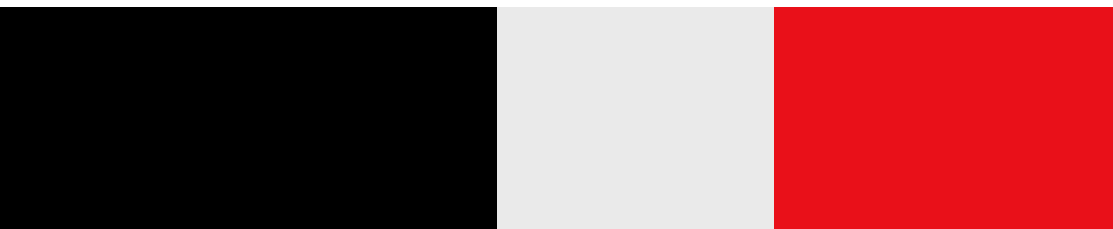
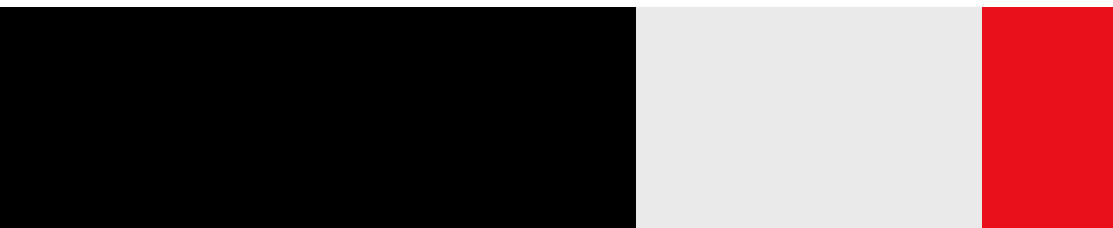


Retail Loyalty Programs

Strategies to Reward and Retain Customers Through Turbulent Times

Loyalty programs are a cornerstone of consumer engagement and retention, and they have taken on greater urgency as shoppers manage the impact of inflation. Learn how brands can adapt, satisfy, and retain consumers through innovative loyalty programs. This eMarketer report reveals how top retailers retain customers, and three pillars for boosting consumer engagement.



Presented by



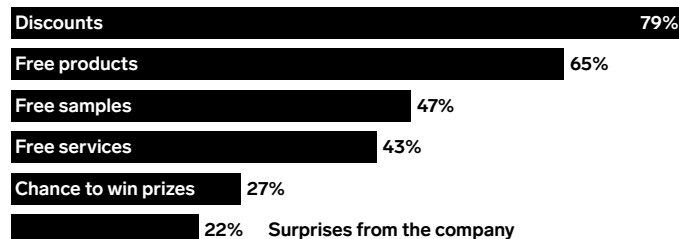
Retail Loyalty Programs: Strategies to Reward and Retain Customers Through Turbulent Times

Consumer loyalty continues to wane amid inflation, with price taking precedence over brand for many shoppers. As retailers find it more challenging to acquire new customers, loyalty programs take on greater importance—but brands must put value and ease of use front and center to retain existing customers and boost purchase frequency.

KEY QUESTION: How can brands and retailers best meet consumers' changing expectations for loyalty programs during economic turmoil?

Rewards/Benefits of Current Loyalty/Rewards Programs That US Consumers Like to Receive, 2022

% of respondents



Note: ages 18+

Source: Merkle, "2022 Loyalty Barometer Report," June 28, 2022

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KEY STAT: Discounts are the most sought-after loyalty program benefit among US consumers by a wide margin. Nearly four-fifths of respondents in Merkle's 2022 Loyalty Barometer Report said they like to receive discounts, an increase of 9 percentage points from the previous year.

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The Loyalty Lifeline Supports Both Brands and Consumers

Loyalty programs are a cornerstone of consumer engagement and retention, and they have taken on greater urgency as shoppers manage the impact of inflation. Nearly 60% of US adults said they felt less loyal to their favorite brands as a result of rising prices, per a May 2022 global survey by Dynata. Meanwhile, half of US consumers agree that loyalty programs are now more important than ever, per LendingTree's June 2022 survey. And 20% of grocery buyers had signed up for free loyalty programs in the previous two months to save money, according to our September 2022 Bizrate Insights survey.

Loyalty programs boost purchase frequency for the vast majority of members. Over 86% of US respondents said a loyalty program influences them to buy again from a brand, according to a December 2021 Yotpo poll—and almost 44% of consumers said loyalty programs “highly influence” their purchasing decisions. Top-performing loyalty programs can increase revenues from customers who redeem points by 15% to 25% annually, according to October 2021 data from McKinsey & Company.

The renewed emphasis on customer retention is driving brands to upgrade loyalty programs. Consumers are coming to expect more from the brands they spend with, and loyalty programs can be central to meeting their needs. Expanded tiers of loyalty, increasingly personalized reward options, and partnerships that allow rewards to be collected and used across brands and channels are key strategies that can boost the value of retail loyalty programs.

Loyalty programs yield valuable consumer data. They improve ties with customers by granting access to first-party data (sourced from online behavior) and zero-party data (collected from surveys, quizzes, games, and the like). These are valuable tools that can be used to enhance engagement and personalization of loyalty offerings, and they're creating an uptick in brand interest amid the decline in app tracking and third-party cookies. The majority of transactions for brands with top-tier loyalty programs come through loyalty programs—as much as 95%, in the case of Ulta Beauty.

Cutting-edge technologies are having an impact on loyalty programs. Though they are not well understood by most consumers, Web3 applications like nonfungible tokens (NFTs) will redefine how loyalty programs work. Brands and retailers are taking early steps to explore new types of rewards, but equally important will be their role in educating and guiding their customers through the value and utility of these tools. Younger generations are most receptive; their deep involvement in gaming offers further opportunities for experimentation with new forms of loyalty marketing as a path to program participation.

Waning Consumer Loyalty Makes Dedicated Programs an Imperative for Brands and Retailers

Even before 40-year inflation highs began to affect purchasing decisions, consumer loyalty was declining. Supply chain disruptions throughout 2020 and 2021 made consumers more willing to switch brands and retailers. In 2022, price considerations are leading shoppers to trade down for less expensive alternatives to their preferred brands. Loyalty programs can provide consumers with a lifeline by offering tangible value that supports them in stretching their dollars while also incorporating elements of surprise and delight that can deepen emotional bonds.

Average Number of Total vs. Active Loyalty Membership Among US Consumers, 2020-2022

	2020	2021	2022
Average number of loyalty memberships	14.0	16.7	16.6
Average number of active loyalty memberships	7.0	7.4	7.6
Average number of active memberships, by type			
Credit and debit cards	1.9	1.6	1.8
Mid-frequency retail	-	1.1	1.1
High-frequency retail	0.9	1.2	1.2
Travel	0.8	0.8	0.9
Dining	0.8	0.8	0.8

Source: Bond, "The Loyalty Report" in partnership with Visa, June 14, 2022

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The environment for loyalty members' attention is increasingly competitive. Average program memberships have been ticking upward, from 14.0 per consumer in 2020 to 16.6 in 2022, according to Bond Brand Loyalty. However, active memberships have leveled off and represent less than half of this figure.

Brands and retailers are stepping up their offerings to draw consumers. The past year has seen a marked boost in new and upgraded offerings from major players across categories. Even consumer packaged goods (CPG) brands that long relied on wholesale distribution and name-brand recognition to drive sales (rather than direct-to-consumer relationships) are getting in on loyalty programs.

General Mills, for instance, launched Good Rewards in July 2022, powered by Fetch Rewards. The program covers dozens of brands and requires uploading images of grocery receipts.

To encourage engagement, loyalty programs have to offer straightforward rewards, low barriers to entry, and more compelling benefits. Bath & Body Works, for instance, launched its first loyalty program in August 2022 with numerous perks including \$10 off a \$30 purchase, free full-size products for every \$100 spent, birthday gifts, and more.

Loyalty partnerships are expanding opportunities to collect and redeem points. Giving members more opportunities for rewards across their favored brands and retailers can boost purchases and lower breakage rates (the percentage of points that aren't redeemed), since unused points ultimately represent a lost opportunity to generate incremental revenues.

- **In mid-2021, Ulta and Target began rolling out a shop-in-shop partnership that** incentivizes shoppers to become members of both Ultimate Rewards and Target Circle, providing the opportunity to accumulate points with both when they make purchases.
- **Around the same time, Gap Inc. rolled out an integrated membership** covering all four brands under its umbrella—Gap, Old Navy, Banana Republic, and Athleta—to replace the separate programs for each.

- **Nike teamed up with Dick's Sporting Goods in November 2021** to allow members of both retailers' loyalty programs to link their accounts via the Dick's Sporting Goods app, offering exclusive merchandise drops and in-store events for connected members. And in September 2022, Nike announced similar partnerships in Europe with JD Sports and Zalando.
- **In October 2022, Starbucks announced a tie-up with Delta Air Lines,** the first in an upcoming number of loyalty collaborations that the coffee chain is eyeing to enhance its rewards program, which already boasts nearly 30 million US members that drive more than half of sales.

Expanded benefits aim to incentivize existing loyalty members to stay active. Brands are adding features like straightforward discounts and more relevant options to keep their loyalty offerings fresh.

- **Helping consumers save more, IKEA stepped up its longstanding IKEA Family loyalty program** in September 2022 with 5% savings on in-store purchases, lower member fees for home delivery services, and exclusive access to its Buy Back & Resell program.
- **Panera Bread recently introduced choice-based rewards,** allowing members of its loyalty program to select from options based on personal preferences, instead of a single predetermined offer.
- **Tier-based programs such as Ulta's Ultimate Rewards give bigger spenders up to 50% more points per purchase,** creating a faster path to redemption. According to Ulta, its loyalty program members account for almost all of its revenues, highlighting the extent to which these programs can become an integral part of business.

But brands should be wary of making changes to loyalty programs that reduce concrete rewards. These tactics can easily backfire when members perceive a loss of benefits long taken for granted. In October 2022, Dunkin' Donuts announced it would overhaul its popular DD Perks program to sharply increase the number of points required for a free beverage, which led to a widely publicized outcry among members.

The Evolving Landscape of Loyalty

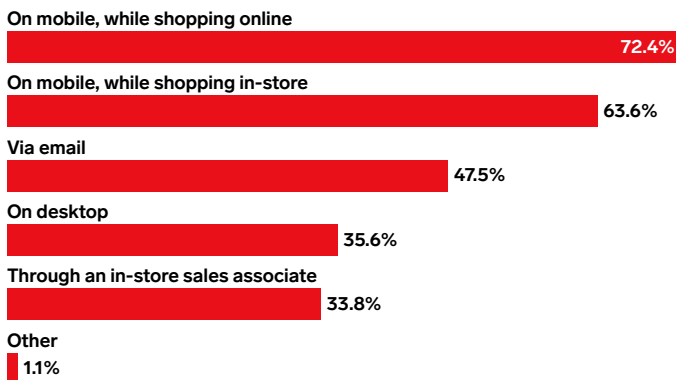
Inflation and the looming threat of a recession will remain top of mind for many consumers into 2023, leading to an emphasis on value. But broader shifts in consumer behavior should not be overlooked when it comes to planning long-term loyalty strategies.

Consumers Opt for Mobile Interactions With Loyalty Programs

Whether shopping online or in physical stores, most US consumers prefer to use mobile devices to engage with loyalty programs, and less than half prefer email, according to Yotpo's survey.

Preferred Ways of Engaging With a Brand's Loyalty Program Among US Internet Users, Dec 2021

% of respondents



Source: Yotpo, "State of Brand Loyalty 2022," March 8, 2022

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These preferences indicate a compelling opportunity for mobile apps to serve as a hub for loyalty programs as well as pre- and post-purchase customer experiences, from enhanced product support to free returns.

Nike's free loyalty program incorporates various benefits accessible via its family of apps, ranging from the transactional (free shipping and returns) to more personally engaging, such as access to stylists, wellness-oriented content, and a social community via its running and training clubs. The program resonates especially well with younger consumers—close to a fifth of 18- to 34-year-olds are Nike members, per our August 2022 Bizrate Insights survey.

Mobile apps can tie together consumer purchases and rewards across channels. e.l.f. Cosmetics' mobile app for

its Beauty Squad program incorporates two features: receipt scanning for non-app purchases, to ensure that members can obtain rewards wherever they shop for the brand's products; and an innovative personalized reward system with options including cash payouts via Venmo or PayPal and gift cards from Chipotle, Amazon, Target, and others.

Although consumers are likely to state a preference for automatically applied rewards, incorporating some elements of choice adds a touchpoint for engagement while yielding better data on customer preferences.

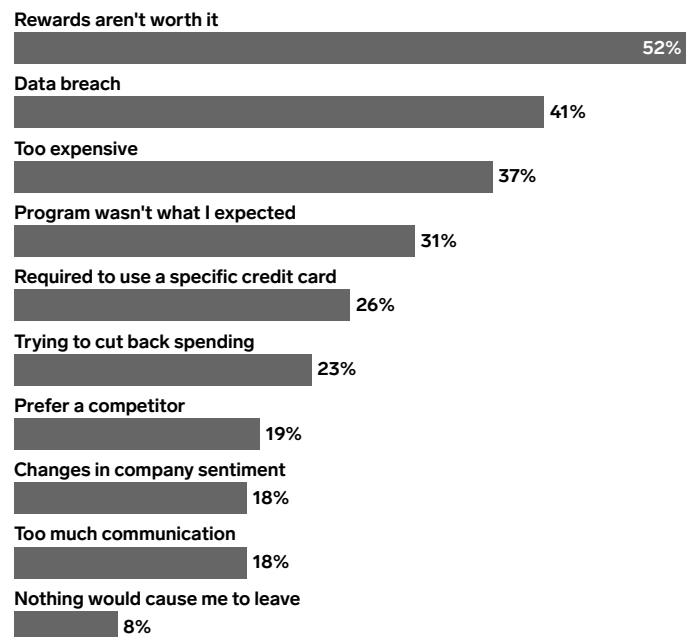
Reward Relevance and Data Privacy Should Be Prioritized

A perceived lack of value in rewards topped the list of reasons why loyalty members would quit a program, per LendingTree. The most disliked aspects of programs, according to Merkle's survey, were:

- Time required to earn rewards
- Difficulty in earning rewards
- Lack of value in rewards

Reasons That Would Cause US Adults to Leave Loyalty Programs, June 2022

% of respondents



Note: n=1,667

Source: LendingTree, July 11, 2022

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Data is critical in helping brands understand their customers and deliver offers that are relevant to them. But as loyalty programs collect more data from their members, ensuring the security of that information is critical to maintaining trust.

A data breach was the second-leading reason why loyalty members would leave a program, cited by 41% of respondents in LendingTree's survey. While most consumers (over 72%) were willing to share their personal information for loyalty perks, according to Yotpo, even more (82.7%) expressed concern about how their data is used.

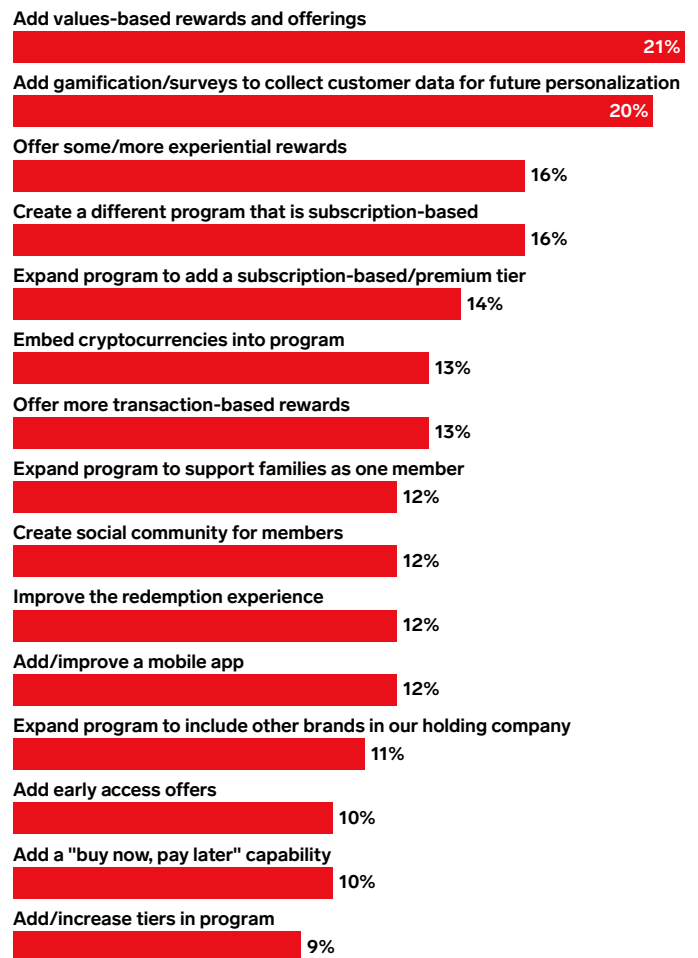
Emerging Technologies and Gamification Trends Will Reshape Loyalty Programs

In September 2022, Starbucks made headlines with plans to blend loyalty with NFTs through its yet-to-be-released Starbucks Odyssey. The company says the program will incorporate quizzes, games, and challenges that are rewarded with digital collectibles, which can unlock access to virtual and real-world experiences and will be tradable through a native marketplace.

Nike's newly announced .SWOOSH Web3 platform will introduce Nike members to digital goods as a gateway to exclusive merchandise and events as well. The sportswear giant is planning a six-city tour to educate consumers about the blockchain technology behind the platform.

How B2C Loyalty Program Decision-Makers Worldwide Plan to Evolve Their Loyalty Programs in the Next 5 Years, Q1 2022

% of respondents



Source: Comarch, "Loyalty Marketing and Rewards Programs: Global Marketing Report 2022" conducted by Forrester Consulting, April 22, 2022

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Gamification is a top feature that loyalty program executives plan to roll out over the coming years, per Comarch's Q1 2022 global survey. Gaming platforms like Roblox can offer experiences that connect brand fans with loyalty programs in more entertaining and community-oriented ways.

To mark National Burrito Day in April 2022, Chipotle welcomed players to create virtual burritos to earn real ones. The company tied the game activation to its loyalty program by offering a Roblox-inspired burrito exclusively to reward members on its app, where players could also trade in their Chipotle points for Roblox's in-game digital currency.

Three Pillars for Boosting Consumer Engagement With Loyalty Programs

As consumers become more particular about where they spend money, their expectations are rising. Brands and retailers should prioritize elements of loyalty programs that best help them understand consumer wants and needs, then meet them. Looking further ahead, they should focus on younger generations of loyalty consumers.

No. 1: Invest in Personalization Tools to Tailor and Refine Loyalty Offerings

- **Mobile loyalty apps** should serve as a program hub to enable zero- and first-party data collection, facilitate the use of program benefits, and deepen customer relationships.
- **Surveys, polls, and quizzes** can serve to both personalize offers and obtain customer feedback on what works and doesn't within a loyalty program.
- **Data security** and protection of personal information should be ensured across channels.

No. 2: Expand Loyalty Program Benefits to Add Value for Members

- **Offer benefits that are clear and easy to understand**—such as exclusive discounts, members-only pricing, and immediate rewards for joining—to capture more consumer interest.
- **Go beyond a one-size-fits-all approach** and enhance the customer experience for higher-spending customers through tiered loyalty programs.
- **Establish relationships with complementary retail partners** to allow members to collect points and redeem rewards across brands and channels.
- **Tailor incentives for existing customers.** While brands need to balance compelling offers with the cost of rewards, custom benefits can yield longer-term value compared with broad promotional offers and discounts, conditioning shoppers to seek deals.

No. 3: Prepare for a Future of Web3 and Gamified Loyalty Marketing

- **Develop familiarity with how blockchain technologies like NFTs can unlock rewards and experiences** and foster a sense of community, while laying the groundwork for broader consumer education and ease of use.
- **Understand what types of gamification elements can be integrated into a loyalty program** that will connect with younger members. As Gen Z and Gen Alpha become more active consumers and join loyalty programs in greater numbers, brands must invest in the channels where they are most active.

3 ideas for building a better loyalty program with a customer data platform

This sponsored article was contributed by [Tealium](#).



Heidi Bullock
CMO
Tealium

Building a loyalty program that actually provides value to brand advocates is an important goal for every organization. However, your loyalty program is also where customers have the highest personalization and real-time engagement expectations. That said, if you don't meet those expectations, you'll risk losing a valuable champion of your brand.

Fostering customer loyalty requires a deep understanding of your customers via first-party data and having a central tool, like a customer data platform (CDP), that collects and unifies those insights is crucial.

Keep reading for three ways to supercharge your loyalty program:

1. Send out personalized notifications and reminders when it's time to update subscription preferences.

When a member of a loyalty program or subscription service is not properly notified of the program's windows of opportunity, this significantly discredits the program in the customer's eyes. Having a unified, automated customer journey allows you to navigate subscription preferences and reminders with ease and speed.

2. Alert customers about special offers related to their unique buying habits.

Make your loyal customers feel special by tracking their purchases and browsing habits to create custom offers that reflect their interests. Better yet, align their online behaviors with their in-person actions. This shows your customers that they are important to you.

3. Share ideas for using loyalty points based on customer preferences.

Demonstrating how subscribers can use their points to receive deals and products they actually want helps show that your organization cares about offering them the best deal, and that you're aware of their preferences. Urging your customers to take advantage of points reminds them of the value of your loyalty program and helps them feel good about their spending.

Fostering customer loyalty requires a deep understanding of your customers via first-party data.

Here's how you can use a CDP to put these strategies into action:

1. Link customer profiles from separate systems.

A vendor-neutral CDP allows you to access unified customer views founded on first-party data from your marketing technology stack. These profiles will be the backbone for all of your experiences as they enable you to drive personalization.

2. Link online and offline data relating to the same customer.

A CDP allows you to collect customer interests and create personalized experiences that match—even when your customers are engaging offline. Without offline data to round out a customer profile, you risk delivering an irrelevant experience.

3. Add external identifiers to existing customer records.

Adding external identifiers gives you the ability to target your best customers with a consistent experience across a variety of channels. To stand out from the crowd, getting good at managing identity across channels is critical.

Ranging from small modifications to in-depth adjustments, these personalization efforts will show your commitment to your most loyal customers and encourage their continued loyalty.

Learn more about how Tealium's CDP will help your organization improve your customer experience loyalty program and subscription services [here](#).



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