

2023 LOYALTY PROGRAMS DATA STUDY

What Brands
Can Do to Bridge
the Engagement Gap



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Introduction

Loyalty programs are valuable tools for all brands — now more than ever.

Why?

Because loyalty programs not only have the potential to keep your customers engaged but also to provide an opportunity to differentiate your brand and offer value to your customers.

To better understand the impact of loyalty programs and how consumers feel about them, we surveyed 2,500 consumers about the factors that drive their engagement with brands.

The study found that loyalty program membership is on the rise across the board, but there is a big opportunity for increased engagement.

- Why is there an engagement gap?
- What do consumers want to see from a loyalty program that would entice them to join and become long-term members?
- What will successful loyalty programs of the future look like?

Read on to find the answers to these questions and what you need to do to provide a loyalty program that builds customer engagement on repeat.



Key Findings

81%

of consumers agree that holding a loyalty program membership to a brand influences their likelihood of making a purchase from that brand.

90%

of consumers agree that in general, when it comes to being personalized to their preferences, most loyalty programs have room for improvement.

91%

of consumers agree that many loyalty programs feel similar and are not that differentiated from other programs.

No. 1

reason consumers don't sign up for a brand's loyalty program: It requires too much effort/it's time-consuming.

74%

of consumers agree that they would engage more with brands that offered different tiers in their loyalty programs based on how much they spend per year.



INSIGHT 01

Loyalty Is On the Rise and Valuable, But People Aren't Engaging

While membership in loyalty programs is at an all-time high, engagement in those programs can be improved There's no question that consumers value loyalty program memberships.

Consider that 81% of consumers agree that holding a loyalty program membership to a brand influences their likelihood of making a purchase from that brand.

Loyalty programs are valuable to consumers when brands offer the right rewards that prompt members to make repeat purchases.

It also illustrates the power of loyalty.

81% of consumers agree that holding a loyalty program membership to a brand influences their likelihood of making a purchase from that brand.



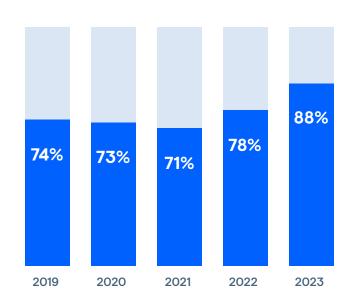
Loyalty program members are committed to their favorite brands. And it goes beyond just making purchases from their favorite brands. Great loyalty programs also protect brands from the competition.

In fact, 78% of consumers are likely to shop with a brand whose loyalty program they belong to versus one of their competitors even if the competitor is more convenient.

Considering how much consumers value convenience, this shows just how powerful loyalty programs can be.

Over the past five years, loyalty program membership has been on the rise.

Consumers who belong to a traditional loyalty program





Most (83%) of consumers belong to between one and six loyalty programs, but the engagement piece is notable: 72% of consumers use 50% or less of their traditional loyalty program memberships. Also, 31% of consumers use only 25%, which means roughly one-third of consumers are only using a quarter of their loyalty program memberships.

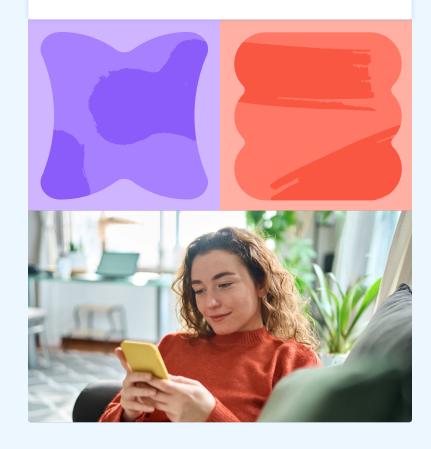
These two stats deliver two clear messages to brands: Consumers love to join loyalty programs, but that doesn't necessarily mean they are engaging with them.

It seems that consumers join loyalty programs steadily, but then forget about their memberships because brands aren't giving them a reason to engage frequently.

It's becoming more challenging for brands to earn customer loyalty. Consider that 73% of consumers agree that their loyalty is more difficult for a retailer to maintain than ever before. And that figure is up from 68% in 2022.

So, loyalty programs are important to brands and consumers, but it seems like engagement overall is lower than it should be

Most (83%) of consumers belong to between one and six loyalty programs, but 72% of consumers use 50% or less of their loyalty program memberships.



INSIGHT 02

Loyalty Program Opportunities from the Perspective of Consumers

Consumers tell what they want in a loyalty program and what they don't want

For many consumers, the reality is that many loyalty programs feel the same – and what brands are providing doesn't necessarily line up with their preferences.

For example, 90% of consumers agree that in general, when it comes to being personalized to their preferences, most loyalty programs have room for improvement.

And 91% of consumers agree that many loyalty programs feel similar and are not that differentiated from others.

While these stats point to loyalty program shortcomings from the consumer perspective, brands should view this as a major opportunity.

Obviously, the first step is acquiring members. If you can't get people interested in signing up, then the rest is moot. And while membership is on the rise, there are still many consumers who don't sign up for loyalty programs. Why?



The No. 1 reason consumers don't sign up for loyalty programs is it requires too much effort/it's time-consuming



Top reasons consumers don't sign up for brands' loyalty programs

1	It requires too much effort/it's time-consuming	42%
2	The benefits/rewards aren't interesting to me	41%
3	I don't like to share my personal information	31%
4	It's inconvenient	27%
5	It feels bothersome or annoying when an in-store associate asks me at checkout	23%
6	The brands I engage with most often don't offer loyalty programs	22%
7	I am generally unaware of brands' loyalty programs	15%
8	I don't understand how signing up will benefit me	9%

The No. 1 reason consumers don't sign up for loyalty programs is it requires too much effort/it's time-consuming (42%). The second reason is because the program benefits/rewards aren't interesting (41%).

Inconvenience and lack of awareness are big deterrents to brands getting consumers to sign up for their loyalty programs.

A large percentage of consumers get frustrated when the signup process is cumbersome. What are some ways to make this process smoother?

Many of these perceived program deficiencies can be solved with things like making sure your signup process is easy.

Start with just collecting names and email addresses instead of asking lots of questions. And then once someone joins the program, you can collect more information over time through engagement tactics like trivia, personality quizzes and birthdays.

Our <u>2023 Loyalty Amplifiers Data Study</u> found that two-thirds of consumers are likely to provide more personal information and preferences to better personalize their loyalty program experience in exchange for an incentive. This includes data like name, gender, age, profession, location, email address, phone number and household income.

Make sure your in-store associates are properly trained. This can help make consumers feel less bothered and will help if there is any lack of program awareness. There's also an opportunity to educate consumers and make the process of signing up more painless.

For example, think about in-store signage and/or kiosks explaining the benefits where consumers can sign up to bypass needing an associate to try to promote the program. Or consider QR codes throughout the store where consumers can sign up with their phones.

And here's an eye-opening stat that screams major opportunity: Nearly a quarter of consumers (22%) say their favorite brands simply don't offer loyalty programs.



Transactional benefits are great, but experiential ones build deep emotional connections.

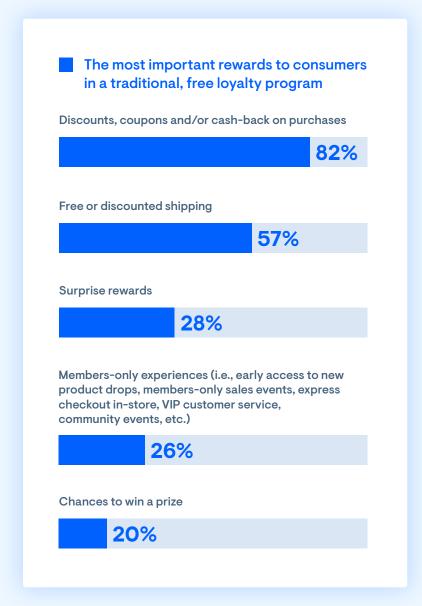
It's clear that consumers value transactional benefits like discounts and free shipping the most, but the fact that a quarter of consumers value experiences is significant. It's important to offer both.

REI Co-op Membership

REI is an excellent example of a brand that built its premium loyalty program around experiential benefits.

The American retail and outdoor recreation services retailer charges a minimal \$30 lifetime membership fee, which earns customers various transactional benefits like coupons and discounts on products.

But the key to REI's loyalty program lies in its experiences, which include outdoor classes to organized trips around the world. Customers who become members of the program often turn into brand advocates after experiencing any of these once-in-a-lifetime adventures.



When thinking about points, many programs out there simply reward members with a discount when they have reached a certain points balance or threshold. But these stats speak to the abundance of opportunities for brands when developing or modifying their loyalty programs.

While most consumers want to redeem their loyalty points for discounts, there are other rewards brands can offer to create more loyalty. A significant number of consumers would redeem their points for branded swag or gift points to friends/family which certainly helps with brand awareness and advocacy.

According to our <u>2022 Customer Loyalty Data Study</u>, 76% of consumers agree that family and friends represent the most trusted source for influencing loyalty.

Our research shows that the older demographic gravitates toward discounts more while younger consumers yearn for more branded, experiential and digital rewards.

Top 5 rewards that consumers most likely want to redeem points for (by age)

Discounts on purchases (shopping,	hotel, flights, etc.) — 80% total
18-29	72 %
30-44	79%
45-60	82%
>60	87%
Branded merchandise/swag - 32%	total
18-29	36%
30-44	36%
45-60	32%
>60	22%
Sweepstakes entries for the chance	to win a prize — 30% total
18-29	36%
30-44	32%
45-60	31%
>60	17%
Gift points to friends or family - 259	% total
18-29	24%
30-44	24%
45-60	26%
>60	28%
Customizable digital rewards (make photo frame to use on social media,	
18-29	29%
30-44	28%
45-60	17%
>60	9%

Top 5 things consumers would love to see from their favorite loyalty programs in the future

1	More attainable rewards (not having to save up large amounts of points for big ticket items but the opportunity to redeem smaller amounts of points for smaller rewards)	71%
2	More options for what you can redeem your points for aside from just coupons or discounts	67%
3	Being rewarded more for engaging with the brand beyond just purchase (like leaving a product review online, filling out a personality profile, taking a quiz or contributing user-generated content like sharing photos or an experience with the brand on social media)	40%
4	More access to exclusive members-only experiences	25%
5	More of a sense of community for other brand fans (i.e., fan clubs, user groups, meetups, classes, etc.)	12%

This data aligns with previous research we did where we found that rewards take too long to earn.

According to our 2023 Loyalty Amplifiers Data Study, 74% of consumers agree that loyalty program rewards often feel unattainable, they require making too many purchases or require too many points and take too long to earn.

This has a direct impact on engagement.

Consider nearly 90% of consumers said they engage with loyalty programs less often if they feel it takes too long to earn rewards.

Nearly 70% of consumers are likely to redeem smaller amounts of loyalty program points in exchange for rewards like the chance to win a prize, a customized digital product or a donation to a charity, instead of having to "save up" points for larger ticket rewards like free products or merchandise.

This is not to say that your brand shouldn't continue offering bigger ticket rewards but when it comes to rewards, consumers want more choices. While the data mostly holds steady across age groups in terms of wanting more attainable rewards, more options on how to spend points and membership tiers, it's interesting to note that the younger consumers seem to desire more personalization and better communication.



Top 5 things consumers would love to see from brand loyalty programs to offer a great member experience (by age)

More attainable rewards (for example, being able to redeem smaller quantities of points for smaller rewards versus having to save up large quantities of points for bigger rewards) — 64% total	18 – 29 30 – 44 45 – 60 >60	63% 61% 67% 66%
More personalization (more of the features, benefits and/or products that you are most interested in versus being shown the same content that everyone else sees) — 47% total	18 - 29 30 - 44 45 - 60 >60	53% 51% 46% 39%
More options on how to spend points (i.e., ability to donate points to charities or share points with friends and family versus only being able to redeem points for discounts or products) — 40% total	18 - 29 30 - 44 45 - 60 >60	44% 40% 36% 42%
Better communication (the right amount of communication at the right time from the brand in your preferred channel(s) like email versus SMS, etc.) — 35% total	18 - 29 30 - 44 45 - 60 >60	41% 36% 35% 27%
Multiple tiers that better align with my shopping habits (i.e., tiers that offer different rewards based on your yearly spending with the brand, or a premium tier that offers the best benefits in exchange for a membership fee like Amazon Prime) – 34% total	18 - 29 30 - 44 45 - 60 >60	31% 36% 33% 34%

INSIGHT 03

Loyalty Programs of the Future

The rise of tiered loyalty, fee-based premium loyalty and loyalty amplifiers

If you want to evolve your loyalty program to increase member engagement, there are some things you should consider.

It's important to offer customers different ways to engage because not every customer is the same.

74% of consumers agree that they would engage more with brands that offered different tiers in their loyalty programs based on how much they spend per year.

When you offer consumers options, your brand is looking at loyalty programs in a holistic way.



Premium Loyalty Programs

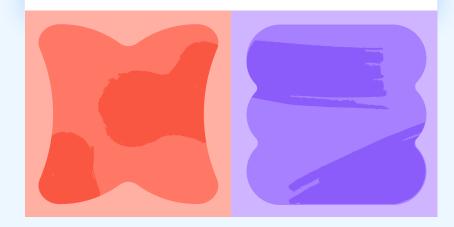
Offer immediate benefits that can be used at any time in exchange for a membership fee. Examples include Amazon Prime, Walmart+ and CVS CarePass.

Tiered Loyalty Programs

Offer different benefits that increase in value as members progress in certain metrics, such as dollars spent annually. Examples include Sephora Beauty Insider, My Best Buy Memberships® and Marriot Bonvoy.

Loyalty Amplifiers

Engagements that motivate and excite your program members through additional incentives. They can range from instant win games to UGC contests, sweepstakes, social sweepstakes, trivia and more.



This could include a points-based program with tiers based on spend and a premium loyalty tier that includes a membership fee in exchange for the best, most exclusive benefits.

More than half (56%) of consumers plan to join additional premium loyalty programs in the next 12 months.

This is especially true if they already belong to a brand's free points program. In fact, 74% of consumers are likely to invest in a retailer's premium loyalty program if they already belong to that retailer's traditional loyalty program.

While discounts and other transactional benefits are still most desired, it's interesting to note the differences between some of these findings with the youngest (18-29) demographic and the oldest (60 and older) demographic.

Older consumers want instant benefits (58%) more than younger ones (48%). Meanwhile, younger consumers want free giveaways (53%) more than older consumers (41%).

Younger shoppers (21%) want exclusive, in-store experiences while older shoppers (7%) don't care as much about them. It's important to design your benefits based on your audience.

Perks that would motivate consumers to invest in or renew a premium loyalty program (by age)	Ages 18-29	Ages 30-44	Ages 45-60	Ages >60
Free shipping - 57%	55%	54%	59%	62%
Instant discounts that can be used whenever you shop (e.g., 20% off every purchase without the need for a coupon or accruing points) – 52%	48%	51%	52%	58%
Free giveaways - 49%	53%	51%	49%	41%
Faster shipping – 39%	50%	40%	37%	29%
Surprise rewards - 33%	37%	36%	32%	28%
Exclusive deals (e.g., access to pre-sales) - 32%	36%	35%	30%	25%
Holiday discounts - 28%	33%	31%	25%	24%
Personalized offers - 27%	29%	30%	28%	29%
Exclusive in-store experiences (e.g., a personal stylist, fitness classes or a VIP fast lane at checkout) – 17%	21%	22%	16%	7%
Nothing would motivate me to invest in a premium loyalty program – 11%	10%	11%	12%	11%

Fewer consumers feel premium loyalty programs are too expensive and more see the value, so it's important to get the value proposition right. But there are still many brands out there (most) who do not offer these programs — which represents another a huge opportunity.

Premium loyalty program popularity continues to rise. It's been a steady progression since 58% of consumers belonged to a premium loyalty program in 2019, 66% in 2020, 70% in 2021, 72% in 2022 and 77% this year.

While premium and traditional loyalty programs can stand on their own, here's why it's powerful when they work together:

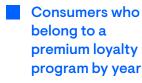
Seventy-seven percent of consumers would still want to remain a member of a brand's free loyalty program if they're thinking of canceling their premium loyalty membership because they're not getting enough value out of it.

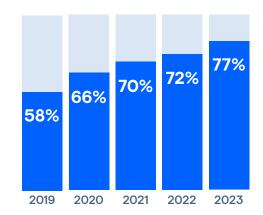
This is one of the reasons it's important to offer both types of programs. If a customer cancels a premium loyalty membership, the brand does not lose them entirely. They are still in the loyalty ecosystem.

When you combine a traditional loyalty program with a premium tier, you're giving customers options and the freedom to move within your loyalty ecosystem.

Why consumers don't currently belong to any premium loyalty programs (by age)

They're too expensive — 37% total	
18-29	48%
30-44	42%
45-60	34%
>60	24%
I don't see the value — 25% total	
18-29	25%
30-44	25%
45-60	24%
>60	24%
I'm open to them, but the retailers I shop with don't offer them -26% total	
18-29	20%
30-44	24%
45-60	28%





In addition to tiers, both yearly spend-based and premium loyalty, many brands are offering loyalty amplifiers like sweepstakes, trivia and other incentives that make engagement fun and exciting, you give them options and a reason to join and continue engaging.

In exchange for an incentive, <u>88% of consumers</u> are likely to join your loyalty program. And <u>78% of consumers</u> would refer a brand's loyalty program to friends and/or family in exchange for an incentive.



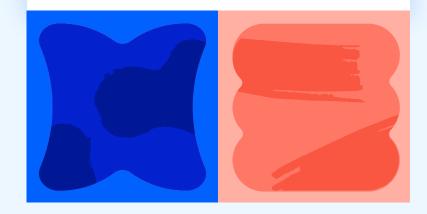
Johnson & Johnson Care Club

Care Club is a healthy-living lifestyle loyalty program built around value-add information and insight coupled with Johnson & Johnson products.

In addition to partnering on the program itself, we helped boost engagement which resulted in direct customer relationships by capturing first-party data, delivering personalized experiences and driving member engagement.

Members earn points for product purchase, reviewing products, taking polls about product usage in their lives and through personalization actions that help define the program experience.

Read the full case study.



Close the Engagement Gap by Giving Your Members What They Want

Loyalty programs can lift your brand above the competition and create strong two-way relationships. When loyalty programs offer significant value to their members, they'll engage with your brand more frequently.

Although loyalty program membership is on the rise and most consumers belong to more than one program there's a gap in engagement.

To address the engagement gap, the answer lies in listening to your customers.

If you want to create strong brand advocates that frequently engage with your loyalty program, it's time to listen to your members and give them more options for types of rewards, loyalty tiers and how points are earned.

The brands that get loyalty right will be the brands that build customer engagement on repeat.



Methodology

All 2,500 respondents are located in the U.S. and 18 years or older. The survey was completed April 2023.

About ebbo

ebbo is an all-in-one loyalty company that has helped leading brands build unforgettable customer experiences for over two decades. With our data-driven strategy, full-service approach and the unwavering support of the people behind our platform, our dedicated team will work with you to understand your loyalty goals, innovate solutions and help you build customer engagement on repeat. ebbo is headquartered in Rocky Hill, CT, with offices in Michigan and team members all over the U.S.

Interested in learning more about loyalty and customer engagement? Download and explore the following resources:

2022 Customer Loyalty Data Study

2022 Premium Loyalty Data Study

2023 Loyalty Amplifiers Data Study

If you'd like to learn more about how to increase customer engagement, visit ebbo.com to learn more.

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