

THE LOYALTY LANDSCAPE ADJUSTS TO THE PANDEMIC

COVID has changed the commercial landscape. To understand how, you need to understand how it's changed your customers' lives



DATASHEET

WHERE ARE WE NOW?

For commercial enterprises, to some extent the (predictable) reaction to the pandemic that began in 2020 has been to indulge in a year of contemplation, trying to work out what's changed. The standout question for most has been: "How should we adapt our business to succeed in the face of COVID-19?"

That's a good question, but it might be the wrong one to ask if the goal for the enterprise is long-term commercial success. Pandemic or not, the question companies should be asking is: "What's changed for my customers? How has the pandemic impacted needs and expectations? Is what we did pre-2020 likely to remain the best way forward?" Such contemplation means that now, as we gradually enter the post-COVID world, 2021 could be a year either of adjustment or even of sweeping change. Let's look at 'how?' and 'why?'.

Today, efficacious if imperfect vaccines have arrived. While the pandemic is far from over and COVID likely won't disappear anytime soon (if ever), the clouds (out of economic necessity if nothing else) will begin to lift. As such, many challenges remain; not least among them meeting the logistical demands of how to quickly inoculate billions of people, for how long the new vaccines will provide immunity, and whether the virus itself will mutate rapidly enough to render the vaccines ineffective. On all these questions, only time will tell.

This suggests uncertainty isn't going away any time soon and certain aspects of our lives - the social, at work, and at home - have, we can say with a reasonable degree of certainty, changed forever, irrespective of how the vaccine story plays out. Understanding how they've changed is the key to understanding your customers.



WHAT'S CHANGED FOR YOUR CUSTOMERS?

The scenario we would all love to believe is that the world will soon return to a state that closely resembles pre-pandemic conditions; that hospitality, travel & leisure will bounce back, shops and restaurants will once again be full; that going to the office will resume its former role of 'business as usual'. But we need to ask, is this scenario likely?

An alternative scenario is that the vaccine(s) allows us a partial return to normal, but that restrictions remain for some time yet. People will still travel less; offices may be re-opened but are significantly reduced in capacity. Government-imposed rules mean that some part of every nation is perpetually in some form of restriction or lockdown for the foreseeable future.

And of course, on the continuum between these two extremes are numerous other scenarios which might represent the state we will find ourselves in for at least the next year and probably longer.

Regardless of where we end up on the spectrum the implication for businesses, consumers, and the economy will be profound. What companies need to identify, if they can, is which new trends are here to stay as opposed to which are transient, temporary reactions to the ongoing situation. Digitization, which has been accelerated by the pandemic, fits into the former category. There is no going back. Businesses have to either adapt to digital commerce, or risk losing out to socially-savvy, online brands, who have always engaged with consumers remotely. For proof, just one example is the UK's Arcadia Group, once one of the nation's leading retailers but now in administration. Why? Simply its failure in recent years to shift its business online. Equally, there are also significant changes in consumer sentiment emerging and these indicate changed priorities, and a redefining of what customers truly value.

In this paper, we're going to explore these shifts (both fundamental and temporary) and their implications on loyalty practitioners and marketers.

HOW TO BUILD UPWARDS ON THE SHIFTING SANDS OF A PANDEMIC

So, we all want to say that COVID, or at least the worst of it, will soon be over but we know it won't be. That doesn't mean we can't see the glass as half-full, rather than half-empty, so what enterprises must do is to identify changes they can embrace and trends they can utilize. What might those be? What trends are presently impacting how we engage customers with our loyalty programs and CVM activities?

The COVID-impacted customer

Today's consumer has in historical terms led a sheltered life. World wars have ceased to exist in our lifetimes. None of us have before experienced a global pandemic. As a result, the events of 2020 have been a strong emotional occurrence that is deeply rooted in our minds and, in turn, will affect our behavior in both the short and long run. This emotional impact is manifesting itself in significant behavioral changes – not only driven by fear but also instinctively as a way forward/out of the crisis, showing our species' adaptive nature. What has changed?

- ❖ Customer needs - Consumer needs are focused around psychological health and wellbeing as primary motivators of all decisions. The suffering resulting from a loss of control and connection is also re-defining traditional priorities.
- ❖ Customers' lifestyles and usage patterns – During the pandemic, digitalization has increased significantly. Consumers have moved dramatically toward online channels and companies, and industries have responded. Numerous surveys confirm the rapid move toward interacting with customers digitally. They also show that rates of digital adoption are years ahead of where they were only twelve months ago. Data suggest consumers today are three times likelier now than before the crisis to say that at least 80 percent of their customer interactions are digital in nature.
- ❖ This digital quantum-shift is driving the creation of digitally enhanced offerings. Across regions, there is evidence of a dramatic increase in the rate at which companies are developing new digital products and services. The leap appears to be greatest in developed Asia.
- ❖ Work and finance – Expect 2021 to augur in a global rise of unemployment. That means a reduction in available income and more budget conscious customers. While disposable income will ultimately return to pre-pandemic levels, that won't happen any time soon. And remote working? Don't expect that to stop anytime soon either.
- ❖ Learning - Spend on new learning media will increase. While remote learning for traditional primary and secondary schools may abate as things return to normal, adults and university students are likely to continue to engage in newly discovered online courses long after the pandemic has receded. The online learning boom may be here to stay. According to YouGov, around a third of Netflix users now use the platform for educational content, blurring the lines between learning and leisure. Utilizing this trend can be a real USP.
- ❖ Communications - In-person sampling declines and the shift in media consumption habits continues. Overall, media consumption has changed. Consumers are now watching more television, using more social media, and listening to more radio.
- ❖ Life, Play, Entertainment & Wellbeing – A preference for digital entertainment is now clearly established. This trend would likely have happened regardless of the pandemic, but digital adoption has been speeded up as a result of it. For instance, additional play time downloads of gaming apps is already at two thirds the level in H1 2020 as the total last year, and there's been a dramatic entertainment channel shift: Disney+ achieved in 5 months what it took 7 years for Netflix to do. Fitness on demand is another trend making headlines.
- ❖ Travel – The pandemic has seen an 80% decrease in international travel and the numbers likely won't return to normal any time soon. The silver lining: Domestic tourism is up. That's an opportunity.
- ❖ Buying patterns and behaviors - On-the-go, random consumption has declined, replaced by a surge for online commerce and shopping closer to home. Partly as a result of this, trusted brands have become even more trusted because direct, personal experience and interaction is more out of reach.



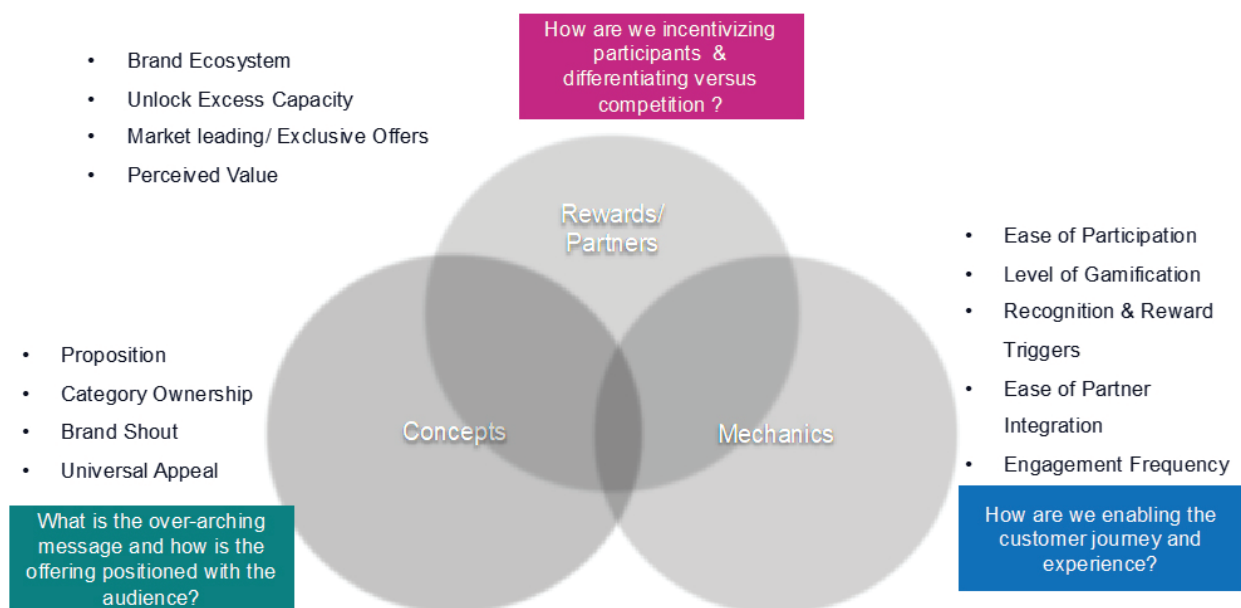
So the question enterprises need to ask themselves in light of all of the above is, how has my customers' behavior changed? What does the new persona halfway through the pandemic look like? As you'd expect, the answer is "quite different" and it contains the trends the savvy enterprise needs to address. Among these are 'nesting indoors'. Home is the new coffee shop, restaurant, entertainment and fitness center. The laptop and phone are the media, pivotal in our lives which, quite literally, depend on them more and more. For telcos this is good news; your tools in the hands of your customers have unrivalled attention. Ensure they are used wisely and in innovative ways and you will access a rich seam of commercial opportunities. Furthermore, act now! Thus far in the pandemic, it's widely accepted that loyalty program satisfaction has decreased, a shocking result considering that conditions for the reverse to be happening are so favorable.

TO FLOURISH, ENTERPRISES WILL HAVE TO ADAPT

In 2021, loyalty practitioners will find themselves holding the keys to their organizations' success. It is they who have the ability to keep customers satisfied and to design innovative programs that drive long-term customer relationships. Easier said than done? Perhaps not. Here are some ideas of how you can enhance and turbo boost your loyalty approach:

First, in general it has never been more important to collect/analyze and keep an eye on your customer data than it is now. Are you constantly updated on changing behavior? Are you regularly adapting your loyalty program elements to address the changes?

Furthermore, what are the elements of these programs that you should be looking at? Let's use our loyalty framework to answer this, and see how we can enhance both our loyalty and CVML approaches.



First, examine the loyalty program concept. What is the over-arching message we're sending and how is it resonating with our customers? Possibilities:

- ❖ Back to normal soon but still you can build on the lifestyle changes that have happened during the pandemic (e.g., digitalization, focus on wellbeing etc). Is this a perfect time to refresh your proposition and think about the categories you are using? Should you add new ones to meet present needs such as health/wellness/education?
- ❖ The new normal has shifted demand towards the lower/basic part of the 'needs' pyramid and now increasingly involves the whole family as a result of the digital shift. Are your programs still speaking to the old, more limited audience or are you taking this broader market in hand? If you are a partner in the customer journey then you have the basis of a long-term relationship. What are you doing to develop it? Getting things right in the loyalty arena delivers a strong retention potential as well as driving acquisition. Innovative first-movers, as ever, will be the winners.

HERE'S WHAT TO THINK ABOUT DOING NEXT

So how do you revitalize your loyalty program concept to do just that; win, and retain, market share?

The key steps:

Mechanics – How are you enabling the customer journey and experience? Regardless of the scenarios, examine how changes in the mechanics and the way you run your program will be beneficial to your customers. There are many factors to keep in mind here but the most important and possibly the easiest to power up are gamification strategies. Can you optimize the digital journey to include this new trend? We know that gamification does not only mean to use games but to deploy game characteristics and various different game-design elements in different ways to awaken desires and increase engagement.

And what else can you do to spice up and make your existing program more engaging? Contests, competitions: rewards that support digital, home-related lifestyle changes perhaps drawn from challenges that you can integrate and relate to various topics like wellbeing and education; use games like shake 'n win to make customer interactions more engaging. Use also surprise rewards and limited time bonus points.

THE FIRST USERS ARE ALREADY MOVING

Renew your life, renew your loyalty program, reinvent your mechanics. Industry leaders are already acting.

The lessons? Incentivize customers to build enhanced relationships with you and in the process differentiate yourself from the competition. Review, urgently, your rewards and gift brand ecosystem. Find relevant, themed partners you can add to your portfolio in areas such as wellbeing.

Even if 'normal' returns your reward portfolio will have been enriched by new categories. Consider that now is the time to build an always-on themed partner portal as an additional layer on top of your existing program mechanics. And, of course, by using personalization and adding gamified elements (e.g., Fun Day partner rewards with countdown and offering limited stock to utilize the scarcity bias) you can turn your loyalty program into a revenue center.

In challenging market conditions, you have to change your reward portfolio. Entertainment related rewards might not be attractive as customers will be hesitant to use them. No one is rushing to the cinema, mid-pandemic. It is essential now to look at how customers have changed, what their fears are, their new preferences and then to adjust your portfolio to help them thrive, feel safe and support their new-normal lifestyles.

So, to conclude, now is the time to listen to your customers. Be generous and package a COVID-related proposition (e.g., free data) into your program so that support and positive emotions are associated with your loyalty offering. This will help long-term engagement without harming your overall proposition portfolio, and your customers will not anchor your proposal around the higher benefit level.

Put another way, there's one sense in which the new normal is just like the old normal. Whatever you do – stay focused on the 3Rs:



Retain Customers



Repeat Behaviors



Reinforce Emotions

The loyalty game is changing, but the underlying principles are not.



About Evolving Systems

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