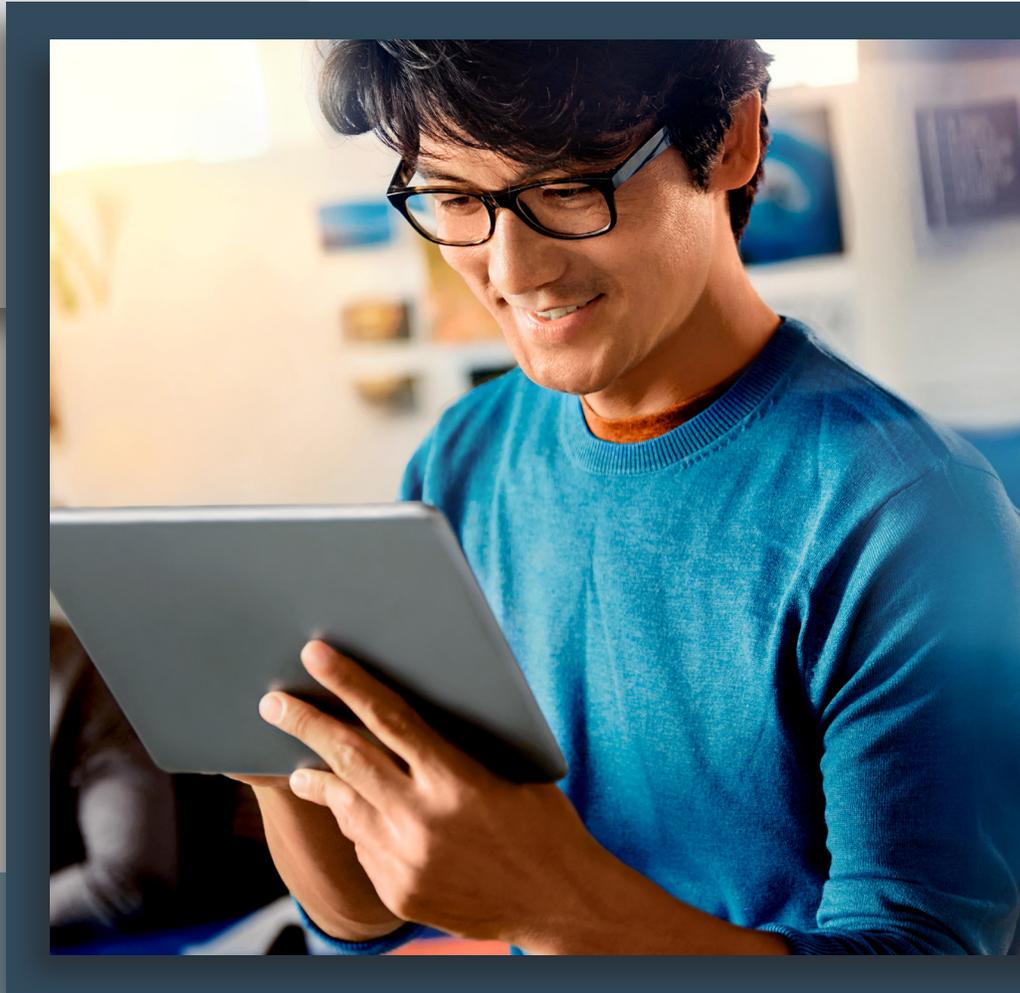**ORACLE®**

Industry Experts Share Their Predictions for Customer Loyalty

L ast year saw a number of retailers rebuilding their loyalty programs from the ground up with the introduction of the Nordy Club from Nordstrom and the relaunch of Macy's Star Rewards program, for example. While established players, such as Sephora and Ulta, continued vast improvements to their loyalty programs by offering new and ever-better benefits. 2018 proved that loyalty is not immune to the changes underway in retail, and brands must adapt to the shift in consumer behavior in order to remain competitive, and quite honestly, relevant.

Nike, for example, is taking loyalty a step further by introducing an entirely new store concept with localized product specifically for its loyalty members. The success of which will be seen in additional members-only store rollouts across the globe in 2019. Such examples of innovative, high-performing experiences are forcing retailers to reconsider their loyalty offerings in order to remain competitive.

In this predictions report, brand and industry experts weigh in on the changing role of loyalty and what lies ahead for the next year and beyond. Several of these predictions note that the more "traditional" loyalty schemes of collecting points that can be later redeemed for discounts will be replaced with greater personalization—loyalty plans more specific to each user and his/her goals.

Retailers big and small are re-imagining their loyalty programs to offer more compelling reasons to join and offering more valuable benefits. We have witnessed the commoditization of loyalty over the last few years, but in 2019, we will start to see brands experimenting with technology and new concepts to transform their loyalty schemes into sales-generating machines.

Loyalty has traditionally been focused on rewarding customers for buying. However, a recent trend in loyalty schemes is the addition of Customer Advocacy as a reward action - meaning that brands are starting to reward actions, such as referring friends, sharing posts, and creating content - in the same way that traditional loyalty programs reward the purchase of products. Skincare retailer Tarte, for example, uses points to reward customers for creating User Generated Content, writing reviews, and creating video tutorials.

There are two major reasons why Customer Advocacy will be included within loyalty programs in 2019. Firstly, consumers have a much greater ability to influence other consumers than ever before. Not only do they have access to wide networks, like their personal social networks and influential review platforms, but they also have the ability to interact constantly with these channels through the proliferation of mobile devices. Customer Advocacy is, therefore, easier and more influential than ever before. Secondly, and more importantly, technology has reached a stage where it can track these 'advocacy actions' accurately, allowing users to be rewarded in the same way purchasing is rewarded. The combination of these two factors creates an environment where loyalty programs can and should include Customer Advocacy.

With diminishing returns in marketing, the inauthenticity of advertising, and the over commercialization of influencer marketing, Advocacy Marketing will become one of the most valuable customer acquisition channels in 2019.

Paul Archer serves as Founder and Managing Director of Duel. Paul has become a world leader in Customer Advocacy Marketing due to his experience working with over thirty brands, as well as through the development of the award-winning Duel. Tech Advocacy & Ambassador Platform. He is also a world-record breaking adventurer, speaker, and bestselling author.

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Existing customers offer a competitive advantage that is not being fully leveraged today. They generate profits, act as brand ambassadors; and thus, serve as a competitive differentiator, so earning customer loyalty is critical. However, very few businesses are prioritizing retention activities in their marketing budgets - more is spent on customer acquisition.

In the coming year, I predict the unification of CX, digital transformation, and customer loyalty into one single strategy. The fundamental goal of these activities is, after all, customer retention because customer retention = profits. Even when creating customer acquisition strategies, the end goal is customer retention. Therefore, any customer experience strategy or activity needs loyalty at its heart.

2019 is the year that brands begin thinking about customer loyalty in every interaction. Not simply asking them to sign up for a loyalty program but doing what is possible to ensure both short and long-term customer retention at any given moment.

To achieve this will require a big effort on the part of the business as it will mean a big change management project. Direction will need to come from the C-suite because putting loyalty at the core of every interaction of any strategy may be counterintuitive to existing policies or processes. For example, staff may not have access to the permissions or knowledge needed to act on instilling loyalty in the moment. Putting customer loyalty at the very heart of the business will take a mind shift throughout the organization. Ultimately, it will be those brands that shift their focus to existing profit-yielding customers that will weather these stormy economic times.

What has struck me over the past few years is the failure of adoption of retail apps. For years we have seen retailers spend loads of money on dedicated apps, only to discover that customers don't want to have all these brands crowding their smartphones. People would prefer to save that precious memory space for games and family pictures. Retailers' apps never make the "top downloads" list, and even when customers do download them, they hardly ever use them. Loyalty, therefore, has to find a platform other than apps.

Another big disappointment was the beacon trend. The technology was very promising as a new in-store customer engagement tool, but many issues have held it back. First, those tiny devices require batteries and the maintenance cost is higher than expected. But the main pain point is that beacons only target customers who have downloaded the retailers' dedicated app. The target audience was therefore very limited.

This is where wifi comes in. Wifi is a seamless way to integrate loyalty schemes into the customer's journey and the in-store experience by sending targeted content based on profile data (must log in through a social media profile to access store wifi) and personalized invitations to join the loyalty program. Instead of forcing customers to download apps they don't need, in-store wifi as a tool to promote loyalty programs is smart and consistent with customers' needs. Customers want brands to engage them at the right time, and what better time than when they are in the store actually shopping? In 2019, there is huge potential for wifi-based loyalty engagement in stores. It's the easiest way to engage customers while they are shopping at your store and to promote customer loyalty on mobile.

Arthur Philbé is a 33-year-old French entrepreneur. He graduated from Sciences Po in Paris and completed an exchange program at King's College in London where he also worked in Human Resources for EDF ENERGY. Upon return, he learned the ropes of communication at Publicis in Paris, and then, joined a web marketing consultancy firm advising Microsoft. In 2009, he founded Weblib, a retail technology startup. Today, Weblib is a leading provider of digital solutions for the retail space, trusted by leading brands, such as McDonald's, UNIQLO, AXA, and Heathrow Airport. As a dynamic leader, Arthur continuously focuses on growing Weblib's global reach through strategic acquisitions.

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Loyalty program differentiation continues to be a challenge within and across industries. One area that loyalty programs will use to set themselves apart in the coming year is more exclusive and valuable rewards for top customers. It's human nature to want to feel in the know about something that not everyone is privy to. Loyalty programs often talk about exclusives but rarely deliver on the promise in a meaningful way through insider access to rewards and experiences. That's especially true amongst customers who feel highly committed and connected to a brand with whom they may have weekly (e.g. travel, clothing), if not daily (e.g. coffee, lunch), interactions with. Non-published, "secret" tiers with highly valued rewards and experiences (that are shared by the recipients via social media) will be used to drive broader commitment to the brand, as well as to provide an unofficial air of true differentiation from the competition.

Imagine being part of a loyalty program with an inner circle that includes special access to member events (lunch with the CEO), priority treatment (watch your new car roll off the assembly line), and special products and swag (limited run of 50 MVP-only shoes). That level of treatment will motivate customers, energize them, and ultimately, will stand out from the crowd when comparing loyalty programs to participate in. Even if customers won't ever realistically reach the status necessary to actually experience these rewards, it feels achievable and enables the average customer to be associated with a brand that stands out from the rest.

Marc Rashba is currently the founder of MovieMethod LLC, a digital loyalty and rewards agency where he represents a number of major studios on deals with Verizon Wireless, Regal Theater Group, Cinemark and others, as well as working with start-up companies navigating the entertainment space. Previously, Marc worked at Sony Pictures for over 15 years in a variety of marketing and business roles, most recently as Vice President of Digital Partnerships & Development. During which, Marc developed new product platforms, two of which were awarded patents that he shares with Sony. He lives in Oak Park, CA with his wife and three children.

Loyalty customer expectations and demands are growing, and as a result, existing brand loyalty programs and platforms are going to have to expand and transform to maintain their membership levels and engagement. To meet the growing demand of customers, I predict that 2019 will see the growth of companies adding tiered loyalty platforms with some even charging for premium or top-tier rewards and services. Restoration Hardware and GameStop are already testing fee-based loyalty programs and have seen an increase in sales from customers participating in these higher-level membership programs.

Additionally, I expect that 2019 will see more loyalty programs broadening their loyalty benefits to include related-category rewards in order to increase the experiential quotient. For example, we could see cosmetic brands start to partner with the fashion category for more robust offerings or food businesses collaborating with entertainment content companies. I think 2019 will be the beginning of loyalty program re-invention if brands are to keep pace with membership expectations.

Loyalty schemes are moving from "nice to haves" to "must haves," partly due to the fact that having a direct relationship with the consumer is absolutely essential. In 2019, I predict increased spend and investment in loyalty programs from a number of channels that historically have not focused on loyalty and rewards. A great example is the auto industry, which is seeing huge disruption caused by ride and car sharing apps. Loyalty programs will become both a future revenue stream and the primary customer touchpoint in a world where fewer individuals own vehicles.

I also expect to see the consolidation of loyalty programs and more point sharing across retailers and service companies as consumers become disillusioned by the sheer number of reward programs. With loyalty programs becoming a dime a dozen, consumers simply don't have the storage space on their phones for another hotel app that shows they lack sufficient points for a free night's stay or the travel app that serves as a reminder they are only 5 trips away from $20 in savings. Whereas, a coalition model will enable consumers to earn points and rewards across a diverse range of participating brands. Loyalty program Payback in Germany has been wildly successful with 30 million customers shopping and redeeming across 650 partners. Consolidation of this nature will create more value for consumers and more engagement for brands in 2019.

Prediction
#6

Greater Value Creation Will Come with the Consolidation of Loyalty Schemes

Pete Wood is responsible for sourcing, negotiating, and managing OEM partnerships for Sony Pictures Entertainment (SPE), including new distribution channels through B2B partnerships, as well as nontraditional distribution strategy in areas, such as connected car, Hotel groups, and mobile opportunities. Wood focuses on presenting SPE content to consumers in new and engaging platforms leveraging new technologies, such as 5G, 4K, Imax Enhanced movies, as well as building Entertainment solutions for loyalty and reward platforms. Recently Wood has been focused on VR development and commercialization in the virtual reality space with Playstation, Oculus, and Vive, including releases, such as Spider-Man and Ghostbusters VR. Wood joined SPE in 2006. Prior to that he worked for Just Rams PLC to launch the world's first music and movies delivery service on mobile in 2005. Wood serves on the board of the Australian technology incubator Yonder and Beyond, as well as Fashion Week Los Angeles.
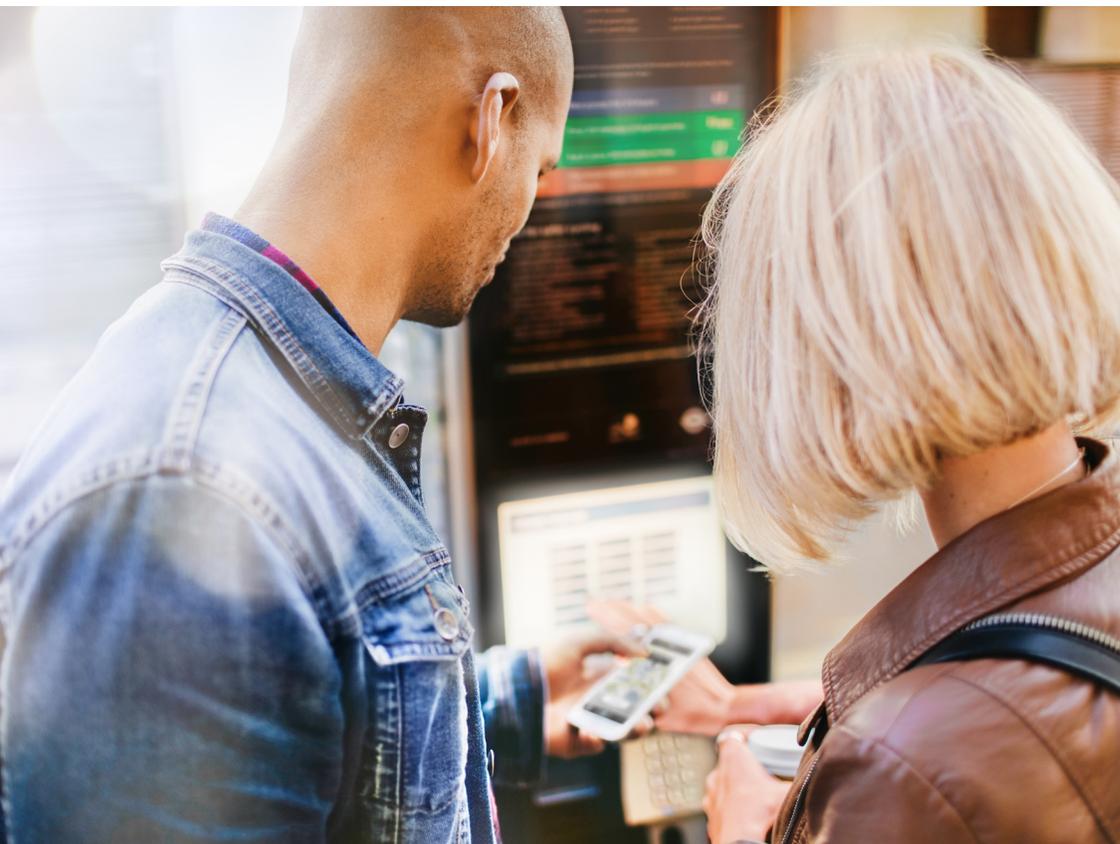
Katrina Gosek has built her career around all things go-to-market - from defining markets, brand positioning (and re-positioning), honing & pivoting sales process, and marketing execution. She builds, and leads teams that build, strategies to take new products and solutions to market, targeting small businesses to massive enterprises. Most recently at Oracle, Katrina has spearheaded the launches of three new products from soup-to-nuts: Commerce, Loyalty, and Subscription Cloud.

Prediction
#7

Subscriptions to Become New Driver of Customer Loyalty

In 2019, we will see loyalty flipped on its head with brands actually charging customers to engage in loyalty programs.

The line between loyalty programs and subscriptions has already begun to blur. The most well-known paid membership program is Amazon Prime, which offers a bevy of value and special benefits for a flat annual fee. In return, Amazon Prime seems to have an ever-growing customer base of highly engaged and loyal members. With its part subscription, part loyalty program Amazon has been successful in driving recurrent customer engagement while also salvaging margin through an annual fee.

Subscription services have become commonplace thanks to companies like Netflix and Blue Apron or Graze in the UK. We are seeing more and more traditional retailers around the world testing the waters of fee-based loyalty models, including Tesco, Restoration Hardware, Bed Bath & Beyond, and Lululemon. The cost of these subscription programs range from $29 - $128 and include benefits, such as free expedited shipping to 25% off all full-priced items and curated events, like tickets to a movie premiere.

As society changes the way in which we consume, subscription models that encourage recurring customer relationships over one-time purchases will become more prevalent. As such, we expect to see a convergence of subscription and loyalty programs in 2019, which will not only generate greater loyalty but will create a mutual commitment between brands and their customers.

We would like to thank all the industry experts who took the time to share with all of us what they see as upcoming predictions in the loyalty space. We welcome these loyalty predictions and will track which ones are on target as time progresses and future predictions unfold into reality. To help your business be prepared, find out more about Oracle Loyalty Cloud, the most powerful and truly scalable loyalty platform in the cloud.

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