, text and email messaging to convey important information to customers, who can then choose their preferred channel for subsequent communications. For example, loyalty program members might receive an automated message about an upcoming bonus rewards offer from a retail chain where they've previously shopped. The message could offer two ways to access the necessary coupon: press 1 to have a text message with a coupon code sent to their mobile phone, or press 2 to have an e-coupon sent via email.
 - ~ Another form of multi-channel blending is “multi-channel escalation,” in which channel choices are prioritized according to customers' stated preferences as to how and when they wish to be contacted. For example: An initial automated voice message can try to reach customers at home. If no response is received after a specified interval, an interactive text message can be sent to the mobile device. To follow up—again, after an appropriate waiting period—emails can be sent to the home or business email accounts. Many combinations of contact strategies can be tailored to achieve specific goals or to match different stages of the communications cycle—and, of course, to match the different contact methods and timing as specified by your customers to assure that they receive the information that they want in the form and regularity that they want.
- **Learn from customer action.** Relying on stated preferences isn't enough. Customers won't always tell you what they want, and, in fact, they don't always know what they want. The say-do gap can be in full force here. Monitor and measure customer reaction when messages are delivered according to stated preferences. Does observed behavior match stated preferences? For example, a customer might indicate email as the primary means for receiving point expiration alerts, while also indicating that such channels as voice and text were acceptable secondary channels. In monitoring this customer's behavior, you notice that she doesn't respond to emails—and consequently has allowed points to expire. However, the two times you sent a text message, she responded. The solution? Once again, ask. Tell her that you've noticed she responds more to texts than to email. Emphasize that you value her as a customer, and ask if email is still her preference or if she now prefers text messages. If so, what situations are appropriate for such messages? What types of communications? The customer may accept reminders via texting, but offers via email.

Some actions can lead to optimizing without specific preference updates. Customers, for example, might state that they want communication from you once a week, but over time you observe that they are responding less frequently, and you fear that they are perhaps getting tired of your message frequency. This changing response rate perhaps tells you to dial back a bit.

Measure the effectiveness of your proactive consumer communications strategies. To measure effectively, test the response to your initiative against a control group.

In sum:

- **Manage** your consumer data by consistently adding new contact and preference options, while also updating your existing data.
- **Measure** the effectiveness of your proactive customer communications strategies. To measure effectively, test the response to your initiative against a control group.
- **Optimize** analytics and decisioning. Ideally, collected data points are fed into an analytics, reporting and rules-based decisioning engine capable of producing real-time customizable reports, performance analytics and predictive modeling. These up-to-date reports will allow you to refine your strategy continually, ensuring that you remain in touch with customers in ways that best fit their current preferences.

Case Study: Satisfaction survey reveals variation in customer channel preferences

An automotive retailer sought to increase revenue and customer loyalty with service reminders and to provide offers based on prior service satisfaction level. The retailer also hoped to target and win back dissatisfied customers.

The retailer instituted a proactive customer communication initiative in which customers were contacted to thank them for their recent patronage. Customers also were given a survey to determine their level of satisfaction with the service they had received. During this exchange, customers were provided offers for service, while the retailer obtained opt-in and learned their customers' communication preferences.

Results of the survey:

- 89% of the respondents were satisfied with the service, and 38% of those opted-in to receive future service offers
- 30% preferred text, 28% preferred voice messages and 42% preferred email when receiving these offers

With this information about communications preferences, future offers should achieve greater response and ROI, generating greater loyalty among the retailer's customers. Finally, the robust opt-in rate points to a best practice to always keep in mind: leverage the consumer's positive experience. When customers indicate that they are satisfied, the time is right to ask them for something.

By honoring your customers' preferences, you enhance your relationship with them and boost their trust in your brand. You present your brand as one that cares about customer needs and desires.

III. Avoiding the Pitfalls

In observing how some companies face the challenges of the current communication glut, we can see some behavior patterns that lead inevitably to frustration, even failure. Most of the most common pitfalls are created by the inability—or lack of desire—to keep up with the rate of change in communication technology. A telling example of the pace of change marketers face can be found in the use of mobile communication. According to recent comScore research, October 2009 through January 2010 saw a significant rise in mobile content usage, with the number of subscribers accessing an internet browser on their phone increasing from 26.8% to 28.6%—a 6.7% increase in just a few months. Marketers who rely on single channels, don't segment according to preferences, ignore customer behaviors, and use outdated information are destined to fall into one or more of the following pits.

- **Self-dilution of your own signal-to-noise ratio.** In an effort to break through the noise, some companies end up making their own noise. If a message is clear and targeted, it needn't be delivered at deafening decibel levels, ones that usually turn off potential customers. Sending out a big email blast, for example, creates a lot of cluttering noise but probably doesn't generate a lot of useful results. Eliminate your own noise by making sure your messages are targeted. Strive to understand the customer's needs and interests, and then deliver a relevant value proposition. One strong communication at the right time, through the right channel, is usually much more effective than a barrage of 20 communications. At the same time, you must temper the number and frequency even of relevant messaging. Customers can become numb to overdoses of spot-on messages nearly as easily as they become numb to the irrelevant.
- **Inertia and stagnation.** It's easy for companies, especially those that have been operating successfully for years to fall into this trap—doing what they do because they've always done it that way. Even if "always doing it that way" has paid off, such inertia erodes sustainability. When marketers offer the same messages through the same vehicles and with the same frequency, they lose customer interest and engagement. Even their best customers grow bored and eventually less responsive. A company, for example, might send a monthly newsletter that customers find exciting for a while, but eventually they'll grow tired of the same-ol' same ol'. We can't focus on what's easiest; we must focus on what's most effective. Remember: change is good—but only, of course, if you keep up with the changes around you. Communication channels are evolving quickly and consumers are changing with them. The channels that worked a few years ago may not work today.

These pitfalls are avoidable if they're recognized and heeded. That's not always easy to do, and, unfortunately, too few companies are taking the time to do it. The concepts of relevance and preferences are not new in our industry. We've been talking about them for years. But far more companies talk the talk than walk the walk. A recent survey by Forrester Research shows that companies are failing to capture preferences and even those that do gather them are not using them to shape their communication strategies. As Forrester's David Frankland notes in his article "Marketers: Stop the Abuse!": "Marketers who don't allow customers to decide how they can contact them not only risk being ignored but also invite a social backlash as consumers berate them in the groundswell of Social Computing."

Of course, marketers who do allow customers to decide enjoy the opposite reaction—by honoring your customers' preferences you enhance your relationship with them and boost their trust in your brand. You present your brand as one that cares about customer needs and desires—and you delight customers while proving that you mean what you say. Rather than complaining about you via the internet, your customers feel more loyal to your brand and will spread the word.

Yesterday's brilliant marketing vehicle quickly becomes yesterday's news. Creating more customized communication and delivering it in today's preferred channel requires flexibility, vigilance—and forward momentum.

As far as knowing customer preferences, the key is continued feedback and continually updated information—and then, of course, acting upon that information. Try new approaches and monitor the results. Yesterday's brilliant marketing vehicle quickly becomes yesterday's news. Creating more customized communication and delivering it in today's preferred channel requires flexibility, vigilance—and forward momentum.

Case Study: Retailer raises reward revenues

A top 20 retailer saw that 50% of its loyalty program rewards were unredeemed at the expiration date, showing an obvious lack of engagement from members. The retailer also needed to reach more customers while reducing direct mail costs.

To remedy the situation, the retailer began calling all holders of unredeemed rewards 30 days prior to the expiration date, reminding them of the need to act quickly. The results were even better than expected:

- 29% increase in the number of redemptions
- 45% increase in total rewards dollars redeemed
- \$900,000 generated in incremental revenue
- 650% return on investment

The program, meanwhile, also reduced the retailer's direct mail costs. Given the lack of effectiveness of direct mail reminders, that channel obviously wasn't generating sufficient ROI anyway. By choosing a different channel and approach, the retailer found a strategy that worked.

A few years from now we'll almost certainly view 2011 as "a simpler time." We must prepare for that future by focusing on the trends we perceive now and taking the steps necessary to stay ahead of the game.

IV. The Relevant Future

As we move into a new decade, the challenges ahead are clear. New channels for communication will arise to complicate and perhaps even change the game. A few years from now we'll almost certainly view 2011 as "a simpler time." We must prepare for that future by focusing on the trends we perceive now and taking the steps necessary to stay ahead of the game. Finding out customer communication preferences and fulfilling those choices through a multi-channel system will not simply be a wise strategy, it will be absolutely essential to achieve success.

- **Mobile communication.** It's here to stay and growing every day. According to Coda Research Consultancy, we could see as many as 194 million smartphone subscribers by 2015—nearly four times the current number. A recent NHIS study states that 24.5% of American homes have only mobile phones (i.e., they don't have a landline). That number will continue to grow, as will mobile web use and m-commerce, through the use of smartphones. In their white paper *Mobilizing the Multichannel Shopping Experience*, Retail TouchPoints advises: "Don't take a wait-and-see attitude when it comes to developing and launching a mobile strategy." Marketers would be well-advised to act with the same sense of urgency we regularly include in our own promotional messages to consumers. To put it in familiar words—*Act now!*
- **Consumer privacy.** As mentioned before in the context of the FTC's 2009 Telemarketing Sales Rule, consumer protection and privacy laws continue to be enacted, affecting the ways in which consumers can be contacted. This trend is likely to continue as the number of communication channels increase and government regulators attempt to keep pace. Be prepared to comply with these regulations, of course, but also think beyond them. Increase your number of opt-in provisions and emphasize transparency. Let consumers know the choices you can provide and honor the ones they choose. An open, customer-centric approach will foster loyalty to your brand and allow a strong, trusting relationship to develop.
- **Perpetual motion.** Not only can we count on changes down the road, but also we can be sure that the pace of those changes will continue to be faster—in communication channels and platforms and in our customers themselves. Tracking customer preferences will be more important than ever and must be done constantly. True, staying relevant becomes more difficult when what's relevant to the customer is in perpetual motion. Earlier we advised the need to let the customer build the target for your targeted messages. We also must accept that what they build is, in fact, a moving target.
- **Cloud services.** Times are changing—far too quickly for many organizations who may struggle to keep pace with the ever-evolving changes in communications preferences and emerging communications channels. Hosted, or "cloud-based," services are gaining momentum, due in large part to their quick time to results and sustained value over time, but also due to a cost-effective model that reduces the need for on-premise equipment and IT support.

The key to success on all of these fronts boils down to focusing on the customer. To quote a well-known aphorism—listen and you shall be heard. Yes, there's plenty of noise in the marketplace. And with the proliferation of communication channels and platforms, the future is certain to be even noisier. The answer: Create a signal tailored to customers' needs as if you had only them in mind, and broadcast on clear channels—and you'll optimize that critical signal-to-noise ratio.

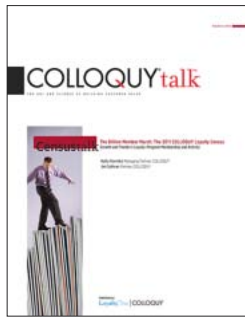
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As the Chief Marketing and Business Development Officer, **Mark Friedman** leads SoundBite's expansion into new markets and product offerings. Mark has more than 20 years' experience in a range of marketing, sales and business development positions with leading companies such as IBM, Lotus Development, Epoch Systems/EMC and Dragon Systems. During his six-year tenure as Vice President for Worldwide Marketing for Kenan Systems (acquired by Lucent in 1999), Mark played a major role in boosting the company's sales from \$20 million to \$1.1 billion. Most recently, Mark served as CEO of Peppercoin, a provider of card-based merchant loyalty programs that was acquired by Chockstone, Inc. in April 2007. Mark holds a degree in Systems Science Engineering from the University of Pennsylvania, a Bachelor of Science degree in Finance from the Wharton School of the University of Pennsylvania, and a Masters in Business Administration from the MIT Sloan School of Management.



As COLLOQUY Managing Partner, **Kelly Hlavinka** has helped define and carry out COLLOQUY's mission as the voice of the loyalty industry since 1996. Drawing on her 20 years as a loyalty specialist, Kelly develops articles, white papers and educational initiatives that illuminate the many ways to unlock the asset of customer-specific data for her clients. Kelly has shared her expertise with correspondents of *The Wall Street Journal*, *The New York Times*, *USAToday*, *Brandweek*, *BusinessWeek*, *Advertising Age* and *SmartMoney*. A sought-after presenter, she has taught loyalty-marketing workshops and webinars around the world. Kelly in 2003 launched and managed COLLOQUY's strategic consultancy, working with clients such as Lennar Homes, MGM MIRAGE, Eddie Bauer, Best Buy, HP and American Express. Prior experience includes positions managing membership programs with Buyers Choice (now The Polk Co.) and the National Wildlife Federation, and she has held database-marketing positions with ACS and Equifax Consumer Direct.



The Publisher

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COLLOQUY also publishes *Enterprise Loyalty in Practice*, a semi-annual executive journal that gathers practical, innovative thinking from successful Enterprise Loyalty pioneers—practitioners and researchers who are building solid strategies for organization-wide customer focus. Subscriptions are \$99 for two years; for more information, visit www.colloquy.com/EnterpriseLoyalty.

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- LoyaltyOne Consulting is comprised of a group of internationally-recognized practitioners who design and implement loyalty-marketing strategies for Fortune 1000 clients.
- The AIR MILES® Reward Program is Canada's premier coalition loyalty program. More than 10 million active Collector accounts, representing approximately two-thirds of all Canadian households, actively participate in the Program.
- Direct Antidote is a loyalty-marketing agency specializing in data-driven creative campaigns that transform customer behavior to deliver on short-term return on investment, while building profitable relationships for life.
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