

# The multi-billion dollar loyalty program market

☒ Progress is supposed to make our lives easier. Electricity to my home is easier than hauling firewood and less risky than oil lamps. The combustion engine transformed continents by simplifying travel. Medical research has led to massive improvements in health, lifestyle, disease control and recovery.

It's an open question if the creation of HTML by Tim Berners-Lee has made our lives easier. The world was a less me-centric place before selfies and laser-chasing kittens became so important. Internet usage is another form of medically recognized addiction, and we spend a great deal of time trying to get the technology to work or doing unproductive things with the devices. We all have at least one guilty pleasure app on our phones (mine is *Plague Inc*).

**Time rolls.** The global inter-connectivity of devices will continue and will create new markets as the technology evolves. The winners will be the data handlers that actually make the technology easier for end users.

The best data handlers are invisible. You can't see them in a transaction. That's why so many tech companies say their products or services are "seamless" – they know we don't have much patience for another layer of complication when we're online.

One market that had too many complications was loyalty and reward programs. Historically, the largest problem in that market was you were expected to physically carry your loyalty cards with you everywhere you went, and show it to the merchants upon making a purchase. No card, no reward.

I had plastic ones like an orange Aeroplan card that I think

also worked on British Air; a blue AirMiles card; my gas loyalty cards, one for every chain; a purple one for the bookstore; a wallet-full of other cards for hotel chains, golf courses, grocery stores and drug stores. Then there were the small paper ones for non-chain local merchants like the driving range, the place I buy European imports and hard-to-find DVDs, and the local coffee shop on the corner, and that doesn't include the one-off coupons at do-it-yourself places like Home Depot. The reward process was clunky, which discouraged users.

Loyalty is a massive market: the average USA household belongs to 12 loyalty programs and the perceived value of points sold to third-parties in 2011 in the US was \$9 billion. The mobile market in particular has been identified as a key driver of growth for the telcos.

Apart from the points themselves, the loyalty *management* market is estimated to reach USD \$4 billion by 2020, driven by frequent shift of consumers' demography and an increase in the number of card holders. The top three verticals are Banking, Financial Services, and Insurance (BFSI), retail and consumer goods, and travel & hospitality.

The "carry your card" problem has now been eliminated by BigData having your information available in the cloud, meaning you don't have to have your cards with you. One piece of ID (phone number, username, account number) gives the retailer access to your information, which should be passed on seamlessly to the loyalty reward manager.

Now when I buy gas from Esso, my points are automatically credited to my account and the invoice billed to my credit card, using a RFID tag. Seamless. I have a credit card that accumulates points on everything I buy without me doing anything. Seamless. When I check into a flag hotel, my loyalty account information is already on file and is automatically credited. Seamless.

I don't want to have to pull my phone out to use an app to get my points. I don't want a paper coupon. I don't have to have to check for weekly specials. At the point of interaction the obtaining of my points should be automatic and seamless and invisible.

"Automatic and seamless and invisible" also means my data can be aggregated, anonymized and analyzed by BigData to create and sell new products and services. Someone has to manage those new services, and that's where Snipp Interactive (TSXV: SPN) fits into the market.

Snipp has developed a mobile consumer engagement program, which is designed to let brands directly connect with their end users. This in turn is supposed to allow the brands to quickly respond to the users' demands, leading to increased customer engagement and increased brand loyalty. It seems to be working – clients include multinational brands like Kellogg's, Pepsi, Arm and Hammer, Clorox, Guinness, and Honda. See the company webpage for the corporate presentation – page 10 lists more clients.

The company's recent press releases announcing new contracts use phrases like "personalized, branded mobile loyalty and rewards experience", "best possible user experience" and "linking brands' mobile efforts to consumers' real-world purchases". There is a real sense that the company realizes the urgency of delivering a simple invisible product to a demanding target market. **That target market is you and me.**

By organic growth and acquisition, Snipp has grown to have a market cap of about \$50M and estimated 2015 gross revenue of \$13M. Snipp's corporate presentation states it has over \$18M in its sales pipeline, which if closed could lift that revenue number for the year even higher.

I will always embrace technology that make my life easier while giving me a reward. That's Snipp's proposed business

plan. With Snipp is due to report Q3 numbers after market close today, I plan to judge management by its own data.