

Air Miles Netherlands Lifts Customer Loyalty by Highlighting the Brands

A long-standing coalition loyalty program increases membership and boosts loyalty by shifting its focus from points to brands and providing members with more relevant rewards.

By Lauren Gibbons Paul

When it comes to global consumer loyalty programs, names do not get much bigger than Air Miles. Founded in 1988 with a U.K.-based program, Air Miles later spun off several independently operated loyalty programs, including Air Miles Netherlands. Owned and operated by Loyalty Management Netherlands (LMN), Air Miles Netherlands enjoyed much success with consumers after its inception in 1994—immediately counting nearly half of Dutch households as members. Consumers earned points by purchasing from participating brands and then converting these rewards into airline mileage.

The owners of several of the biggest Dutch consumer brands banded together to invest in Air Miles Netherlands. Meanwhile, consumers were keen to earn Air Miles as quickly as they could, usually at the rate of one point per currency unit spent. Air Miles Netherlands acted as the loyalty “broker,” running the then-massive database of member data and communicating with those members, whose identities were veiled to comply with European privacy regulations.

But by the turn of the millennium, times had changed. Many more brands had joined the program. And larger brands were downsizing the number of points they awarded, which diluted members’ perception of the program’s prestige and value. By 2004, membership had dropped precipitously, and a prominent sponsor (Dutch bank ABN AMRO) had pulled out. By then, it was clear something had to be done to reinvigorate the program for both members and brand owners.

The Evolution of Loyalty

In 2010, Erik van Essen joined LMN as managing director. His chief objective: transform the focus of the program from earning generic points, issued by Air Miles, to engaging customers more deeply with the brands. “I was up for this job, because the brand owners were not satisfied with how this program was working,” van Essen says. “They needed someone to make the program more effective.”

Until the transformation, members had seen Air Miles as the source of their rewards and miles. Now, van Essen and LMN shareholders agree, customers need to understand that the value of the program emanates from the brands. “People in the Netherlands felt that the Air Miles program itself was giving the rewards for shopping,” he says. “But although the Air Miles brand was important, we exist because of the partner companies.”

In other words, the road to customer loyalty, according to LMN, is to link the points and rewards with the brands and each brand’s experience. The result is increased loyalty to the brands—not to the points customers could earn.

Figure 1

Loyalty Management Netherlands (Air Miles Netherlands) at a Glance

- **Industry:** Loyalty management
- **LMN shareholder companies:** Shell Netherlands, Ahold, Praxis and V&D
- **Loyalty program members:** 3.8 million consumers
- **Headquarters:** Hoofddorp, Netherlands
- **Web site:** www.airmiles.nl

Air Miles Netherlands: What’s Ahead

According to LMN Managing Director Erik van Essen’s forecast:

- **Growth in database contacts:** 50%-plus
- **Growth of Air Miles points:** 200%-plus
- **Growth of points-redemption transactions:** 200%-plus

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Additionally, van Essen explains, the program was too generic. “For all types of brands, we used the same approach. But each brand needed a different approach for its different kinds of customers,” he says. For example, the customers of program participant Shell Netherlands behave entirely differently from those of Praxis, a building materials company for consumers. “The dynamics of buying fuel are completely different from buying do-it-yourself materials,” he adds.

For the first time, Air Miles brand owners wanted to use the program to engage with customers in a more direct way, one in which the brands could recognize high-value customers with more points and rewards. For customer loyalty expert Martha Rogers, Ph.D., that type of differentiation is the heart of successful loyalty programs. “The popularity of loyalty programs will always ebb and flow with consumer sentiment. But the utility of the program is in the brands and how they use the program to treat different customers differently,” says Rogers, a noted author and founding partner of Peppers & Rogers Group.

New System, New Value

To make this change, LMN needed to update its legacy mainframe-based customer contact system, implementing a CRM solution that would be robust and flexible enough to enable different strategies for each brand owner. Last year, LMN shareholder companies contributed the funds necessary to implement a CRM system with a loyalty management module that has already helped the company control costs while building customer loyalty.

Today, each of the LMN shareholders’ brands has the opportunity to devise its own program within the Air Miles program, while still appearing unified to members. For instance, Shell created its own program within Air Miles in which all Shell customers receive one Air Miles point per liter of fuel purchased. In addition, Shell awards extra points for customers who visit their Shell station more often than the average customer. Customers receive regular reminders of their point levels via e-mail and postal mail, giving them an incentive to reach the next rewards level, van Essen says. The most frequent consumers receive up to eight times as many bonus miles and points as they would have earned in the program’s prior iteration.

“The main objective is to get people interested in visiting the shops again, to see in person what the brand/retailer has to offer that meets their specific needs,” van Essen says. “We create individual contact strategies related to the objectives of that brand.”

As for Shell, “the sales results are very strong,” he says. “Because of this approach of treating your best customers better than others, Shell gained market share in the highly competitive market for fuel.”

Figure 2

Customer Loyalty Programs: Five Best Practices

Rather than focusing on points or miles, loyalty programs must deliver real customer value. That value will look different from one customer to another, according to Don Peppers, a founding partner of Peppers & Rogers Group. Peppers cites five essential practices for customer loyalty managers:

- 1. Leverage customer insights.** A multi-brand program like Air Miles gives brand owners the chance to understand consumer behavior outside their immediate domain. Knowing the other brands customers frequent gives you deeper understanding that can be used to craft highly relevant individual offers.
- 2. Make the program modular.** The value proposition of frequency programs like Air Miles depends on having a multitude of partners. According to Peppers, Air Miles was one of the first truly modular loyalty programs, making it easy for partners to plug in.
- 3. Maximize openness.** Consumers want program rewards to be as useful as possible and applicable toward a wide range of rewards. The closer program rewards come to actual money, the better, Peppers says, so more partners make a program more valuable to its members. In addition, when members have a wider array of opportunities to use their points, you have more chances to gain insight about their preferences.
- 4. Put customers at the center of the program.** Large consumer goods companies typically approach loyalty programs from a product- or brand-centric point of view. But to provide real value, Peppers says, the programs must focus on customers, and they should be managed around customer relationships.
- 5. Keep it simple.** One of the concrete lessons from the earliest days of loyalty programs is that consumers want simplicity. They do not want to carry a multitude of cards and earn a variety of different types of rewards. A streamlined system is best.

Source: Peppers & Rogers Group

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Now, van Essen and his team are encouraging other LMN shareholder brands to use the advanced system capabilities to create their own loyalty programs within the central Air Miles program. Each brand will be able to exploit customers' typical buying patterns and support company objectives, too. Being part of a coalition of high-profile top brands while also having the option to create an individual loyalty program is the winning combination for the LMN shareholders' brands, van Essen says.

The new loyalty system has also encouraged brand owners to simplify their approach to customer loyalty. As recently as a few years ago, Shell, for example, had traditionally operated several loyalty programs, including one built on paper-based "green stamps." "The customer would bring in a full card of stamps and get money back from their gas purchase. Then they also would receive Air Miles points," van Essen says. Now, Shell focuses solely on Air Miles. "Customers really love super-simple programs," Rogers says.

Data-Based Loyalty Insights

Last year, Air Miles Netherlands' membership grew by 10 percent—or almost 400,000 more consumers—which van Essen believes is an indication of the program's ability to deliver higher value. Meanwhile, the brand owners are using more data. "More usage, more data, equals more money" for the brands, he says. And the pace of system cost increases has slowed considerably from the mainframe days.

"It's amazing that if you have a really specific targeted program, you can drive market share. We have proved that with Shell," van Essen says. "The program can really influence consumers to stop next time at the Shell station."

As for LMN, it will begin making more and better use of customer data in the next 18 months. van Essen expects his group will invest more in analytics over time to use the data in new and different ways to increase value to both brand owners and members. He says: "This data is a gold mine that we did not use in the last few years." ■

Figure 3

The Payoff: Shell

According to LMN's Erik van Essen, Air Miles Netherlands brand owner Shell Netherlands is enjoying several concrete benefits from the more targeted Air Miles program:

- Simplified its approach to customer loyalty by ending its paper-stamp loyalty program in 2012.
- Implemented a differentiated reward system. More relevant rewards for the best customers drives retention of those customers, which equates to growth in the average amount of fuel sold per customer.

Source: Loyalty Management Netherlands

Lauren Gibbons Paul has written extensively on customer relationship management and customer experience management topics for more than 15 years. She has written for Peppers & Rogers Group, Forrester Research and leading business technology publications.

How SAP Helps Organizations Drive Customer Loyalty

The SAP 360 Customer solution for marketers enables organizations to capitalize on big data insights, champion customer experiences and streamline marketing operations. The Loyalty Management capabilities of SAP 360 Customer provide a foundation for companies like Loyalty Management Netherlands to build stronger brands and cultivate loyal customers.

The integrated loyalty solution helps businesses plan, manage and execute multichannel loyalty programs—including mobile and social media channels—in addition to building customer loyalty with personalized programs and rewards. With this foundation, marketing organizations can automate a closed-loop process that includes program design, targeting, program execution, flexible points accounting, and award redemption and fulfillment. Organizations also gain a complete view of loyalty account status, along with a wealth of customer behavior information that can be mined for greater insights to fine-tune and optimize customer engagement strategies.

The SAP 360 Customer's infrastructure is scalable and supports high transaction volumes; several organizations using the solution already support millions of customers. Implementation can take as little as three months.

One of the benefits for companies that have already implemented SAP Loyalty Management is the native integration with other SAP enterprise components, which enables end-to-end process automation and a 360-degree view of the customer. Both employees and loyalty members can easily access complete information on customer accounts, loyalty status, and purchase and interaction history.

The bigger value of the Loyalty Management product comes from analyzing and optimizing loyalty program performance. Real-time loyalty analytics and dashboards can help with mid-course adjustments, more accurate targeting and personalized rewards that optimize the revenue and profitability of customer relationships.

Businesses that use SAP 360 Customer Loyalty Management have:

- Increased customer understanding, thanks to access to high-performance data discovery and analysis tools designed for marketers.
- Improved customer targeting through predictive analytics that help businesses anticipate customer behaviors.
- Cultivated customer loyalty with in-context offers based on real-time customer location and preferences.
- Responded more quickly to changing market conditions through streamlined marketing processes and greater social collaboration, across the enterprise and beyond.
- Improved customer retention using multichannel loyalty programs that deliver personalized rewards.

For More Information

For more information about the SAP 360 Customer solution, including Loyalty Management, Campaign Management and Segment Management, please visit this Web site: <http://www.sap.com/marketing>.

SAP's Customer Loyalty Solution

- SAP Loyalty Management
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