



## The Starbucks and Spiegel secret to customer loyalty

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In an effort to engage consumers on a deeper level, companies are implementing loyalty programs that adapt to the vast mobile landscape. A recent [study](#) by the Spiegel Research Center (SRC), in partnership with the Canadian Air Miles Program, showed the effect of rewards programs in driving purchase behavior. Starbucks Senior Vice President of Marketing Terry Davenport and his team of marketers have discovered the recipe to build and maintain customer loyalty, which serves as a real world example that affirms Spiegel's recent findings.

Davenport spoke about Starbucks success and strategies in November, as a keynote speaker for the Medill Integrated Marketing Communications talent Expo. In his presentation, "Building Iconic Brand Equity", Davenport recalled his experiences as the company launched a new loyalty

program, My Starbucks Rewards.

"We talked to everybody who had loyalty programs, like the airlines, and one of the things they said is "you know, the hardest thing is getting that card in people's wallets," said Davenport.

In reaction, Starbucks marketers transformed what loyal customers already had in their wallets: gift cards. Customers could register Starbucks gift cards online and use them to access free coffee refills, WiFi, and other rewards. Shortly after, Davenport realized that in order to remain current with marketing trends, Starbucks needed to adapt to the mobile landscape.

"Let's use all that technology and all those tools to continue to own that one place Starbucks uniquely owns," said Davenport, and soon a mobile app linked to the Starbucks card was launched.

The app's primary purpose is a method of payment, but it can also be used to access exclusive offers and collect stars after purchasing products. Once a user collects enough stars to move up in rewards levels, from "Welcome" to "Green" and finally to "Gold," they receive a physical Gold Card in the mail. According to Davenport, consumers went "crazy" over the cards that began to serve as a status symbol.

The Spiegel Research Center has conclusively affirmed the success of implementing a loyalty program in order to engage consumers. In the recent Air Miles study, researchers concluded

loyalty programs are a proven, strategic method to increase customer sales and retention.

According to the SRC's research, rewarding consumers for their purchase behaviors reinforces their loyalty to the brand. Providing a mobile app also engages the consumer in ways that go beyond the physical stores. The more a consumer engages with a brand, the more they spend on that brand over the short- and long-term.

Davenport's comments on the Starbucks loyalty program reflect the Spiegel findings in support of a loyalty program as a part of a company's strategic marketing mix. To replicate some of Starbucks' success, below are key findings to guide marketers in improving loyalty programs.

### **Spiegel Loyalty Program Insights for Marketers**

**-Make it multi-tiered:** Spiegel Research shows consumers increase spending +22-68% when they can choose how they receive rewards. Giving customers a way to control their level of engagement provides a more personalized experience. Starbucks' use of different rewards levels encourages consumers to "level up" by collecting more stars, a strategy that acts as a game.

**-Balance Instant Rewards with Long Term Ones:** Spiegel research found that offering long-term rewards inspires customers to remain loyal to the brand,

resulting in more purchases. For Starbucks, a drink refill may be an instant reward, and the physical gift, the Gold Card, is a long-term reward that users must actively work towards.

**-Make it mobile:** Many consumers may not carry their loyalty cards in their wallets, but they probably have their cell phones. Capitalize on the growing use of mobile devices with a user-friendly app to make your loyalty program seamlessly accessible.