

Evolving 7-Eleven Rewards ...

Changing goals, recognizing new opportunities, or unanticipated program economics may lead to a need to change the program

Positioning is important

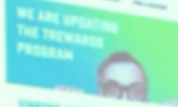
- Researching member reactions to change alternatives can minimize upset disruption
- Positioning the change as the result of listening to the consumer can help
- When taking away, it helps to give back, ideally with a recognizable new benefit

Modeling impact of change is critical

- Sudden devaluation can lead to major loss of sales and member defections
- Plan for winning back the defectors

And, always remember the initial consumer promise. Make transition as painless as possible, ideally deferring change for those most at risk.

TREWARDS



STARTING JULY 17TH, 2012 IMPORTANT CHANGES WILL BE COMING TO THE TREWARDS PROGRAM.



- Understand how programs evolve and the lifecycle of a reward
- Understand how programs respond to competitive initiatives
- Explore fee-based programs and their roles
- Consider the role of partners and brainstorm some offers
- Discuss issues around a program's Terms and Conditions
- Review organizational, legal and accounting issues
- Understand the risk of embracing consumerism
- Recap program economics and our financial model
- Recap our learnings over the past seven weeks
- Discuss the Final Exam



As programs mature, and competition adapts, program strategies and tactics must also evolve

Monitor the competition

- If your competitor shifts the currency, e.g. Delta (or Marriott), develop a response that gives you an edge

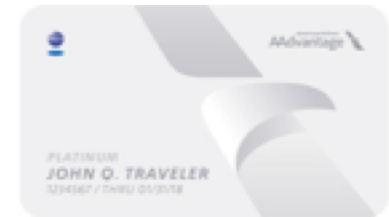
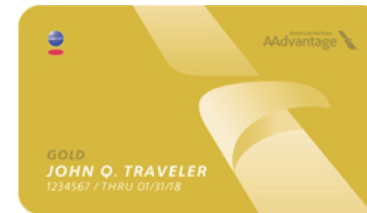
Continue listening to members

- Every interaction is an opportunity to learn from customers
- If there's a gap in the market, e.g. Platinum Pro at 75k, address it

Don't boil the ocean

- Usually evolution beats revolution
- Members have limited mind space

As you evolve, don't forget the implied customer contract!





In 2016, Starbucks changed its program from “visits” based accrual to “spend” based accrual, stating that “listening to members” who said they wanted a program that rewarded them for their spending

The program used to be 12 purchases = any free drink

- A customer spending \$2/cup gets a free cup after \$24
- They said an avg. customer spends \$48

The new program offered 2 points/\$1 spend, with 125 stars for a free drink

- It now required \$62.50 spending for a free drink, or 30% more spend on average
- One “good” feature, members now could have up to a year to redeem vs. 1 month



Few customers felt the change was positive!



Sometimes, despite our best efforts to enroll members and generate incremental revenue, some programs don't profitably drive behavior

Given adequate notice of closure and a credible reason helps mitigate issues

- Given members time to redeem their accrued currency or offer immediate value

Having had good published program Terms & Conditions is essential

- Clearly stated opportunity to both change and terminate the program
- Written by lawyers, with marketer input

Good communications are important

- Use all channels with reasonable frequency

Shutting down isn't fun, but doing it well can preserve relationships

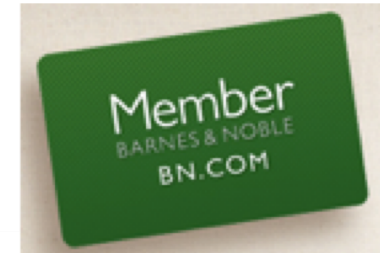




Programs that include membership fees can generate front-end revenue to fund programs, while creating an opportunity cost

The right ratio of benefits

- Prospective members need to see high short and long-term benefits. Consider a perceived ratio of at least 4-5X fees



Pre-payment is a strong bond

- Membership fees create opportunity costs for not shopping

Charge/Waive strategy is a tool

- Consider program costs, consumer value of waiving, marketing value of giving to partners

Enjoy Exclusive Member Benefits

✓ Amazing In-Store Savings, EveryTime You Shop

40% Off List Price of Hardcover Bestsellers

10% Off B&N Price of Almost Everything Else*

✓ Free Express Shipping on BN.com Orders

1-3 Days! No Minimum Purchase**

✓ Member-Exclusive Offers

We'll send you special savings via email throughout the year

Generating millions in program fees can bring attention – be sure to make sure the program controls the fee income

What makes a CEP successful?



- Establish a direct, **programmatic** relationship with a broad base of consumers
- Focus on maximizing the value of each customer, without unnecessarily escalating the cost of serving your loyalists
- Target the right customer and primarily “reward” incremental spending:
 - Identify “Category Heavy” splitters — identify customers who can be stimulated or defended and motivate share shift at minimum cost
 - Reward the right behavior, e.g. enrollment or incremental spending
 - Avoid traditional “points programs” — 50% of cost is wasted!
- Create an opportunity cost for not remaining an active, regular customer
- Engage customers with personally relevant communications
- Create rewards leverage — offer rewards with high perceived value and low costs
- Use reward alternatives — recognition, involvement, “thank you”
- Before launching, have a plan for evolution and how to stay ahead of competition