



# CONSUMER SPEAKS

## Unlocking consumer loyalty: Findings from Deloitte's 2024 survey

- Moderator:** • Sam Loughry
- Guest speakers:** • Matt Josephson, Jenny Spiel

**Sam:** Welcome to *Consumer Speaks*, a Deloitte podcast series, where you will hear industry specialists share their perspective and insights on emerging topics impacting the consumer industry. I'm Sam Loughry, the leader of our Consumer Industry Audit & Assurance business of Deloitte & Touche LLP. I'm joined by Matt Josephson, principal with Deloitte Consulting LLP; and Jenny Spiel, senior manager with Deloitte Consulting LLP.

Today we'll delve into consumer loyalty programs and the potential impact these programs have on consumer businesses.

Matt, Jenny, thank you both for joining us today.

**Jenny:** Thank you, Sam. We're happy to be here. We're excited to get the opportunity to talk about the 2024 Consumer Loyalty Survey and loyalty more broadly.

**Sam:** Matt, let's kick things off with you. Can you describe the type of work you do and what led you and your team to conduct this survey?

**Matt:** Broadly speaking, the work we do focuses on helping businesses develop,

enhance, and ultimately implement loyalty programs. The genesis for the survey came from a growing curiosity from myself, Jenny, others in our practice around customer needs on loyalty and how loyalty programs are evolving in the current market.

Loyalty, it's always been an important topic area. I would say in the last year or so, we've really seen an uptick in this area. So, in sum, we want to understand the trends, challenges, opportunities that companies face when creating effective loyalty programs.

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**Sam:** Curious to know what you could share—the most interesting or surprising things you found in the 2024 survey.

**Jenny:** I think one of the most surprising findings, at least from my end, was the sheer number of programs people are a part of. Year over year, we ask this question, “How many programs are you actively participating in?” And consumers are actively participating in—key words “actively participating in”—five to seven loyalty programs.

Which, you know, indicates a high level of engagement, but also suggests a very saturated, competitive market. I think, in fact, something over 60% of respondents in our survey were part of two loyalty programs within the same industry. You know, notably this year, we’re seeing a lot more active participation in fee-based programs.

Over 85% of Gen Z consumers, for example, have at least one fee-based program they’re loyal to. And then these paid programs have a higher degree of influence on their spending behaviors, thus becoming even more interesting as loyalty programs think about how to evolve their offerings.

**Matt:** Yeah, if I could just pile on from where I sit: One of the most surprising elements, which maybe these days shouldn’t be a surprise because we see it year after year, is the signals that companies are still struggling for both share of heart and share of wallet. As Jenny mentioned, huge proliferation of loyalty programs and a lot of really great advancements we’ve seen in loyalty programs recently, and you’ve got leaders who focus on it every single day. Yet, many companies find it challenging to truly capture and retain customer loyalty.

**Sam:** Yeah, you both mentioned just the sheer number of these programs that are out there. You know, Matt, as loyalty programs are becoming more ubiquitous, how are businesses differentiating themselves?

**Matt:** I would say two key areas we believe and that we’ve also seen that create true differentiation really lies in personalization and digital engagement.

We’re seeing a big shift from mass marketing to micro targeting—sometimes called scale personalization—where programs are tailored to individual preferences and behaviors. And from our loyalty survey, we found customers really want sophisticated levels of personalization. But you can’t do it without the second part, which is, it’s got to be powered by advanced data analytics and digital platforms—which allows companies to create more meaningful and relevant experiences for their customers.

**Sam:** Jenny, with that said, how can loyalty programs appeal to a broader audience yet stay relevant?

**Jenny:** It’s a tough question. I suppose the good news for loyalty programs is that consumers across all age groups care most about value. Eighty percent of consumers from Gen Z to post-war say earning and redeeming financial rewards was the most important feature of the loyalty program.

The question then becomes how to appeal to audiences beyond that, so it’s not a race to the bottom. Specifically for the younger generations—I’m talking Gen Z and millennials—they’re placing a much higher value on an accessible and enjoyable digital experience. The same is true for other loyalty program attributes such as access to community and gamified recognition.

So, the thing to keep in mind is that, while you’re building towards addressing these younger generations that are having more spend potential, you’re also now addressing populations that are more likely to switch loyalty programs to a competitor. So, it’s really a challenge for brands to think about how to continuously evolve while still keeping their programs simple and financially rewarding.

**Sam:** Jenny, talked about the pulse of generational differences and similarities. You know, one thing I did note in the survey is research that called out no matter what the consumer’s age, we all appreciate financial rewards. When we start thinking about loyalty program investments, I think we all can agree they sound expensive.

Matt, what are the organizations doing to make their programs profitable or to offset those costs?

**Matt:** It’s a really good point, Sam. Because investments can be significant, I’ll say there’s three strategies we’ve seen effectively to ensure profitability.

First, many companies are leveraging gamification and data analytics to enhance engagement and drive spending. However, word of caution, I’d say before jumping right to gamification, it’s important to focus on the behaviors you’re hoping to drive. We see all too often companies jump right to gamification. Badging, for example, is the hot trend in the market right now, only to see no change in the outcomes they’re hoping for. And it comes down to the fact that they often are too focused on the tactic itself and not the behaviors they’re trying to drive. So that’s number one.

Secondly, as Jenny mentioned, some organizations are introducing paid membership programs, which offer exclusive benefits for a fee. These programs not only generate direct revenue, but also create a sense of exclusivity and value among currency. This also goes hand in hand with introducing loyalty currency. Currency has an opportunity to be a value creator for you as well. If you think about all the points that are out there in today’s world, whether you’re receiving them from the company directly or from a co-brand credit card, there’s an opportunity, certainly, to monetize currency.

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Third, and this is probably the hardest one, is you've got to play the long game and think about customer lifetime value. While the cost of a loyalty program may seem significant in the short term, if you focus on modeling out the lifetime value from each customer to show the incremental value loyalty can bring, these programs can easily pay for themselves many times over. In fact, Jenny and I were with a leader of a loyalty program recently, and I asked her, how does she deal with balancing loyalty costs with loyalty benefits. She looked at me and said, "Matt, taking away value from my customers goes against what I should be doing."

**Sam:** Matt, thanks for explaining the financial side of it.

To close this out, I'd like each of you to share a piece of advice that you would give to a loyalty leader as they're thinking about evolving their loyalty programs. Jenny?

**Jenny:** My advice would be to consistently evolve your program while staying grounded in what your customers want. Either brands swing one direction where they chase the next big thing, like gamification as a tactic, as Matt suggested, but they lose sight of their program simplicity and what their customers loved about it in the first place.

Or they aren't responsive enough to changing trends and preferences, and they lose their customers to the competition. So I really think it's a delicate balance to strike, but it's critical to get. You have to stay very grounded in what your customers want and monitor that over time.

**Matt:** To build off of what Jenny said, two pieces of advice, although the first one's super connected to what she said was that you've got to ensure the overall customer experience is differentiated and enjoyable. Bottom line, you have to start with the customer. Even the leading loyalty program can fall flat if the customer experience is lacking, especially in the digital realm.

Before I get to my second point, just one other thing, Jenny, you reminded me of when you were talking was when you continuously evolve, you also need to continuously test. And testing doesn't mean analysis paralysis. Testing means actual testing of different ideas, benefits, program structure with your customers.

Second, it's a team sport. It touches every part of your organization. You've got to find the right team members. You've got to bring them along. You've got to be clear on what you need from them and have aligned incentives such that you are all driving towards customer lifetime value.

**Sam:** Appreciate that, Matt. Well, that's our time for today. Thank you, Matt and Jenny, for joining the discussion and providing an overview of consumer loyalty programs and their role in business strategy. While loyalty programs are powerful tools for enhancing customer engagement and driving business growth, they come with nuances in keeping personal information protected and accounting and financial reporting.

Accurate accounting for customer loyalty program liabilities and revenue recognition can be complex. So, as you start, or continue your journey with loyalty programs, feel free to reach out to me or the team with any questions or concerns you may have.

We hope today's insights will help your business navigate your own consumer loyalty programs. For more consumer insights and to read the full [2024 Consumer Loyalty Survey](#), please visit our website at [Deloitte.com](#) or email me, Sam Loughry, at [sloughry@deloitte.com](mailto:sloughry@deloitte.com). Thank you for listening to *Consumer Speaks*, sponsored by Deloitte's Audit & Assurance business. Until next time, take care.

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