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**LOYALTY INDUSTRY™**  
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## How to increase Global Engagement

### Why Engage Globally?

Many companies have global loyalty programs reaching out to members from 50 or more countries. For a significant number of these programs, the core market is the local market, and therefore measures to increase engagement are often targeted towards local customers.

This can be a risky strategy. Taking the example of the airline industry, if local customers begin to fly less frequently, an airline’s revenues will become more dependent on non-local customers. In the case where the local market has been disproportionately impacted by the global downturn, it will now be important to capitalise on the engagement amongst non-local customers.

### An Example from the Airline Industry

One trend that is therefore worth noting is that non-local airline customers are more engaged by non-flight rewards than by flights themselves. Looking at data from a Loylogic airline client, the pattern is clear. Local members make up less than a third of the total member base, but claim more than eight out of ten reward flights and upgrades. The 68% of the member base who aren’t local to the airline are significantly less engaged by the flight rewards, but make up the majority of the non-flight rewards redemptions.

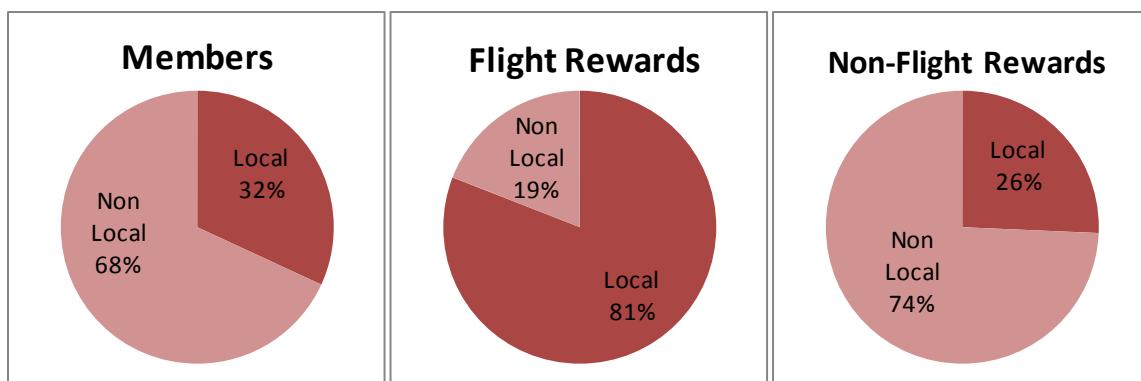


Figure 1: Breakdown of member base and reward redemptions by Local / Non-Local Members

### Why do Members behave like this?

Most people who fly a lot have a preferred airline, typically their “local” carrier. Their relationship with this airline is driven by both functional and emotional attractiveness. Functionally, the local carrier has the advantage of proximity and convenience; emotionally the airline has the advantage of

nationalistic association and familiarity. Because of the functional necessity of using the airline in particular, flight based rewards are especially valuable to them. Therefore to save up for these rewards, they will participate in co-branded credit cards and engage with other partners that help them to earn more miles for their local program.

However, sometimes they need to fly to a destination for which their preferred airline would be impossible or inconvenient to use (and therefore the functional advantage is eliminated). Here, they will use a secondary, probably non-local, airline to which their underlying loyalty is far lower as the functional and emotional advantages described above are eliminated. As a non-local customer to this airline, they hold much lower underlying levels of functional and emotional loyalty.

For the non-local airline, engaging these frequent flyers is therefore more difficult than engaging the members resident in their local market.

As a non-local, these customers often fly repeatedly to the same destination, in many cases for business. Although their frequency of flight is lower than with their principal local airline, it is more likely to feature a long haul destination or business class ticket. Therefore both the revenue to the airline and the value of points accrued by the customer is typically higher than for a local customer's typical flight. If the business destination to which they fly to earn the miles is unappealing as a destination for a reward flight, offering only flight rewards will not encourage the member to consistently choose the same non-local airline. In this case, the frequent flyer will be more motivated by a non-flight reward, sourced from their own local region, which can be shared with their family at home.

It would be tempting to argue that the preference for a non-local customer to take a non-flight reward is driven by lower miles balances; however this is not the case. Our data shows that even members with exceptionally high miles balances are still twice as likely to take a non-flight reward if they are not local to the airline.

So it is the customer's location, and not their miles balance that determines their choice of reward type.

### **How do global rewards drive greater engagement?**

Clearly, non-local customers prefer to redeem their miles for global, and therefore in this case non-flight, rewards. But preferring global rewards isn't enough for a global loyalty program to commit to a global reward offering. We must also prove that non-local customers become more engaged by the rewards that they prefer.

One measure of customer engagement is the Net Promoter Score: the % of customers who will actively recommend the company to their friends and families minus the % who will talk negatively about the company. Based on survey data from the same airline, we see that non-flight reward redeemers are the customers most likely to promote the airline.

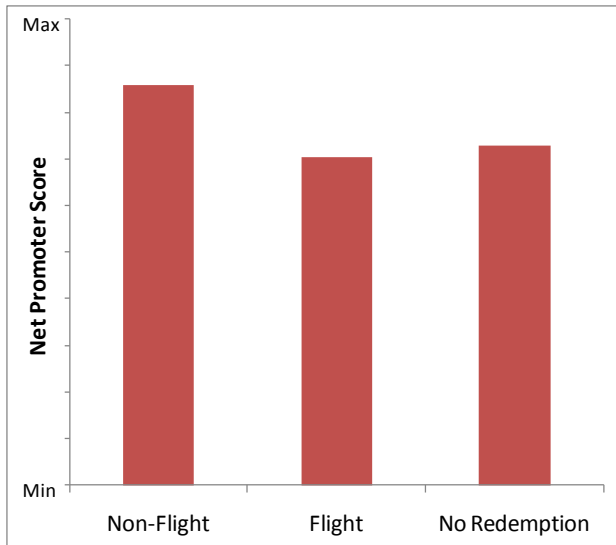


Figure 2: Net Promoter Score by type of redemption

From this data, we can see that non-flight reward redeemers are over 15% more likely to promote the airline to their friends and family than those customers who have not yet redeemed for a reward.

Global rewards therefore don't just engage more non-local customers; they engage them more deeply.

### Engage Global Members by offering Global Rewards

By offering relevant rewards on a global basis, companies can better engage their global members with their loyalty programs. As these global members become more engaged, loyalty and interest increase outside of the company's core market, leading ultimately to higher sales and a more diverse and more active customer base.

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### About the Author

Beccy Turner is the eCommerce Manager at Loylogic, Inc. where she works to understand member behaviour and optimise customer accounts. Before joining Loylogic, Beccy worked for five years at Tesco.com, the leading UK grocery retailer, and completed an MBA at INSEAD.

### About Loylogic

Loylogic is the leading provider of global points 'earn' and 'burn' solutions to loyalty programs. We help our program customers to boost member engagement by combining loyalty innovation with state-of-the-art technology and the fastest-growing global merchant network. Loylogic Inc. is an independent company with headquarters in Zurich, Switzerland and offices in Atlanta, USA and Dubai, UAE. For more information, visit [www.loylogic.com](http://www.loylogic.com).

### Information

Loylogic Inc.  
Media Relations



Freihofstrasse 22

CH-8700 Kuesnacht/Zurich

Phone: +41 43 500 51 55

Fax: +41 43 500 51 56

Email: [press@loylogic.com](mailto:press@loylogic.com)