

# COLLOQUY®

The Voice of the Loyalty Marketing Industry Since 1990

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## **New Loyalty Marketing Research Settles Reward vs. Recognition Debate: A Combination Approach Improves Revenue & Reduces Attrition**

*Free White Paper Available for Download at*  
<https://www.colloquy.com/reports/WhiteIntro.asp>

(November 30, 2005 -- Cincinnati, OH) Marketers continually struggle to create the ultimate value propositions to change customer behavior when there's very little definitive data on the precise blend of recognition and rewards that are most effective. Which marketing techniques and rewards really change customer behavior? Which value propositions are most effective ... Points in a loyalty program? Discounts? Dialogue and communications?

Now those questions have been answered in *ValueTalk: The Great Value Proposition Debate*, a new white paper released by COLLOQUY®, a leading provider of loyalty-marketing information, consulting, research and education.

COLLOQUY reveals the results of a research project for a \$4 billion national retailer that tested five distinct value propositions in test and control markets designed to be statistically parallel. More than 75 stores participated in two consecutive six-month tests where over 60,000 customers from the retailer's credit card file were auto-enrolled in one of five loyalty program scenarios:

1. The **reward cell** offered loyalty program members the ability to accrue points they could redeem for in-kind merchandise – products already sold by the retailer. The rate of accrual was set at 2%-4%.
2. The **service cell** offered members discounts on selected items at up to 50% off along with other soft benefits including special checkout lanes and preferred parking.
3. The **combination cell** offered both the points accrual model of the reward test and the special privileges (but without discounts) of the service test.
4. The **rebate cell** offered members a 2%-4% rebate on all identified purchases that they could take as cash back or a balance reduction on their private-label credit card account.
5. The **awareness cell** was a communication-only strategy that used incremental, targeted and personalized direct mail to reinforce existing services offered by the retailer to the private-label cardholders.

At the conclusion of the test period the results overwhelmingly favored the blended value proposition in **combination cell** #3. This was not surprising to the paper's author, Terri Gaughan who noted, "What our theoretical evidence told us would win out, actually did. The combination test market, with both hard and soft benefits, generated the most positive revenue lift over the control group, followed by the rebate and reward groups. The combination cell also had an improvement in the rate of customer attrition even though it carried higher execution costs."

The *ValueTalk* white paper also explores:

- Applying a proprietary Customer Value Score methodology to determine the overall value of members in each test cell.
- Methods of establishing control groups to quantifiably identify incremental lift and the attrition benefit of loyalty programs.
- An analysis of the financial implications of each of the test scenarios.

Download a free copy of the complete COLLOQUY ValueTalk white paper at <https://www.colloquy.com/reports/WhiteIntro.asp> or send an email with your complete name, title, company name, mailing address and telephone number to [info@colloquy.com](mailto:info@colloquy.com).

#### **About COLLOQUY:**

COLLOQUY comprises a collection of resources devoted to the global loyalty-marketing industry. The flagship resources are COLLOQUY Consulting, a loyalty consulting practice, **COLLOQUY®**, a magazine serving the loyalty-marketing industry since 1990, COLLOQUY.COM the most comprehensive loyalty web site in the world, COLLOQUY's Research and Education divisions, and the COLLOQUY Network, a global network of consultants certified in COLLOQUY's consulting methodology. Together they provide a worldwide audience of 25,000+ marketers with consulting services, news, editorial, educational and research services across all industries and around the globe. **COLLOQUY** magazine subscriptions are available at no cost to qualified persons at [www.colloquy.com](http://www.colloquy.com) or by calling 513.248.5918.