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Managing the Economy with "The Five 'P's":
Why Loyalty Companies Need a Taste of Their Own Medicine

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As loyalty marketers we understand better than almost anyone else that the bird in the hand is worth two in the bush. We are, after all, the ones that help our clients increase the value and longevity of their customers through long-term engagement. Yet how many of us, in our own quest for profitability, continue to "beat the bushes" day in and day out in the hunt for new birds, while neglecting the profit potential already in hand? In an economy such as this, the bush-beating simply gets more frantic and less fruitful.

It's never been a better time to start taking our own advice and focus on the profit potential of the bird in the hand.

As marketers in the quest for new customers, we have successfully applied for decades the Four 'P's: **product**, **price**, **promotion** and **place** (distribution). It is our secret formula—the magic and science of marketing. We continually adjust this marketing mix, diligently focusing in on specific 'P's—testing, controlling and measuring what makes the needle move for our key indicators. We scrutinize graphs on foot traffic, new customers, basket size, etc. and readjust the mix accordingly. If we skillfully apply the Four 'P's—new customers appear. That's the way it's always been.

An excellent example of the Four 'P's in action is the industry conference. Having faithfully paid homage for years as an attendee, exhibitor and speaker at loyalty industry forums, I've watched the noble tradition unfold year after year. Venues are carefully selected to precision-target potential attendees, speakers and presenters we'd like to spend time with. Booths are set up. Exhibitors sharpen their pitch. We all come bearing what we hope is the perfect marketing mix, complete with an eye-catching booth to attract wandering prospects as they walk down the aisle. Then, we go home with new customers. That's the way it's always been.

The principles worked perfectly . . . until they didn't.

The much-touted antagonist to this perfect formula—***"The Economy"***—has done its best to neutralize our tidy, time-tested principles. For many industries, the beloved conference has become a veritable Vendorpalooza 2009 with fewer and fewer potential and existing clients attending. While some exciting new forums have emerged in recent years, opportunities to build relationships are few and far between this year at some of the older, most prominent events. This year, even our most dutifully executed four 'P's too often fall on deaf ears and reduced budgets; driving competitor awareness can justify only so much time and money.

Simply stated, it's time to add a new 'P' to the market mix: "**principal**." We are all in business because we have existing clients—the principal part of our profit base. They are in business because they have existing members or customers who we serve with our marketing and rewards solutions in the name of "long term customer value." But have we taken enough time to interact with our own existing clients and do the same?

The Fifth "P" calls for a reinvestment of costs into enhancing our product offering, reporting capabilities, segmentation support services, etc., to enhance the relationship with principal clients. In this way, we turn the loyalty engine on ourselves, finding ways to add value to divisions already served and investigating additional opportunities across other business lines within the client's organization.

This is where the Four Ps still have the most influence right now, as we evaluate the **placement** (distribution) of our **products** via **promotional** channels at the right **price** that can be extended to other areas of the business, deepening these existing relationships. As discussed in the book "Getting to Yes," once we've made orange juice, we don't simply allow the rind to be discarded, but use the zest in other recipes—we find new ways to be useful to the client.

Refocusing on **principal** clients helps us to avoid the current vendorpalooza in the quest for the *new*. Instead, we are able to re-invest in the *now*, better serving the existing customers that have brought us this far. While we can't abandon the hunt for new business completely, we will often find that there is currently more money and opportunity on the table in these relationships. And in many cases, this effort can also give our clients greater revenue stability in their own battle with the economy dragon.

In the end, engagement and lifetime customer value shouldn't just be sold to our clients as part of a loyalty solution. For our industry more than any other, engagement and lifetime customer value should be the focus of each of our own client relationships, helping us to better weather the economy—together. Serving the bird in the hand today not only costs less than beating the bushes at the next vendor show, but is also likely to give you the competitive advantage to boot once sunnier days return.

About the Author: Kelly Passey has fifteen years of experience in the financial bank card sector with specific focus on incentive and loyalty solutions. Currently, he is the Executive Vice President of the Incentive & Loyalty Services division at Access Development responsible for developing a coalition of partners comprised of banks and non-banks in the U.S. and both local and national merchant partners. Under the guidance of Mr. Passey, Access

Development launched the first merchant- funded cash back rewards model tied to a bank card portfolio with every-day-spend-merchant categories, travel booking rewards and national online retailers.

Prior to Access, he was most recently with Visa USA in San Francisco, CA for seven years, where he was Vice President of the Incentive Marketing Division within Brand Marketing and oversaw Instant Visa Rewards, Visa Preferred, Visa Rewards Online, Merchant premiums and managed the catalog and merchant partners for the Visa Extras loyalty program. Mr. Passey also spent five years with Fidelity Investments in Salt Lake City, UT, largely focusing on payment card marketing and incentive solutions to drive cardholder behavior on brokerage accounts. Kelly is active in the community volunteering as an Asst. Scout Master and earned the rank of Eagle Scout.