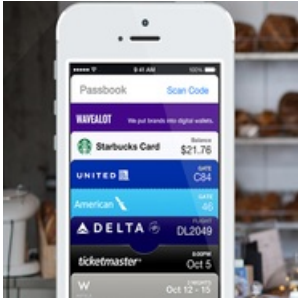


MOBILE

## Why loyalty points may become mobile wallets' primary currency

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*Mobile wallets are driving adoption rates with a new tactic*

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The staying power of consumers' wariness regarding security and digital wallets has prompted a slew of brands to enable customers to make mobile purchases using loyalty points, a trend likely to catch fire in 2016.

As the perception of mobile security continues to be a hotly-contested topic by consumers and experts alike, brands are seeking out ways to fuel digital wallet adoption and in-application purchases. One way of surmounting consumer dissent about mobile wallets is to ensure that loyalty plays a starring role in completing transactions.

"Loyalty programs enable a lot of the same fraud infrastructure and security tools that the credit card industry uses, but because loyalty transactions require that you authenticate first with your digital wallet and then with the loyalty program itself, users have an added layer of protection," said Danielle Brown, vice president of marketing at [Points](#).

"As loyalty rewards continue to transition into their own form of digital currency, more security features will come into play," she said.

"One security measure some loyalty programs are moving towards is two-factor authentication, which not only protects users with their password, but also an initial authorization code sent through email, text message or phone call to further prove their identity."

### Easing consumers in

Paying via earned rewards points paves a way to ease individuals into using a mobile wallet. Consumers who have never conducted mobile transactions before are often times wary of the amount of security present on their smartphones, especially if they are buying items via a third-party app or site.

According to a recent Gallup survey, more than half of individuals not using a mobile wallet listed security as their primary concern. This indicates that brands must offer an added incentive to drive up mobile wallet usage and adoption rates which is where loyalty steps in.

Starbucks is arguably one of the most popular purveyors of mobile loyalty, allowing its My Starbucks Rewards members to collect stars for each purchased beverage and redeem ten stars for a free drink. The fact that consumers do not need to input personal credit card information to participate in the program is an attractive factor for many people.

This suggests that some consumers find loyalty points to be a safer way to pay, meaning that marketers not currently offering mobile wallet-reward program hybrids are set to be on the losing end this year.

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*Chili's recently allowed guests to pay for meals via rewards points*

"The biggest challenge for digital wallet usage in 2016 is that neither merchants nor consumers want to dive in head-first," Ms. Brown said. "The technology is there, and making drastic improvements, but shoppers are hesitant to give up their traditional payment methods for security and ease-of-use concerns.

"And if consumers aren't using digital wallets, merchants aren't willing to spend the time and cost to enable their own," she said. "This leads to a lack of infrastructure, which circles back to give consumers another major reason not to switch.

"So to spur adoption, digital wallets need to provide greater value for each transaction. Loyalty is a natural means of doing so, which is why you'll increasingly see loyalty rewards being integrated into digital wallets."

As more restaurant marketers understand the value and necessity of providing mobile ordering capabilities for time-strapped consumers, Chili's Grill & Bar is raising the bar to another level by adding loyalty points as a payment option ([see story](#)). Customers will be able to purchase to-go meals with their existing loyalty points if they order via Chili's mobile app or [www.chilistogo.com](http://www.chilistogo.com).

This could easily prompt more guests to purchase meals from the chain, and consequently demand that other top fast-casual restaurants offer the same payment option.

Ramping up value

While mobile-savvy users with little worries regarding security will continue to leverage digital wallets, it is paramount for marketers to consider best ways to drive adoption among novices. Providing relevant value and utility within mobile wallets is the most effective way of gaining fans.

Several airlines have recently forayed into the strategy of offering pay-via-loyalty-points choices to individuals. Future incarnations of this could see more airlines allowing consumers to purchase flight tickets on smartphones

with frequent-flier miles.

For example, if a Delta customer wants to book a trip via mobile but is concerned about inputting his or her financial information, he or she could take advantage of any existing SkyMiles and complete the transaction with those instead.

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*Fly Delta app users can track their earned SkyMiles*

This tactic could fuel more mobile bookings made via airline's direct sites, therefore snatching business away from third-party services such as Expedia or Orbitz.

"Many loyalty programs have increased their utility and flexibility, allowing users to exchange for gift cards, change points between airlines and use rewards for everyday purchases," Ms. Brown said. "In December, Southwest Airlines launched a donation program that allows Southwest Rapid Rewards members to donate their unused points to featured charities and nonprofit organizations.

"Around the same time, Delta announced that they will now allow their loyalty members to purchase drinks and food in their San Francisco Delta Lounge with Delta SkyMiles instead of cash. In 2016, we'll see even more programs using tactics like Southwest Rapid Rewards and Delta SkyMiles to turn their loyalty programs into flexible, and more valuable, currencies."