Coalition Loyalty: A Roadmap for Success in the U.S.

The emergence of a universal currency that changes consumer behavior and delivers merchant value

By Brandon Logsdon
President and Chief Executive Officer
Excentus, owner and operator of the Fuel Rewards® program

Copyright 2015 Fuel Rewards® program
Coalition Loyalty: Opportunities Amid A History of Strength

Collaboration is a key concept that lies at the heart of many successful businesses and endeavors. Whether represented by a partnership, a merger or an enlightening brainstorming session, collaboration has the power to create successful companies, launch entirely new industries and lead to innovative new processes and ways of doing business.

One of the manifestations of collaboration in the business world is coalition loyalty, an evolution of standalone loyalty programs that reward customers for their patronage with points, miles, discounts and other perks. Around the world—especially in Europe, Canada and Australia—brands have recognized the advantages of coalition loyalty programs with successful ventures that include Nectar in the UK (500 participating online retailers, 1.9 million members), Payback in Germany (hundreds of participating brands, 24 million members) and AIR MILES Canada (dozens of participating partners). Only 30 years young, coalition loyalty programs have proven their power to:

- Attract new customers through increased impressions driven by a multiplicity of merchants promoting the same program
- Increase customer engagement and shopper frequency by creating opportunities for everyday earning within the coalition
- Boost overall sales and average spend per transaction by offering meaningful rewards for even small purchases
- Provide insightful shopper data to coalition members, allowing for cross-promotional programs between merchants
- Manage “plug-and-play” technology and promotional support for merchants

coalition loyalty programs encourage rewards-based partnerships among well-known brands, giving them new opportunities to increase sales and attract new customers. Consumers in turn, benefit from expanded opportunities to earn and redeem rewards from frequent, everyday purchases. This universal currency can serve as the foundation for a successful coalition loyalty program that links U.S. brands from retail, dining, entertainment, apparel, department store, travel, electronics, sporting goods and other sectors. U.S. brands today stand to reap the rewards of coalition loyalty initiatives, including more customers, increased sales, lower start-up costs through shared data and resources, and the offer of fuel rewards to their customers—all without discounting the brand.

What are coalition loyalty programs and how do they work?

For Consumers: Members of coalition loyalty programs earn rewards from multiple, participating brands (e.g., travel, retail, dining, entertainment), and can use the combined earning power to earn, redeem and benefit from rewards faster and more frequently. No longer required to spend years and thousands of dollars to earn a tangible reward (e.g., a free airline ticket), members can easily turn their everyday spending with multiple brands into tangible, everyday savings.

For Brands: Marketers who embrace coalition loyalty programs can benefit from the power of collaboration by leveraging the customer bases, brand awareness and cross-promotional opportunities of participating partners—as well as access to a new pool of members who are eager to join and spend because they can quickly earn and redeem rewards from everyday transactions. Brands buy into the universal currency and support the cobrand promotions.

Abstract: Across the U.S., membership continues to grow in loyalty programs offered by brands, and loyalty-based rewards are already becoming a standard form of currency in digital wallets and mobile transactions—two trends that provide U.S. companies with emerging opportunities to adopt a universal, loyalty-based currency that can be earned and redeemed nationwide. In a country as geographically expansive and economically diverse as the U.S., cents-off-per-gallon at the gas pump emerges as a frequently used, high-demand “currency” that can support a successful, nationwide coalition loyalty program. Popular elsewhere but still relatively untapped in the United States, coalition loyalty programs encourage rewards-based partnerships among well-known brands, giving them new opportunities to increase sales and attract new customers. Consumers in turn, benefit from expanded opportunities to earn and redeem rewards from frequent, everyday purchases. This universal currency can serve as the foundation for a successful coalition loyalty program that links U.S. brands from retail, dining, entertainment, apparel, department store, travel, electronics, sporting goods and other sectors. U.S. brands today stand to reap the rewards of coalition loyalty initiatives, including more customers, increased sales, lower start-up costs through shared data and resources, and the offer of fuel rewards to their customers—all without discounting the brand.
The 2013 Colloquy Loyalty Census highlights opportunities that await U.S. brands that are eager to take advantage of a coalition loyalty program based on a common currency. What Colloquy uncovered was this curious statistic: membership in U.S. rewards programs is growing (44% of Americans are active), but participation is not. Loyalty programs grew nearly 27% in 2013, to 2.6 billion members, with highest growth rates occurring in department store, drug store, restaurant, hotel and specialty retail programs. The average U.S. household claims membership in almost 22 rewards programs but is active in only 9.5. Why are consumers joining but not following through? What do consumers need to re-engage and become active? They need a reason to participate, including regular and frequent opportunities to earn easily and the equal satisfaction of redeeming their hard-earned rewards just as regularly. Quite simply, consumers aren’t seeing sufficient value in existing programs.

The Market Goes Mobile

In addition to loyalty membership growth, another market shift is occurring: digital payments and e-wallets are moving from prediction phases to reality. Apple’s official roll-out of Apple Pay in October 2014 is expected to lure other mobile payment vendors into the market, giving consumers even more opportunities to stash their plastic credit and debit cards in favor of smartphones they can instead swipe, tap and scan to earn, redeem and pay.

Loyalty programs and their rewards currencies are increasingly staking a claim in mobile commerce, supporting the ability to incorporate rewards into the mobile payments environment, where they can be stored and redeemed for everyday purchases from a smartphone or tablet.

Rewards-based apps can enable customers from a mobile device to:

- **Sign up** for a loyalty program and link their credit/debit cards to rewards accounts for earning
- **Incorporate** loyalty accounts/cards into mobile apps and payment systems (e.g., Apple Passbook, Google Wallet)
- **Track and redeem** their rewards from a mobile device
- **Receive location-and time-based reminders and alerts about their accounts**

Challenges: Defining the Broad Reach and Benefits of Coalition Loyalty

Coalition loyalty programs have been thriving in overseas markets because they provide a common, broadly available loyalty currency that appeals to consumers throughout a country or region. The currency serves two main purposes: first, it gives brands a valuable loyalty reward to offer customers, and secondly, it gives brands access to a regional, national or global network of potential customers who already want to shop within the coalition and earn rewards.

U.S. brands have been slow to embrace coalition loyalty, however, for several reasons:

- A fear of sharing too much customer data with other brands or the program administrator, in essence “giving away the secret sauce”
- The risk of individual brand identity becoming secondary to the coalition’s identity, limiting “stand-out” factor, reducing brand autonomy, competing with in-house rewards programs or cannibalizing existing sales
- Concerns around the cost of technical integration typically required of a pilot program in order to prove the results and ROI of full participation
- Concerns from marketers about the cost of supporting a coalition loyalty program, especially if marketing budgets are already allocated or if ROI cannot be proven
- Concerns about eroded margins or competition with other marketing initiatives
- The sheer geographic expanse of the U.S. market, which favors regional brands over national brands and undermines a coalition loyalty program’s long-term vision and growth trajectory. Partners might find it hard to unite around a common loyalty currency.
Clearly, consumer desire exists; it’s now time for brands to deliver. Just as the U.S. has 50 states with one national currency, coalition loyalty can unite U.S. brands around a common currency that appeals to millions of American consumers every day. There already exists a single, unified “currency” that every adult American can relate to, value highly and use immediately: Fuel-based rewards.

A universal currency like fuel rewards solves many of the above challenges. The more appealing and relevant the rewards currency, the more successful the coalition will be. According to the 2013 Nielsen Global Report of Loyalty Sentiment, 84% of consumers worldwide, including 76% of Americans, are more likely to patronize retailers that offer a rewards program based on loyalty, and 82% of Americans—among the highest support among all countries—say that price discounts are the most significant attraction for using a rewards program consistently and regularly.

The ability to save money regularly on a commodity product that most Americans need has proven to be both popular among consumers and practical as a form of currency. Consumers embrace fuel-based rewards because they can easily earn cents-off-per-gallon at the pump based on every dollar they spend with participating companies. Regardless of marketplace fluctuations in the price of gas, what consumer doesn’t enjoy saving money every time they fill up at the pump?

Brands can benefit as well because fuel rewards programs provide a popular, frequently-used unified currency that can support a coast-to-coast loyalty coalition in the U.S.

The 2013 Maritz Loyalty Report™ found that four of the top five consumer satisfaction drivers for rewards programs are:

1. **The Ease of Redeeming Rewards**
2. **Quality of Rewards Available**
3. **Total Earning Potential**
4. **Number of Ways to Earn Rewards**

**Coalition Loyalty and Savings at the Pump Meet All 4 of Those Criteria.**
The Solution: A Powerful and Coveted Universal Currency

Coalition loyalty based on reduced fuel costs creates real value for consumers. Why is fuel such a unique loyalty currency? It has four crucial characteristics:

+ Demand
+ Immediate gratification
+ Price sensitivity
+ Necessity

Fuel is a frequently-purchased, everyday expense. At the home or office, the cost of fuel is part of the daily conversation and daily routine. The average American fills up a car 4.5 times a month, a fact-of-life purchase that takes a recurring bite out of the paycheck—about $2,500 a year, on average. About 40 million Americans fill up their gas tanks on a daily basis, according to a 2014 NACS report.

Even in small amounts, cents-per-gallon savings allow brands to deliver an immediate, emotional reward to consumers who watch fuel prices roll back at the pump.

Fuel-centric loyalty also solves the geographic issue that has plagued coalition loyalty adoption in the U.S. Fuel stations have one of the highest densities of retail locations, allowing consumers to redeem their rewards nearly anywhere in the country. For brands, fuel as a loyalty currency serves as a valuable way to tie into the customer lifecycle. Brands can deepen customer relationships and increase mindshare by aligning on a simple-to-redeem currency and a range of partners that span dining, apparel, travel, entertainment, telecom, electronics, toys, pet goods and other key verticals.
Immediate Gratification—Fuel is a powerful and tangible reward that delivers instant gratification and real savings. Consumers see more than a commodity; they watch the price of fuel drop right before their eyes every time they fill up. The money they save can be used for designer clothing, tickets to a basketball game, staycations, college textbooks or anything else rewarding.

Frequent Redemption—The immediacy, frequency and value of fuel rewards programs keep customers engaged, always looking for ways to patronize or buy more from participating brands so they can earn the rewards that allow them to save even more money at the pump. Frequency, in fact, sets fuel-centric programs apart from other rewards programs, such as frequent flyer miles, which tend to have long earn cycles and infrequent burn cycles for the average consumer. Members frequently lose interest or curtail activity in such programs because the barrier to earn a free flight is nearly unachievable or simply irrelevant on a daily basis.

Everyday Relevancy—Coalition loyalty members can earn fuel rewards from everyday purchases across a variety of industries: getting take-out for dinner, shopping for school clothes, purchasing pet supplies, buying supplies for home improvement projects, etc. Fuel savings become an everyday reward that transcends gender, income, location and consumer interests. It has popular word-of-mouth value that can be communicated easily: “join a free loyalty program, earn rewards on your everyday purchases, and save money on fuel every time you fill up at the pump.”

Purchasing Power—Fuel is a recurring, regular expense in most household budgets. NACS also points out that two out of three Americans will drive five minutes out of their way to save as little as five cents per gallon, regardless of fluctuating market prices. When fuel is a regular part of the household budget, consumers will seek ways to save money regularly to keep the budget under control.

As a non-luxury necessity, fuel as a loyalty currency represents what the average American consumer values most: the ability to save on everyday purchases in order to enjoy the rest of life more. Members of fuel rewards programs, in fact, redeem 78% of all their issued rewards within 20 days, compared to only 35% redemption rates among overall U.S. loyalty programs, according to Forrester Research data.

Fuel-Centric Coalition Loyalty—Consumer/Member Benefits:
Fuel-Centric Coalition Loyalty—Brand Benefits

Some marketers are skeptical of fuel rewards, either because of budget or margin-eroding concerns, demands for proof that they boost sales or attract new customers, or concerns about conflicts with other marketing initiatives or in-house programs. But many of those concerns vaporize in the wake of success stories from coalition loyalty programs elsewhere.

**Economies of Scale**—Coalition loyalty partners can span any industry: dining, entertainment, grocery, apparel, footwear, department store, travel, electronics, sporting goods, retail, pet goods, hobby/crafts, etc. Having a broad base of participating brands ensures the sharing of the costs, marketing and data that a program generates. When each partner has an incentive to promote the coalition, all partners benefit.

**Proven “Earn and Burn” Sales Growth**—As more brand partners join a coalition, consumers benefit from more ways to earn fuel rewards. Satisfied customers become even more loyal and eager for incentives when they can earn rewards from a variety of participants, and brands gain access to new customers from other coalition partners who join. In one fuel rewards program, brand partners have seen 4%-6% increases in same-store sales and 70%-200% increases in sales of products that have a fuel discount directly tied to them. Studies find that loyal consumers tend to visit more and spend more frequently than those who are not rewards members.

**Value Perception**—For many consumers, fuel is a necessary commodity, and the ability to save on fuel has high perceived value; coalition partner brands directly benefit from that value perception. Brands can reward consumers with a utilitarian, everyday currency—fuel savings—and take advantage of the deepened customer interactions and associations that result. Because fuel rewards are highly relevant and frequently redeemed, coalition partners can ride the coattails of consumers’ heightened brand sentiment.

**Richer Data**—As customers earn and burn fuel rewards frequently, the real-time insights gathered from their transactions provide brands with key data for comprehensive customer profiles: Where do my customers buy their groceries? How much do they spend on travel? How does one geographic region compare with another? How frequently do they dine out? Armed with these granular customer insights from fuel-centric loyalty programs, brands can create curated offers based on behavioral, transactional and other criteria to improve the customer experience.

**Marketing Efficiencies**—Coalition loyalty programs can result in a better use of marketing dollars—or justify the re-allocation of existing dollars—because they provide immediate access to a larger, built-in, already-engaged customer base. They also deliver on the benefits that customers crave: the opportunity to earn and redeem frequently in ways that are satisfying and tangible.

**Heightened Brand Awareness**—Partnering with other brands not only provides access to a broader pool of potential customers, it also enables brands to increase their reach and visibility by taking advantage of co-brand advertising and marketing opportunities and piggyback on other partners’ popularity, perceptions and levels of awareness. In a fuel-based coalition loyalty program, brands benefit particularly from significant exposure and impressions consumers gain from seeing advertising for the program at thousands of fuel sites (provided the fuel brand is national in scope) where rewards are redeemed—providing unparalleled out-of-home media exposure for participating brands.

“In one fuel rewards program, brand partners have seen 4%-6% increases in same-store sales and 70%-200% increases in sales of products that have a fuel discount directly tied to them.”
The Time for Coalition Loyalty Is Now

Coalition loyalty has proven over the last 30 years that brands can come together to create more value for their customers—and earn more loyalty from them. The failures of single-brand loyalty programs—program clutter, low-reward competition, poor differentiation and lack of member participation—have not diminished consumer interest in loyalty programs. In fact, U.S. consumers are more interested than ever.

Now is the time for brands to embrace the coalition loyalty model that works well and delivers what it promises: satisfied, engaged customers and successful brands with more customers, more sales, more data and ongoing opportunities to maintain success.

But to achieve this goal, coalition loyalty in the U.S. needs a common reward that appeals to consumers from coast to coast. The reward needs to be emotionally satisfying, connect with their everyday lives and allow them to earn and burn rewards frequently and with tangible satisfaction. With the right rewards currency, coalition partners can expand their marketing reach, acquire new customers, achieve better ROI on loyalty costs and multiply the amount of data they can use to create even better customer profiles and loyalty initiatives.

The goal of coalition loyalty, of course, is to create value for everyone involved. With more participant brands and with more consumer members, the potential for value increases exponentially. And loyalty, more than anything, is about an emotional connection. In a sometimes overly complex world, consumers are looking for simple, tangible and meaningful savings. Brands want programs that meet all of the requirements of successful marketing, especially if they are able to turn data into a coherent consumer picture that sustains and deepens success.

Coalition loyalty answers the needs of both consumers and marketers in compelling ways, and fuel serves as the valued, universal currency that leads to meaningful customer engagement, shared success and increased revenues for brands. U.S. consumers are waiting. While they wait, the road to success is clearly marked for brands willing to embark on the rewarding journey.
About the Author

Brandon Logsdon, President and Chief Executive officer

With over 13 years of experience at Excentus, Brandon has been the driving force behind developing a first-of-a-kind nationwide coalition loyalty program and engaging in strategic relationships with our cornerstone partners, Shell and MasterCard. In his role as CEO, Brandon is also a member of the Excentus Board of Directors and oversees three strategic Excentus business units—the Fuel Rewards coalition loyalty program; our subsidiary Centego, which provides enabling technology and services for private-label fuel reward programs, and our IP portfolio. Prior to joining Excentus in 2002, Brandon worked at GTE Internetworking, JPMorgan Chase, and iChoose, and was also the Co-Founder and Principal at Bloomin' Partners Inc.

Brandon holds a BA in Finance and Marketing from Texas Christian University (Go Frogs) and he is a board member for the North Texas chapter of the Folds of Honor Foundation. When he’s not spending time with his wife and three children, Brandon is making triple-doubles on the court or chasing that elusive first hole-in-one. You can reach Brandon at blogsdon@excentus.com

About the Fuel Rewards® program

Excentus Corporation is the creator of and patent-holder for marketing programs and services that utilize price roll down discounts at the pump as the ultimate consumer reward. Excentus has spent more than 15 years developing and perfecting the Fuel Rewards® program’s technology and program features to make it easy for consumers to save money on fuel and convenient for businesses to build loyalty and create value for customers. The growing Fuel Rewards® program, formally Fuel Rewards Network™, provides members with the opportunity to earn free fuel simply by purchasing the things they normally would from more than 1,400 retail locations, nearly 700 online merchants, and 10,000+ restaurants, and redeeming their rewards at participating fuel stations across the country. To date, Excentus has helped more than 10 million consumers save hundreds of millions of dollars on fuel. Excentus currently holds nine patents on the technology behind the cents per gallon model and licenses various uses of its patent portfolio to provide private-label fuel discount programs through its business unit, Centego II, LLC. Headquartered in Dallas, Texas, Excentus was founded in 1996 and is a privately held company with more than 200 employees. For more information, please visit http://www.excentus.com.

Media Information:
To schedule an interview with Brandon Logsdon, please contact; Vanessa Horwell at vhorwell@thinkinkpr.com or (305) 749.5342 x232 Amanda Williams at awilliams@thinkinkpr.com or (305) 749.5342 x238

Company Information: Fuel Rewards Program
Excentus Corporation
14241 Dallas Parkway, Suite 1200
Dallas, TX 75254, USA
email: info@fuelingloyalty.com