



Why do addictive products need loyalty programs?

Some version of this question has been pondered for decades.

I've always told my kids and anyone else who asked about the basic human worth of my profession – something about which I've never been deluded – that I may have helped convince some people to buy some things they didn't need. In fact, I haven't done much of that; I've mostly convinced people to fly one major airline rather than another; choose one hotel brand over a competitor, or use one wireless service out of a field of commoditized competitors.

I've faced very few of the potential dilemmas of a life in marketing: I never had to sell napalm, tobacco, or other outright hazardous products. Which is to say, I've never faced the moral choice of paycheck over public good. I may not have done much good, but I've never done much harm. (I did have at least one instance where an agency owner asked the team to do some pro bono work for a cause he supported – but which most of the team did not. We politely declined, and that was that.)

With that soul-searching, self-serving intro out of the way, let's have a serious discussion about a topic I've made light of in the past. Loyalty marketing is about motivating consumers to make choices at the margins of the marketplace – we don't stimulate primary demand, we drive share of wallet, incentivizing customers to choose and then stick with a given brand. It's often about creating an opportunity cost, which the Acronym Generation calls FOMO.

I've always said religion may have the best FOMO-based loyalty program of all: stick with us or go to hell. Organized crime had a good proposition too, tying loyalty to broken legs, mysterious fires, or worse.

We live in an odd commercial landscape in the US, a world in which government

subsidizes the growth of tobacco while discouraging its use; and provides favored treatment to energy companies while funding PSAs about conservation.

But in a way, that's the kind of world in which loyalty efforts in certain categories operate. Let's look at a few examples. A few lifetimes ago I was working with a credit card client, trying to develop a novel approach to loyalty. One idea was rewarding people based on their revolving balance – in other words, rewarding people for carrying debt. Instead, we came up with one of the first programs that, in part, rewarded people for paying down their balance. We incentivized responsible behavior.

A while ago I posted about loyalty programs from cannabis retailers. I was surprised (though I shouldn't have been) at their widespread proliferation – and at the sophistication of the service vendors helping manage those programs. I don't believe they are rewarding marijuana use; I think they are, like other loyalty programs, incentivizing brand choice within a commodity category. Grocery store programs don't make me buy milk; they encourage me to buy it at Safeway instead of Kroger. Why should the weed business be any different? (And before anyone nails me on this point, I do not personally consider cannabis an addictive / dangerous substance.) Of course, the last time I had a personal stake in the category, "cannabis marketing strategy" consisted of calling around from a payphone until you found someone with a stash.

Big Tobacco had several flirtations with loyalty-like promotions, but never actually crossed the Rubicon by programmatically rewarding habitual use of their product. Same with alcohol, although I've been trying to figure out all the strategy and purposes behind a new program here in Oregon, called Barpoints, which rewards customers for check-ins at taverns and liquor stores and for purchasing certain alcohol brands. Which is interesting because in my state, all liquor sales are managed by a state agency through state liquor stores. It's an interesting public / private program, which I guess helps fund some positive things the state liquor agency does.

Finally, let's look at casino gambling. Every major brand in the gaming industry has a loyalty program of some sort. Every now and then someone will ask, "Why reward a potentially self-destructive behavior?" I was chatting about this with a colleague who has lots of experience in casino marketing, and she pointed out how truly committed the gaming industry is to identifying, preventing and treating problem gambling. After all, problem gamblers lose all their money – and often much more – and cease to be valuable guests. It is in casinos' self-interest to promote healthy gaming and keep their patrons financially and mentally healthy – so they can keep visiting and spending.

The business of loyalty programs for "addictive" behaviors is more nuanced than it might at first appear. This is far from the only instance in humankind where business

people can “do well by doing good.”

Your thoughts or experiences?

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