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Redeem your American Express Membership Rewards in NYC Taxis. Good or Bad?

by David Parker

At the end of October American Express and VeriFone announced a new partnership that enabled eligible Card Members to use Membership Rewards points from American Express for their fare in NYC taxi cabs – in real-time, on the Taxi TV screen at the end of the ride.

The program rolled out on VeriFone's in-taxi devices that process more than 200,000 payments a day in more than 7,000 cabs throughout NYC. At the end of the ride, Card Members who have chosen to pay with "credit" will be prompted by the Taxi TV screen to swipe their Card, as usual. When American Express Card Members swipe an eligible Card enrolled in the Membership Rewards program – and if there are enough points in their account – they will receive an on-screen prompt giving them the option to use points for their ride fare, including tip and tolls.

So is this good or bad?

First of all we need to look at how loyalty programs work. Each of your customers is really two customers sharing one body:

- One customer motivated by transactional drivers such as price and convenience
- The other one motivated by emotional drivers such as status and experience.

This is based on the theory of left and right sides of the brain. According to the theory each side of the brain controls different types of thinking. The right brain-left brain theory originated in the work of Roger W. Sperry, who was awarded the Nobel Prize in 1981.

According to the left brain-right brain dominance theory, the right side of the brain is best at expressive and creative tasks. Some of the abilities that are popularly associated with the right side of the brain include:

- Recognizing faces
- Expressing emotions
- Music
- Reading emotions
- Color
- Images
- Intuition
- Creativity

The left-side of the brain is considered to be adept at tasks that involve logic, language and analytical thinking. The left-brain is often described as being better at:

- Language
- Logic
- Critical thinking
- Numbers
- Reasoning

So if we now come back to loyalty we need to consider that earning customer loyalty requires sophisticated combinations of reward and recognition, driven by deep customer insight, and designed to appeal to both sides of your customers' brains. That is the customer must be motivated to engage by aspiration, but at the same time the rational side must feel it is achievable.

Many pure 'flight based' loyalty programs, where consumers earn miles through shopping discovered early on that while the dream of collecting enough points to win a 'dream trip' was great at initial engagement when the 'logic' side of the brain kicked in as it did with many people they realized it might take them five years to collect enough miles they dropped out, it was just not worth effort of staying engaged. Thus they created a range of 'easier to obtain' redemptions to ensure consumers stayed engaged with the 'aspirational' flights still very much part of the mix.

Of course the last thing you want is that there is no aspiration and thus the points are frittered away on everyday things, so the consumer never really understands the 'value' of what they are getting and worst of all it has no 'memorability'. After all, imagine walking into a friend's house and seeing a gold plated BBQ plaque. The first thing you will ask is "where did you get that?" and he answers XYZ loyalty program. The premium has cut through, it has memorability, and the person is telling his friends about it leading to potential brand advocacy.

Airline frequent flyer programs often also face another problem. For their really high flyers the last thing they want to do is board another flight. Companies like Emirates have created the 'high street' to enable points to be used for other aspirational items within their walled garden as well as creating money can't buy experiences to be purchased.

So this brings us back to the American Express offer to redeem membership rewards in NYC taxis. On the face of it could be argued to go against much of what has been said.

It allows members to "fritter away" their membership rewards points. No real impact of redemption, no memorability factor just part of everyday life. The value of the points easily as well can be related to a cash value, something against most loyalty programmes strive not to make easy so that earn/burn ratios can be manipulated. Membership Rewards at its core though does offer flights and just recently announced a new tie up with Emirates so you can convert your membership rewards in Emirates miles.

But for Amex the rationale is potentially different; even in the US there is a need to make American Express the card for 'every day spending,' not just special occasions. Further, they are under pressure from many other commercial/corporate card products to ensure their card is in front of the wallet and it can be argued that this approach will allow them to do so. As the business person travels around NYC they use the card in the taxi, acceptance re-enforced of course by this offer, and in the evening when they use the same points earned to pay for the personal trip. It thus re-enforces the use of the Amex for lower value, everyday payments.

What do we at Polymath believe? Well, while it is an interesting move, and as outlined one that can be justified in terms of rationale it does take away the key factor of 'memorability' in redeeming the reward points. However, key to any loyalty programme is engagement, and key to engagement is driving redemptions. This activity will undoubtedly drive burning and thus potentially engagement and further acceptance of the Amex brand. The key here will be to ensure that the high value aspirational part of Amex is not lost, but this given their brand and other activity should be relatively easy for them achieve. ■