Book Review

Using smart cards to gain market share

Aneace Haddad

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Supposedly most UK consumers on average now have 16 loyalty cards in their wallets or purses, which begs the question, are such consumers exhibiting any loyalty? Nevertheless, the nature of customer relationship management (CRM) is that improved technology should be harnessed to improve customer database management and one-to-one communications to individual customers within priority target markets. Smart cards are often seen as integral to this process as they capture crucial customer details and help track purchase patterns. Utilised effectively, they allegedly build brand loyalty.

The track record for such schemes is variable. Shell's loyalty card is reputed to have cost more to administer than any benefits it brought to the brand in the increasingly hostile UK forecourt wars. By contrast, music retailer MVC, part of Kingfisher, utilised its smart card technology to offer a store membership scheme with discounted prices and thereby clear benefits for members. Boots' Advantage card, while complicated to use in-store, matches in-store offers with a customer's shopping patterns and mails bespoke voucher rewards to customers reflecting their analysed shopping habits. A star among loyalty smart cards has been the Tesco ClubCard, which continually re-examines a shopper's purchasing patterns in order

to modify the promotions offered. For example, a new parent buying small nappies and new-born baby food does not want to be offered such products in 12 months' time (the child has grown and requires different lines). Unlike certain rivals' schemes, Tesco's ClubCard is sophisticated enough to evolve alongside the baby's needs, updating the range of offers sent out.

So, loyalty schemes centred around smart cards face an intriguing set of challenges. Consumers are becoming bored and disenchanted, seeking pooled benefits through single cards into various retailers' or manufacturers' loyalty schemes. The once novel benefits are no longer enough; consumers are seeking more tangible rewards. The providers of loyalty schemes need good take-up in order to build their databases, so crucial now for e-commerce, customer relationship management and the trendy so-called one-to-one marketing. This means a successful scheme must have strong branding, readily apparent advantages, ease of use and smart data manipulation. Operationally, software, systems, call centres, data use and communications must all be harnessed around the programme's attributes. The next generation of smart cards is set to harmonise payment methods, credit provision, data capture and customer retention schemes, but the benefits to the

customer require shrewd planning and marketing.

'Using smart cards to gain market share' by Aneace Haddad does not have all the answers to these challenges, but it offers an interesting perspective. The author has worked extensively in the smart card field and is particularly excited about the use of multi-function smart cards that combine a payment mechanism, such as a credit card function, with the customer loyalty function. Visa and MasterCard both anticipate their member banks will have completed their migration to smart cards by 2005. The notion of combining the Tesco ClubCard proposition with the MasterCard operation, for example, provides a whole new set of marketing opportunities. Despite running a smart card software business in the USA, and holding various software patents, the author avoids the text becoming overly IT-based or US-oriented.

The book nicely compares smart debit cards with the 'e-purse', examines well-known loyalty programmes, setting

such notions within the value chain and fast-moving retail environment. Reassuringly, Haddad does not over-claim, arguing certain applications are better placed than others for maximising the benefits of smart cards. The chapters make clear the rationale, covering transforming the substance of money; real-time customer recognition, electronic coupons; measuring transaction richness; loyalty brands; evolution in smart card and terminal platforms; the business case for smart cards, and key factors for a successful smart card programme, all in the context of building market share. The chapters conclude with bulleted key points that are far from over-complex. If there is a downside in this very enjoyable 120 page book, it is that the reader is left wanting to know the current state of play and where these developments are heading right now.

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