



Loyalty Unlocked

Crafting Irresistible Customer Loyalty
with Data-Driven Magic



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INTRODUCTION

In a hyper-competitive market, businesses must create dynamic loyalty ecosystems powered by advanced technologies and strategic partnerships. These interconnected networks offer a wider array of rewards, hyper-personalized experiences, and enhanced customer engagement, driving retention and exponential growth. Traditional loyalty programs are outdated; the future lies in collaborative ecosystems that leverage shared data and open architecture to revolutionize customer relationships.

This paper expands upon Photon’s last loyalty paper titled, **“Rethinking Loyalty with Shared Values,”** in which we discussed a paradigm shift from transactional to an enduring - organic - connection. This particularly resonates with younger generations who prioritize brands that reflect their values and who engage in community-driven initiatives. To implement this approach, brands should clearly communicate their stance on key social and environmental issues, build communities around shared values, and consistently align their actions with these values, fostering meaningful connections that can lead to stronger brand advocacy and long-term loyalty.



Embracing loyalty ecosystems and hyper-personalization drives more stickiness with our customers. Leveraging these innovations, we can tailor experiences that align more closely with their values and turn our customers into passionate brand advocates.



Pano Christou
CEO of Pret a Manger



To recap the Value From Values paradigm, a loyalty program should include

SHARED VALUES ALIGNMENT

Aligning brand purpose with customer values to create deeper emotional connections and sustainable loyalty.

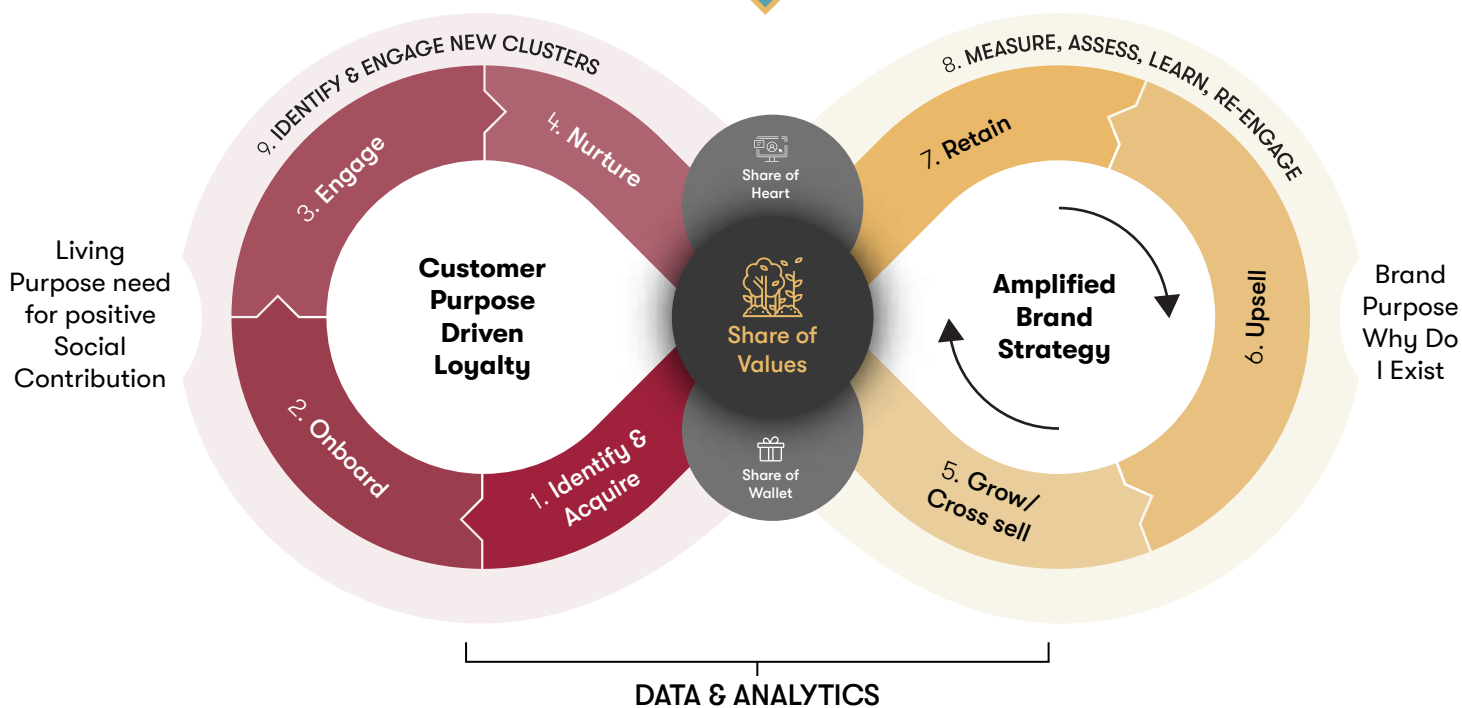
COMMUNITY ENGAGEMENT

Building and engaging communities around shared values to differentiate from traditional loyalty programs.

TECHNOLOGICAL ENABLEMENT

Using advanced technologies for personalized, value-driven customer interactions and real-time engagement.

Infinite Value Creation Through Purpose Alignment and Analytics



Leveraging existing customers and engaging new ones



With a shared values approach in place, a forward-thinking business should follow these 4 maxims to grow its **Customer Lifetime Value (CLV)** and future-proof its loyalty ecosystem today for the AI capabilities of tomorrow:

01 ESTABLISH A
LOYALTY
ECOSYSTEM FRAMEWORK
SHARING DATA
Going Beyond Share of Wallet



02 NORMALIZE
HYPER-
PERSONALIZATION
USING AI
Making it Relevant

04 STAND-UP A
LOYALTY
NERVE CENTER
*Key to
Orchestrating
it All*



03 OFFER
SUBSCRIPTION
LOYALTY
*Path to 'Sticky
Revenue'*



ESTABLISH A LOYALTY ECOSYSTEM FRAMEWORK SHARING DATA



01 Establish a Loyalty Ecosystem Framework Sharing Data

A loyalty ecosystem is a comprehensive and interconnected framework designed to enhance customer engagement and business relationships. It starts with an organization's loyalty vision - defining what a firm aims to be known for by its customers and partners. This vision guides the development of an ecosystem to allow disparate organizational parts work to be a whole.

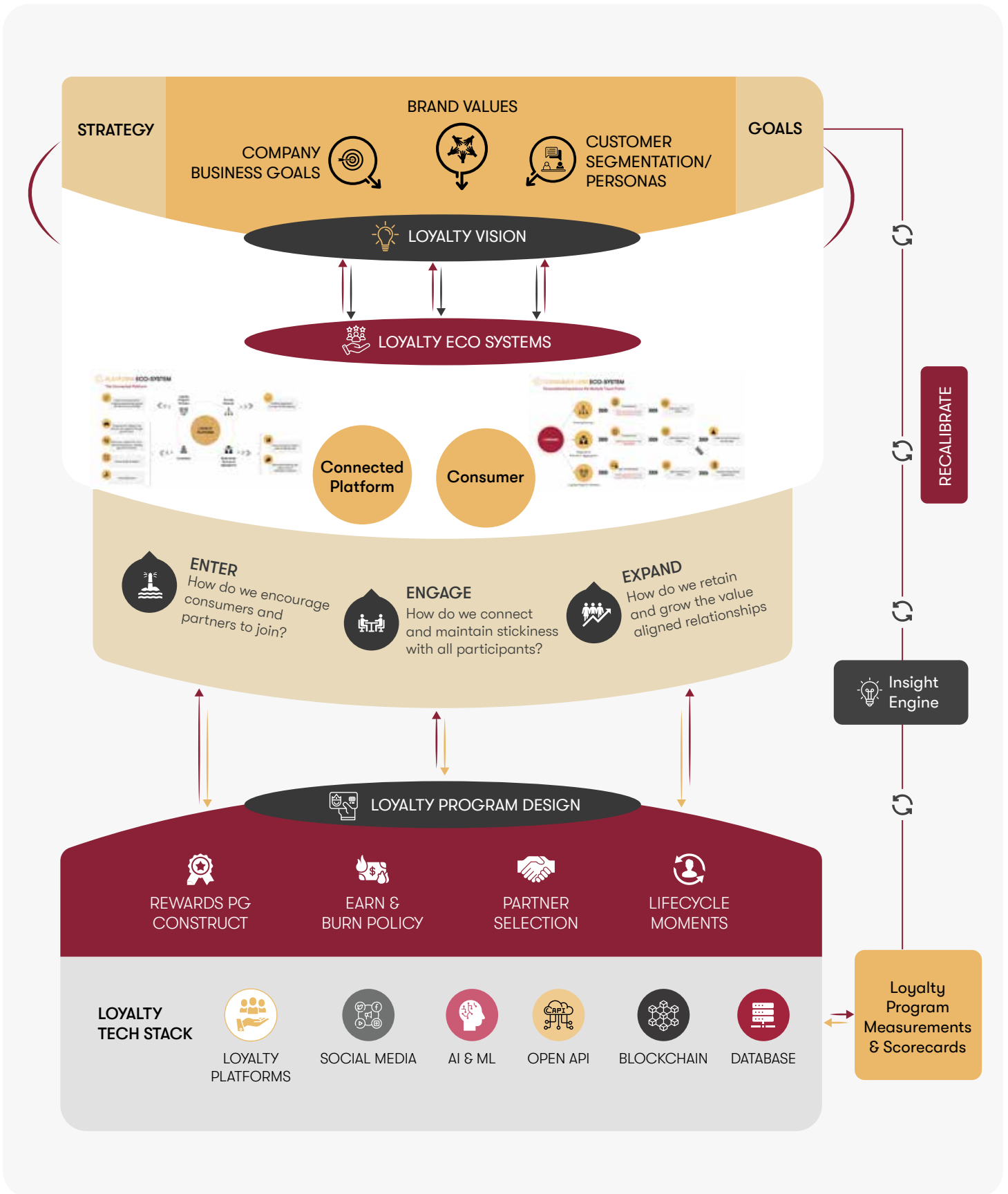
A 2023 Mastercard survey of 150 loyalty executives across Asia Pacific revealed a significant shift to such a world. While 75% of executives currently focus on increasing points per spend, the top choice of **“what a successful loyalty program of the future looks like”** said it’s **“an ecosystem-enabled loyalty platform”** (35%). This transition indicates a growing recognition of the need for more comprehensive and interconnected loyalty solutions to meet evolving consumer expectations.

By creating a connected platform, businesses can encourage customer entry and engagement, retain and grow value in aligned relationships, and identify future state journeys. The set-up leverages a loyalty tech stack comprised of various platforms, social media, AI/ML, and microservices, feeding an insights engine giving actionable strategies to enhance customer and partner engagements.





Photon Loyalty Canvas Framework





Benefits of a Loyalty Ecosystem

Implementing a loyalty ecosystem offers numerous benefits for both businesses and customers:



Enhanced Customer Engagement: By creating meaningful interactions and personalized experiences, businesses can deepen emotional connections with customers, fostering loyalty and long-term relationships.



Improved Business Insights: The interconnected nature of a loyalty ecosystem allows businesses to better understand customer behaviors and preferences through a multi-source data approach. This includes zero-party data (customer-provided), first-party data (company-collected), second-party data (shared with partners), and third-party data (externally sourced), providing a comprehensive view of customer needs.



Efficient Technology Integration: A loyalty ecosystem is built on a robust tech stack supporting seamless integration of various technologies, such as AI, machine learning, and microservices. This integration enables real-time data processing and insights, facilitating more informed decision-making.



Scalable and Flexible Framework: A well-defined loyalty ecosystem is adaptable and can scale with the business's growth. This flexibility ensures that the loyalty program remains relevant and effective over time, accommodating evolving customer expectations and market trends.



Positive ROI and Business Outcomes: By aligning the loyalty vision with actionable business cases and relevant KPIs, businesses can set a clear path towards achieving positive ROI. Key Performance Indicators (KPIs) such as Enrollment (loyalty program sign-ups), Frequency (member engagement and program use), and Basket Size (financial spend) provide a quick and insightful overview of the program's health, enabling targeted adjustments based on real-time data and feedback.



Building and Maintaining a Loyalty Ecosystem

Creating a loyalty ecosystem does not have to be a lengthy process. A well-defined loyalty vision and advanced technologies are crucial from the outset. These elements ensure that insights drive decisions without hindering departmental capabilities. Stakeholder alignment becomes easier when metrics and loyalty program scorecards are created and automatically updated to show progress. With these in place, a business can stand-up a proof-of-concept ecosystem in a matter of weeks.

An example in play today of a simple ecosystem is the Home Depot and Walmart GoLocal partnership. It exemplifies an effective shared loyalty ecosystem, leveraging Walmart's delivery network for same-day and next-day services. This collaboration, begun in 2021, reached 90% of the U.S. population by end of Year One, integrates seamlessly with HomeDepot.com, and enhances customer convenience and satisfaction across multiple channels.

A more integrated loyalty ecosystem example showcases a pet owner's journey and the various entities she may interact with during her pet's life.

The Pet-Tech Loyalty Ecosystem is an advanced platform designed to enhance the pet ownership experience by integrating a variety of pet-related services and businesses. At its core is the Fur-Ever Loyalty Program, which leverages an innovative **"Earn Everywhere Burn Anywhere"** (EEBA) points system. This approach allows pet owners to accumulate and redeem loyalty points across a diverse network of service providers, including veterinarians, pet trainers, pet insurance companies, and product suppliers. By unifying all points and businesses under one loyalty program umbrella, the ecosystem fosters deeper customer engagement and offers flexible integration options for businesses through advanced technology and data insights.



Pet-Tech Loyalty Ecosystem: More Customer Engagement & Flexible B2B Integration

The EEBA points system is a pivotal feature of the Pet-Tech Loyalty Ecosystem, allowing customers to:

Earn Points Everywhere: Accumulate loyalty points through interactions such as vet visits, purchasing pet supplies, booking pet sitters, and adopting pets from breeders or agencies.

Burn Points Anywhere: Redeem points across the ecosystem's network, providing flexibility and convenience. Points earned from a vet visit can be used to purchase pet food, enroll in a training session, or cover part of an insurance premium.

ILLUSTRATIVE PET-TECH LOYALTY ECOSYSTEM

ENTER ENGAGE EXPAND

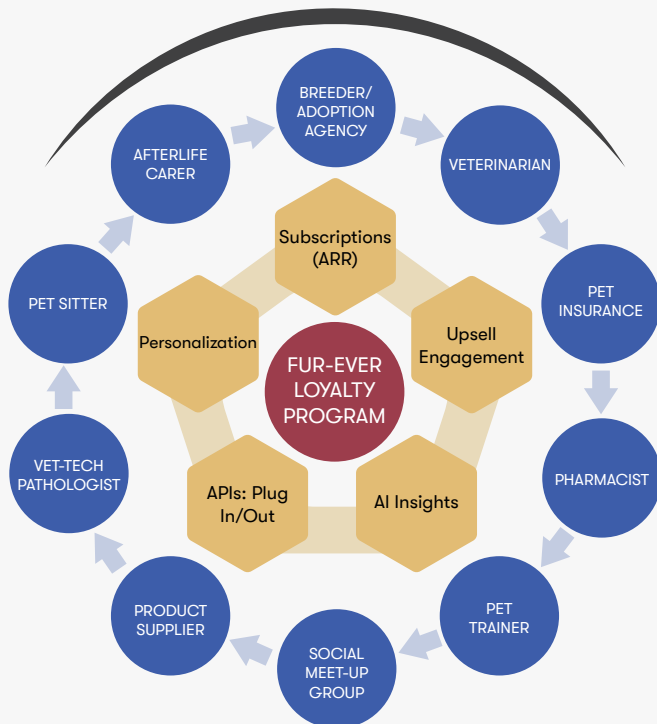
"EEBA" POINTS SYSTEM:
EARN EVERYWHERE
BURN ANYWHERE

BUSINESS BENEFITS

INCREASED RETENTION
Foster customer loyalty through continuous value & engagement

CROSS-PROMOTION
Benefit from ecosystem opportunities

DATA INSIGHTS
Know customer behavior for targeted marketing



CUSTOMER BENEFITS

COMPREHENSIVE CARE
Access a wide range of pet services in one place

CONVENIENCE & FLEXIBILITY
Earn & burn points across multiple services

COST SAVINGS
Save money through point redemptions on everyday purchases

OWN / ADOPT PRODUCT PURCHASE HEALTHCARE TRAINING / SOCIALISE AFTERLIFE NEEDS



01 Establish a Loyalty Ecosystem Framework Sharing Data

The Pet-Tech Loyalty Ecosystem is designed to create a symbiotic relationship between pet owners and service providers. By integrating various services and offering a flexible, rewarding loyalty program, it enhances the overall pet care experience while driving business growth through an innovative and comprehensive approach.

A loyalty ecosystem represents a methodology and a daily operational approach. It offers detailed insights at every touchpoint, guiding businesses on where to open or close entry points to attract the right customers and deepen engagement. By connecting customer data points that would otherwise remain isolated, businesses can foster organic relationship growth based on shared values.



"Integrating loyalty ecosystems and the EEBA model is vital in the B2C marketplace. These innovations ensure our portfolio companies deliver personalized, interconnected reward experiences, crucial for driving customer retention and long-term growth."

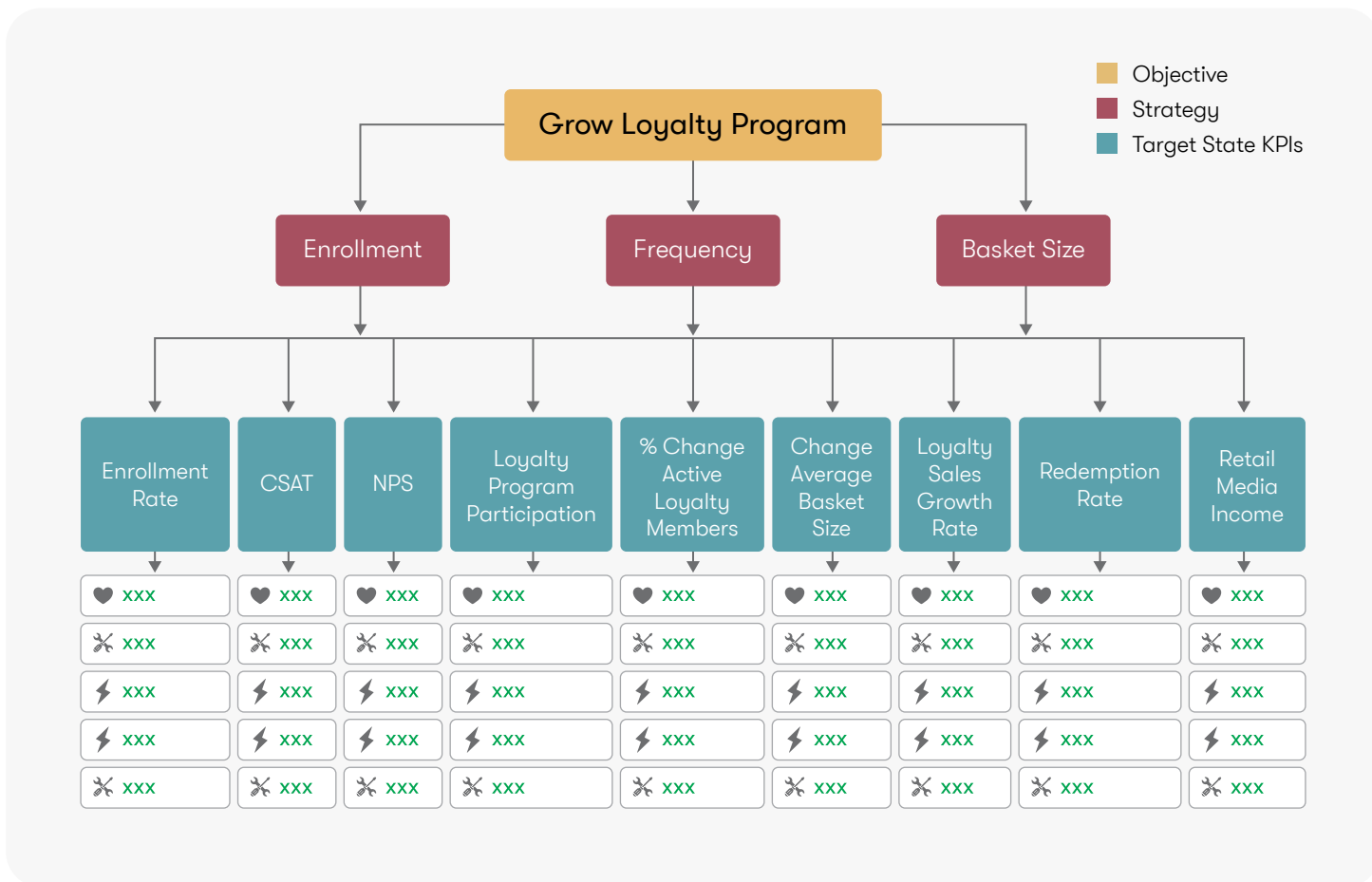


Lubomira Rochet,
Partner at JAB Holding Company

To gauge the effectiveness of the loyalty ecosystem, businesses should track the KPIs within the customer journey. Each KPI is supported by detailed metrics that, in aggregate, reveal the health of the loyalty program. Business leaders will see the correlation between the interconnected parts of the ecosystem, improved KPIs, and stronger customer lifetime value (CLV).



Loyalty KPI Tree



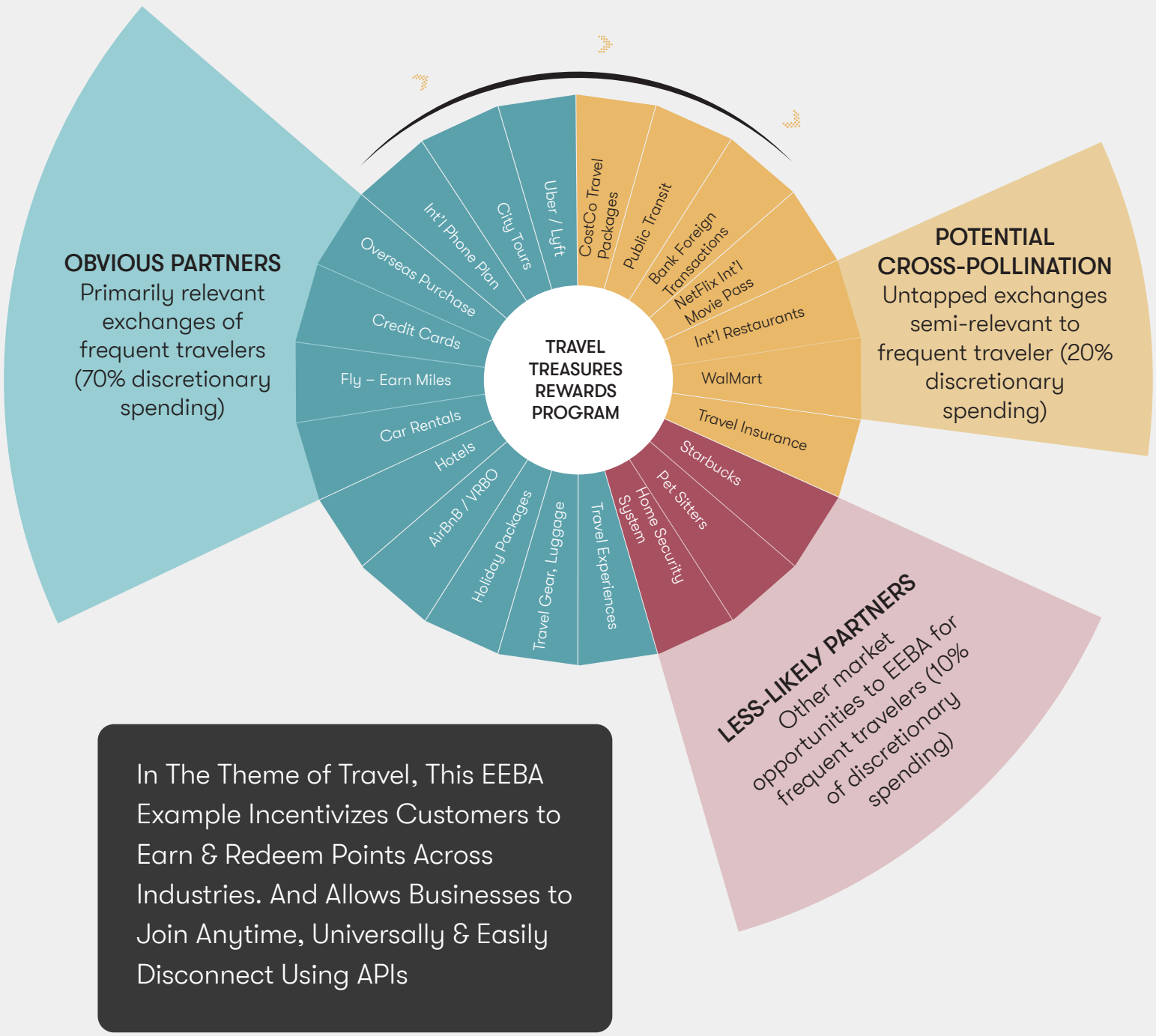
Much has been made of co-branded credit cards and airlines. Open a credit card and earn 75K miles with an airline if you spend \$3K in the first 3 months. Earn 2-for-1 points with every travel-related purchase, receive free checked bag, lounge access, partner airline miles, etc. The simple set-up has credit card companies purchasing flight miles from the airline at a discounted rate, then giving them to the credit card holder after spending X amount. The holder redeems those points with the airline (or rental car/home platform).

But this ecosystem is limited in scope and engagement. It doesn't encourage cross-themed spending and point burning. There are missed opportunities to make the data more valuable and link purchasing habits to anticipated needs like cross-sell vacation packages, car/home rental for upcoming trip, concert tickets, luggage purchase, travel-size beauty products at pharmacy retail chains, etc.



Art of the Possible Travel-Tech Loyalty Ecosystem

“EEBA” Earn Everywhere Burn Anywhere Points Exchange



In The Theme of Travel, This EEBA Example Incentivizes Customers to Earn & Redeem Points Across Industries. And Allows Businesses to Join Anytime, Universally & Easily Disconnect Using APIs

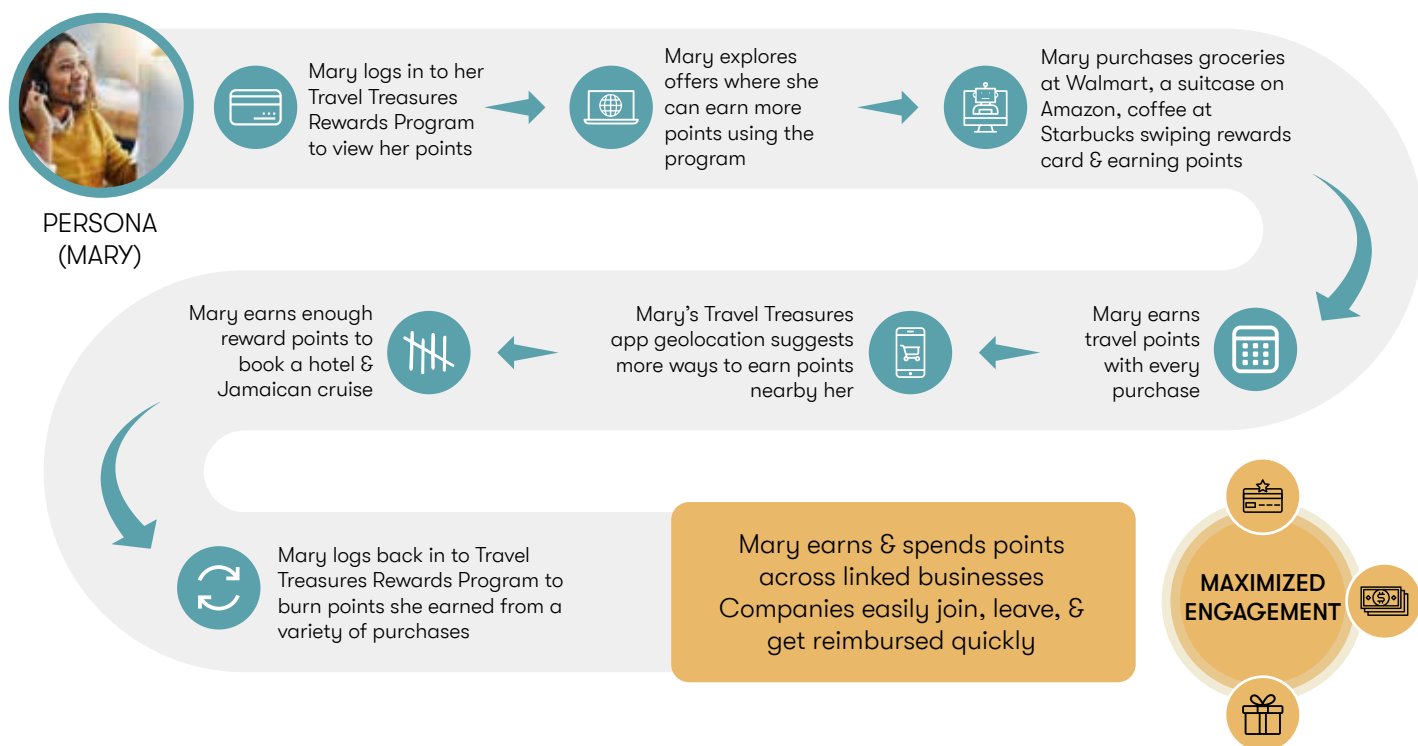


01 Establish a Loyalty Ecosystem Framework Sharing Data

This can be solved using the EEBA approach where, in an interconnect ecosystem customer Mary earns and accumulates reward points at unrelated businesses and spends those points at other seemingly unrelated businesses. Mary joins Travel Treasures Rewards Program, a platform where worldly explorers earn points for purchases, chat with fellow travelers, join language meet-up groups, and use points for international travel.

She buys groceries at Walmart, a suitcase on Amazon.com, and a grande latte at Starbucks. Mary is reminded via geolocation on the reward app that a nearby Shell gas station is a partner. Swiping her credit card for each purchase, her Travel Treasures Reward Program is linked to it and accumulates points. That evening she logs-in to Travel Treasures and sees international friends booking a Jamaican cruise. She earned enough points and burns those points towards the cruise. Mary's excited for the upcoming trip! And those participating businesses are reimbursed monthly via the program's dollar-for-points scheme. What's more, these businesses share Mary's data and further personalize offerings, promoting an uptick in her frequency and basket size.

This is visually depicted in the following customer journey flow:





01 Establish a Loyalty Ecosystem Framework Sharing Data

In today's data-driven landscape, building a resilient and adaptable loyalty program hinges on a well-organized data foundation. Prioritizing data infrastructure over short-term wins enables companies to develop highly personalized experiences and secure a sustainable competitive advantage. The journey begins with the loyalty canvas framework and the meticulous collection of relevant data, setting the stage for future-proof loyalty programs.

Correct, truthful, and relevant data allows artificial intelligence to power your insights engine. Setting up today for tomorrow's AI capabilities is important. Its insights will connect the (right) customer with the business's values by personalizing engagements.






NORMALIZE HYPER- PERSONALIZATION USING AI



Today's customers expect to be referred to by name. Gone are the days of "Hello Sir/Madam" and in are curated personalized responses and suggestions based on spending habits and customer profile. Arriving at this hyper-personalized interaction with loyalty can be achieved. The integration of AI is essential for achieving this level of effective personalization within a business's loyalty ecosystem. AI's capability to process and analyze vast amounts of data makes it indispensable for creating robust data profiles and sophisticated loyalty programs.

AI is pivotal in overcoming challenges that brands frequently encounter in their data capabilities, which often hinder effective personalization. As businesses progress through the stages of data capturing, storing, and activating, they frequently face obstacles such as poorly integrated tools, lack of data storytelling, absence of a clear data vision, and insufficient scorecards and KPIs. These challenges can impede the journey towards strong data maturity and capabilities, which are essential for a hyper-personalized loyalty offering.

A graphic featuring the letters 'AI' in a large, stylized, metallic font with a blue and purple glow, set against a dark background with a grid pattern.

Photon's research highlights these common obstacles, but also underscores how AI can effectively address them. AI can streamline the processes of storing, labeling, and cleaning data, making it readily consumable for brand purposes. By integrating AI, businesses can enhance their overall data activation maturity and ensure their loyalty programs are both sophisticated and effective.



Create a Stronger Bond with Customers

AI plays a transformative role in personalizing customer engagement and deepening connections by facilitating hyper-personalization.

Hyper-personalization goes beyond broad segmentation, leveraging AI to create experiences that cater to individual customer preferences and behaviors.

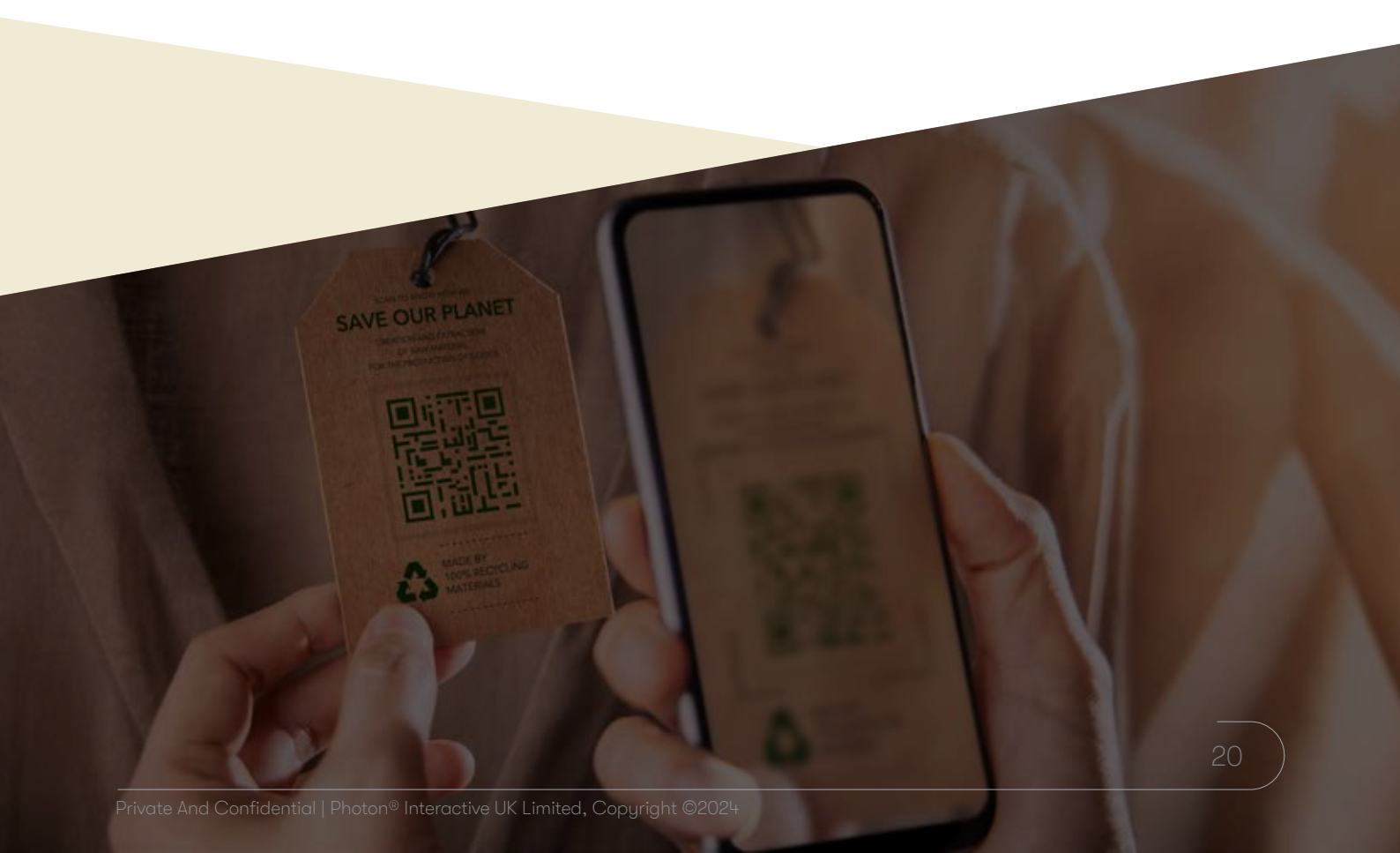
For example, an AI-infused data activation system can guide a consumer who frequently orders the same item to have complimentary items auto-added to her cart. And suggest new proxy items to promote variety if the shopper is less consistent in what she buys. Another example is a personalized offer in a drive-thru, customized based on the time of day, weather, past orders, and loyalty status. These AI-driven experiences transform consumer relationships from broad segmentation to individualized interactions, fostering a 1-to-1 relationship rather than a one-to-many approach.





The value of hyper-personalization is substantial, as it fosters brand-consumer relationships built on trust and a seamless experience. Consumers value personalized attention to their preferences and behaviors, and AI-infused loyalty programs are poised to meet these evolving needs. By offering tailored experiences that anticipate and meet individual customer needs, businesses can significantly enhance engagement and build stronger, long-term relationships. Personalization means connection. Connection means a sense of caring. And caring drives return, being top-of-mind, and CLV.

A comprehensive and well-integrated data profile is fundamental for leveraging AI to achieve hyper-personalization. Although the market is still in the early stages of these capabilities, establishing a loyalty ecosystem within a recommended framework allows for future technological advancements. This level of personalization at scale strengthens consumer loyalty and long-term relationships. Incorporating AI into a business's loyalty ecosystem is not only acceptable but essential. AI's ability to personalize customer engagement and deepen connections is key to meeting the sophisticated expectations of today's consumers and achieving sustainable competitive advantage.





02 Normalize Hyper-personalization Using AI

Initiating this process with a loyalty ecosystem framework ensures that people, processes, and technologies are synchronized within the Loyalty Nerve Center (LNC) - a governing body detailed later in this paper - paving the way for advanced personalization and robust consumer loyalty programs.





OFFER
SUBSCRIPTION
LOYALTY

03



Subscription-based loyalty programs have a profound impact on customer behavior, with 66% of participants adjusting their spending habits to maximize reward collection. This demonstrates the essence of hyper-personalization, which utilizes detailed customer insights to enhance and continuously align subscription programs with customer needs. This method not only ensures a stable revenue stream but also drives ongoing innovation, allowing businesses to dynamically refine their strategies.

Hyper-personalization powered by artificial intelligence enables businesses to create comprehensive customer profiles by integrating behavioral insights, transactional histories, and contextual nuances. This deep understanding allows businesses to anticipate market trends and tailor their offerings to meet evolving customer demands. Subscription loyalty programs benefit significantly from this capability by delivering highly personalized experiences that foster customer loyalty and engagement.

Key Benefits of Subscription Loyalty Programs



Stable Revenue Stream: These programs provide a consistent revenue stream, crucial for business stability and strategic planning.



Enhanced CX: By fostering long-term relationships and commitments, these programs encourage higher spending and reduce churn.



Cross-Selling / Upselling: Personalized recommendations driven by sophisticated data analytics enhance customer engagement with complementary products and services.



Brand Advocacy: Satisfied subscribers often become brand advocates, combining traditional word-of-mouth marketing with modern capabilities.



Leading companies like Amazon and Spotify exemplify the power of subscription models. Amazon Prime, for instance, offers a wide array of benefits, from shipping to exclusive deals and streaming services, creating a compelling value proposition that secures long-term loyalty and encourages increased spending. Similarly, Spotify's personalized playlists and exclusive content, such as early access to concert tickets and artist merchandise, provide sustained value, fostering loyalty and brand promotion.

Continuing with the Spotify example, the EEBA (Earn Everywhere, Burn Anywhere) approach to loyalty could further enhance customer engagement. Imagine a premium family subscription plan where six members earn points for every song streamed and promoted. They could also earn points by streaming music while working out at a partnered gym or filling up at a gas station that streams Spotify, and then redeem those points for live concert tickets. This strategy not only increases customer interaction with the brand but also strengthens loyalty through hyper-personalized engagement.

By leveraging data to refine their offerings, companies like Spotify can maintain a high level of personalization, solidifying their market leadership. Subscription-based models ensure guaranteed, predictable annual recurring revenue (ARR) and an increase in customer lifetime value (CLV), making them an essential component of modern business strategy.





Evaluating the Need for a (Subscription) Loyalty Program

When considering the implementation of a loyalty program, businesses should carefully assess their industry dynamics and customer base. Not all sectors benefit equally from such initiatives. For instance, industries with infrequent repeat purchases or those dealing with “sin tax” products may find loyalty programs less effective. Automobile dealerships and tobacco companies, for example, often experience customer behavior driven more by “necessity” or brand preference than by loyalty incentives. Perhaps these groups could benefit from a subscription loyalty program, however. Pay \$10 a month for premier wine tasting events, liquor discounts, and access to premier shelf offerings. Pay \$100 a month for car dealership premium oil changes, tune-ups, skip-the-line support, and road trip planning services.





Before launching a loyalty program, organizations should consider three key factors:



Industry Suitability: Evaluate whether your industry typically benefits from loyalty programs. Sectors such as Quick Service Restaurants (QSRs), beauty products, and retail pharmacies often see success with these initiatives due to high purchase frequency and the potential for personalized offerings. Online TV and movie streaming service Netflix is a subscription SaaS model without a loyalty program. Would early screening access to a blockbuster film increase revenue?



Top Customer Identification: Understand who your primary customers are and what drives their purchasing decisions. This knowledge is crucial for tailoring a loyalty program that resonates with your target audience.



Organizational Readiness: Assess your company's technological maturity and internal alignment. Businesses should have robust customer data collection systems in place and a clear understanding of their unique selling proposition before implementing a loyalty program.



By carefully considering these factors, businesses can make informed decisions about whether a loyalty program aligns with their strategic goals and customer needs, ultimately leading to more effective customer retention strategies.



To fully harness the benefits of subscription loyalty, businesses must integrate advanced AI capabilities and hyper-personalization practices. This involves creating a robust loyalty ecosystem with comprehensive oversight, ensuring a unified approach to loyalty. The Loyalty Nerve Center plays a critical role in this process, facilitating cohesive internal communication and alignment with the business's loyalty objectives.

Incorporating AI and hyper-personalization into subscription loyalty programs transforms customer engagement and drives business success. By building a detailed understanding of customers and continuously adapting to their needs, businesses can create lasting loyalty, foster brand advocacy, and secure a competitive edge in the market.





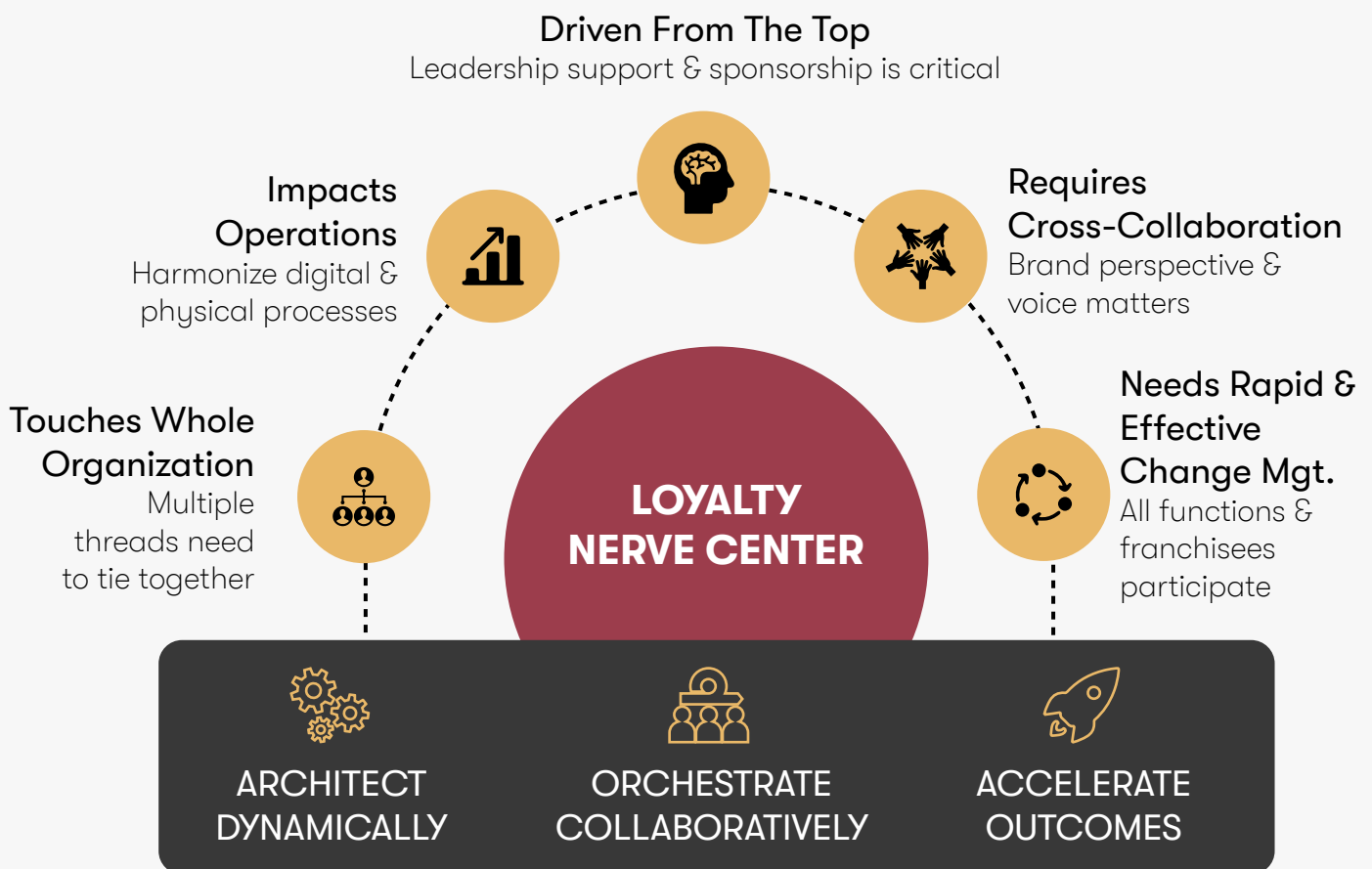
STAND-UP A LOYALTY NERVE CENTER





The Loyalty Nerve Center (LNC) acts as the central nervous system for a thriving loyalty program. This collaborative hub transcends a project management office by not only standardizing practices, but by governing the entire program. The LNC brings together diverse departments like marketing, analytics, and customer service to define a shared vision, establish program goals, and equip teams with the necessary tools. It fosters cross-functional collaboration, ensuring all departments understand their roles and work in unison to achieve overarching objectives, ultimately measured by key performance indicators (KPIs).

What's A Loyalty Nerve Center (LNC)





This strategic alignment and agility extend beyond internal walls. The LNC encourages partnerships with complementary businesses, expanding the program's reach and reward network. By fostering external collaboration, the LNC ensures the program remains dynamic and responsive to market demands. Ultimately, this holistic approach drives customer lifetime value (CLV) and futureproofs the loyalty ecosystem through constant innovation and adaptation.

In Closing

Creating a loyalty ecosystem framework involves developing a dynamic and interconnected network that enhances customer engagement and business relationships. This ecosystem, anchored by the EEBA (Earn Everywhere Burn Anywhere) approach, allows customers to accumulate and redeem points across various service providers, fostering flexibility and deeper customer engagement. The integration of AI within this framework is essential for generating hyper-personalized offers and experiences, as it processes vast amounts of data to tailor interactions based on individual preferences. The underlining theme is our values for values mindset of brand purpose aligned with customer values that foster a community of shared beliefs.

Businesses should evaluate their suitability for subscription loyalty programs, which provide stable revenue streams and enhance customer experience through continuous, personalized engagement. Initiating the transformation to a loyalty ecosystem begins with establishing a Loyalty Nerve Center (LNC), a collaborative hub that ensures alignment across departments and drives the strategic vision, agility, and accountability necessary for a successful loyalty program.

Our next paper focuses on business-to-business (B2B) loyalty within the ecosystem, and how to correctly implement it. We'll discuss the \$3 trillion B2B eCommerce industry and how it differs from B2C. What's the value in creating a loyalty program with your suppliers? How do you adjust for consumer-shifting demands with supply chain partners? Is a tiered program or gamified one, referral set-up or EEBA system that furthers the supplier-purchaser relationship?

We have it sorted for you.



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Partner with Photon today to do more with less, accelerate your business success, and enhance efficiency. Together, let's shape a future where possibilities are limitless.

Discover how Photon's Loyalty Ecosystem and the EEBA Approach - Earn Everywhere, Burn Anywhere - can help revolutionize your enterprise. Reach out to us at sales@photon.com to schedule a workshop or a personalized session. Let us demonstrate the transformative power of our Composable AI approach and how it can be tailored to elevate your business operations.

Connect with us today and start shaping the future of your enterprise.

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