

Loyalty is its own reward

Seventy-five percent of US consumers participate in one or more loyalty programs (Jupiter Research). At one time you saved coupons, soap labels, cereal boxtops, or “Green Stamps”—simple programs that translated into simple rewards. You purchased products because there was a high degree of involvement in the product-buying experience—by being loyal to a product, there was a reward.

Today virtually everyone has a credit card and many of us accumulate points based on use. Points also accumulate with airline, hotel, rental car, bookstore, supermarket, coffee shop, or other retail or business loyalty programs.

There is value in a loyalty program for both the buyer and seller. Each derives a benefit from the relationship. Loyalty translates into revenue.

What are the keys to a great loyalty program? Good customer service is first on the list. This can be as simple as email or telephone contact for questions.

There must also be a value exchange between the business and the consumer.

There is a thin line between discounting and reward. The best programs keep users informed of their “status” and how this translates into rewards. The best programs provide many opportunities to redeem points and provide unique services and/or experiences.

David Baker, vice president of email solutions at Avenue A/Razorfish, sees a relationship between a reward program and a loyalty program. Both create long-term value and keep us coming back. But, will it become more expensive to administer a program that rewards the best customers and provides incentives to buy more frequently, or is the company simply giving away margin?

The future of loyalty programs is simple—they should make customers feel they are still getting personal attention in a digital and sometimes impersonal age.

Loyalty will not be measured purely by satisfaction or spending volume; they should be measured by profitability and reach. The cost to acquire, service, and retain customers will be a stronger prediction of loyalty than spend patterns and customer satisfaction

scores. Loyalty programs will need to be more than past spend and behavioral patterns.

There is no doubt that loyalty programs have value. Members of loyalty programs spend more than non-loyalty customers, but is the spending pattern due to a particular loyalty program—or are big spenders migrating to programs that have rewards so that they reward their own spending patterns?

Loyalty marketing is a part of Customer Relationship Marketing (CRM). Originally, CRM was all about counting the coupons and boxtops that came in. The customer then received their reward, which was probably accompanied by a form letter.

CRM was once about centralizing customer information—recording all customer interactions in one place for easy reference. CRM gave companies the ability to communicate with their customers, even when there were no coupons to count.

Today CRM is about a “conversation”—a continuing exchange via paper mail, email, telephone, and websites.

Customers also want to have intelligent conversations with each other as well as with the company: in forums, on blogs, on product reviews, and on wikis. They talk about the company and its products and services with each other.

One such “conversation” can be a feedback blog where you ask your customers questions. This can provide rich qualitative feedback and more ideas than you can handle. Surveys also provide a great way to determine trends and identify new opportunities to fine tune the customer experience. Surveys turn anecdotal information into hard numbers that you can act on.

Just like the age of box tops, loyalty programs are their own reward.

DID YOU HEAR?

- Twenty-five new undersea cables are being installed to meet international growth in broadband communication—from 30 million to 337 million households in six years and from 15 to 65 terabytes per second (TeleGeography Research).
- The digital photo print market in the U.S. will peak at 22 billion prints by 2011, before beginning a gradual decline in 2012. Many new digital camera owners will turn to printing to emulate the experience they have had with film cameras, “evolving” as a digital photographer and turning to other methods of viewing such as digital picture frames and photo books (InfoTrends).
- People sent a catalog account for 22 percent of website traffic and 37 percent of money spent at those websites. These consumers made 15 percent more transactions than customers who had found the website via a search engine, and their spending was 16 percent higher (2008 DMA Statistical Fact Book).
- Eleven percent of households download coupons via the Internet—an 83 percent jump since 2005. Half of all households still get their coupons from the Sunday newspaper. Other leading places for acquiring coupons include the mail at 35 percent and at the stores where people are shopping, at 33 percent (Scarborough Research).
- About 40 percent of Americans use the Internet for some level of banking (Pew Internet). In 2011, 76 percent of online households will bank online (Forrester Research).
- Average U.S. Internet time spent online per month is now 65 hours 58 minutes (Nielsen Online).
- The single-piece letter rate has increased 27.8 percent since January 2001 (USPS).

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SHORT TAKES

The average U.S. head of household is now nearly 50 years old. More than 80 percent of the growth in the number of households in the next five years will be among those headed by people 55 and older. Aging baby boomers will add more than one million consumers per year to the 65-and-older segment during that time—increasing its number at more than twice the rate of the past five years. Boomers are risk-averse consumers who want to hear at least two of these three words: guarantee, safety, and experience. Risk-averse consumers are also interested in price (think senior discount).

Advertisements appearing in traditional media are still "much more likely" to have made a positive impression with consumers than ads running in digital media. The study "When Advertising Works" was conducted by Yankelovich in association with Sequent Partners and the Center for Media Design at Ball State University. Traditional media included billboards, magazines, newspapers, radio, TV, and movie theater commercials. Digital media included e-mail messages, Internet banner ads, social networking Websites, video games and video-sharing sites like YouTube. When asked what kind of an impression the ad made, 56 percent of survey respondents said traditional media ads made a positive impression, in contrast to 31 percent who said the same about digital media ads. Thirteen percent reported a negative impression of traditional media ads versus 21 percent for digital media ads. One benefit of digital media over traditional media is that one can advertise to a potential customer and take the order at the same time.

The downturn in the U.S. advertising economy may be due to one factor: online. There is an accelerated shift of advertising budgets from traditional media into digital media options, said Jon Swallen, senior vice president-research at TNS Media Intelligence. Swallen says that 2008 ad spending across major media showed a relatively tepid growth of just 0.6 percent. 2008 is a so-called "quadrennial" year: a once-every-four-year phenomenon in which two big advertising events—the U.S. presidential election and the Summer Olympic Games—have historically been a boon to the advertising economy. These cyclical events may provide some stimulus later in the year, but they are being offset by general economics, especially the downturn in consumer confidence and consumer spending amid spiraling food and energy costs.

DisplaySearch has released the Worldwide Flat Panel Forecast Report showing what applications will grow the fastest over the next eight years. The report forecasts a 167 percent compound annual growth rate (CAGR) for shipments of OLED panels from 2007 to 2015. The CAGR of shipments for mini-note PC applications may be 74 percent over the coming eight years. In 2007, they identified the potential for digital picture frame demand to lead unit growth and that application is still growing strong.

InfoTrends is forecasting that the digital photo print market in the U.S. will continue to grow for the next three years. This print volume growth will stem from new digital camera buyers, as well as the growth of multiple digital camera households. Many new digital camera owners are turning to printing to capture their images for viewing and this is leading to double-digit growth in photo books around the world.

Household behavior toward advertising mail is largely independent of how much advertising mail the household receives. For example, among households that receive zero to seven pieces of advertising mail per week, 50 percent usually read all or some of the mail and 19 percent usually do not read any. Among households that receive 18 or more pieces per week, 49 percent usually read all or some, and 17 percent usually do not read any. While households don't seem "turned off" to high volumes of direct mailings, the percentage of households that usually read all advertising does decrease as the number of pieces increase. The amount of advertising mail received is closely tied to income, education, and age. Higher income, more education and a larger household size—particularly the number of adults—translates into increased advertising mail received.

WHAT'S HAPPENING AT EDSF?

Scholarships enable success

The summer is an exciting time for EDSF as we work to finalize the scholarship awards. Thanks to the continuing generosity of our donors, EDSF was able to provide scholarships to 51 outstanding students for the 2008-2009 year. This year we experienced a 150 percent increase over last year in the number of applications submitted. We owe a special thanks to our Scholarship Selection Committee for their efforts in the difficult task of selecting the recipients. Here's what a few recipients had to say:

"My EDSF scholarship will help me finish my degree in Marketing at the University of Idaho where I will learn the skills to be successful in the field of advertising and product management upon graduation. I look forward to continuing my education; I could not have done it without this scholarship and EDSF's dedication to training the industry's future professionals. Thanks!"

Kristine Kannegaard
University of Idaho

"The EDSF scholarship is important to me as I want to enter a career in advertising communications that intersects document management technologies with economics and the web. I am intrigued by communications methods like digital billboards, interactive websites, and digital point-of-purchase displays. All of these technologies require effective document management technologies to track and bill advertising expenditures, which I am excited to study this fall."

Steven Ludwig
Northwestern University

"With the rising tuition prices and the already unbelievable costs associated with post secondary education, it's getting harder every year to provide myself with an opportunity to learn. EDSF is essential for survival, and I am very grateful to them and Xplor Canada for selecting me to receive this scholarship. Thank you!"

Amanda Rehal
Ryerson University

In light of the state of the current economy, the funding provided by our donors and the leadership of our Board of Directors is even more critical to our students. With their dedication and commitment to education, EDSF has been able to provide 277 scholarships worldwide.

Thank you all.

A complete list of the 2008-2009 scholarship recipients has been posted on the website at www.edsf.org.

EDSF education awards

As our thoughts focus on the start of another school year, this is a good time to begin soliciting nominations for EDSF's Education awards.

The Excellence in Education awards honor, on a worldwide basis, leading educators, institutions, and professional organizations for

their creative curriculums and innovative teaching programs relating to the industry. Five awards are presented each year and nominees are sought from throughout the world. This opportunity is extended to all segments of the document management and communications industry, which includes the printing industry and all levels of graphic media.

Award nominations are accepted November 1-December 10, 2008. Additional information along with the nomination form can be found at <http://www.edsf.org/educationPrograms.cfm>. Please help us recognize the outstanding contributions these educators make in building awareness about career opportunities in our industry, while ensuring that businesses have a talented pool of applicants to recruit.

EDSF Academic Grant Research Program

We are also kicking off our Academic Grant Research program. This initiative provides a collaborative environment where academic institutions are provided with an opportunity to conduct and publish research on subjects of interest to the industry. Each research team is partnered with an EDSF research mentor and receives a \$3,000 grant for their institution.

More information on this unique program is available at: http://www.edsf.org/Reseach_Proposals.cfm. All submissions must be received by Wednesday, November 5, 2008.

Getting acquainted

EDSF will be attending the Graph Expo tradeshow in Chicago, October 25-29. Our booth number is 5637. Please stop by and find out how you can become involved with helping today's students become the future leaders of our industry.

You can make a difference

We hope you find the EDSF Report useful. EDSF provides, at no cost to you, quality research on key industry topics. Past issues of the EDSF Report along with EDSF white papers can be accessed online at www.edsf.org.

EDSF is not a membership-based organization, but relies solely on generous support from corporations and individuals to fund scholarships and research worldwide.

Your support is needed and every gift, whatever the size, is deeply appreciated. Donate online at www.edsf.org.

AD TRENDS

The IDC Digital Marketplace Model and Forecast shows total worldwide Internet advertising to be \$65.2 billion in 2008, growing to \$106.6 billion in 2011. Internet advertising is growing at a phenomenal rate, but it is still relatively new and growing from a much smaller base. By the end of the forecast period, spending for Internet advertising will still trail direct mail by more than \$30 billion, while spending on TV and print ads will each be nearly twice as great as for online ads.

Keyword ads will dominate Internet advertising throughout the forecast period, capturing more than a third of annual online ad spending worldwide. Display ads will be the next largest type of Internet advertising, capturing more than 20 percent of worldwide spending annually through 2011. Classified ads are next, with nearly 19 percent of all online ad spending per year. Spending in both categories will be pressured by rich media ads, which are expected to grow at a CAGR of more than 50 percent during the 2007-2011 forecast period.

There is still a lot of experimentation underway as marketers seek the optimal mix of ad types to reach target audiences. The U.S. will lead the world in both total advertising spending and online ad spending throughout the forecast period with expenditures of \$265 billion and \$45 billion respectively in 2011. More than \$5 billion will be spent worldwide in 2008 in adult content and gambling; information, electronics, and computing will be the leading categories in 2011.

RFID TRENDS

The global RFID market continues its rapid growth with record orders up to half a billion each. Demand for RFID is on target for \$5.3 billion globally in 2009 and \$27 billion in 2018. Recent additions to the global RFID orderbook include Aus\$350 million from the State of Melbourne to boost its public transport RFID card scheme and a forecast by transport analysts that the national RFID card for transport in the UK will cost \$2 billion.

Apparel RFID is surging across the world, including tracking the bolts of cloth in the factories to pallets, cases, and individual items of clothing. U.K.'s Marks and Spencer is a world leader, with 350 million tags used yearly. Hundreds of commercial laundries are washing uniforms and other clothing, such as hospital garments, with the aid of RFID for tracking.

The majority of the money spent on RFID relates to passive tag systems with huge leaps forward in technology. The simplification comes from Low Frequency RFID migrating to HF (High Frequency) or UHF (Ultra HF) to save cost and improve performance while there has been little or no growth in sales of passive RFID at other frequencies. HF and UHF are recording higher volumes as new applications help both quality and cost.

HF is responsible for over half the money spent on RFID, thanks to cards, tickets, passports, library books, drugs, and so on. There is now a surge of new technology being applied to HF that is sharply improving all parameters, including cost. UHF is similarly seeing a surge of innovation.

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RFID trends

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