Transcending expectations in the new loyalty landscape

Insights on the consumer drivers building today’s leading loyalty and engagement strategies
Introduction

Loyalty programs have been deployed for decades by small businesses and large brands alike to drive consumer preference, reward frequency, and encourage consistent spend. As competition for consumers' attention continues to rise, brands and retailers have increasingly turned to loyalty programs to attract (and keep) consumers.

While consumers were once satisfied with “earn-and-burn” points systems, they now expect more unique and personalized loyalty experiences. And the recent evolution of the consumer loyalty landscape as a result of the COVID-19 pandemic presents new realities for brands and retailers, as consumers have fundamentally changed the way they shop, eat, travel, leisure, and interact. Yet many consumer companies have launched their loyalty programs without an intentional approach to evolve them over time. As a result, many legacy programs are at risk of losing their impact and becoming stale.

Given these pressures, we set out to better understand today’s loyalty landscape, including which loyalty drivers are table stakes to compete and which are truly leading in today’s environment. Over the past year, Deloitte evaluated more than 115 consumer loyalty programs across 15 industries, reaching more than 500 million total members and spanning a breadth of company sizes and loyalty approaches. Our research yielded insights on the specific loyalty drivers that consumer loyalty programs need to be investing in today.

Three distinct loyalty driver categories have emerged in our findings. These categories represent the competitive building blocks that loyalty programs must consider as they build, evolve, and transform their loyalty strategy:

**Critical mass**: Drivers that most loyalty programs have adopted and that consumers expect, standing as table stakes in today’s environment (e.g., value proposition, mobile-first strategy)

**On the verge**: Developing drivers or features that programs have the opportunity to improve. Leading loyalty players are paving the way in these areas (e.g., exclusivity, services)

**The next wave**: Emerging drivers or features that only select loyalty leaders have brought to market and that have the potential to shape the future of loyalty (e.g., personalization, partner ecosystem)

Whether you are simply looking to better understand the broader consumer loyalty landscape and where leading programs have shifted focus and investment or want to identify key actions your business can take to make an impact in your industry, our findings provide timely, applicable insights. The state of loyalty is rapidly accelerating and evolving with consumer preference, and meeting expectations will be key to success.
RESEARCH OVERVIEW

We defined “loyalty programs” as any reward or membership mechanism that provided a consumer with a financial or nonfinancial benefit for engagement.

Over the past year, we conducted an in-depth evaluation of more than 115 popular consumer loyalty programs.

Our evaluation spanned 15 industries across a breadth of company sizes, program maturities, and loyalty approaches (e.g., free versus paid).

OUR ASSESSMENT STRATEGY

Each observable driver was evaluated and scored against a maturity scale of 0–3 to quantify the current-state experience.

0. Driver is nonexistent in brand’s program
1. Driver exists and meets basic, functional needs
2. Driver is competitive and delivers a strong experience
3. Driver exceeds expectations and provides a best-in-class experience
As consumer loyalty offerings continue to evolve from generic points programs, we observe the critical mass of programs shift their focus to:

1. Developing more compelling value propositions in support of their brand strategy; and

2. Delivering them in more seamless, integrated ways.

To effectively compete in today’s loyalty landscape, programs must offer consumers a simple, exciting program that is integrated into the broader brand and customer experience. Programs that lag on these fundamentals are likely to face challenges in driving their desired business and customer impact.
Compelling, brand-aligned value proposition

Our assessment found that **54%** of programs offer member benefits that are nontransactional.

More than ever before, the foundation for a successful loyalty program lies in delivering a compelling member value proposition that supports the brand strategy, and the portfolio of benefits is often what differentiates a program from the rest. Leading players have responded by extending their offerings beyond basic transactional elements, creating a balanced portfolio of monetary and nonmonetary benefits. This combination drives both rational (share of wallet) and emotional (share of heart) loyalty.

Striking the balance between rational and emotional loyalty plays a key role in driving brand strategy. In our research, we observed more than 65% of brands and retailers investing in better aligning their loyalty programs with their brand objectives, mission, and priorities. However, only 15% of programs elevate and drive the overall brand strategy, wherein the loyalty program and the brand are viewed as two sides of the same coin.

**INDUSTRY COMPARISON**

| Lagging | Leading |

Department store and airline players, which have a long history of competing on the basis of their loyalty offerings, lead in these features. Industries where branding is a less critical driver of consumer choice (e.g., grocery, fuel and convenience) lag.
Seamless, integrated loyalty experiences

Today’s consumers expect their loyalty programs to be easily accessible, user-friendly, and real-time. This means that effective programs cannot be an add-on to the customer journey, but instead must be thoughtfully integrated across it. While our assessment revealed that 64% of consumer loyalty programs are integrated into key moments beyond the point of purchase, only 20% have deeply embedded their programs across the end-to-end customer experience by enhancing existing touchpoints or by creating entirely new moments from discovery to reengagement.

Creating a cohesive loyalty experience requires a truly omnichannel approach, with mobile at the center. Today, US adults spend more than three hours per day on mobile apps. As a result, more than 80% of the programs we reviewed have shifted toward a mobile-first loyalty strategy, positioning the mobile experience as the critical connection point across physical and digital interactions. This ties into the additional drivers of integrated engagement and program simplicity, which sit at the forefront of an impactful strategy in a digital landscape where customers are hungry for seamless, simple loyalty experiences at their fingertips.

INDUSTRY COMPARISON

Airlines and department store players also lead the pack in delivering integrated loyalty experiences. Quick-serve restaurants, where the digital experience and loyalty experience are often synonymous, also excel in these features.

PROGRAM SPOTLIGHT: STARBUCKS

Starbucks uses its loyalty program, Starbucks Rewards, to drive consumer engagement and fuel enterprise growth by incentivizing behaviors such as frequency and cross-category spend.

By placing Starbucks Rewards at the heart of its mobile app, offering unique benefits and contactless payment options, Starbucks has made its loyalty experience and broader customer experience nearly synonymous. As a result, the program accounts for more than 50% of US company-operated sales.
What does this mean for consumer loyalty programs?

Five questions to consider:

1. Have you clearly defined the business goals and value drivers you seek to deliver through your loyalty program?
2. Which consumer segment(s) will you target, and what specific behaviors do you want to influence?
3. How will your loyalty value proposition, offering, and benefits be designed to drive those behaviors and goals?
4. How can you embed your loyalty program across moments that matter, from inspiration to rediscovery?
5. What internal silos must be broken down to do this?
As programs move beyond the fundamentals, we observe market leaders investing in two key areas to entice and retain their members:

1. Introducing differentiated ways to earn and redeem rewards; and
2. Creating more moments of recognition, exclusivity, and access for members.

The combination of these features allows programs to elevate their offering by recognizing members and giving them a customizable experience. As a result of a company creating a member-centric loyalty program, their members will feel appreciated and rewarded at crucial touchpoints.
Additionally, leaders are offering member rewards for actions beyond the transaction, such as attending an event, leaving a product or service review, downloading the mobile app, referring a friend, and more. Our research revealed that 31% of consumer loyalty programs allow members to earn through nontransactional means.

These flexible earning mechanisms are often paired with increased redemption options that go beyond a monetary discount, which introduces more opportunity for members to control and influence their loyalty experience.

**INDUSTRY COMPARISON**

Industries in the middle of the spectrum (transportation services; sports, leisure, and hobbies; health care; fuel and convenience) have expanded to allow members to select their preferred benefits and are beginning to invest in offering more ways for members to earn (e.g., in-store visits, completing fitness activities).
Enhanced recognition, exclusivity, and access

Of the loyalty programs we reviewed, 42% offer special moments of access for members versus nonmembers. This helps their most loyal and engaged members feel appreciated and valued. In fact, today’s consumers have come to expect exclusivity in their loyalty program experience, with 50% citing that receiving special treatment not available to other customers is important to them.3

Special moments for members can range from early sale access to exclusive merchandise to free upgrades, depending on the industry. About 30% of programs use member status, hierarchies, and tiered benefits to formally recognize and incentivize their members. In tandem, we observe that 32% of programs incorporate value-added services to further this notion of exclusivity, such as expedited customer service, free shipping, extended return windows, concierge services, and more. These loyalty drivers are aimed at making the experience more compelling, valuable, and convenient for the loyalty member and driving increased stickiness through an enhanced customer experience.

The Marriott Bonvoy™ program4 allows members to redeem points for various rewards, from hotel stays to airfare and car rentals to charitable donations to unique entertainment experiences. Additionally, members can accelerate their program benefits by participating in any Marriott Bonvoy credit card, granting benefits such as automatic member status levels, points multipliers, or room upgrades.

With the program structured around a clearly defined set of member tiers, participants have a clear path to unlocking more value as they progress in their loyalty journey. This includes exclusive access to benefits and services that make Marriott stays more enjoyable and convenient, such as guaranteed room availability, dedicated customer support, late checkout, lounge access, and more.

INDUSTRY COMPARISON

Home goods, department stores, and apparel and footwear players disproportionately invest in exclusivity and access relative to other features, offering member-only merchandise, early sale access, extended return windows, and more.
What does this mean for consumer loyalty programs?

Five questions to consider:

1. Does your program offer a variety of earn opportunities that extend beyond direct purchases from your brand?

2. Are members able to select from multiple options for when and how to redeem their earned benefits? Is your member at the center of their loyalty experience?

3. How might you embed elements of exclusivity in a way that is aligned to your brand, enhances the emotional value proposition of the program, and helps your members feel valued?

4. Are there any value-add services that can be offered to members to enhance and simplify the member experience beyond solutions offered to nonmembers?

5. Do you have ways, either formal or informal, to recognize and appreciate your most loyal members?
More than ever, brands and retailers are looking to play a meaningful and multidimensional role in the lives of their members. We observe that the most innovative and experimental loyalty programs look to build meaning through:

1. Personalized interactions and experiences;
2. Extended loyalty ecosystems; and
3. Creating community and belonging.

The next wave
Influential moments, human experience
Personalized interactions and experiences

True loyalty leaders have capitalized on the valuable first-party data of their consumers. They create data-driven, personalized loyalty experiences for their members, which can take many shapes, from tailored offers to curated content and messaging. Nearly one-third of US loyalty program members state they would be willing to share their personal information in exchange for more personalized experiences and rewards. However, less than 25% of programs are personalizing member experiences based on previous interactions, purchase history, and stated or inferred preferences.

Celebrating, encouraging, and even gamifying the customer journey are proving winning approaches for loyalty leaders focused on innovation and growth. We have observed that many loyalty leaders employ a more sophisticated approach to gamification, using member data to create personalized challenges that drive specific member behaviors, such as increased trip frequency or shopping a new category, and subsequently celebrating individuals’ achievements when behaviors are demonstrated. In turn, members are more engaged and feel more connected to the program, as gamification taps into their drivers of human behavior, such as accomplishment, avoidance, empowerment, and scarcity.

**INDUSTRY COMPARISON**

Given the personal nature of their products and services, hotel, pharmacy and drug store, health care, and health, beauty, and wellness players notably overindex on personalized interactions and experiences for their members.
Extended loyalty ecosystem

Our findings revealed that leaders are expanding their programs into a broad range of platforms, magnifying the member experience, and creating more engagement touchpoints. When brand partnerships are introduced, members receive unique, experiential benefits, while the companies involved unlock new revenue streams and capabilities. We observed 30% of programs partner with complementary brands, service providers, or value stream players.

These partner ecosystems allow brands and retailers to create differentiated advantage and better understand members’ interests outside of their direct interactions.

In addition to partners, leaders are increasing emphasis on their employees’ role in the loyalty experience. We observed that only 21% of programs provide incentives or participation opportunities for their own employees. Employees often serve as the only face-to-face interactions members have with the brand, meaning it is paramount that employees are actively engaged in the loyalty program. Otherwise, they can erode value in ways companies may not be aware of.

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Hospitality and airlines have a long history of partnerships and offer the most robust loyalty ecosystems today. Members can often earn and redeem points across partners by linking accounts, in addition to other benefits such as automatic status.
A sense of purpose is additionally important for today’s consumer. However, only 20% of programs provide an avenue for members to participate in or contribute to a mission.

Uniting loyalty members around shared causes and interests can manifest as opportunities to redeem rewards for donations, for example, and some leaders have expanded to offer rewards for sustainable behaviors or surfacing local volunteer opportunities that members can participate in. Embedding mission and causes into the loyalty program will continue to play an important role as consumers become more socially and environmentally aware. Combining causes people are truly passionate about with a sense of customer loyalty could be showcased through volunteer event participation, activism, charity fundraising, and more.

While these features represent a new investment area for all industries, hospitality and health, beauty, and wellness players lead in using their loyalty programs to connect with shared causes (e.g., charitable points donation) and with each other.
What does this mean for consumer loyalty programs?

Five questions to consider:

1. What role does your loyalty program play in driving personalization efforts across the enterprise?

2. In terms of personalization, what mix of mass (n=all) versus segmented (n=some) versus individual (n=1) activations will optimize member impact, business impact, and cost to achieve?

3. Where and how can external partnerships support loyalty objectives, KPIs, and desired behaviors?

4. How can partnerships enhance the value proposition for members outside of their direct interactions with your brand or program?

5. How might you unite members around common causes and interests, whether through member-to-member communities or invitations to support causes they believe in?
Conclusion

For consumer loyalty programs, heightened consumer expectations and the pressure to evolve have been compounded by increasing competition from both new and traditional players. Our 12-month research engagement reveals the bevy of opportunities for brands and retailers in determining and evolving their loyalty and engagement strategies.

To effectively compete for today’s consumer, loyalty programs must meet table-stakes expectations by frictionlessly blending into the brand identity and broader customer experience. As consumers increasingly demand real-time, meaningful, and tailored loyalty connections across their life cycle, loyalty programs must seek out ways to put the member in control of their experience while creating authentic moments of appreciation and recognition. As maturity evolves, programs must decide the role their program plays in creating personal member relationships, cultivating community, and fostering extended touchpoints across an ecosystem of players.

Deloitte’s Loyalty Offering brings experience in loyalty strategy, technology, operations, design, and more. No matter where you are in your journey, we can help you take a human-first approach to design, implement, and operate long-term solutions, leaping efficiency gaps for optimal results.
Methodology

Over the past year, we conducted an in-depth evaluation of more than 115 popular consumer loyalty programs. Our evaluation spanned 15 industries across a breadth of company sizes, program maturities, and loyalty approaches (e.g., free versus paid).

Industries Evaluated

- Airlines
- Apparel and footwear
- Automotive (e.g., OEMs)
- Convenience and gas stations
- Department stores
- Grocery stores
- Health, beauty, and wellness
- Health care
- Hospitality
- Home goods (e.g., auto parts, electronics, furniture, and home decor)
- Mass retailers
- Pharmacy and drug stores
- Quick-serve restaurants
- Sports, leisure, and hobbies (e.g., pet supplies, sporting goods)
- Transportation services (e.g., rideshare providers, car rental services)

Loyalty Drivers Evaluated

- Value proposition
- Program simplicity
- Member status and recognition
- Earn categories
- Redemption structure
- Exclusivity
- Experiences
- Services
- Mobile engagement
- Experience integration
- Gamification
- Tailored offers
- Personalization
- Partnerships
- Credit card offering
- Community engagement
- Content
- Ambassadors
- Employee engagement
- Brand alignment
- Mission and causes

Each consumer-observable driver was evaluated and scored against a maturity scale of 0–3 to quantify the current-state experience.
Endnotes


About the authors

Bobby Stephens
Bobby Stephens is a leader in Deloitte Digital’s Retail and Consumer Products practice. He has nearly 20 years of retail, loyalty, and e-Commerce operations, consulting, and startup experience in the United States and abroad. His focus areas are customer acquisition and retention across commerce, mobile app, digital marketing, in-store, and loyalty platforms. He also leads Eminence, Research, and Marketing for Deloitte’s Retail and Consumer Products practice. Additionally, in 2012, Bobby cofounded and led Bucketfeet, a VC-backed global omnichannel retail startup that is still in operation today.

Brendan Boerbaitz
Brendan Boerbaitz is a leader in Monitor Deloitte, bringing nearly 10 years of experience in designing and executing global growth transformations for consumer-facing brands. He specializes in helping clients harness market insights to create differentiated loyalty programs that win with customers and drive outsize business value, as well as in configuring the digital, data, and organizational capabilities needed to achieve scale.

Jessica Julius
Jessica Julius is a manager within Deloitte Consulting’s Customer & Marketing practice. She has more than five years of experience working with consumer products and retail clients to drive sustainable growth by building and deploying customer experience, loyalty, and engagement strategies.

Lydia Sheffield
Lydia is a senior consultant within Deloitte Consulting LLP. She has experience working with consumer products and retail clients, focusing on growth strategy and loyalty program design.

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