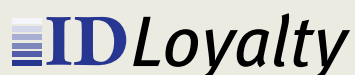


Increasing Loyalty Program Engagement: The Driver's License Solution

New research shows that using a driver's license as a membership card can increase consumer interest in loyalty program enrollment and participation.

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Loyalty Numbers

- 95% of consumers belong to at least one loyalty program.
- 55% belong to four or more.
- 72% of consumers carry at least two loyalty cards in their purse/wallet.
- 32% carry four or more.
- 10% do not carry any loyalty cards.

Source: Independent eRewards Consumer Panel Survey, March 2009

I. Introduction

Loyalty marketing has perhaps never been such a focal point for retailers as it is today, in the face of current economic challenges. And U.S. loyalty program membership has hit an all-time high at nearly 2 billion, according to the 2009 COLLOQUY Loyalty Marketing Census.

Yet something isn't quite right. Despite these positive signs, member activity in loyalty programs has stagnated. This white paper reviews the situation and discusses likely causes of the problem. Then it examines a potential solution: the concept of using a customer's driver's license as a loyalty program membership card.

II. Today's Loyalty Dilemma: Membership Is Up – Activity Isn't

The good news is that household membership in loyalty programs continues to grow by an adjusted rate of 25 percent, according to COLLOQUY. But the research also reveals the bad news: Active, engaged membership — the only kind that brings profits into your business — has not changed from its 2007 resting point near 44 percent.

That means more than half of all loyalty program members are just names in a database, not active customers.

The challenge, then, is finding a way to turn these passive members into engaged members and, ultimately, profitable, loyal customers.

III. Three Key Challenges

The Aberdeen Group's 2009 *Cutting Edge Customer Loyalty* report from March 2009 shows that, to move past this stalemate, improve active program participation and grow bottom-line profits, retailers need to focus on three key challenges:

- **Streamlined enrollment.** Simply put, **76%** of consumers say they would be more likely to enroll in a loyalty program if the process took less time, according to the 2009 Independent eRewards Consumer Panel Survey.
- **Improved data tracking,** measurement and usage for customer analytics-based offers. Research and case studies continue to show that the more relevant you can make your communications and offers to each individual member, the more likely people are to respond.
- **Low-cost** loyalty program execution materials, including enrollment forms. Obviously, the more you can reduce program expenses, the easier it is to make your program profitable.

The Driver's License Solution

Consumers Keep Their Driver's Licenses Handy

- 100% of survey respondents have a valid driver's license.
- 97% of them generally carry it with them away from home.

Source: Independent eRewards Consumer Panel Survey, March 2009

IV. A Potential Solution: The Driver's License

Using your customers' driver's licenses in place of traditional membership cards is a simple solution that shows potential to address all three challenges.

Faster Enrollment

Traditionally, joining a membership program means that customers must fill in an enrollment form (in person or online) or share their personal information out loud with an associate at the store. With this new strategy, customers simply swipe or scan their driver's license on a customer-facing terminal or hand their driver's license to a store associate to scan or swipe. The enrollment form is automatically populated with the essential data needed to track purchases, accumulate points and deliver offers.

Improved Data Capture

Scanning and automatic data population means that customer information is gathered accurately, eliminating bad addresses, misspelled names and other errors. Using the driver's license instead of a membership card also means that your customers do not have to remember to carry an additional card, increasing customer convenience and ease of participation.

All of this also helps ensure that you gather more — and more accurate — purchase history data to create highly relevant offers and messages. Plus, you will likely see fewer returned mail pieces.

In addition, the driver's license solution can dramatically speed up the timeline from enrollment to usable data:

Current Process Customer completes enrollment form – Mails in or hands to store associate – Data entry is completed by a third party or in-store – **Data lag = 15+ days**



With ID Loyalty Customer's driver's license is scanned and pre-fills an enrollment screen – **Membership and data capture is instant**



ID Loyalty

CC Customer
GG Communications
Group, Inc.

The Driver's License Solution

What about e-mail capture?

Although a driver's license swipe will not provide you with an e-mail address:

- 80% of consumers are willing to provide their e-mail address to receive offers.
- 59% would prefer going online to add it to their member profile.
- 30% would be willing to give it to the sales associate while in line.

Source: Independent eRewards Consumer Panel Survey, March 2009

Reduced Costs

Using driver's licenses can reduce your loyalty program budget, since it eliminates the need to design and purchase plastic membership cards. It also minimizes and potentially eliminates the cost of new data entry.

As a bonus, the driver's license solution simplifies your customers' lives by eliminating the need to carry multiple membership cards. And it's environmentally friendly, since it reduces the amount of plastic heading to the nation's landfills.

V. Will they participate? Survey says ... Yes.

The critical question, of course, is whether customers are willing to have their driver's license scanned and the information stored in your system. Results from the 2009 Independent eRewards Consumer Panel Survey indicate that the answer is yes.

In fact ...

- **49%** of survey respondents would be **more interested in joining** a loyalty program if they could use their driver's license to auto-enroll.
- **53%** would be **more inclined to enroll** in a loyalty program if they could use their driver's license, instead of another membership card, to receive points.

What's more ...

- **65%** indicated they would be **willing to use their driver's license as an alternative identifier** for a loyalty or marketing program.

The remaining consumers cited reasons — such as not liking their driver's license photo and concerns about the privacy of their driving records — that could be overcome with proper POS handling procedures and a compelling program value proposition.

- **53%** indicated the convenience of using their driver's license as an alternative identifier would make them **more interested in participating** in a loyalty program.

VI. Privacy: An Added Benefit

Using a driver's license as an alternative identifier has another benefit: It actually provides more privacy than verbally disclosing personal data during checkout. This can be particularly important not only for enrollment, but also when consumers do not have their membership card handy, whether it's simply at home, or is lost, stolen or damaged.

More than 60 percent of consumers say they have needed their membership card to receive loyalty program points, but did not have it available, according to the eRewards survey.

 ID Loyalty

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The Driver's License Solution

It's a Familiar Action

Many consumers already allow their driver's licenses to be scanned for a variety of purposes, including:

- For merchandise returns at many retailers
- For in-store credit applications at many retailers
- Enrollment into a loyalty membership program at an Eastern U.S. convenience store chain
- Enrollment into the Harrah's Casino Player's Club
- To enter a bar or nightclub
- To purchase tobacco, alcohol and some over-the-counter medicines
- Checking in at an airline kiosk

In many cases, retailers ask for a phone number to look up the customer's membership information. But the survey showed that ...

- **59%** of respondents **are not comfortable sharing** their phone number verbally with the store associate.
- **14% will not share** the number, while 9% of consumers simply won't take the time to give any information to receive their points.
- **65%** do not request a replacement card if theirs is lost, damaged or stolen.

The bottom line? Customers prefer privacy, and the driver's license solution provides it, since customers don't have to share personal information out loud. Plus, it enhances convenience and peace of mind, because customers never have to worry about leaving their membership card at home.

VII. Summary: A Viable Option

Retailers who need to make the most of their loyalty programs must address the core areas of data capture and usage, convenience and efficiency, and cost management. Research shows that using consumer driver's licenses as an alternative to traditional membership cards has the potential to assist with each of these issues. Research also indicates that consumers are largely receptive to the idea, easing a major concern that retailers have expressed regarding this concept.

Customer Communications Group, Inc., (CCG) has combined its three decades of loyalty marketing expertise with *IDLoyalty's* technological innovation to bring this exciting solution to retailers. We are happy to discuss the concept in more depth, answer your questions and assist you in revving up your loyalty program with this patented product.

 IDLoyalty



VIII. About Us

Customer Communications Group, Inc. (CCG)

Sandra Gudat, President/CEO

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It's CCG's mission to help our clients improve their bottom line by improving their customer relationships. From the services we offer to the solutions we develop, and from the expertise we leverage to the support we deliver, we never forget the customer perspective. That's because what's right for your customer is always right for your bottom line.

As a pioneer in the field of customer relationship marketing (CRM), CCG has more than three decades of unparalleled experience in the B2B, B2C, retail and financial services industries. As a full-service agency, we offer integrated, end-to-end expertise, including strategic consulting, database marketing services, CRM program development, customer research, data analysis, data management services, creative execution, production services and ROI measurement — all focused on developing strong, lasting relationships with your best customers.

IDLoyalty, LLC

Brent Harms, CEO/Founder

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IDLoyalty is revolutionizing loyalty programs using the card carried by most people — the driver's license as a loyalty card. This reduces costs for businesses and increases active participation. Our patent #6,070,147 covers the use of the driver's license for marketing activities. Our team has over 30 years of loyalty experience and expertise. Using the driver's license improves enrollment speed and accuracy, and allows all members to get credit for purchases without carrying an extra card. We simplify marketing programs by delivering a better solution to members while improving the business' bottom line.

We are driven to eliminate unnecessary plastic cards to improve the environment, so a portion of our profit will be directly donated to causes that promote a better environment for everyone.

 **IDLoyalty**



APPENDIX

Highlights of the 2009 Independent eRewards Consumer Panel Survey

Methodology

- Conducted by Isle Ventures, using Zoomerang™
- eRewards 5 million invitation-only U.S. consumer panel
- Stratified random sample
 - Over 18 years old
 - Gender balanced
 - Geographically diverse (36 states)
 - Age and household income
- 27-question online survey
- 2,194 surveys e-mailed in flights
- 22% response rate
- 489 complete surveys
- +/- 4.43 point margin of error at 95% confidence level

Highlights

Program Enrollment

Would you be more inclined to enroll in a loyalty program if the process took less time?

| | | |
|-----|-----|-----|
| Yes | 370 | 76% |
| No | 115 | 24% |

There is a new way to enroll in loyalty programs. Instead of completing an application and waiting for a loyalty card, you could use your driver's license to join a program. The sales associate would swipe or scan your driver's license and then your name, address and date of birth are prefilled on an application. Your membership is instant and accurate. Would the ability to use your driver's license to enroll in a loyalty program make you more interested in joining a loyalty program?

| | | |
|-----|-----|-----|
| Yes | 239 | 49% |
| No | 247 | 51% |

If you enrolled in a loyalty program using your driver's license, your e-mail address would not be automatically provided. Businesses like to send e-mail offers to their best customers. Would you be willing to provide your e-mail address in order to receive offers?

| | | |
|-----|-----|-----|
| Yes | 388 | 80% |
| No | 98 | 20% |

 ID Loyalty

The Driver's License Solution

Would you be more inclined to enroll in a loyalty program if you could use your driver's license to receive points at the time of purchase, instead of remembering another loyalty card?

| | | |
|-----|-----|-----|
| Yes | 259 | 53% |
| No | 226 | 47% |

Card Availability, Replacement and Information Sharing

Have you ever needed your membership card to receive points and it was not available (forgotten, lost, etc.)?

| | | |
|-----|-----|-----|
| Yes | 297 | 61% |
| No | 191 | 39% |

Do you feel comfortable verbally sharing your phone number, name or address when others are standing in line?

| | | |
|---|-----|-----|
| I am comfortable verbally sharing my information with the sales associate | 155 | 32% |
| I am not completely comfortable verbally sharing, but will get my points | 221 | 45% |
| I am not comfortable sharing that information and will not provide it to get points | 66 | 14% |
| I do not take the added time in line to give personal information for points | 44 | 9% |

How many times have you requested replacement cards if your card was lost, damaged or stolen, across all loyalty programs you have belonged to in the past two years?

| | | |
|-------------|-----|-----|
| 0 | 315 | 65% |
| 1 - 5 times | 166 | 34% |
| 5 - 7 times | 3 | 1% |

Program Participation

Some businesses are allowing members to present their driver's license as an alternative identifier for a loyalty program. So if you don't want to carry a card, or you forgot it, you simply provide your driver's license to swipe or scan, and you will receive points for your purchase. You would not need to verbally share any information or wait for a database to find you. If you could use your driver's license as alternative identification to a loyalty program, would you be willing to?

| | | |
|-----|-----|-----|
| Yes | 317 | 65% |
| No | 170 | 35% |

Would the convenience of using your driver's license to earn points make you more interested in participating in a loyalty program?

| | | |
|-----|-----|-----|
| Yes | 260 | 53% |
| No | 227 | 47% |

