



Cards & Loyalty

WHAT'S NEXT FOR LOYALTY SCHEMES?

Technology has been the driver of change in recent years. New arrivals in the tech landscape including mobile payments and business diversifications like M&S or Tesco cards have made innovation critical for differentiation. At the moment, Apple and Samsung payments coexist with cards, but the future may be different. The smartphone has already become the central hub for how we manage our lives. With fast changing trends and the increase of ferocious competition within cards, loyalty and engagement programmes have become a norm to compete for market share and build brand advocacy.

Credit and debit cards companies, issuers, banks and even networks have their own loyalty schemes, offering points that can be redeemed for rewards. This is typically extended to hotel chains, airlines and football clubs. It started as a successful way of differentiation, but are these programmes really doing a good job of engaging customers with the brand and transforming clients into advocates? Furthermore, even if the overall membership numbers of loyalty schemes increase, it does not mean that the numbers of loyal customers are increasing. After all, taking out a membership does not mean you actively use it. So how do you build affinity?

Customers want to have a full range of products and loyalty schemes to choose from. Taking it one step further, they want to be able to choose which brands to get loyalty points from and how to redeem them. Cardholders have become rewards bargain hunters, addicted to earning more and more points (especially when it comes to collecting air miles). Companies, on the other hand, are trying to increase profitability. Card schemes are already losing revenue due to interchange fee regulations. We are therefore seeing an uptake in companies offering redemption offers such as allowing customers to pay with existing points, converting points to cashback etc. This is not only convenient for customers, but also helps companies reduce the value of points, resulting in savings.

Relying on loyalty points to drive engagement is a big risk; however, whenever companies reduce the value of points, disappointed clients can often move to cards with a better loyalty scheme value.



WHAT'S NEXT FOR LOYALTY SCHEMES?

Companies need to do more to stand out and create real “fans” of a product. Creating cobranded products, thinking beyond usual rewards offerings and considering how customer pools can be shared between brands will help companies secure a larger share of the pie.

Big companies are already clawing back from points, relying on other projects and programmes to drive additional engagement. American Express, for example, has created Amex Offers and Amex Invites as additional benefits, maybe preparing the path to move away from pure rewards schemes. The MasterCard Priceless Cities programme offers issuers and MasterCard cardholders a huge range of offers and experiences within retail, fashion, art, cinema, music or sports. On top of the common rewards, customers can access raffles to win exclusive experiences that are impossible to buy.

The future of loyalty and engagement will come through experiential and emotional marketing and making customers feel involved, relevant and excited. There is a lot to be learnt from lifestyle brands and banks, payment and card schemes will benefit from putting the customer at the heart of the journey.