



IS-5W=HIT = Right Information – Right Person – Right Time

## IS5WHLoyaltySC

Compiled from various sources, including CIO, personal interaction with IT professionals and summarized by Vikram Atwal, Vyteq

### Loyalty programs based on smart card

**VySCLP (Smart Card Loyalty Program) smart loyalty & membership systems** will differentiate your services from competitors. With VySCLP (Smart Card Loyalty Program)'s smart loyalty solutions, we bring the expertise needed to help you plan and execute a comprehensive, smart card based loyalty strategy. Whether you need an affordable loyalty starter kit or a team of engineers and marketing specialists - with VySCLP (Smart Card Loyalty Program) you are in good hands.

**Loyalty programs improve customer retention and spending.** Based on past purchasing behavior, personalized electronic coupon or loyalty programs help improve customer retention and spending. Customer acquisition is also being improved by differentiating your services from competitors. This is particularly true for the U.S. market, where smart cards are still a novelty.

Showing appreciation will go a long way toward strengthening your relationship. One way to show customers you value their business is to provide them with glossy, personalized loyalty smart cards. Acknowledge frequent visits and award points to your customers according to their level of spending in your business. **Smart card technology can benefit both of you: Offer your customers product discounts and points toward merchandise, and record valuable data about their buying preferences at the same time. Team up with area merchants to offer joint promotions.** Tailor-design your sales and marketing efforts directly at your customers' needs. Build loyalty and watch your business grow!

**The benefits of smart card based customer loyalty solutions** are clear: **They increase transaction efficiency, promote increased purchasing while decreasing costs driven by human error**, magnetic strip failure and fraud. Unlike systems with magnetic stripe, smart loyalty cards are processed off-line. **They only require a smart card terminal and a smart loyalty card. No costly infrastructure on the backend**, no additional transaction cost and you are in control.

Multiple reward and incentive options can be linked to the location, purchase, smart card, product and or historical information. These options set the parameters for instant rewards and incentives to consumers. Our loyalty systems let you create programs for a direct and close relationship connection between you and your costumers.

With VySCLP (Smart Card Loyalty Program)'s loyalty programs, customers can be rewarded for their patronage to encourage repeat purchases by enabling a points-based reward system. The loyalty solution can coordinate a customer loyalty campaign for one business or for a group of affiliated companies.

The smart card loyalty program manages the following campaign and card functions:

- Transaction and customer data collected at a smart card terminal
- Loyalty point accumulation and redemption
- Loading and managing cardholder details
- Card personalization & configuration

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Customers can sign up for a loyalty program in store, as part of a marketing promotion or a loyalty campaign. VySCLP (Smart Card Loyalty Program) provides everything needed to get your loyalty program started.

Details of loyalty points and the point-gaining transactions are being captured by a stand-alone card terminal and transferred to a PC or a backend server for further analysis. You can review customers' accrued points, redeemed points, and deleted points. The loyalty software maintains a complete database of all customer rewards and reward suppliers.

In addition to coordinating loyalty cards and points, the loyalty system collects and manages valuable marketing data from all transactions that use loyalty cards, thus collecting data about customer demographics, purchase frequency, product type, and geographic area.

### **VySCLP (Smart Card Loyalty Program) Loyalty Consulting services**

Vytec will be there for all your loyalty needs. Tell us your requirements and we will provide you with the loyalty solution you need. Vytec also provides installation and training. We assist with the integration with most point of sale transaction environments including Point of Sales (POS) terminals, Efficient Consumer Response (ECR), web servers and the payment system. We customize our loyalty solutions to suit your loyalty campaign needs. And because we know more than just loyalty, Vytec can customize smart loyalty systems and integrate them with other smart card solutions such as logical access control and physical access control.

Issue your own SmartBucks. Transactions between a smart card terminal and loyalty cards are secure. Call your loyalty points SmartBucks and you have your own in-store currency on smart cards. Customers can purchase SmartBucks and redeem them later for small purchases such as magazines, coffee etc.

### ***Loyalty and Stored Value***

***A primary use of smart cards is stored value, particularly loyalty programs that track and incentivize repeat customers. Stored value is more convenient and safer than cash. For issuers, float is realized on unspent balances and residuals on balances that are never used.***

***For multi-chain retailers that administer loyalty programs across many different businesses and Point of sale systems, smart cards can centrally locate and track all data. The applications are numerous, from parking and laundry to gaming, as well as all retail and entertainment uses.***

Loyalty programs based on smart card technology attempt to offset higher card costs with reduced telecommunication costs by storing loyalty data on the card and enabling program rules at the point-of-sale (rather than at a centralized host). The smart card, which stores data directly on the card, has helped to reduce fraud at considerable cost savings for card issuers.

Much analysis has gone into the debate about which type of loyalty instrument is most effective in helping businesses dynamically interact with customers in order to build and maintain more profitable relationships. The debate, focused on smart cards versus magnetic stripe cards, is irrelevant. The type of card consumers carry in their wallet will not help an organization's loyalty program succeed; the reward relevance and the program delivery method will.

Smart card adoption has been high in Europe and Asia, driven by challenging credit card verification capabilities in a telecom infrastructure that is not as robust as that of North America. The smart card, which stores data directly on the card, has helped to reduce fraud at considerable cost savings for card issuers. In North America, the robust telecom

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infrastructure allows real-time verification of magnetic stripe cards for banking and loyalty reward programs without the need for additional infrastructure.

Loyalty programs based on smart card technology attempt to offset higher card costs with reduced telecommunication costs by storing loyalty data on the card and enabling program rules at the point-of-sale (rather than at a centralized host). These speed and efficiency gains are offset by two factors: (a) the desire of many loyalty operators to analyze data in a central location, necessitating its periodic collection; and (b) the challenges in updating program rules at each point-of-sale when changes are required.

### ***Loyalty Programs Popular***

Most retailers in North America currently have the magnetic stripe technology and telecom infrastructure in place to cost-effectively enable host-based, real-time loyalty programs. This structure allows businesses to update program rules once, in a central location, without the extra effort of "touching" all their individual points-of-sale. Since more information can be stored in these types of real-time databases, organizations have the ability to take advantage of the added depth and richness of customer information.

The popularity of customer loyalty programs is at an all-time high. According to an analyst report by industry research firm [Gartner](#), more than 60 million Americans belong to at least one of more than 200 US based loyalty programs, making these programs so widespread that customers have increasingly come to expect them.

For organizations that are looking to loyalty programs as a way to recognize and retain their best customers, the benefits of real-time are clear. By pushing the rewards redemption processes to the front line in real-time, an organization can reduce or eliminate resources spent on call centers and fulfillment warehouses, while customers can avoid the long delivery times often associated with reward fulfillment. Real-time loyalty makes sense, especially since instant gratification strikes at the core of making a program relevant to a consumer, not to mention successful to the bottom-line.

### ***Who Provides the Profits?***

But the benefits don't stop there. It is widely accepted that 20 percent of customers produce 80 percent of profits, and some industry analysts will even claim that more than 100 percent of profits are driven by the top customer segments. Think this isn't important to your business? Think again, as the bottom segments of a business' customers can actually contribute negatively to profits. Real-time loyalty programs can help an organization identify its best customers, reward them for their patronage and weed out the rest.

While many industry pundits closely followed the progress of retail giant Target and its foray into the smart-card loyalty market, most failed to realize that it was not the smart-card technology that failed. With a reported investment of US\$50 million in infrastructure, Target was able to attract a purported 9 million customers to its loyalty-enabled card, proving that the interest and opportunity in loyalty benefits existed.

The problem was that consumers ignored the high-tech smart-card loyalty features because the perks and benefits were not delivered in a relevant manner. Target's program required consumers to go to a special kiosk in order to access the loyalty coupons for redemption at the point-of-sale.

### ***The Irrelevant Debate***

In the end, the debate that focuses on smart cards versus magnetic stripe cards is irrelevant. Magnetic stripe cards, smart cards, finger print devices or retinal scans are simply the identifier for a host-based loyalty solution. There is good reason to believe that smart-card technology may yet emerge as the technology of choice to reduce credit card fraud in North America.

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However, an effective customer loyalty program is not about the type of customer interface, but rather the benefits associated with it. Businesses wanting to adopt their own rewards program should consider a solution that is real-time in nature, which allows customers to be rewarded and/or recognized right at the point-of-sale. Most importantly, businesses should specifically focus on the relevance of their rewards. Ultimately, acknowledging consumer preferences and delivering rewards in real time for their patronage is what will make your loyalty program successful, not to mention smart

***It's not enough to have CRM. You need the hearts and minds of the customers to close the loyalty gap. IT needs to take the lead in loyalty programs because it's just about the only department that can coordinate between business processes, external data-analytics vendors and the executives who can translate output into action***

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