

Rewarding customers for their loyalty is smart business

Welcome to the October 2015 issue of Visa Fuel Insights. Our goal is to cover timely topics for fuel merchants that accept Visa, while providing up-to-date and relevant industry news and trends to help your business grow. In this issue, we discuss the advantages of coalition loyalty programs, including a loyalty program that influences customer preference and brand affinity for fuel retailers through the benefits they provide. We'll also highlight how Visa Loyalty Solutions can help complement your own rewards program.



Industry Spotlight

Rewarding customers for their loyalty is smart business

It doesn't matter what business you are in: Consumers love to be rewarded for their loyalty. From supermarket chains, to coffee retailers and travel/hospitality brands, loyalty programs encourage ardent buying behavior by typically giving discounts or an allotment of points that can be "cashed" in for future purchases. But what if consumers could "bank" their virtual points with a group of businesses that they frequent, thus giving them even more opportunities to earn discounts? This is the idea behind coalition loyalty programs. In theory, the extra opportunities to earn could make customers spend more. At least that's what retailers count on.

What is a coalition loyalty program?

Popular in other countries¹ but still relatively new in the U.S., coalition loyalty programs encourage rewards-based partnerships among well-known brands across a variety of industries. These partnerships create new opportunities to increase sales and attract new customers. In turn, customers can benefit from more opportunities to earn and redeem rewards from frequent, everyday purchases,² since in most cases those rewards are earned for shopping across the entire sponsor network and can be redeemed with any company within the group.¹ And because the consumer can shop across multiple product categories, this allows them an increase in earning velocity and wider choices for redemption, which then may improve their use of, and perceived value of, the program.³

What can fuel retailers gain from this model?

In general, marketers can benefit from the power of collaboration by leveraging one another's customer bases, brand awareness, and cross-promotional opportunities to access new members. By adopting the nature of a coalition loyalty program, fuel merchants can give customers the ability to engage with multiple retailers across various industries but cash their points in for fuel discounts. Since fuel in particular is a non-luxury necessity that consumers need rather than want, participation by fuel merchants may make the coalition loyalty program more attractive to consumers.

According to a report by the Association of Convenience and Petroleum Retailing, nearly 40 million Americans purchase fuel daily, and this accounts for approximately 5 percent of consumer spending.⁴ And because price is the main reason consumers choose a specific location,⁴ giving them a way to get a lower price on gas over the competition, merely by making other purchases, could grab their attention and increase wallet-share. The Association for Convenience and Petroleum Retailing also reports that "two out of three Americans will drive five minutes out of their way to save as little as five cents per gallon, regardless of fluctuating market prices."⁴

"Members of fuel rewards programs redeem 78% of all their issued rewards within 20 days, compared to only 35% redemption rates among overall U.S. loyalty programs."

- Forrester Research data²

Fuel Rewards® Program: A study in the benefits of sharing your loyalty

The Fuel Rewards® Loyalty program, in existence since 2012, has saved almost 5 million members more than half a billion dollars on gasoline.⁵ Members earn points every time they spend money within a vast national network of participating businesses, and then trade those points in for discounts on fuel. According to an infographic published in *Business Wire*, Fuel Rewards members across the nation save an average of 25 cents a gallon.⁶

Brandon Logsdon, president and CEO of Excentus, and owner and operator of the Fuel Rewards® program, thinks fuel-centric coalition loyalty programs have four principal consumer/member benefits: immediate gratification, frequent redemption opportunities, everyday relevancy, and purchasing power.¹

How Visa Loyalty Solutions can help

Partnering with Visa goes beyond just accepting Visa card payments at your place of business. A coalition loyalty structure enabled with a registered payment card technology, like Visa, can help you increase sales and attract new customers. Visa's technology platform and network reach can benefit a fuel rewards program in a variety of ways:

- Through the reach of VisaNet, you can facilitate rewards earning opportunities to cardholders across numerous merchants and merchant categories.
- All interested merchants can easily participate in the program through a "plug and play" platform without having to modify their point-of-sale or invest in an integration process.
- Visa's technology can provide secure transaction matching for enrolled cardholders.

► For more information, contact your Visa Account Executive or Visa Loyalty Solutions directly at loyaltymarketing@visa.com.

¹ "Coalition Loyalty: A Model With Sustainable Advantages For Retailers." Sports Loyalty International, n.d. Web. <<http://www.sli21.com/?whitepaper=coalition-loyalty-a-model-with-sustainable-advantages-for-retailers>>.
² Fuel Rewards Program. Excentus Corporation. Coalition Loyalty: A Roadmap for Success in the U.S. By Brandon Logsdon. 2nd ed. Dallas: n.p., TX. White Paper, 2015.
³ Collins, Emily. "All for One, and One for All." COLLOQUY, N.p., 8 Sept. 2015. Web. <<https://www.colloquy.com/loyalty-strategies/all-for-one-and-one-for-all/?returnTo=%2Floyalty-strategies%2F%3FscrollTo%3Dall-for-one-and-one-for-all>>.
⁴ 2015 NACS Retail Fuels Report. Rep. Alexandria: NACS, 2015. Print.
⁵ Loy, James M. "The Fuel Rewards® Loyalty Program Has Become a Colossal National Success." Loyalty360, 18 Feb. 2015. Web. <<http://loyalty360.org/resources/article/fuel-rewards-loyalty-program-success>>.
⁶ "What's Driving Fuel Rewards? A Look at Coalition Loyalty in the U.S." Excentus, n.d. Web. <http://mms.businesswire.com/media/20150610005259/ev471791/5/Fuel_Rewards_-_Loyalty_Drivers_Infographic_150608_FINAL_STC_VH.jpg?do_wload=1>.

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Did you know?

Automated Fuel Dispenser transaction chargebacks have changed

Effective October 16, 2015, Visa will discontinue certain chargeback reason codes for Visa, Inc. and Interlink Automated Fuel Dispenser (AFD) transactions with Merchant Category Code (MCC) 5542 – Automated Fuel Dispensers.

Invalid chargeback reason codes

To improve the dispute resolution process for clients, effective for transactions dated on or after October 16, 2015, the following chargeback reason codes will be invalid for all Visa products on Visa Inc. and Interlink AFD transactions with MCC 5542:

Reason Code 30 (Interlink Reason Code 2430) Services Not Provided or Merchandise Not Received	Reason Code 85 (Interlink Reason Code 2485) Credit Not Processed
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NOTE: Visa will discontinue these chargeback reason codes because they do not apply to AFD transactions in the affected regions, but they will still be valid for AFD MCC 5542 transactions involving Visa Europe.

► Contact your Visa Account Executive for more information

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Resources

- Visa Acceptance Resources for Fuel Merchants
- Visa Payment Acceptance Best Practices for Retail Petroleum Merchants
- Learn How Visa Helps Gas Station Retailers Reduce Fraud at the Pump
- Visa Chip Technology
- Chip Card Resources for Merchants