Smart loyalty:

Winning hearts in the connected future

What the Internet of Things means for loyalty marketers — and how to integrate it into your strategy, for a truly omnichannel approach.

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The Internet of Everything?

We live in a time of rapid technological development. And as marketers, we often have a front-row seat to the lifecycle of each shiny new gadget, watching as they gain momentum, ride the wave of marketing hype to the peak of popularity, and then — more often than not — fade into the background as business and consumer struggle to find realistic use cases for them.

Having seen so many once-lauded developments fail to gain traction, it's easy to look at the devices and technologies that make up the "Internet of Things" and wonder if they'll go the same way.

Do consumers want to connect everything to the cloud? Do they want to interact with their fridge or their shoes or their light bulbs?

Will IoT devices truly become embedded in our lives or will they end up in the pile of tech no one really knows what to do with?

These are smart questions to ask — and if you're reading this white-paper, you're in the right place.

We won't promise to have the answers to everything. But we will endeavor to provide key insights, trends and ideas that will help you formulate your marketing and loyalty strategy, to keep up with the changing tech landscape.

And with regard to those earlier questions, the answer, it seems, is "yes" — the world of connected devices is catching on and growing fast. So let's dive in...

The (Connected) Future is Now

To start, let's define exactly what we mean by IoT. It's not just about connecting an item or device to the internet; rather, when we talk about IoT, we're referring to

devices that are connected to each other as well — devices that share data and communicate with one another to help with a task or improve performance.[1]

Most connected devices fall into one of five categories:

Wearables: Fitness bands, smart watches, and connected clothing

Proximity / location: Including beacons and geofencing tech

Appliances: Including smart TVs, cars, thermostats, light bulbs, etc., as well as connected equipment in the business world

Hubs and assistants: Used to manage multiple devices, and complete a variety of tasks. Primarily home ecosystems like Nest and Hive, and smart speakers like the Amazon Echo, Google Home, and Apple's new HomePod

Mobile devices: The old standards — smart phones and tablets

Virtual assistants like Alexa, Cortana, Siri and Google Assistant span multiple categories - they're more about the tech powering the smart device, rather than the object itself.

Some of these devices are already widespread, like smart phones and tablets. But even wearable devices are gaining momentum, with an estimated 325 million wearables in use worldwide in 2016.[2]

In January, Gartner estimated that 8.4 billion connected devices will be in use in 2017, a 31% increase from last year. And according to their forecast, this number will rise to 20.4 billion by 2020.[3]

For businesses (and marketers in particular), this means it's time to start thinking seriously about building the Internet of Things into your strategy.

1. http://www.wired.co.uk/article/internet-of-things-what-is-explained-iot
2. https://www.statista.com/statistics/487291/global-connected-wearable-devices/
3. http://www.gartner.com/newsroom/id/3598917

The Evolving IoT Landscape

The Good, the Bad and the Ugly — And What We Can Learn

Whenever new technology is announced, there seems to be an explosion of odd and unnecessary commercial applications as manufacturers get caught up in the hype — and the Internet of Things is not exempt.

In fact, it's a breeding ground for all kinds of peculiar inventions — from the connected salt shaker to the toaster that can print the weather on your morning slice.[4]

Of course, not every IoT innovation will catch on — but even the failed products can teach us something about the way people use connected devices.

Customers primarily connect their devices to improve their experience — making routine activities more convenient, more enjoyable or more effective. A voice-activated salt shaker isn't likely to become a ubiquitous kitchen utensil, simply because the process of adding salt to a meal isn't particularly inconvenient for most people.

On the other hand, a smart refrigerator that can tell you when items are about to expire, or let you check its contents from your phone, could certainly simplify the weekly shop.

It all comes down to the value that a connected device can offer.

That's why smart hubs and voice assistants are gaining the most traction. Sharing data (and tasks) between devices yields greater value, and managing multiple smart devices from one place is significantly more convenient.

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4. http://www.wired.co.uk/article/strangest-internet-of-things-devices

It's no surprise then that voice-activated assistants are quickly rising in popularity. It's estimated that 35.6 million people will use these devices in 2017 — an increase of 129% over last year.[5]

Plus, with smart hubs (particularly, Alexa-enabled devices) the consumer can connect to a whole host of services, as well. And this is where the biggest opportunity lies for brands.

By making content or services available through a connected hub like the Amazon Echo or Google Home, businesses can create helpful, personalized interactions that go beyond their usual remit.

Starbucks and Domino's, for example, have created Alexa "skills" to allow customers to order with their voice. At the moment, these functions are fairly limited, only allowing people to order their "usual", but it shows the potential for brands to simplify the ordering experience.

For Starbucks customers in particular, there's certainly added convenience and personalization — a customer could order their usual morning coffee on their way out of the house and pick it up as they pass their local store, without even having to wait in the queue.

It's almost like having a barista who knows your favorite drink and has it ready for you the minute you walk in.

Taking IoT to the (High) Streets

Of course, the reach of IoT isn't limited to the confines of the consumer's home, or even the devices they carry with them. Customer-facing tech in bricks-and-mortar stores has the potential to significantly impact the way people shop.

Compared to the rest of IoT, in-store connected devices aren't nearly as wide-reaching, in implementation or adoption. Take the beacon, for example — once

5. http://uk.businessinsider.com/amazon-echo-vs-google-home-sales-estimates-chart-2017-5?r=US&IR=T

hailed as the retail tech development of the year, it's a device that has yet to find a truly effective use case.

The device, which can trigger contextual messages to the customer's smartphone when they're in range, was meant to create a more interactive in-store experience, delivering information and offers related to a particular product or helping shoppers find items faster.

At the same time, the retailer could cross-sell and upsell more effectively, whilst receiving valuable data about customers' movements around the shop floor.

However, in order for a message to be triggered by the beacon, a nearby customer needed to have Bluetooth enabled on their device, as well as an app through which to receive the message.

Remembering to turn on your Bluetooth every time you enter your favorite store isn't exactly the

frictionless shopping experience of the future.

On top of that, the value for consumers who did connect their phones simply wasn't that compelling — especially when compared to the value retailers gained from collecting all that data.

Like the connected salt shaker, beacons have failed to deliver the convenience and value required for widespread consumer adoption — so far.

Fortunately, beacons are flexible and broad enough in their potential that there's still some hope for them; in fact, Google's Eddystone is poised to remove some of the friction (like the need for a mobile app) and give beacons a better chance of catching on.

So what about successful IoT use cases on the high street? In this regard, fashion retailers are leading the way, primarily with the smart fitting room. This technology is still in the very early stages

of adoption, with only a few luxury retailers really having anything to show.

There are a few different implementations out there, but in general the smart fitting room uses a touch-enabled screen or mirror to help customers learn more about the garments they're trying on, request alternate sizes or colors, and even find complementary items.

Retailers using the tech report that customers move through the fitting room faster, while spending more.[6] However, the investment required to implement this tech is still significant, meaning widespread adoption is probably a ways off.

Still, there's great potential for bricks-and-mortar retailers to bring some of the convenience and personalization of ecommerce into the fitting room, and change the way consumers shop for clothes.

What all of this means is that sharing data, connecting devices and bridging the gap between the physical and digital world is becoming more commonplace.

Consumers, particularly millennials, are increasingly accepting of IoT — and that means it's time for businesses to take notice.

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6. https://www.bloomberg.com/news/articles/2017-02-16/-smart-mirrors-come-to-the-fitting-room

Making Loyalty Smarter

So far we've established that the Internet of Things is growing fast among consumers, and forward-thinking businesses are jumping on board.

There's great potential for brands to positively impact the customer relationship, by using this technology to make interactions more convenient, more personal and ultimately more valuable to the consumer.

So what does all this mean for loyalty marketers in particular?

In some ways, the Internet of Things isn't that groundbreaking for loyalty marketers. It relies, like most of our other marketing activity, on creating better customer experiences.

Reducing friction, making interactions more personalized (and therefore more convenient) and adding value to the customer's life — all of this lies at the heart of omnichannel marketing as it is.

The trouble is, while many organizations believe this on paper, making it a reality is a challenge — and not an insignificant one. It's hard enough creating consistent, personalized interactions across existing channels, without throwing Alexa into the mix.

What *is* game-changing about IoT, though, is that it actually stands to simplify the delivery of engaging, omnichannel experiences.

IoT relies on sharing data, processing it in real-time, predicting outcomes and then sharing this data back across devices to recommend actions or improve the experience — all of which is essential to omnichannel.

And by joining up data and creating consistent experiences, brands are poised to provide greater

value to customers, by interacting with them in contextually relevant ways wherever they are.

The Rise of the Recommendation Engines

One key function of most connected devices is compiling and analyzing data in order to make a recommendation.

Whether it's your car reminding you to take it in for a service, your thermostat suggesting you turn down the heat to save on your energy bill, or your fridge letting you know it's time to buy more milk — recommendations are an essential aspect of simplifying and improving the user's experience.

Recommendation engines of various sorts are already a normal part of life for many modern consumers — think Netflix's "Recommended for you" category, Spotify's Daily Mix playlists, or even the Google Now app's news suggestions.

People are increasingly open to sharing their usage and preference data with trusted brands to receive personalized recommendations.

This is great news for loyalty marketers, because the new loyalty program is, essentially, a recommendation engine.

Rather than suggesting new media content, the program recommends points-earning activities and relevant rewards, to help the member better engage. It's another way of ensuring customers get value from their relationship with the brand.

And when combined with the data and connectivity of IoT devices, the loyalty program can move beyond a simple earn-and-burn points system, to become a key part of the consumer's lifestyle.

So what exactly does the connected loyalty program of the future look like?

Exploring New Frontiers in Loyalty

Connected omnichannel is still a largely uncharted space - not many businesses are doing much of note. This represents an excellent opportunity for forward-thinking brands to innovate, explore and set the standard for successful program integrations.

But before we discuss some of the potential, let's look at two brands that are starting to make strides in the realm of connected loyalty.

The first, unsurprisingly, is Amazon. The manufacturer of the most popular voice assistant on the market is also renowned for their Prime loyalty program, which boasts over 80 million members in the US alone, according to the latest estimates (Amazon is famously tight-lipped on the actual numbers).

Interestingly, some of Amazon's connected devices and services are only available to Prime members — the Dash button, for example, which allows members to reorder their favorite products (everything from laundry detergent to beer) with the touch of a button. Additionally, a few of Alexa's "skills" are members-only, like buying products, streaming Prime music or ordering takeaway through Amazon Restaurants.

For Prime members, these perks add to the convenience of doing business with Amazon and help cement the brand as an integral part of their lifestyle.

When a customer's cleaning products, music streaming and Friday-night takeaway are all dependent on one brand - and when the experience of ordering any of those things is easy and engaging — they're much less likely to defect.

Amazon's loyalty program, then, is well integrated with the Internet of Things — but they do have a bit of an advantage. What about brands that aren't IoT manufacturers in their own right?

One example of an early connected loyalty scheme is Avios, a coalition-style points program for airline travelers.

Earlier this year, Avios announced its own Alexa skill, allowing members to ask their Alexa-enabled device to update them on their points balance, find relevant rewards or suggest point-earning activities.

It's a great start for a connected loyalty program, taking the experience of engaging with the scheme to a new, and potentially more intuitive, channel. Still, there's a distinct sense that we're only scraping the surface of what IoT can do for loyalty.

So what's in store for loyalty marketers who want to dream a little bigger? Let's look at a few possible scenarios:

Scenario 1: Driving sales with relevant rewards
First, put yourself in a "consumer" mindset and imagine this: You're getting ready to book some holiday and plan to do a bit of traveling this time around.

As such, you've been watching a lot of travel documentaries through a streaming service on your smart TV, and have even asked Alexa (or your preferred voice assistant) to research some destinations for you.

One morning, you ask Alexa for your daily briefing, and alongside your news and weather updates, she informs you that your favorite loyalty program has some travel-related rewards for you — and you've got almost enough points to redeem one.

Prompted by the loyalty program, Alexa asks if you'd like a list of the relevant rewards (and some recommended products to help you reach the required points) sent to your phone.

A few taps later, you've bought some new pieces for your holiday wardrobe, earned enough points

and redeemed the relaxing beach holiday you've always dreamed of. The loyalty program has incentivized you to spend more, but with a highly relevant reward that was useful and valuable to you.

Scenario 2: Insuring a smarter home

Suppose a customer, Sarah, installs a range of connected devices for monitoring and securing her home: smart locks, connected light bulbs, WiFi-enabled smoke detectors — the works.

Her home insurance provider has a partnership with the brand that makes these devices, so they can collect data (with Sarah's permission) on her home and how she secures it. Sarah is also a member of the provider's loyalty program, so her account is automatically synced.

In return for maintaining her home well — ensuring doors are locked, checking smoke detectors regularly, and so on — the insurance provider gives Sarah loyalty points (after all, her good habits mean she's safer to insure).

And because Sarah has connected all her devices to a smart hub, the loyalty program can even push her relevant offers and recommendations for earning more points.

Rather than simply focusing on promotions, the insurance provider adds ongoing value to Sarah's membership, by helping her keep her home safer.

Scenario 3: Adding value when it's needed most

Finally, consider Joe, who has the daily news, weather updates and other personalized alerts read to him by his Amazon Echo each day as he's making breakfast. On this particular morning, Alexa informs him that it will be raining for most of the day.

Then, powered by the contextual data about the weather in Joe's area, his favorite loyalty program serves up an offer for a free umbrella from one of the brand's

retail partners in the vicinity. Because Joe has agreed to have updates from this brand and its loyalty program presented in his daily feed, Alexa informs him of the deal and even enables him to check the opening times and location of the nearest retailer.

No transaction has happened between Joe and the brand itself, at least not in the traditional sense, but the loyalty program has earned its place in Joe's update queue, allowing for further communication opportunities down the line.

And this is the key thing to take away from all of these scenarios: the brand in question offers relevant, helpful information - sometimes related to the loyalty program, sometimes not - and as a result it becomes embedded in the customer's lifestyle.

And this is the crux of connected loyalty. Done well, it gives brands the opportunity to become ingrained in the customer's day-to-day activities, building an ongoing relationship based on trust and value.

Then, when the opportunity comes for a customer to switch to a competitor, they're more likely to think "Well, that brand is a little bit cheaper, but I like this brand. They're helpful and I get useful things through interacting with them that I might not get from other brands."

By building trust and familiarity, through consistently valuable interactions, businesses can grow loyalty, and make their products, services and loyalty programs indispensable to customers' lives.

A Strategy for the Future

So where do you begin? As a marketer, how do you integrate your efforts with the Internet of Things, and start to capitalize on the valuable opportunities it presents?

As with any significant marketing endeavor, you'll need a solid strategy in place. When it comes to building out an IoT strategy in particular, there are four key steps.

1. Find your focus: Rather than setting out to connect with anything and everything, it's better to get specific. Which device or mediums in particular will make the most sense, both for your brand and your customers?

Keep in mind that the essence of IoT is the ability to deliver better customer experiences across channels. If you're trying to be in too many places at once, the overall experience is likely to suffer.

For most brands, we'd recom-

mend starting with an integration for smart hubs, like an Alexa skill. This will not only give you the best reach, but should also give you access to a wider range of customer data to use for personalization, plus more flexibility in what your integration can do.

2. Define the value: How do you choose the right focus for your business? You'll first need to define exactly what you want to offer your customers.

This will depend on a variety of factors — how do customers usually interact with your brand? How often do they buy? For instance, if your product is purchased on a subscription basis, a voice-ordering app in the vein of Starbucks or Domino's won't make much sense.

As we've seen, it's important to think about the value you can provide customers beyond simply making a transaction. Can you

"If you just deliver tech for tech's stake, people will test the novelty of it, but it won't stick."[6]

Brendan Witcher
Forrester Analyst

help them get more out of your product, or use it more effectively? Can you remind them to complete activities (other than purchase) that both benefit your business and earn them loyalty points?

For example, a health insurer might offer members an app to connect with their fitness wearables, allowing the provider to offer personalized wellness tips and incentivize healthy behavior.

Without a clear value proposition, your app or integration will see little uptake - and that means less value for your business, as well.

3. Get the right support: For many businesses, the greatest challenge of IoT won't be figuring out what services to offer your customers or what devices to integrate with — rather, it will be managing the technical side of things.

To truly provide a consistent and personalized experience, you'll need to ensure you can link up with your loyalty platform, market-

ing automation software, content management system, and relevant customer data — in real time.

In most cases, you'll also need some kind of platform to process the data coming in, analyze it and push recommended content back out. To do this well, most businesses will look to an external team to help develop the integration and support the delivery of a joined-up experience.

4. Keep everything connected: Connection is the heart of IoT, but in this case we're referring to your loyalty marketing strategy as a whole. The most important thing to remember is that IoT is a channel. It's an exciting one, sure, but like any other marketing channel, it can't operate effectively in isolation.

The customer's experience of doing business with your brand spans more than one touchpoint — and that means your loyalty marketing strategy must do the same.

Loyalty for a Connected World

Hopefully, through the course of this short ebook, you've seen that the Internet of Things is well-worth exploring, and been inspired to start dreaming up new ways for your brand to deliver value to customers and build lasting relationships.

As you start to build your connected loyalty strategy, keep the customer front-of-mind. In today's marketing landscape, customer experience is paramount - and delivering a poor experience leads to low customer uptake and wasted resource.

But good experiences — those that deliver personalized convenience and value that goes beyond price alone - will be more than brand interactions. They'll make your service an essential part of a customer's lifestyle and creating valuable, ongoing relationships for your business and your customer.

And if you're still on the fence about IoT, consider this: Brands that start exploring connected loyalty early on will establish themselves as leaders in the new, tech-driven era of customer experience. And soon, those that aren't present in the connected ecosystem will be noticed - and left behind.

Loyalty has evolved, and so must your business — we'd love to show you how. Get in touch today:

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