SNIPP!

NEW CONNECTIONS

LOYALTY IN THE GRIP OF THE SHARING ECONOMY

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INTRODUCTION

The sharing economy is here to stay. If you've ever taken an Uber instead of a taxi, stayed at an Airbnb instead of a hotel, or used a WeWork workspace instead of a traditional office, you've participated in the sharing economy. According to Allianz travels annual sharing economy index, the popularity of the sharing economy for summer travel bookings has tripled in the past two years, due to an increase in familiarity and trust.

ACCORDING TO TIME MAGAZINE:

One in Five Americans say they've worked in the sharing economy

Two in Five Americans say they've used services through the sharing economy

CURRENT INDUSTRY LEADERS ARE ALREADY VALUED AT

airbnb **$30 billion**

UBER **$70 billion**

PROJECTIONS BY PRICEWATERHOUSECOOPERS PUT REVENUES FROM SHARING IN THE SECTORS OF

Travel | Car | Financing | Staffing | Music | Video Streaming

$335 billion by 2025

Broadly speaking the **Sharing (aka 'collaborative consumption', 'on-demand' or 'gig') Economy** describes a business model that utilizes digital technologies (mainly mobile) to directly match service and goods providers with customers, bypassing traditional middlemen.

Given its increasing ubiquity, the sharing economy is increasingly impacting the way brands interact with consumers. Building loyalty in the sharing economy comes with its unique set of challenges: while customers tend to be more receptive to new ideas and willing to try out new products and services, the flip side of the coin is that they are also more willing to buy other brands if it saves them time or money. And with mobile technology making it easier than ever to compare prices and services while also providing instant feedback, competition is fierce.

With consumers becoming increasingly more comfortable and familiar with sharing economy services over the past few years, they have also come to expect traditional companies to offer elements of the sharing economy.

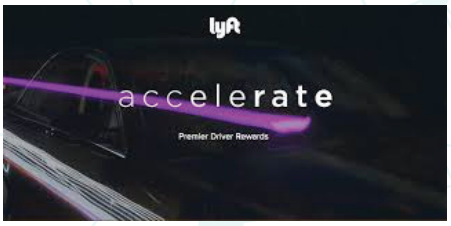
	2015	2017
They are likely to use it	17%	50%
They are familiar with it	47%	78%

Loyalty programs too must adapt to the sharing economy business model. To help align our brand and agency partners' marketing strategies with current trends, this paper examines key strategies to consider for loyalty programs looking to incorporate the sharing economy.

1. CREATE LOYALTY FOR SUPPLIERS

In the sharing economy, suppliers are often individuals who not only choose how much to participate, but also whether to participate at all. And since it is these suppliers who control the quality of the brand experience, it becomes increasingly important for companies in the new economy to attract, train and retain quality suppliers. Sharing economy loyalty programs have to focus on incentivizing not just their consumers but their suppliers as well.

For example, **Lyft**'s loyalty program for drivers, called "Accelerate", uses a tiered rewards program that lets drivers accumulate perks based on the number of rides they provide each month. These perks include help with taxes, discounts on car maintenance and gasoline, roadside assistance and priority support at the ridesharing company's headquarters for higher tier members.



2. USE LOYALTY TO CONTROL THE EXPERIENCE (SINCE YOU CAN'T OWN IT)

One of the hardest things to adjust to in the sharing economy is the realization that your company doesn't own the customer experience end-to-end. Rather, the business simply provides a platform to facilitate the exchange of goods or services. What makes this even more tricky is the fact that consumers will happily transact directly with other people in this peer-to-peer world, but should something go wrong, will immediately look to the company for redress.

If my Airbnb is dirty or my Uber driver drives rashly, who am I going to call?

Brands have to navigate the difficult balancing act of providing a quality customer experience without actually controlling the entire experience. In this context, loyalty programs are an especially potent way to engender the appropriate behaviors in suppliers and customers alike.

Airbnb's Superhost rewards program creates an aspirational tier for Airbnb suppliers. Highly ranked suppliers receive a host of extra perks including recognition (with a Superhost label displayed on their listings), along with travel coupons, priority support and invitations to exclusive events – increasing the incentive for all suppliers to provide high-quality services in the hopes that they too will qualify.

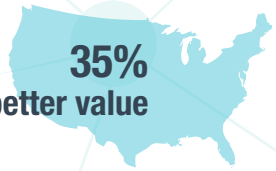
airbnb superhost

3. INCENTIVIZE INTERACTIONS, NOT TRANSACTIONS

In a sharing economy, your customers could also one day be your suppliers. For example, someone who rents out her apartment in Manhattan on Airbnb could use Airbnb to book her stay during a trip to Chicago. So trying to win loyalty only by incentivizing purchase-based transactions (and thereby failing to encourage non-purchase interactions) simply won't work. Referrals and reviews are crucial for establishing consumer confidence in your brand and business model – users who refer their friends and post helpful reviews must be rewarded for their interactions in order to grow your customer base and establish legitimacy.

For example, Airbnb offers credit to users who recommend them to a friend, and the friend gets a discount on their first trip.

THE SHARING ECONOMY IS SEEN BY AMERICANS



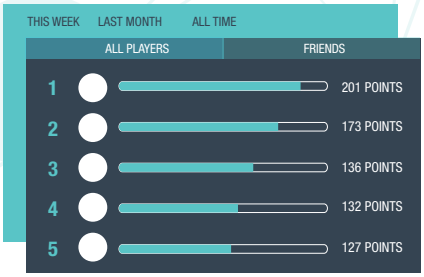
35%
as the better value

33%
as a more authentic local experience

4. RANK AND RECOGNITION REPLACE TRADITIONAL REWARDS

The collaborative economy business model hinges upon trust, so there is greater emphasis placed on transparency, social standing, and reputation. The reputation capital imparted by stickers, badges, reviews, stars and other social perks are increasingly much more valuable than traditional points, discounts and offers. Why? Because in order to receive these status markers, you have to be vetted by the community – the higher your social capital, the easier it is for you to participate as both a consumer and a supplier. In business models where the consumers must be vetted, such as Airbnb, the higher my guest ranking, the higher the likelihood of a supplier being willing to share their assets with me.If a supplier has a higher rating, then it becomes easier to participate because consumers will likely choose them over another supplier with a lower ranking, and the company benefits from promoted the supplier as a model service provider.

Rewards for loyalty programs need to embrace elements of gamification such as status and rank to leverage the social capital inherent in the sharing economy.



5. IF YOU CAN'T BEAT EM, JOIN 'EM

Many large, established companies are partnering with peer-to-peer service providers to generate new revenue streams based on sharing, improving utilization rates of fixed assets and increasing demand for their products.

Home Depot rents out tools and trucks instead of having to buy equipment that will only be used once.

BMW cars have partnered with JustPark to enable drivers to find and book a parking spot from their steering wheel.

GM invested in Lyft with the idea of exposing GM cars to Lyft riders and generating future demand.

Marriott partnered with LiquidSpace to create 'Workspaces On Demand', enabling better utilization of conference space in hotels while engaging younger audiences (56% of Workspaces On Demand users are from Gen Y).

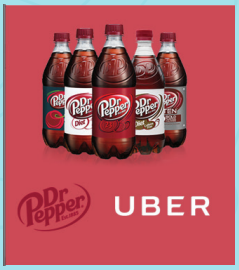
Established retailers and CPG manufacturers are also tying up with sharing economy service providers such as Uber, Lyft and TaskRabbit to provide incentives for their loyalty programs. A growing number of loyalty programs are providing shared services as incentives for program rewards.

Sears recently partnered with Uber to promote the Sears 'Shop Your Way' loyalty program. Through this partnership, Uber drivers receive points redeemable for products at Sears, Kmart and Lands' End, as well as discounts on vehicle maintenance and repairs at Sears Auto Centers.

The 'My Starbucks Rewards' loyalty program has partnered with Lyft. Starbucks Rewards members earn points for coffee and food at Starbucks every time they use Lyft, and Lyft drivers earn loyalty points, too. In a fun twist, riders can also tip their drivers with Starbucks points.

CASE: DR PEPPER UBER PROMO

DPSG wanted to increase basket size and drive sales across the entire Dr Pepper portfolio and leverage image recognition. Using SnippCheck, a promotion was created where consumers who purchase 2 20oz Dr Pepper products can submit an image of the UPC barcode and receive an Uber code.



WIELD LOYALTY CAREFULLY

The sharing economy creates several opportunities for innovative and exciting loyalty programs across a wide range of industries and sectors. Companies participating in the sharing economy must be aware that not only are their customers more brand conscious and connected than ever before, they are also more fickle. In this context, loyalty can be a double-edged sword that needs to be wielded very carefully: if done well, it can reap great benefits by bringing your suppliers and consumers closer together and ensuring a consistent quality experience; if not then it will just amplify all the issues that existed to begin with.

With the sharing economy market expected to grow up to over $330 billion in less than 10 years, loyalty practitioners must stay ahead of the curve to take advantage of this immense, rapidly growing industry.

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Snipp is a global loyalty and promotions company with a singular focus: to develop disruptive engagement platforms that generate insights and drive sales. Our solutions include shopper marketing promotions, loyalty, rewards, rebates and data analytics, all of which are seamlessly integrated to provide a one-stop marketing technology platform. We also provide the services and expertise to design, execute and promote client programs. SnippCheck, our receipt processing engine, is the market leader for receipt-based purchase validation; SnippLoyalty is the only unified loyalty solution in the market for CPG brands. Snipp has powered hundreds of programs for Fortune 1000 brands and world-class agencies and partners.

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