

# 2023 GLOBAL CUSTOMER LOYALTY REPORT

LOYALTY PAYS BACK



# EXECUTIVE SUMMARY

The Antavo Global Customer Loyalty Report 2023 offers an insider's perspective into the world of loyalty programs through the lens of current and future loyalty program owners, as well as industry experts and loyalty specialists. This document is intended to be a guiding light for a wide variety of businesses that wish to focus on customer retention and loyalty.

The information in the report is based on data from **over 260 corporate survey respondents** from all regions of the world and more than **290 million anonymized member actions** tracked via Antavo's Enterprise Loyalty Cloud, as well as over **600 minutes of qualitative interviews with renowned industry experts.**

Both the survey and the interviews were conducted during a period when inflation and increased interest rates had already taken effect. The main objective of this report is to help decision-makers identify beneficial investment opportunities and best practices that take into account current industry trends as well as the current economic climate.

## KEY REPORT TAKEAWAYS:

- **88.5%** of respondents trust loyalty programs to help them overcome the inflation crisis and potential recession
- **67.7%** of respondents plan to increase or significantly increase their investments in customer retention
- **80.0%** of companies that measure the ROI of their loyalty programs reported a positive ROI with on average **4.9x** more revenue than their expenses
- **78.6%** of respondents with an existing loyalty program are likely to revamp their program, a seven percentage point increase over last year
- The average annual spend of members who redeem personalized offers is **4.5X** higher than those who have never taken advantage of such offers
- Strategic partnerships, linking payment cards to loyalty programs, and supporting ESG (Environmental, Social, and Governance) causes were identified as top trends for the next three years

With this report, businesses can make better informed decisions on how to invest in customer retention and loyalty programs, so they can achieve a high ROI, satisfy customers, and even support noble causes, without any compromises. The report also features industry-specific benchmarks to aid companies in setting the right KPIs for their loyalty projects.

***Use this document to build your business case to launch or revamp your loyalty program.***



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# EDITORIAL LETTER

**Dear Marketing Leaders and Loyalty Professionals,**

We are facing a time of uncertainty. Struck by the looming financial crisis and economic recession, brands and retailers need to invest in loyalty marketing and technology more wisely than ever.

Even in such a turbulent economic climate, customer loyalty can be the way out. Just in this report, you will learn that companies plan to focus much more on their existing customers. Studies from this year forecast that the loyalty management market will grow to \$18.2 billion by 2026\*. But, first, companies will have to weather the storm of the current economic downturn by investing in their customer retention efforts, especially in loyalty programs.

**But where can you start? How can you allocate your budget wisely? What trends should you be on the lookout for?** The Global Customer Loyalty Report 2023 was made to answer these questions.

Following the success of the [GCLR 2022](#), this year's report provides a comprehensive analysis of the current loyalty program landscape, a breakdown of the budgets, team composition and technology preferences of current and future loyalty program owners, as well as a forecast of the top loyalty program trends for the next three years—which includes working towards solving big problems in world by rewarding ESG-aligned actions.

I am happy that Antavo, as a technology vendor for loyalty, can help drive this change.

**It's time, once and for all, to recognize: loyalty pays back!**



**ZSUZSA KECSMAR**

Co-founder and Chief Strategy  
Officer at Antavo



\*MarketsandMarkets Loyalty Research, 2022



# THE CURRENT LOYALTY PROGRAM LANDSCAPE

- Organizations shift their focus toward retention
- The role of loyalty programs becomes essential
- Satisfaction and ROI remain stable

# The Changing Role of Loyalty Programs in an Upcoming Recession

**“Loyalty is a lifeline during the inflation crisis”** – this is the conclusion **Mary Pilecki, Principal Analyst of Forrester**, made in her article, titled “Loyalty Is A Lifeline During The Inflation Crisis” that reflected on the impending recession. Throughout the article, Pilecki identified three possible action plans that would help businesses lean on customer loyalty: offer financial savings, retain savvy customers, and emotionally engage buyers.

A comprehensive, next-gen loyalty program can tick all of these boxes. The Forrester article calls loyalty programs essential tools to keep customers comfortable through times of uncertainty, including global pandemics and a potential recession. This sentiment is backed by Antavo’s research as well.

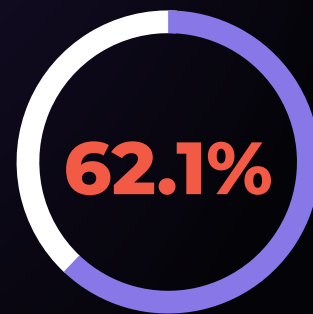
Pulling data from a 2021 survey, last year’s **Global Customer Loyalty Report** looked at how loyalty program owners reacted to the Covid-19 pandemic. **60.5%** of respondents answered that they had either increased or significantly increased development efforts for their loyalty strategy, and **62.1%** reported that their loyalty program has helped keep customers engaged during the Covid-19 crisis.



## 2021 Impact of loyalty programs during the Covid-19 crisis



60.5% of respondents increased the development of their loyalty strategy during the Covid-19 crisis



62.1% of respondents said their loyalty program helped to keep customers engaged during the Covid-19 crisis

It's worth highlighting, however, that the sentiments expressed in these statistics were recorded in the last quarter of 2021, during a post-pandemic optimism in which the economy was recovering, and there were no clear signs of a recession.

In light of the latest geopolitical and economic downturn, the role of loyalty programs had to be re-evaluated. The current survey was taken during a period of inflation and increased interest rates in September of 2022. In light of all this, participants were asked to evaluate the importance of customer loyalty in the inflation crisis and potential recession.

### The majority of respondents expressed a positive outlook.

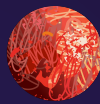
Of the total respondents, **55.9%** envision the role of customer loyalty as essential or very valuable to overcome the inflation crisis and a potential recession. The second largest segment, **32.6%** of respondents, rated customer loyalty as somewhat important.

In total, it can be said that **88.5%** of respondents trust customer loyalty initiatives to help them overcome the inflation crisis and potential recession. Therefore companies can be expected to continue their investment in customer loyalty.

## The role of customer loyalty to overcome inflation crisis and potential recession







# ACTIONABLE INSIGHTS

**The results indicate a level of trust the industry has in the power of loyalty programs. Though this trust is well-founded, it shouldn't be taken for granted.**

**Companies must invest wisely in their loyalty program strategy to avoid the negative impacts of an economic downturn.**

## **1. Customer loyalty is a lifeline**

Loyalty programs have a proven effect on improving customer relations and changing people's shopping habits. They can also drive a variety of other KPIs.

## **2. It's never late to launch**

Even in the middle of a recession, launching a loyalty program can make all the difference in keeping valuable customers close to your brand.

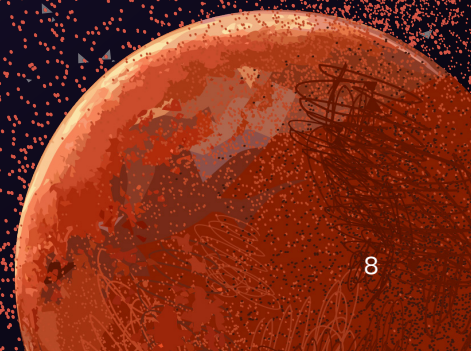
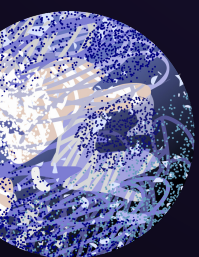
## **3. Staying up-to-date is key**

If you already have a loyalty program, it's worth expanding or revamping it so you can fully meet customers' expectations at a crucial time.

A solid business case is required to decide whether to invest in loyalty. With only vague ideas of what you wish to achieve, you won't be able to build a concept.

Rewarding actions like referrals and writing product reviews is a cost-effective way to keep customers close to the brand, even if purchase frequency is low.

Loyalty is not a one-time investment. Besides continuously spending on management, the technology also needs to be evolved and revamped over time.





# The Impact of the Inflation Crisis on Loyalty Programs

Although loyalty programs are seen as a valuable tool for the upcoming recession, the question remains: **what kind of goals and KPIs should a company set for its loyalty program to make it crisis-proof?**

As a starting point, it's worth examining one of the core principles of a loyalty program: whether it is meant for retention or acquisition. Companies can boost acquisition rates by putting resources into marketing and offering high-value welcome rewards, and simultaneously incentivize retention by offering free shipping and exclusive birthday gifts as top-tier membership benefits.

*In light of this, two questions were asked from survey respondents whose companies have a loyalty program or plan to launch one in the next two years: first, how they plan to change their investment in customer retention in the inflation crisis and potential recession and secondly, how they plan to change their investment in customer acquisition during the same period.*

The majority, **67.7%**, plan to increase or significantly increase their investments in customer retention during the inflation crisis and potential recession. On the other hand, only **29.8%** of total respondents plan to increase or significantly increase their investments in customer acquisition during the inflation crisis and potential recession.

## Intention to invest in retention vs. acquisition in the inflation crisis and potential recession



**67.7% plan to increase investments in customer retention**



**29.8% plan to increase investments in customer acquisition**

IMPORTANT TO KNOW

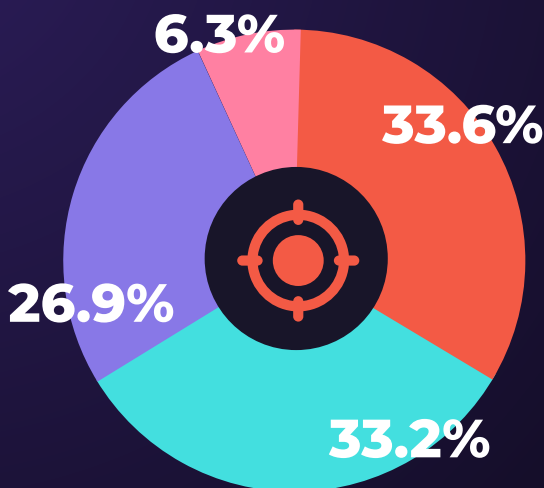
**67.7%**

of companies plan to increase or significantly increase their investments in customer retention in the inflation crisis and potential recession.

The results showcase an apparent belief that companies will slow down their investment in customer acquisition and focus more on retaining valuable customers. The number of respondents planning to increase or significantly increase investment in retention is more than double the number of respondents planning to increase or significantly increase investment in customer acquisition.

**During the economic downturn, the value of existing customers has increased** in the eyes of business owners and marketers. This observation is based on the fact that respondents were asked two different questions, one about retention, and one about acquisition, and the former received far more positive responses.

To get an even clearer picture of loyalty program owners' priorities, a follow-up question was asked, inquiring about what the focus should be during the inflation crisis and potential recession. The top answers included loyalty through member communication and relationship (**33.6%**), transactional loyalty (**33.2%**), and emotional loyalty (**26.9%**).



**Primary customer loyalty focus in light of the inflation crisis and potential recession**

- 33.6% member communication and relationships
- 33.2% transactional loyalty
- 26.9% emotional loyalty
- 6.3% member acquisition

In total, member communication & relationships, transactional loyalty, and emotional loyalty add up to **93.7%**, underlining the market's interest in activities around customer retention. Meanwhile, only **6.3%** of respondents reported that their focus will be on acquisition.

One crucial aspect of how the inflation crisis impacts loyalty programs is the rate at which brands wish to **revamp their loyalty programs**. Bear in mind that the desire to change a loyalty program isn't always a sign of failure; in fact, many businesses that are otherwise satisfied with their program's performance still decide to revamp it, for instance, because they wish to add new features, or remain relevant in their offerings both strategically and technologically.

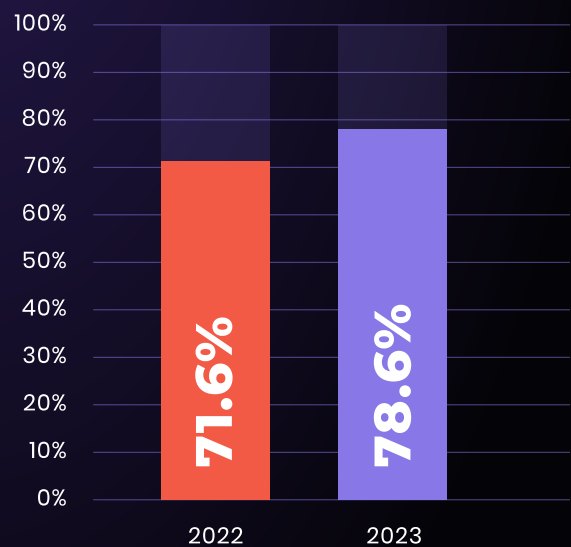
When asked about plans to revamp their loyalty programs, **78.6%** of respondents with an existing loyalty program reported that they are likely or very likely to revamp or make significant changes to their loyalty program in the next three years.

**There is a 7 percentage point increase in intention to revamp loyalty programs, compared to last year.**

In 2021, a total of **71.6%** of respondents offering a loyalty program reported that they were likely or very likely to revamp their loyalty program within the next three years. It's safe to say that the desire to revamp is a continued trend that is on the rise.

**Growing interest in revamping loyalty programs in the next 3 years**

– year over year comparison –



There has been an increase in intention to revamp or significantly change loyalty programs in the next three years.



# ACTIONABLE INSIGHTS

**In light of the looming recession, customer retention should be the number one priority for businesses, which should invest in technology and rewards accordingly.**

## **1. Returning customers are key revenue drivers**

Customers who have reached the second or third purchase are more likely to keep buying from you, and have a higher lifetime value.

## **2. Your competitors are revamping their programs too**

This year a growing number of loyalty program owners would like to revamp their loyalty programs. These may be your competitors. Having a great loyalty program is the new norm.

## **3. Loyal customers provide word-of-mouth**

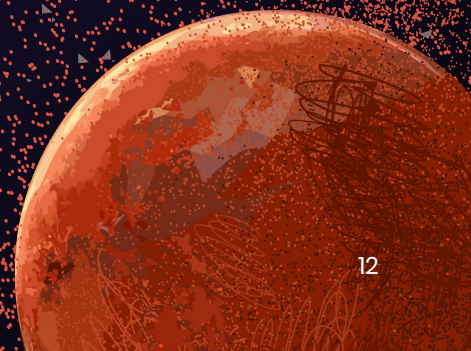
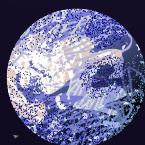
Just because you focus on retention doesn't need you to give up on acquisition. Brand advocates refer new customers and a compelling loyalty offering can be a reason to choose your business.

**Revamping your loyalty program is a great opportunity to either expand and add new features, or to downsize the system and make it more resilient. Just consider the following ideas.**

What are the best ways you can improve the retention power of your program? Should you add new rewards? Could you make the journey more interesting by introducing tiers?

Never start revamping your program unless you have clear KPIs in mind, and a clear way to track them. Without trackable goals, it's impossible to measure the success of your new program.

Opting for a modular loyalty program technology gives you more freedom, allowing you to switch features on and off to save costs and streamline your program.





## Investing in Loyalty Pays Back

Focusing on the retention aspect of a loyalty program already pays off from the customers' point of view because more personalized communication, emotional loyalty and above all, financial savings benefit them in the long run. However, the survey results also indicate that investing in loyalty programs also pays off for the business itself, in the form of positive ROI (return on investment) and other improved KPIs.

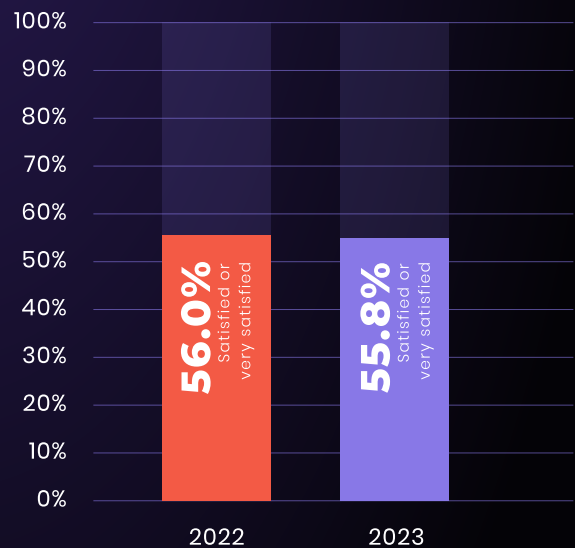
**For starters, satisfaction rates remain stable.** 55.8% of program owners are satisfied or very satisfied with their loyalty program, claiming that their existing rewards program contributes to sales, delivers great ROI, and is popular among customers. This number is significant, considering that last year, 56.0% of program owners said the same.

### IMPORTANT TO KNOW

**55.8%**  
of program owners are satisfied or very satisfied with their loyalty program.

### Respondents' level of satisfaction with their current loyalty program

– year over year comparison –



Despite the economic downturn, the rate of satisfaction remains stable. Therefore, loyalty programs are still able to meet the expectations of their owners in no small way by generating sales, increasing customer lifetime value, or simply making customers happy.

Speaking of ROI, program owners were asked two interconnected questions: whether they measure the ROI of their loyalty programs, and if so, how much more revenue they earn compared to spend. The results are very promising, showing that customer loyalty definitely pays back, as **80.0%** of companies who measure the ROI of their loyalty program reported a positive ROI with **4.9X** more revenue than what they spend on average.

**One of the reasons loyalty programs are able to deliver such high ROI is because they offer personalization.** Over 290 million member interactions tracked by Antavo's Enterprise Loyalty Cloud were analyzed to determine the value of loyal and engaged customers.

It was found that the average annual spend of members who redeem personalized offers is **4.5X** higher than those who have never taken advantage of personalized offers.

IMPORTANT TO KNOW

**Members who redeem personalized offers have a 4.5X higher average annual spend than those who don't use personalized offers.**

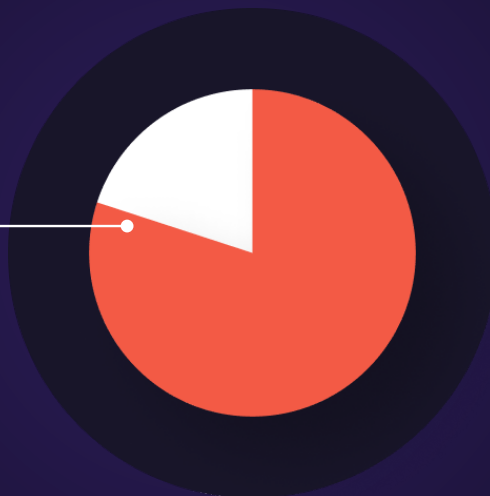
Considering the uncertainty that the global economy is currently facing, these numbers paint a picture that investing in customer loyalty is a worthwhile business move, and can indeed turn out to be the famed lifeline during the inflation crisis.

## Positive ROI on loyalty programs



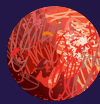
**80.0%**

of companies who measure the ROI of their loyalty program reported a positive ROI



**4.9X**

On average, these loyalty programs generate 4.9X more revenue than what they cost



# ACTIONABLE INSIGHTS

**Remember: loyalty programs are long-term investments that usually take one to two years to create significant returns. You shouldn't expect overnight success.**

## **1. Start small, grow big**

It's always worth starting with a solid MVP and working your way up by introducing new features. Customers will be happy to see an evolving and fresh program that regularly adds new elements.

## **2. Mix financial and non-financial benefits**

Successful loyalty programs use a blend of hard and soft benefits, meaning they offer rewards with emotional value to complement financial savings.

## **3. A loyalty program is a company-wide effort**

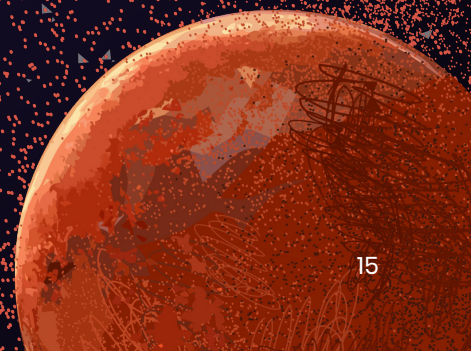
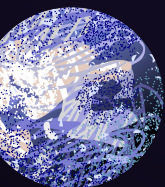
In order for the project to succeed, the C-Suite and their teams have to support the loyalty program managers.

**Loyalty programs are essential tools to have during any kind of crisis, and if put together right, they can pay back for everyone...**

They benefit customers who are looking to save money by making a good deal during the recession, or buying from a brand that recognizes them.

They create a high ROI, especially when organizations reward actions outside of purchases, use personalization, and offer rewards that are more exciting than coupons.

They can also contribute to positive change by helping organizations make an impact on environmental, social and governance (ESG) issues. More on that in chapter 4.





### ADAM POSNER

CEO and founder of The Point of Loyalty

*"I think one of the most important loyalty program trends over the next three years will be program propositions evolving to solve PROBLEMS in the world around us, problems in the life of customers and problems customers experience with brands they engage with.*

***This means programs will become more than just savings, points, perks and birthday offers.***

*Where relevant, brands will look for more meaningful and desirable methods and mechanisms through their loyalty programs to motivate positive changes of behaviour that impact the personal health and well-being of their customers or contribute to alleviating issues in the world around us such as environmental challenges and sustainability.*

*Some loyalty programs offer rewards and incentive mechanisms for engaging with sustainable living such as rewards for recycling and options to donate rewards to causes and communities close to them. There are cashback reward programs helping parents afford more childcare and those that help members save for their retirements.*

***The point is loyalty programs can and must keep evolving from one-dimensional rewards for transactional behaviours to giving members more CHOICE with how they earn and redeem their rewards for the greater good of their members' lives and society."***



### TORALF WAAKTAAR-SLOKVIK

Chief Executive officer, Oculos

*"We are definitely going into recession. Prices are on the extreme and most CMOs will have their budget cut in some way.*

***Fortunately loyalty programs are well positioned if going into recession, they are the most important tool, because of the direct contact with customers.***

*Today it's even more essential to have a good loyalty program and gather data. With shops being closed, eCommerce being the only sales option the importance of loyalty programs just increases. It's necessary for marketers to be up on the trends, having the right technology, having the right focus in one to one dialogue with customers."*



### LUKE SAVILLE

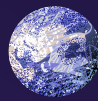
VP CDP and Loyalty at Authentic Digital Agency

*"When times are hard it's an opportunity for brands to be empathetic to their customers and acknowledge what their customers are going through.*

***Brands should reach out to their customers and make them feel ok. They should build trust and a lasting connection with them.***

*Companies should strive to do more with less, like looking for surprise and delight opportunities and opportunities to upgrade the customer experience."*





# KEY TAKEAWAYS



## Loyalty programs are a lifeline during the inflation crisis

**55.9%** of respondents envision the role of customer loyalty as essential or very valuable, and, in total, **88.5%** of total respondents believe that loyalty programs have some level of importance in overcoming the inflation crisis and a potential recession.



## Investment focuses on retention instead of acquisition

**67.7%** of respondents whose company has a loyalty program or plans to launch one in the next two years plan to increase their investments in customer retention, while only **29.8%** of them plan to increase their investments in customer acquisition.



## Belief in loyalty leads to high satisfaction and positive ROI

Based on the responses, **55.8%** of program owners are satisfied or very satisfied with their loyalty program, and **80.0%** of companies who measure ROI reported positive results, with on average **4.9X** more revenue than costs.

# HOW TO INVEST TO ENSURE A SUCCESSFUL LOYALTY PROGRAM

- The recognition of loyalty teams grows
- Budgets for loyalty programs increase
- Satisfaction is higher with third-party providers



## Management Team & Compensation

The results from the previous chapter demonstrate that loyalty programs can be a wise long-term investment, which produces a positive ROI, among other benefits. However, this assumes that the loyalty program is well executed. Now we'll examine the following questions: **what are the resources required for a successful loyalty program in the current era of economic turmoil?** What kind of human capital, budget allocation, and technology aspects should companies take into account when launching or revamping a loyalty program?

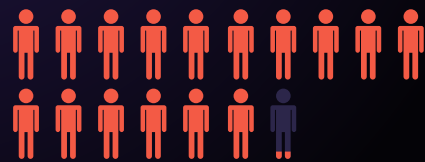
### Who should be involved in the project?

Based on best practices from the industry, the following roles are recommended:

- Loyalty program managers
- A CMO, or a C-level executive who leads the loyalty program managers
- A marketing automation manager
- Dedicated IT personnel (both frontend and backend)
- Graphic designers, copywriters
- Decision-makers for all channels, such as a Head of Retail for stores
- Business analysts who oversee forecasting and KPIs

### The number of people actively involved in loyalty program management

# 16.2



On average, 16.2 people are actively involved in loyalty program management

The first aspect should be the team managing and involved in the loyalty program project because their expertise and composition have a huge impact on success.

The number of people involved in the management of a loyalty program can vary based on the size of the company, the level of innovation, and other factors. Still, this year's survey asked about the size of respondents' loyalty program management teams. According to the response, on average, **16.2** employees are actively involved in managing the loyalty program.

**A team can be composed of employees from a single department or employees from several departments, who bring a variety of expertise to the project.** To get more insight,

program owners were asked about who is responsible for managing the loyalty program.

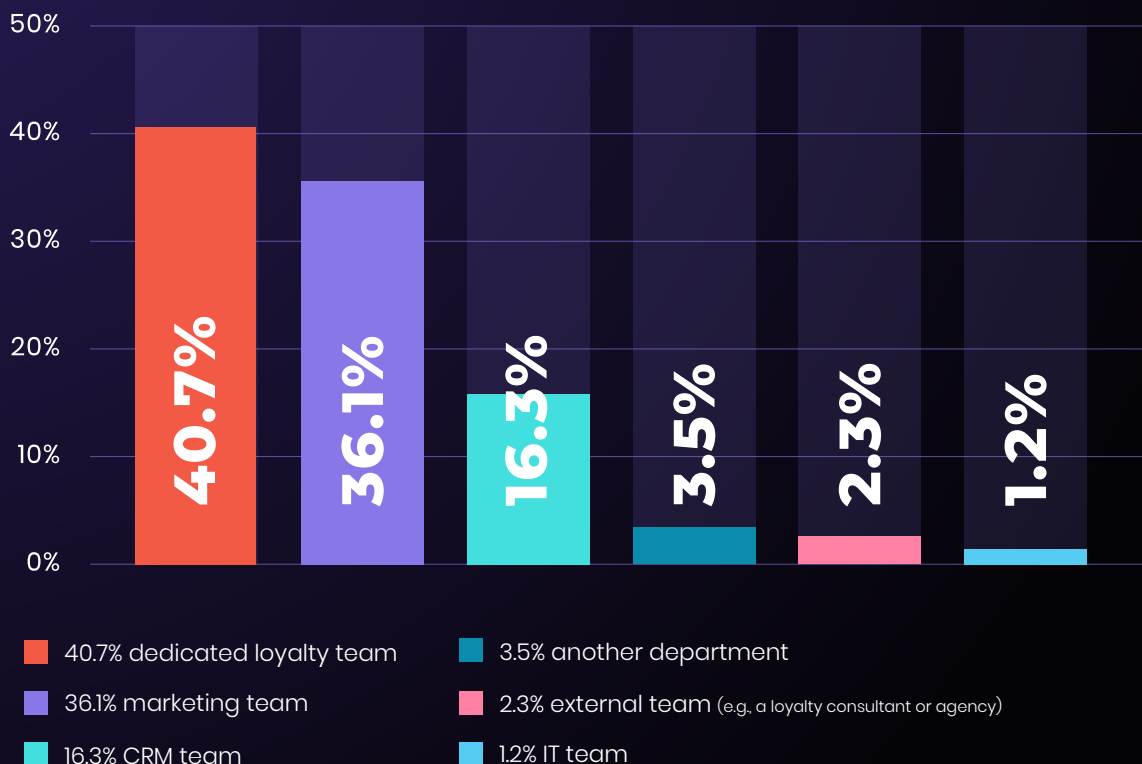
A total of **40.7%** reported that a dedicated loyalty team is responsible for leading the loyalty program, closely followed by **36.1%** who said their marketing team is responsible.

IMPORTANT TO KNOW

**40.7%**  
of loyalty programs are managed by a dedicated loyalty team.

Few respondents indicated other departments, like the CRM or IT team, and third-party agencies. This demonstrates that running a loyalty program is most often entrusted to the marketing team or a team that operates separately, which is most likely allowed to make its own decisions and have its own goals and KPIs to reach.

**Who is responsible for managing the loyalty program?**





Another important aspect of the budget and human capital planning is the compensation of dedicated personnel, especially for loyalty program managers or experts. In order to provide accurate averages that factor in the financial crisis and recession, respondents working at companies that already offer a loyalty program or plan to launch one in the next two years were asked about their total on-target compensation for 2022.

### Average compensation based on seniority (in USD)

C-Level/President/Owner

**\$259,000**

Senior Vice President/Vice President

**\$201,240**

Director

**\$116,118**

Manager

**\$94,593**

Average on-target compensation in USD (including bonuses) for respondents who work at companies that offer a loyalty program or plan to launch a loyalty program in the next two years.

### What are the benefits of working with a loyalty agency?

Hiring an external professional, such as a loyalty consultant or specialist, is beneficial because it adds another layer of loyalty expertise when it comes to building the concept. Loyalty agencies are different from consultants, and their size can range from small, 2-3 people agencies to large digital transformation companies.

These specialists have been on countless loyalty projects and can provide benchmarks and best practices. They also bring a tried and tested framework and methodology to the project, which saves time and money in the long run.

Think about loyalty specialists as advisors, rather than an outside authority, because their goal is to ensure the strategy and loyalty mechanisms will support each company's KPIs. They are also aware of the latest loyalty trends, and are able to provide support when it comes to choosing the most fitting loyalty technology in the market or facilitating the RFP and selection processes.

From those who answered the question, it can be concluded that the total on-target compensation (including bonuses) for respondents who work in customer loyalty in 2022 is **\$117,749 USD**. This number is inclusive of all geographies and seniority.



# ACTIONABLE INSIGHTS

**Loyalty programs shouldn't be seen as just one department's responsibility. In order to succeed, multiple experts from multiple departments should collaborate.**

## **1. Management team: rewards, communication & strategy**

Creative team members should bring their expertise regarding how to engage, reward, and connect with customers in a way that encourages loyalty.

## **2. IT: support for data management and omnichannel reach**

IT members should be responsible for more than just coding. They should take care of data management, information security and technology stack integrations to provide a better omnichannel experience.

## **3. Analysts: program monetization & data analysis**

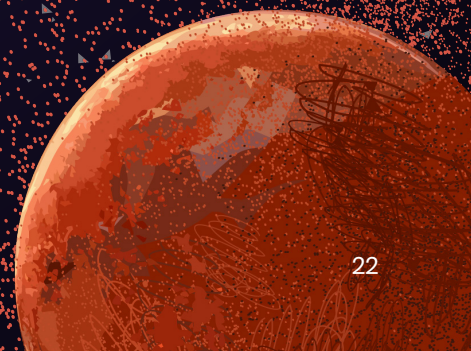
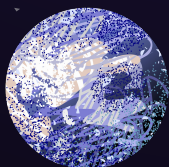
Business-minded analysts should frequently track the program's performance and forecast, review whether the program is driving the right KPIs, and look for monetization options.

**To make the most of your human capital, opt for a no-code loyalty program technology, so your marketing team can independently run the program and launch new business rules and promotions.**

A no-code loyalty platform can be used without any coding knowledge. This ensures that marketers are in full control of running the program and campaigns.

Because there is no need for coding or IT knowledge, no internal IT developers need to stand by in order to help out on a daily basis.

No-code technology, like Antavo's Enterprise Loyalty Cloud, uses user-friendly, drag-and-drop interfaces, so even complex tasks, like organizing reward campaigns, feel easy.



## Budget & Investment Areas

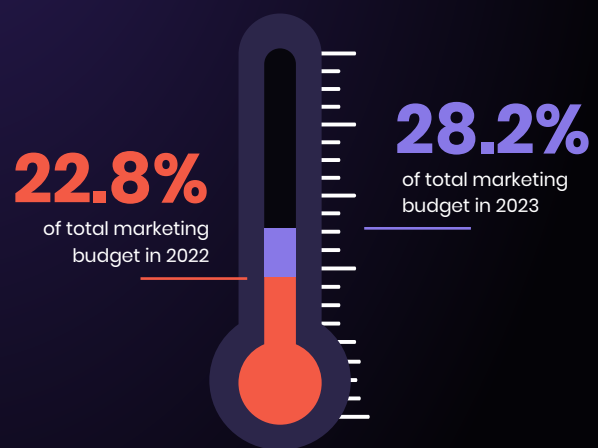
Knowing the team size and composition makes it easier to plan a loyalty program budget. Still, program execution requires additional financial resources. Companies have to calculate the costs associated with rewards, whether they are points, coupons or physical gifts. Moreover, a business has to allocate a budget for marketing, loyalty technology, as well as managing and leveraging data.

*In Antavo's Global Customer Loyalty Report 2022, companies offering a loyalty program reported allocating 22.8% of their total marketing budget to loyalty program management and CRM. According to this year's survey, companies offering a loyalty program dedicate 28.2% of their total marketing budget to customer loyalty program management and CRM—a 5.4 percentage point year-over-year increase.*

This slight increase in the budget allocation might correlate with the notion that loyalty programs are heavily focused on retaining customers. Even in a recession, companies are positive about customer loyalty and want to keep investing, which is why **67.7%** of them plan to increase or significantly increase their investments in customer retention during the upcoming inflation crisis.

### Loyalty marketing investment

— year over year comparison —



On average, companies with a loyalty program allocate 28.2% of their total marketing budget to customer loyalty program management and CRM, which is a 5.4 percentage point increase over last year.

**Both insights indicate a willingness among companies to invest more in customer retention:** Either by dedicating more marketing budget to loyalty programs, or by focusing more on retention than acquisition.

## The shift in investment trends is in favor of customer retention.

As mentioned in the previous chapter, a mere **29.8%** of respondents plan to increase or significantly increase their investment in customer acquisition compared to the **67.7%** who plan to increase or significantly increase investments in customer retention. Organizations show little interest in diminishing their investments in customer retention—only **4.8%** of total respondents plan to decrease their investment in customer retention.

That is a very low percentage in comparison to the **26.6%** who plan to decrease their investment in customer acquisition.

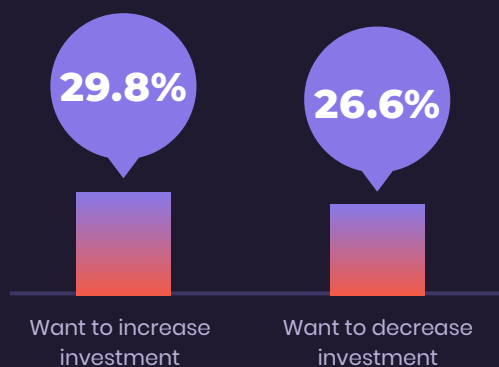
### IMPORTANT TO KNOW

**67.7%**  
of companies plan to increase or significantly increase their investments in customer retention over the inflation crisis and potential recession.

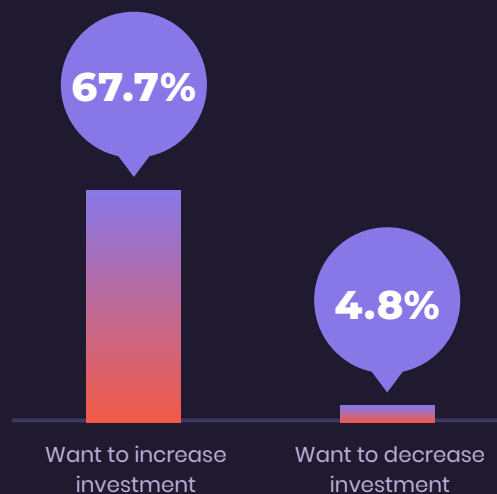
## Investment in customer retention and acquisition over the inflation crisis and potential recession



### CUSTOMER ACQUISITION



### CUSTOMER RETENTION





Only a third of companies believe they should increase their investments in customer acquisition in order to survive the recession. An almost identical number believe that the budget previously dedicated to acquisition should be reduced.

**This indicates a potential shift of the acquisition budget to customer retention**, as two-thirds of survey participants plan to increase spend on retention.

*As a follow-up question, respondents were asked to name a feature or strategy they would most like to invest in. The top answer was personalization. In last year's report, businesses also named personalized experiences as one of the top three most influential loyalty trends for the coming years. This means that the market still believes in the value of personalization.*

Second on the list is infrastructure and technologies, which most likely means that companies want to use the most efficient tools available to save time and money and offer a seamless omnichannel experience.

In third place are rewards and benefits. Both relate to customer retention, which strengthens the notion that the focus on retaining customers is growing.

The fourth most important area of investment is program revamp. This is no big surprise, considering that **78.6%** of respondents with an existing loyalty program are likely to revamp or make significant changes to their loyalty program in the next three years.

Lastly, mobile experiences and reporting capabilities share fifth place. The former is a component of an omnichannel strategy, while the latter signifies an interest in measuring and tracking program performance and ROI.

### Intention to invest in loyalty

-  1. Personalization
-  2. Infrastructure and technologies
-  3. Rewards and benefits
-  4. Program revamp
-  5. Measuring and reporting + mobile experience (tied)



# ACTIONABLE INSIGHTS

**Though personalization and relevant offers are attractive for customers, data privacy is also on their minds. So make sure to collect data in a responsible manner.**

## **1. Never ask more than 3-4 questions during the enrollment phase**

It makes the process slow, and might scare away privacy-conscious customers.

## **2. Make up for the missing data by having a comprehensive profile section**

Members who complete their profiles can be rewarded.

## **3. Loyalty programs are a great source of zero- and first-party data**

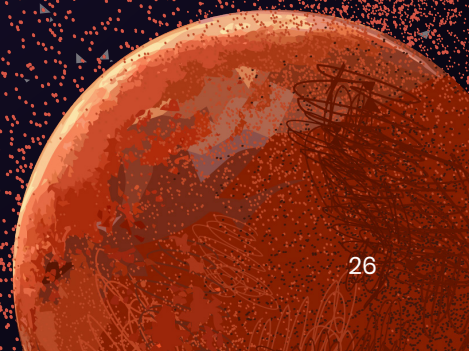
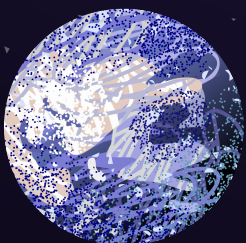
Use surveys that are gamified or incentivized to learn more about customers' preferences and interests.

**You don't necessarily have to spend a lot of money on rewards to make the loyalty program successful. With a little creativity, you can even save money.**

Remember the difference between financial and emotional value. A coupon is a good deal, but an invitation to an exclusive sales event, a private buying group, or a members-only factory viewing have a bigger impact.

Customers love privilege-driven rewards like early access to new products and sales. And the best part is: setting these up can generate high return on investment and increase satisfaction.

When calculating the reward costs for physical gifts and merchandise, make sure to factor in the cost of logistics, storage and fulfillment.



## Technology & Infrastructure

The fact that loyalty program infrastructure and technology ranked as the second most important investment means that companies are thinking beyond strategies when it comes to future-proofing their reward program.

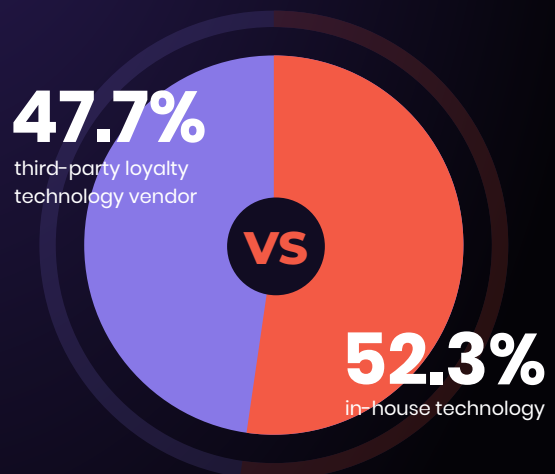
As such, it's worth examining how the interest and satisfaction regarding loyalty technologies (third-party or in-house) have changed as a result of the economic downturn.

In terms of preferred technology, the survey indicated that **52.3%** of loyalty programs are managed by in-house technology, while **47.7%** of loyalty programs are managed by a loyalty technology solution vendor. It's a rather close match, which changed only slightly from last year in favor of in-house technology.

### What is the difference between in-house and third-party loyalty technology?

- In-house or DIY technology means that you have to dedicate your own resources to developing the loyalty platform, from coding the loyalty engine to building the frontend interface. On the plus side, the end result is tailored to your specific needs. The downside is that there is a higher risk related to stagnant technology and lack of innovation.
- With a third-party loyalty technology vendor, like Antavo, you are licensing a ready-made software. It only needs to be integrated to your existing tech stack, and configured. These kinds of technologies tend to be more sophisticated, come with a lot of extra built-in features, and are constantly innovating.

### In-house **versus** third-party technology vendor



Ratio of loyalty programs managed by in-house technology vs. a third-party technology vendor

**While there are still many companies that use in-house technologies, users of third-party vendors are happier.**

51.1% of respondents whose loyalty program is managed by in-house technology are satisfied or very satisfied with their loyalty program.

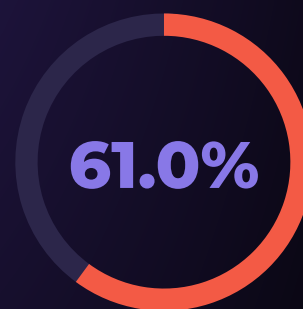
However, of those using third-party technology vendors, 61.0% are satisfied or very satisfied with their loyalty program.

IMPORTANT TO KNOW

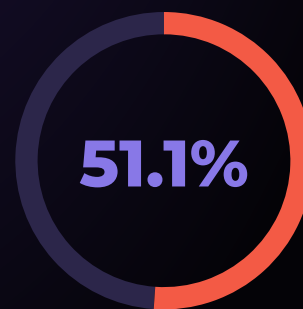
**Satisfaction rates are higher among loyalty program owners whose loyalty program is managed by a third-party technology vendor.**

In order to get a better understanding of why program owners using a third-party technology provider have higher rates of satisfaction, it's worth examining what they value the most about them.

**Level of satisfaction with loyalty programs managed by a third-party vendor versus in-house**



61.0% of respondents whose loyalty program is managed by a loyalty technology solution vendor are satisfied



51.1% of respondents whose loyalty program is managed by in-house technology are satisfied



## The most valued trait of a third-party loyalty vendor is integration.

42.7% of respondents value third-party vendors because their technology can easily fit into their existing tech stack.

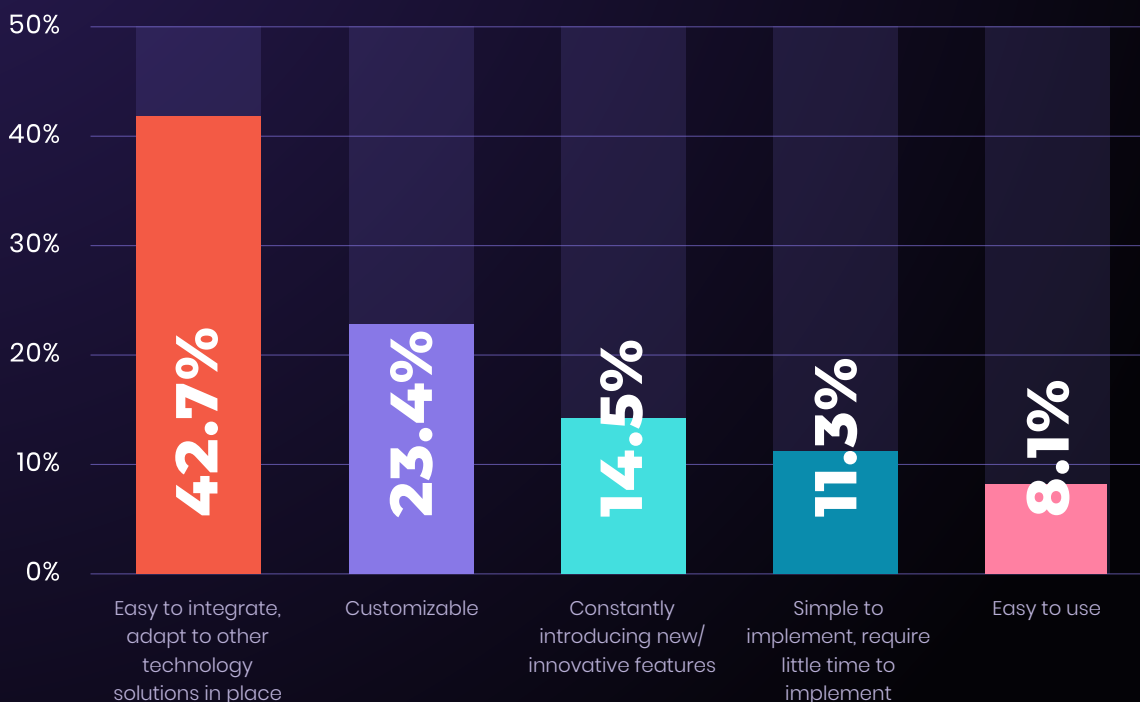
The second on the list, with 23.4%, is customization, most likely due to the fact that third-party technologies are built to be flexible and modular to satisfy a variety of client expectations.

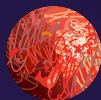
The third on the list, with 14.5%, is innovative new features: because the tech market is highly competitive, it's only natural that vendors are always working on new features.

Coming in fourth, with 11.3%, is streamlined implementation, which can indeed contribute to faster and less complicated (less resource-consuming) launches.

Last on the list, with 8.1%, is convenience, as ease of use is a must-have for third-party technologies, especially for SaaS products.

### The value of third-party loyalty vendors





# ACTIONABLE INSIGHTS

**If you are planning to launch or revamp your loyalty program through a third-party vendor, keep in mind the following steps.**

**If you opt for a third-party vendor, it needs to be integrated into your tech stack. You have to work hand-in-hand with your provider (and potentially a System Integrator) for a smooth launch.**

## **1. Plan the concept, then choose the tech**

The process should start by fail-proofing your loyalty concept, and then turning it into a scope, which is essentially the blueprint of your loyalty program.

## **2. Integrate and configure**

The next step is integrating the loyalty platform into your tech stack. In other words, it has to seamlessly connect to your CDP, marketing automation, and other systems.

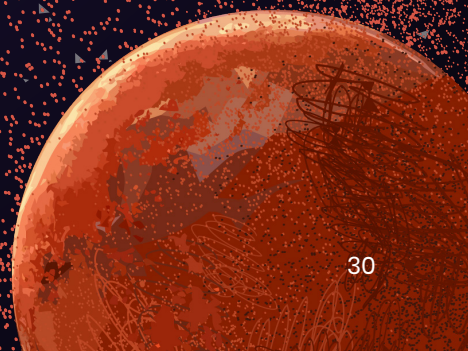
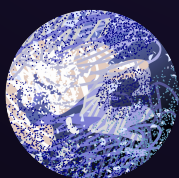
## **3. Testing and launch**

The last big step before launching is User Acceptance Testing. This vigorous testing process helps to identify critical errors or loopholes.

Choosing the ideal technology vendor is no easy task. In order to find the best fit, consider running an RFP process either in-house or outsourced to a loyalty consultant.

Remember, the concept document should be more comprehensive than a one-pager. The more detailed your expectations are, the easier it is to do a comprehensive scoping.

One aspect you should think about before implementation is fraud detection. Good loyalty technology should be able to pinpoint and prevent fraud before it happens.





**PHIL HUSSEY**

Principal Consultant, LoyaltyLevers

“Generally, I see companies spending 2-5% of sales on an ongoing basis if you take out the effect of those one-time transformations. The notion that says it’s a simple percentage of sales, that kind of view says that loyalty programs are a cost center when actually they are a profit center.

**They are generating revenue and the more you spend, up to a point maybe, the more you make.**

There are obviously categories like administration costs that are generally coming down, because with software and service offerings, it’s getting more efficient. There are communication costs, acquisition costs, award costs, some brands recognize the total cost of redemptions, ignoring the fact that a redemption might actually be a cash flow positive event, because maybe a retail customer spent \$70 on top of a \$50 reward to get that item they really like. So, there are a lot of different ways to look at costs.”



**NICOLA FOX**

CRM & Loyalty Manager at Fine Tooth Comb

**“Loyalty should not be considered a marketing only activity, because the need to nurture loyalty cuts across every area of business**

It’s not the sole responsibility of one team. We should be talking about what percentage of each department’s budget is assigned to loyalty. For instance, warehousing and distribution teams need to invest to make that part of the customer experience amazing, so that customers want to come back. That’s got to be part of a loyalty strategy.



Companies should be focusing on how to recognise loyal behaviour indicators and how to do more to trigger those so that more people have positive experiences, in turn growing their investment in the things that matter to customers. If we’re not investing to secure customer loyalty then why are we investing at all? Structural, technical and strategic change is required if we’re going to see the kind of retention and loyalty investment that we need.”



**ALEXANDER SÜSSEL**

Digital Loyalty Consultant, CLMP™, AS auf Zeit

“In Germany, I think that now companies spend 2-5% of the revenue on marketing. Most of them spend a huge amount on technical platforms, like CRMs and CDPs but are not investing enough in operative systems and in making it attractive for users to take part.

Companies should invest in loyalty to stay in touch and communicate with their customers. Companies need to understand that loyalty drives their strategic business.

Another thing that companies are lacking on the operational side is that they are not hiring the right people, although they’re investing in loyalty. The risk of this is that the program will not deliver the expected results, and the conclusion will be that ‘loyalty is not working’.

**Companies are now investing more and more in the efficiency of loyalty management systems, and headless solutions.**

They’re starting to replace solutions that need IT knowledge.”



# KEY TAKEAWAYS



## **Loyalty programs involve resources across the whole company:**

On average, **16.2** people are actively involved in loyalty program management. Furthermore, **40.7%** of loyalty programs are managed by a dedicated loyalty team.



## **Proper budget allocation is key to success:**

**28.2%** of respondents' total marketing budget goes to customer loyalty program management and CRM. Also, **67.7%** of companies plan to increase or significantly increase their investments in customer retention over the upcoming inflation crisis.



## **Make the right choice when it comes to technology:**

Top capabilities to keep in mind when selecting a vendor are: Easy to integrate, adapts to other current technology solutions, is easily customizable. The level of satisfaction among those who opt for a third-party provider is 9.9 percentage points higher.



# OPPORTUNITIES FOR LAUNCHING & REVAMPING A LOYALTY PROGRAM

- New launchers tend to spend more on loyalty
- Those who have revamped are more satisfied
- Interest in paid programs is on the rise

# Insights for Organizations That Want to Launch a New Loyalty Program

Introducing or re-introducing a loyalty strategy is a huge undertaking. It requires a solid business case, well-defined objectives, a clear forecast of the ROI, reliable technology, and, of course, expertise (internal or external).

To provide a 360-degree view of what it means to launch a loyalty program, this section showcases the current mindset of future loyalty program owners about their team composition, budget, and technology of choice.

## Management team & composition

The question of whether to work with an internal team or hire an external agency has additional significance for first-time program owners, as they most likely have less experience.

**Surprisingly, businesses show a great deal of confidence in their own team.** When companies planning to launch a loyalty program in the next two years were asked about who would manage the loyalty concept for their project, more than half (**52.6%**) of respondents answered that it would be their own internal team.



The second most popular answer was to share the task between an internal and an external team, at **36.8%**.

Only **5.3%** said they would let an external team manage their concept. It is clear that companies want to take an active role in the management of their future loyalty program project.

IMPORTANT TO KNOW

**52.6%**  
of companies planning to launch a loyalty program in the next two years will lead the loyalty concept design through an internal team.

**The benefits of working with a loyalty specialist**

Companies know their products, services and customers better than anyone else, therefore it is key for them to be actively involved in the design of their loyalty strategy. However, complementing their forces with external expertise specialized in customer loyalty can help to ensure best practices are leveraged. In addition, external specialists can provide guidance throughout the entire process, including the business case development.

**Budget & investment areas**

Identifying the right amount of financial resources for a new loyalty program is the cornerstone of a successful launch. Spend too little and the program will underwhelm. Spend too much and the loyalty program will fail to live up to expectations.

Survey results show that, on average, companies that plan to launch a loyalty program in the next two years will allocate **30.0%** of their total marketing budget to customer loyalty program management and CRM.

**Launching a loyalty program is a serious financial commitment.**

Based on survey responses from two groups—companies that have revamped their loyalty program, and those that are launching for the first time—companies have invested or plan to invest **\$375,000 USD** in the launch or revamp of their loyalty programs, on average.

IMPORTANT TO KNOW

**\$375K USD**  
is the average amount that companies invested or plan to invest in the launch or revamp of their loyalty program.



## Technology & infrastructure

Tech discovery, the RFP process, and vendor selection also have a more significant role for businesses that are about to launch a loyalty program for the first time. Subsequently, the overall launch process tends to be longer than a program revamp.

In deciding whether the loyalty technology should be built in-house or licensed from a third-party vendor, upcoming loyalty program owners voted confidence for the latter.

**42.1% of companies that plan to launch a loyalty program wish to do it with the help of a loyalty technology solution vendor.**

On the other hand, **23.7%** of them stated that their program would be managed by in-house technology. Overall, **34.2%** of respondents do not yet know how their program will be managed.

Interestingly, tech provider favorability is the opposite of current program owners. While future program owners favor third-party technology, **52.3%** of existing loyalty programs are managed by in-house technology. This, however, doesn't factor in businesses who were unsure about how their program will be managed yet.

### Future loyalty programs' technology solution

**42.1%**

will work with a loyalty technology solution vendor

**34.2%**

don't know how their program will be managed yet

**23.7%**

will be managed by in-house technology

As a reference for decision-making, satisfaction rates among existing program owners are indeed higher among those who rely on third-party loyalty tech vendors: while **61.0%** of respondents were satisfied with loyalty technology solution vendor, only **51.1%** of respondents whose program was managed in-house were satisfied.

#### IMPORTANT TO KNOW

**61.0%**

**of respondents whose loyalty program is managed by a loyalty technology solution vendor are satisfied or very satisfied with their loyalty program.**



Another noteworthy trend is how future program owners perceive project management from a tech point of view. While **52.6%** of respondents are confident that their team can handle the loyalty concept internally, the same percentage of respondents said they will handle technology-related changes together with an outsourced team.

Only **29.0%** stated that they would take care of technology upgrades internally, while **7.9%** wanted the outsourced team to manage it entirely. **10.5%** have not yet decided.

A likely reason for this way of thinking is that companies are relatively confident in their own team’s ability to take care of the tasks needed for the concept, but they deem technology upgrades too complex or too time and resource-consuming to handle completely internally, and would rather seek out help from external sources specialized to this task.

### The benefits of working with a loyalty tech vendor AND a system integrator

For a successful implementation, the brand’s internal management team, the third-party tech provider, and an external system integrator (SI) have to work together.

- The internal team is aware of the business needs, and supervises the progress.
- The third-party tech provides offers a best-of-breed solution that enables the SI.
- The system integrator knows how to quickly and seamlessly implement the program and has experience working with third-party tech.



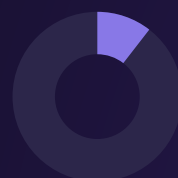
### Team responsible for leading technology changes/upgrade



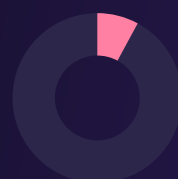
**52.6%**  
A mix of internal and external teams



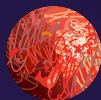
**29.0%**  
Internal team



**10.5%**  
Don't know yet



**7.9%**  
External team



# ACTIONABLE INSIGHTS

Launching your loyalty program for the very first time is both an exciting and a daunting task. To make sure you don't overreach, it's highly recommended to start with an MVP.

## 1. Start with an MVP (Minimum Viable Product)

By starting small, you still have room to grow and can decide what kind of loyalty logic and features to introduce later on.

## 2. Don't forget about pre-launch testing!

Pre-launch testing is crucial. You may also soft-launch for particular customer segments or geographies. Also, involving brand advocates in the soft launch is a great opportunity to recognize them.

## 3. Consider third-party vendors

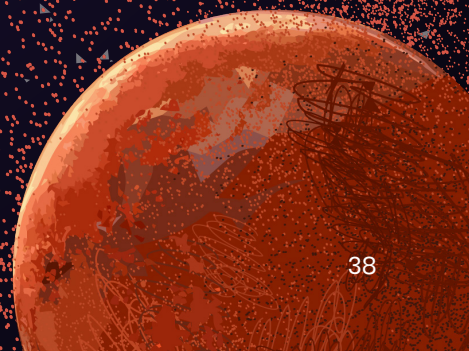
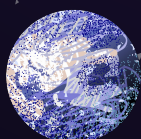
Third-party vendors are specialized in loyalty tech, and most future loyalty programs will be managed by a best-of-breed loyalty tech vendor.

**Technology plays a vital role in any loyalty program's launch, and it's reasonable to seek out specialized companies for support.**

Among third-party technology providers, pure-play companies are the most specialized on the tech side of things.

Without proper expertise, your implementation may run into unforeseen roadblocks that could delay the launch.

If you wish to handle reward management internally, make sure to opt for self-service, no-code technologies.



# Insights for Organizations That Want to Revamp Their Loyalty Programs

## Motivation & satisfaction

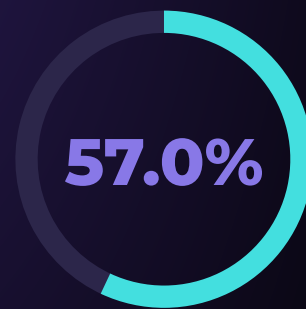
In this day and age, more and more companies understand that loyalty programs are a live and vital service that needs to be updated and evolved.

These kinds of projects are notably different from launching a loyalty program for the first time (or slightly changing the existing technology setup), because of the project's scope and the company's prior experience, which gives them more solid expectations about what aspects of the program should be changed.

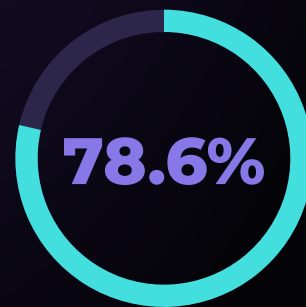
## The responses show that loyalty programs are seen as a living, breathing project.

Respondents with an existing program were asked to contribute insight into their satisfaction and motivation. It turned out that **57.0%** of respondents with an existing loyalty program have brought significant changes to their loyalty program in the past two years while **78.6%** of respondents with an existing loyalty program are likely to revamp or make significant changes to their loyalty program in the next three years.

## The revamp of existing loyalty programs



57.0% of respondents have made significant changes to their loyalty program in the past two years



78.6% of respondents are likely to revamp or make significant changes to their loyalty program in the next three years

**It's clear that the desire to revamp has been strong in the past few years, and it keeps growing.**

But are companies that revamped their program satisfied with their new program? According to the results, yes. In fact, companies, who revamped their loyalty program in the past two years tend to be more satisfied with their program than businesses that haven't revamped their program.

In total, **71.4%** of program owners who have made significant changes to their loyalty program in the past two years are satisfied or very satisfied with their loyalty program, claiming that their existing rewards program contributes to sales, delivers great ROI, and is popular among customers. On the other hand, only **35.1%** of program owners who have not made significant changes to their loyalty program in the past two years are satisfied or very satisfied with their loyalty program.

In an earlier statistic, which examined the overall satisfaction of program owners, **55.8%** of respondents were satisfied or very satisfied.

**It's apparent that there is a much higher satisfaction rate among those who have revamped their program.**

**Level of satisfaction among loyalty program owners**

Program owners who revamped in the past two years:



Program owners who didn't revamp in the past two years:



Program owners in general:



Companies that are satisfied or very satisfied with their loyalty program claim that their existing rewards program contributes to sales, delivers great ROI, and is popular among customers.



## Budget & investment

Re-launching a loyalty program is a serious financial commitment. Based on survey responses from both groups (companies that wish to revamp their loyalty program, and those who are launching for the first time), on average, companies have invested or plan to invest **\$375,000 USD** in the launch or revamp of their loyalty program.

### IMPORTANT TO KNOW

**On average, companies have invested or plan to invest \$375,000 USD in the launch or revamp of their loyalty program.**

## Management & team composition

On an interesting note, program owners who revamped their loyalty program share the same sentiment as those who plan to launch a new program when it comes to human capital.

As is, they mainly prefer to have their internal team take care of the loyalty concept. **59.2%** of survey respondents want their internal team to manage the concept, while **34.7%** wish to share the responsibility between the internal and external teams. Only **4.1%** would like to delegate it solely to an external team.



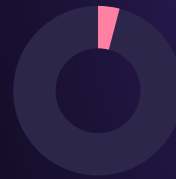
### Team responsible for leading the loyalty concept during the revamp project



**59.2%**  
Internal team



**34.7%**  
A mix of internal and external teams



**4.1%**  
External team



**2.0%**  
Other

As for the average duration of the revamp project, among companies who have changed their loyalty program in the past two years, the responses are mixed.

For **24.5%** of respondents, the revamped lasted more than 14 months. For **49.0%** of companies, the project took between 7 and 13 months, while for **26.5%** of respondents, it didn't last more than half a year.

**Every loyalty program revamp process is unique**, as the scale of the scope and the complexity of the integration has a serious impact on the schedule. Therefore it's impossible to provide a universal estimate for the duration.

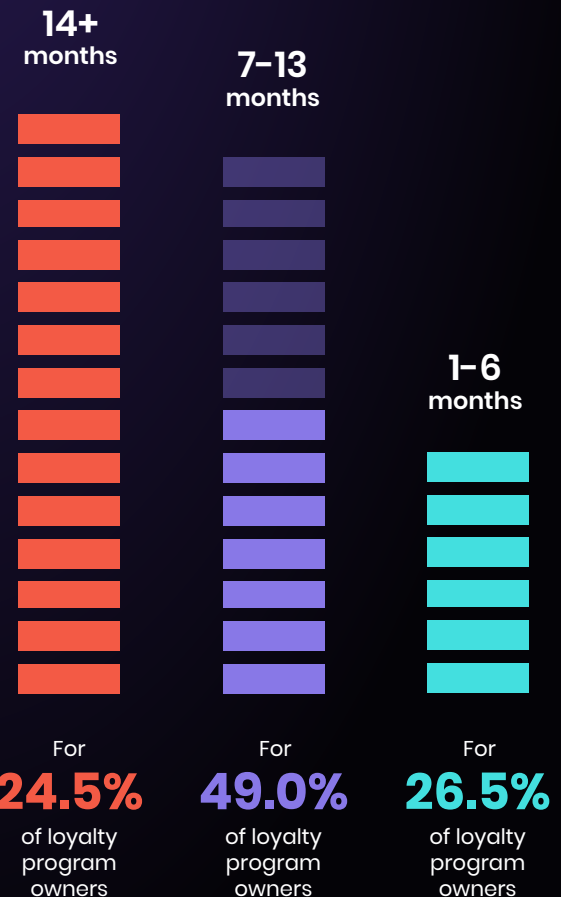
Nonetheless, companies who plan to revamp their loyalty program in the future wish to work with a forward schedule unless they have a set deployment date, involving both internal and external stakeholders in the process.

IMPORTANT TO KNOW

**7 - 13 months**  
are the amount of time needed for **49.0%** of respondents to revamp their loyalty programs.



## Time spent on changing the loyalty program



## Technology & infrastructure

In terms of managing the loyalty program technology, companies that revamped their programs share a similar sentiment as those who wish to launch their first program. That is, the team responsible for the tech changes or upgrades must be composed of both internal and external team members.

When companies who have introduced changes to their loyalty program in the past two years were asked who has managed their revamp project from a technology point of view, **46.9%** of respondents said they used a mix of internal and outsourced teams, **32.7%** claimed they only relied on their internal team, while **20.4%** voted confidence for an outsourced team.

### Companies rely more on external resources to manage technology changes.

In total, **67.3%** of companies have involved external resources in one way or another. This is a combination of those who wish to completely outsource it (**20.4%**) and those who wish to involve both external and internal resources (**46.9%**).



**Team responsible for leading technology changes/upgrades during the revamp project**



**46.9%**

A mix of internal and external teams



**32.7%**

Internal team



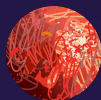
**20.4%**

External team

#### IMPORTANT TO KNOW

**67.3%**

**of companies that have made significant changes to their loyalty program in the past two years have involved external resources for technology changes/upgrades.**



# ACTIONABLE INSIGHTS

**You should approach the revamp of your loyalty program wisely, and spend your human, financial, and tech resources responsibly.**

**You will need to prepare your customers for the revamp. Therefore it's important to keep in mind the following suggestions.**

## **1. Revamp only when you are ready**

Ensure you're fully prepared to undertake such a large project. You need to have buy-in from multiple stakeholders in the company, especially if you are building a multi-talent team.

## **2. Budget planning is key**

At the beginning, build a solid business case that forecasts all the costs (and potential savings) along with expected incremental sales.

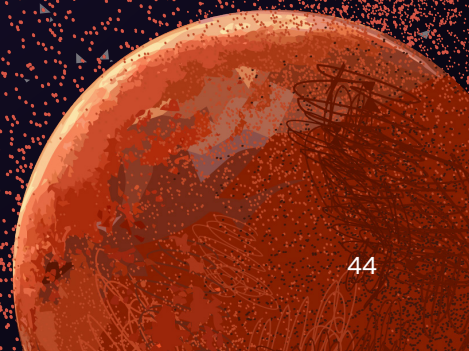
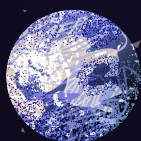
## **3. Think ahead when it comes to tech**

It's best to review the whole tech stack before the revamp to make sure that the updated program will be flexible enough for innovations to be added later on. After all, your tech needs to handle what you plan for the upcoming years.

Don't leave communication to the last minute! Tell members about the coming changes months before the relaunch, especially when it affects their existing rewards and benefits.

Make the whole revamp as quick and seamless for customers as possible. It's best if they don't have to do anything to start earning benefits in the new program.

Revamping the loyalty program should be about adding features and not removing them. It's risky to remove features that people like.





# Paid or Not Paid? The Financial Model Dilemma

Another noteworthy opportunity for both first-timers and revampers is whether to use a free loyalty program model or a paid/premium model.

**Both models have their benefits.** They can even work well in combination, but the right choice heavily depends on multiple factors. These include your industry, objectives, customer expectations, brand positioning, etc.

In a hybrid model, enrollment to the core program is free, and members have access to most rewards and features.

However, members who subscribe to the premium area of the loyalty program unlock additional privileges, like free shipping or expedited shipping, early access to new product drops, or a boost to the value of default benefits, such as double points on all purchases. Examples of the hybrid model include the new **Lululemon program**, as well as or **CVS ExtraCare** and CarePass.

<b>Free vs Premium</b> Loyalty Programs	 <b>FREE LOYALTY PROGRAMS</b>	 <b>PREMIUM LOYALTY PROGRAMS</b>
<b>FEATURES</b>	<ul style="list-style-type: none"> <li>• Enrollment is free</li> <li>• Engages larger customer bases</li> <li>• Customers have to work for their rewards</li> </ul>	<ul style="list-style-type: none"> <li>• Enrollment requires an entry fee</li> <li>• Membership provides instant benefits</li> <li>• It caters to the top 10-20% of members</li> </ul>
<b>BENEFITS</b>	<ul style="list-style-type: none"> <li>• It's accessible for the entire customer base</li> <li>• It incentivizes future purchases</li> <li>• Allows businesses to collect more data</li> </ul>	<ul style="list-style-type: none"> <li>• Members are motivated to engage</li> <li>• Generates instant revenue</li> <li>• It fosters a smaller, but more dedicated community</li> </ul>
<b>POPULAR EXAMPLES</b>	<ul style="list-style-type: none"> <li>• Starbucks Rewards</li> <li>• Sephora Beauty Insider</li> <li>• LVR Privilege</li> </ul>	<ul style="list-style-type: none"> <li>• Amazon Prime</li> <li>• Walmart Plus</li> <li>• Onepass</li> </ul>

**There is a growing interest in premium programs.** For a baseline, **8.1%** of businesses with a loyalty program claimed that they currently offer a premium loyalty program, and another **8.1%** have stated that their current loyalty program has both premium and free offerings.

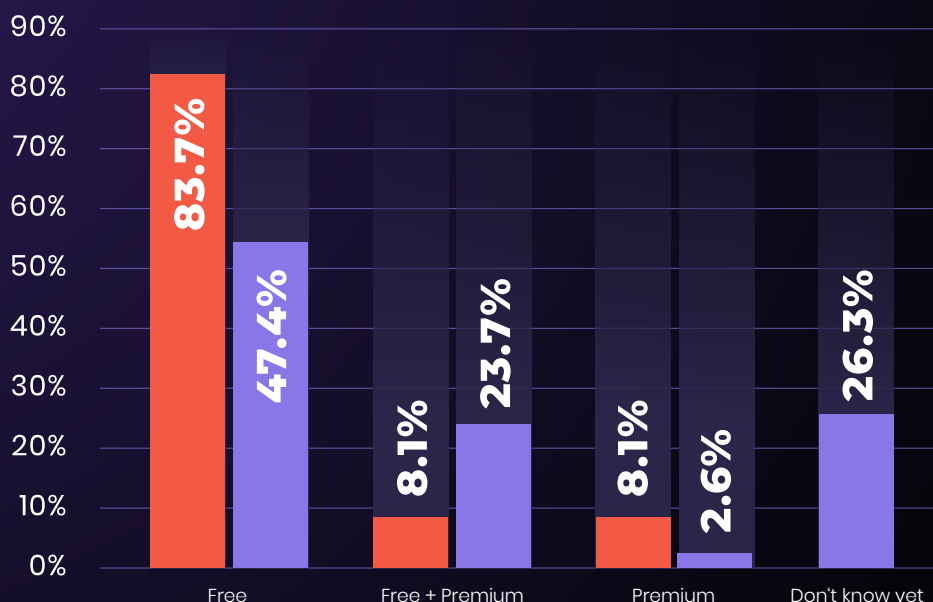
This means that a total of **16.2%** of companies are offering premium loyalty programs, either as a standalone program or alongside a free program.

As for companies that plan to launch a loyalty program, **23.7%** have reported that they plan to introduce both a premium and a free loyalty program together, and **2.6%** responded that they only plan to launch a premium or paid loyalty program.

When added up, **26.3%** of future programs are likely to feature some kind of premium loyalty program element.

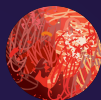
On the other hand, **83.7%** of businesses currently offer a free loyalty program, while **47.4%** of respondents who are planning to launch a loyalty program say their program will be free of charge.

## Premium vs. Free Loyalty Programs



■ Companies currently offering a loyalty program    ■ Companies planning to launch a loyalty program

Premium vs free loyalty programs currently offered by loyalty program owners and companies that intend to launch premium and free loyalty programs in the next two years.



# ACTIONABLE INSIGHTS

**When launching a premium loyalty program, it's important to keep in mind that your benefits must outweigh the membership fee. Here are some best practices.**

**Of course, launching or revamping a loyalty program where membership costs money might not always meet your business objectives.**

## **1. Focus on the value of the rewards**

Offer rewards that are truly valuable, like free shipping, designer merch, early access to products or freebies and gift packages.

## **2. Make premium membership a privilege**

Make customers feel special and provide them with services that will enhance their experience or make their lives easier. You can also consider offering "secret tiers" where only the previous tier knows about the opportunity.

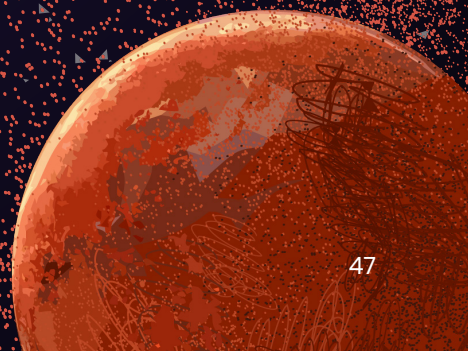
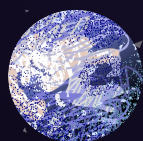
## **3. Enable opt-in with points**

In the case of a hybrid-style program, let customers buy their way into the premium group using their loyalty points.

You can't have your cake and eat it too: only a small, 10–20% percent of customers will be interested in a paid program. If you want a crowd, go free!

Premium programs only work if the price is well-aligned with the value of the benefits. Otherwise premium members will churn!

Customers who pay the fee upfront expect premium treatment. Listen to your customers' needs to know what they expect as premium treatment.





**PHIL SHELPER**  
CEO, Loyalty & Reward Co

*“The evolution of loyalty programs is really one of a search for member value. Consumers join loyalty programs because they believe they will access value and they continue to engage because they perceive they are accessing value.*

*Thus, the best loyalty programs are continually seeking ways to maximise the accessible value within their programs.*

*This is generating a lot of innovation; personalisation, cashback, affiliate marketing, subscriptions, experiences, surprise and delight, account credits, discounts, partner offers, NFTs, fractionalised share ownership, cryptocurrencies and lots more.*

***The next five years will see significant redesigning of existing loyalty programs as companies realise they are not delivering to this critical principle.”***



**NIK LAMING**  
Independent Consultant,  
CLMP™, Urban Leopard

*“We are seeing more and more subscription programs. I think we’re going to see more paid tiers as well.*

***So tiers, gamification, and subscription all wrapped up in status are another continuing trend.”***



**ANDREANNE RONDEAU**  
Loyalty Specialist and Founder  
at stratLX

*“I think that loyalty is no longer only a program, or just a marketing initiative. It becomes a core to the brand, and we’ve seen a lot of loyalty program revamps in the past couple of years and we’re seeing more to come as well.*

***And a lot of those revamps are to better align the customer’s expectations with companies’ brand values and mission statements.***

*So it’s very interesting that having customer loyalty is no longer only a marketing initiative, but it’s a brand commitment.”*



**EMIL BJÖRNSKAR**  
Senior Consultant, Miltton Insights

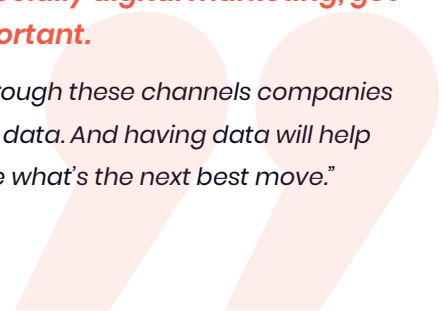


**YSAI SIMS**  
Senior Consultant, Miltton Insights

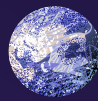
*“Companies’ initial reaction to a recession is to stop spending money, which means that brands will spend less on broader mass marketing and PR.*

***But times like this is when loyalty and marketing, especially digital marketing, get even more important.***

*That’s because through these channels companies are able to collect data. And having data will help companies decide what’s the next best move.”*







# KEY TAKEAWAYS



## **Future program owners show a great deal of confidence**

Companies that plan to launch a loyalty program in the next two years will allocate **30.0%** of their total marketing budget to loyalty programs and CRM. Also, they plan to manage their loyalty program (and their technology partially) in house.



## **Companies that have revamped are satisfied with their new loyalty program**

Altogether, **57.0%** of respondents with an existing loyalty program have made significant changes to their loyalty program in the past two years. **71.4%** of total respondents who revamped their loyalty program in the past two years are satisfied or very satisfied with their loyalty program, claiming that it contributes to sales, delivers great ROI, and is popular among customers.



## **In the future, there will be more premium loyalty programs**

In total, **26.3%** of respondents who plan to introduce a loyalty program in the next two years plan to launch either a paid or a combined paid and free loyalty program.

# THE TOP 3 LOYALTY PROGRAM TRENDS FOR 2023 AND ONWARDS

- Partnership rewards rekindle interest
- Card linking can lead to rich customer data
- Supporting ESG is an emerging trend in loyalty

# Trend #1: Strategic Partnerships

In order to provide practical insight into the landscape of loyalty programs in the next three years, survey participants were asked to rate the importance of a series of loyalty trends and features, including 'buy now, pay later', card linking, NFTs and more. Strategic partnership was one of the top three trends according to survey participants.

## What are strategic partnerships?

Also known as partner rewards, a strategic partnership is when a company involves other businesses in its loyalty program for mutual benefits. These partnerships can consist of cross-brand interactions, rewards and benefits provided by a partner, or even limited-edition partner experiences that change how customers interact with the brand.

### The benefits of strategic partnerships for your company:

1. Your reward selection will be much more diverse, going beyond coupons and allowing customers to experience offers from other, non-competing complimentary brands.
2. The cost of rewards are covered by the partner. Partners see being featured in the reward catalog as a new customer acquisition tool.



## Expected adoption of strategic partnerships in loyalty programs



**41.8%**

Believe adoption will grow, but only in certain regions, verticals and brands in the next three years



**46.0%**

Believe adoption will be widespread in the next three years

Respondents indicated that strategic partnerships will play an important role in loyalty programs in the next three years. In fact, **41.8%** of respondents believe strategic partnerships will appear and grow in markets and industries that have not traditionally utilized them. An even larger group, **46.0%** of respondents, believe partner rewards will see widespread adoption, across industries and regions, and become much more prevalent.



Survey respondents were asked to elaborate by pinpointing the biggest barriers to the adoption of strategic partnerships. **46.9%** said the top challenge was the difficulty of finding the right partner, beating out other issues like technology complexity and sharing data ownership. It's a reasonable outcome, considering that brands in a strategic partnership need to be aligned in many aspects, including message, goals, and target customers.

Companies need to select partners that resonate with their customers, are trustworthy, and have the capability to deliver relevant rewards. Otherwise, the partnership may fail to activate customers.

 **The biggest challenge of strategic partnerships in loyalty programs: finding the right partner that aligns with the company.**

As a follow-up, survey participants were asked about the single biggest benefit of offering strategic partnerships. In this case, **43.8%** thought that creating a unique loyalty experience was the best benefit that partnership rewards offer, followed by reduced reward costs, boosting brand awareness, and offering new reward options.

These claims fully align with the findings from Antavo's Global Customer Loyalty Report 2022, where better loyalty experiences were identified as an influential trend for the coming years.



**The biggest benefit of strategic partnerships in loyalty programs: creating a unique experience.**

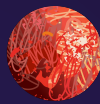
Beyond the aforementioned benefits, companies should also consider establishing strategic partnerships because, to put it simply, they pay back. Based on the **290 million** member interactions tracked by Antavo, partner rewards are highly engaging and have proven to increase the lifetime spend of customers. In loyalty programs that feature partner offers, the average annual spend of members who redeem partner offers is **3.4X** higher than members who have never redeemed partner offers.

IMPORTANT TO KNOW

**3.4X**

**higher average spend among members who have redeemed partner offers.**





# ACTIONABLE INSIGHTS

**Finding the right partner for your strategic partnership isn't easy. Here's how you can make it work.**

**Of course, one could ask what the benefits are for partners. After all, a healthy partnership should be mutually beneficial.**

## **1. Sometimes opposites attract**

Look for brands from outside of your industry that have a unique offering that complements your products and services.

## **2. It can be a one-time deal**

Test the waters for new partnerships by creating limited-time offers. If customers show interest, you can bring the partner reward back permanently.

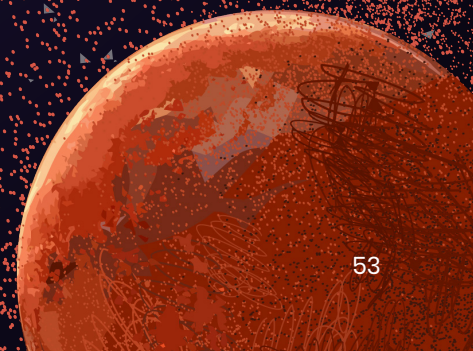
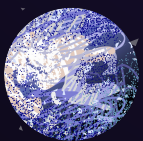
## **3. It's all about the promotion**

Make sure to drive interest toward partner rewards by presenting them as unique and interesting opportunities.

Being part of a strategic partnership directs a healthy flow of highly engaged customers toward the partner organization.

Loyalty program owners can compensate partners by offering them rewards in the form of company benefits, like training or employee discounts.

Joining someone else's loyalty program generates positive word-of-mouth, which has the potential to reactivate churned or disengaged customers.



# Featured Loyalty Program: Virgin Red

Globe-spanning partnership rewards

Virgin Red is the reward club of British conglomerate Virgin Group. As such, it comes naturally that the loyalty program offers a wide range of enticing partner rewards and extra earning opportunities. These strategic partnerships cover all aspects of the customer's journey, ensuring that everyone finds an offer they like.

## Enticing earning opportunities

Members of Virgin Red can earn points in the reward program on almost any kind of purchase, from booking flights to buying toys, food, or clothing thanks to a **huge range of partners**. On top of that, the amount of points earned for every £ varies for each partner, so members don't miss out when buying lower-value items.

## Alluring spending opportunities

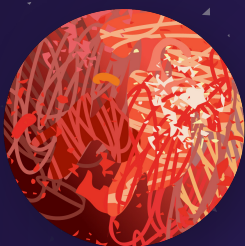
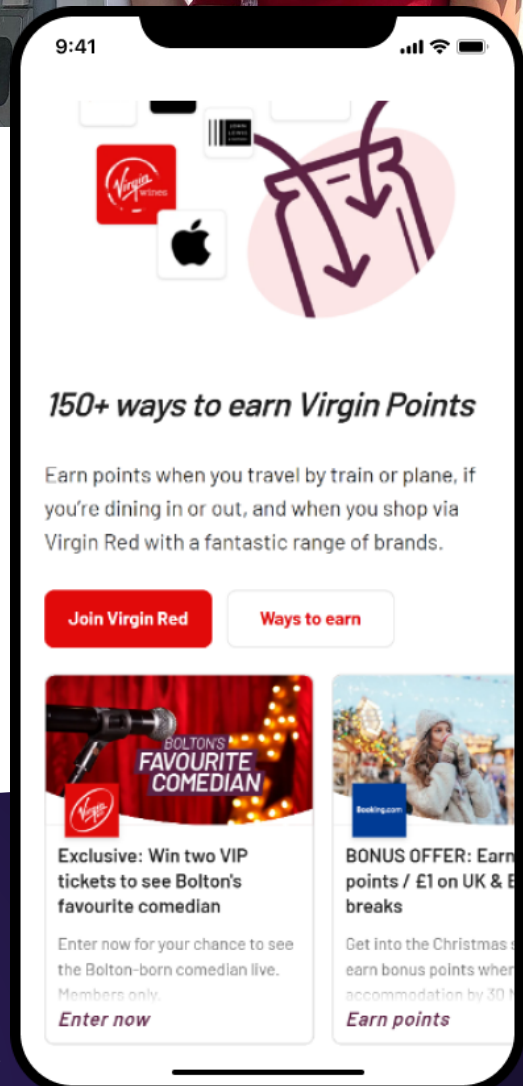
The pool of rewards is equally as impressive. Virgin Red members can spend their points and treat themselves to a freebie meal or hot drink, earn a free leather card holder, subscribe to a free course, or even go on a luxury cruise. They can even donate their points to important causes like climate research or mental health aid.

The screenshot shows the Virgin Red website interface. At the top, there is a navigation bar with a 'MENU' icon, the Virgin Red logo, and a 'Login / Join' button. Below the navigation bar, there are four main menu items: 'HOME', 'SPEND', 'EARN', and 'MY REWARDS'. The 'HOME' item is currently selected and highlighted with a red underline. The main content area features a 'Discover Virgin Red' section with a large red banner. On the left side of the banner, there is a 'Join Virgin Red today' call to action with a 'Join Virgin Red' button. The banner also displays several reward offers with their respective point values: 'Donate to Virgin Unite' (1,000 points), 'One Vue film ticket' (1,350 points), 'Freestar alcohol free beer' (5,500 points), 'Traditional afternoon tea, for two' (6,250 points), and 'Greggs sausage roll' (200 points). The Virgin Red logo is prominently displayed in the center of the banner.

This description was created based on publicly available information without the contribution of Virgin Red, available in UK & US. Content & Image Source: <https://www.virgin.com/virgin-red>. Information taken during October–November, 2022. Details of the loyalty program might change over time.

## Lessons you can learn from Virgin Red

- In a strategic partnership, quality always tops quantity. While having lots of partners like Virgin Red is great, having a single partner reward that your customers love is worth more than a dozen irrelevant ones.
- At Virgin Red, reward costs start at 200 points. That means members who don't want to save up their points can still have a gratifying experience by redeeming points for smaller offers like hot drinks or small decor items.
- On the other hand, point savers and big spenders can redeem the experiential reward of a lifetime in the form of a dream vacation—as long as they have over 100,000 points in their account.
- Variety is the spice of life. Loyalty program owners should stay in touch with their partners and shake up their list of rewards fairly regularly.



## Trend #2: Card Linking to Loyalty Program Accounts

The second trend that was rated high by respondents is card linking and card-linked offers. In last year's Global Customer Loyalty Report, seamless omnichannel experiences were ranked one of the most influential loyalty program trends, so it makes sense that card linking is on the minds of loyalty executives and managers.

### Card linking is also believed to grow across multiple markets.

When asked about the growing presence of card linking in loyalty programs, survey respondents shared a positive sentiment. One group, **43.3%** of respondents, answered that card-linking in loyalty programs will see growing adoption in multiple markets and brands.

The other, more ambitious group, which included **30.7%** of survey participants, has predicted that this trend will undergo widespread adoption in the next three years.



### The importance of payment card-linking in loyalty programs



**43.3%**

Believe adoption will grow, but only in certain regions, verticals and brands in the next three years



**30.7%**

Believe adoption will be widespread in the next three years



## What is card linking?

Card linking in loyalty programs is all about enhancing the customer experience by tying rewards straight to transactions made via payment cards. In other words, it's like combining a payment card with a loyalty card.

Once members have linked their payment card, whether debit or credit, they'll become eligible to earn points or cashback offers automatically, whenever they use their payment cards at checkout, online or offline, without presenting any loyalty ID. For brands, card-linking offers new insights into the customer's payment habits, while customers will no longer miss an opportunity to earn points or rewards.

**The advantages of card linking in a loyalty program:** it makes offer redemption extremely quick and easy and it also fits nicely into a company's omnichannel strategy.

**On the downside, however:** just offering discounts through card linking doesn't encourage loyalty. Also, the loyalty and card linking technologies need to be seamlessly integrated to create an enhanced experience

Survey participants were also asked to rate the biggest challenges for card linking. Among potential setbacks, like cost, security or data ownership, **48.8%** ranked the complexity of implementation as the top challenge.

This sentiment most likely stems from the added tasks retailers and large brick-and-mortar chains face when it comes to finding the right solution vendors or implementing the required technology across all stores.



**The biggest challenge of card linking in loyalty programs: technology or the complexity of implementation.**

When asked about the biggest benefit of payment card linking to the loyalty account, survey participants could choose from several options including frictionless payment experience, data collection and easier redemption processes. In the end, **39.5%** selected gathering rich customer data.

This, again, resonates with findings from the Global Customer Loyalty Report 2022, where collecting zero and first-party data through a loyalty program was also deemed an influential trend for the coming years.



**The biggest benefit of card linking in loyalty programs: gathering rich data.**



# ACTIONABLE INSIGHTS

**Adding card-linked offers to your loyalty program enhances the experience for customers and increases your program's overall performance.**

## **1. Card linking turns payment cards into loyalty cards**

Allowing card linking creates frictionless and real-time engagement for the customer and removes the need for additional identification during checkout.

## **2. Card linking equals rich data**

Gather rich transactional data, both on and offline, and gain a better understanding of your customers' shopping behaviors.

## **3. Leverage rewards to reduce churn**

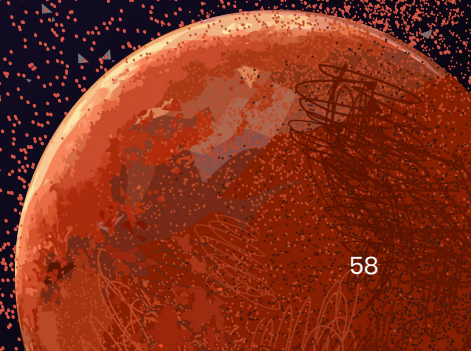
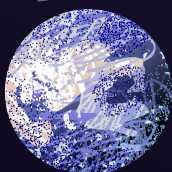
Thanks to card linking, claimed coupons can be automatically applied to the payment card, ensuring that any available benefits will always be on hand.

**Nevertheless, card linking still comes with certain restrictions, such as a limited view on transactional data. To counter this, consider integrating card linking with an existing loyalty platform.**

Loyalty programs are a treasure trove of non-transactional customer activities, which complement the purely transactional data that comes from card linking.

Combining data from the loyalty program and the card linking integration will augment transaction information at the item level.

Card linking can be great for the retail sector, because of the seamless payment experience it provides. Brands can benefit from this as it requires lower effort from customer-facing employees.



# Featured Loyalty Program: **Amex Offers**

Making reward redemption easy

Amex Offers is the offer system from American payment card service American Express. The loyalty program allows users to earn points every time they use their cards, and redeem their points on vouchers or partner rewards. And as a payment card provider, it's no big surprise that Amex Offers excels in card linking.

## **Card-linked offers in the palm of your hand**

American Express utilizes a simple yet elegant approach to card linking. Members can select available coupons and offers from the company's dedicated app and assign them to their registered payment card with a single tap. The next time they use their card in the store, the offer is automatically applied.

## **A great selection of featured offers**

Thanks to the extended partnership network that American Express has, members have access to an ever-changing list of vouchers, cashback offers, and special deals, which are unique to each brand. This ensures that customers always have offers available to link to their card, even when they are out of regular coupons.

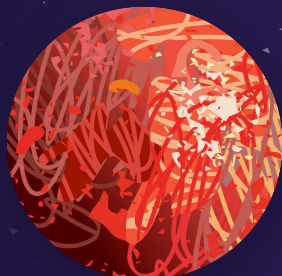


This description was created based on publicly available information without the contribution of Amex Offers, available in multiple countries, Content & Image Source: <https://www.americanexpress.com/en-us/benefits/offers/>. Information taken during October–November, 2022. Details of the loyalty program might change over time.



## Lessons you can learn from Amex Offers

- Card linking is a favorite feature of on-the-go customers. However, when linked offers run out, it can ruin the experience. That's why it's a great idea to allow members to use the app to instantly assign their offers to their payment cards.
- Strategic partnerships work really well with card linking because you have to supply members with a stream of offers to keep the experience fresh and worthwhile. In exchange, partners can extend their reach even further.
- Although card linking is a given in the financial sector, other industries can make good use of it as well - especially retailers with a strong technology ecosystem.
- Remember: card linking is an evolving technology, and you can use it for so much more than just assigning a coupon to a payment card. Rather, card linking should also enable users to pay with their points, or have more extended offer management capabilities.





## Trend #3: Loyalty Programs Supporting ESG Causes

In recent years, a recurring topic has been whether loyalty programs can do more than just boost sales. After all, the core purpose of loyalty programs is to change customer behavior. So can they be used to make a difference or to help solve bigger problems of the world? Yes, indeed, judging by the fact that supporting ESG causes has been declared one of the top loyalty program trends for the next three years.

When survey participants were asked to rate how much importance the support of ESG causes through loyalty programs will have in the next three years, their answers reflected hope, but also the belief that there is little chance of it becoming widespread. In total, **47.1%** of respondents foresee a growth in adoption across multiple markets and brands, but only **21.1%** foresee widespread adoption of loyalty program capabilities in support of ESG.

### What does it mean to support ESG with a loyalty program?

Standing for “Environmental, Social, and Governance”, ESG encapsulates a set of standards for businesses to be more socially conscious. In practice, businesses that align themselves with ESG may work on reducing their carbon footprint, financially support humanitarian causes, or pursue diversity and integrity in their management or leadership.

A loyalty program can be used to further a company’s commitment to ESG by involving its customers. In most cases, this means offering points to customers who contribute to noble causes such as charity, or rewarding customers for taking certain actions that help the environment, such as recycling used products.



### Importance of loyalty programs alleviating big problems of the world



**47.1%**

Believe adoption will grow, but only in certain regions, verticals and brands in the next three years



**21.1%**

Believe adoption will be widespread in the next three years

It's important to identify the different kinds of actions loyalty program owners can take in order to meaningfully support ESG causes.

- Encouraging responsible behavior. Motivate customers to play a more active role in recycling, bringing back old products, or using reusable items.
- Purchasing ethical products. Entice customers to choose products that are carbon-negative, ethically made, or crafted from renewable materials.
- Supporting charity. Offer customers ways to donate their points to various charity organizations, donate money directly, or do charity work.
- Encouraging a healthier lifestyle. Motivate customers to take care of their own physical and mental health by using health apps, working out more, or achieving daily health challenges.
- Offering shares in the company. Customers may directly support their favorite ESG-centric brands by purchasing shares on special occasions.

Survey participants were asked what potential barriers to the growth of this trend might be. The answers indicate that the issue lies in identifying the cause, rather than the execution, as **53.6%** of participants claimed that the biggest challenge is to identify the right problem or cause. This option was considered a challenge by the largest percentage of respondents, followed by project costs, or corresponding technology.



### The biggest challenge of supporting ESG causes with a loyalty program: identifying the right problem or cause.

Supporting pressing issues of the world is an emerging trend in the loyalty industry. Unlike the need for streamlined experiences or customer data, this trend hasn't received that much attention in previous years.

Altogether, very few loyalty programs currently offer features that support ESG causes. Encouraging charitable donations is the most popular—**21.8%** of loyalty programs currently reward charity.

However, a large majority of survey respondents reported that they plan to reward customers for solving some of the world's most pressing problems in the next three years.

Adopting responsible behavior and purchasing ethical products are the two most popular actions that current and future loyalty program owners want to reward in the next three years: **50.8%** of companies plan to reward responsible behaviors, while **51.6%** plan to reward the purchase of ethical products.

## ESG actions rewarded in loyalty programs

The adoption of responsible behavior – Total of 66.1%



The purchase of ethical products – Total of 64.5%



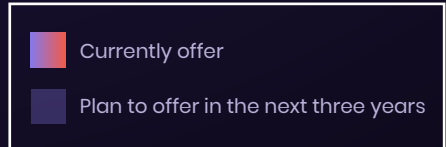
Charitable contributions – Total of 70.2%



Healthy lifestyle choices – Total of 54.0%



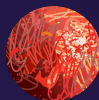
Shares in the company – Total of 17.0%



When considering benefits of supporting good causes, **57.1%** of respondents believe that the biggest benefit of supporting good causes is to better align the loyalty program with both the brand's and the customers' values. This is a sentiment that's shared by a growing number of brands that aim to establish emotional loyalty through their rewards program – a major finding from the **Global Customer Loyalty Report 2022**.



**The biggest benefit of supporting ESG causes with a loyalty program: aligning the loyalty program with the brand's and customer' values.**



# ACTIONABLE INSIGHTS

Supporting good causes and helping to solve important problems with your loyalty program pays back in more ways than you think. Here are some of the benefits worth considering.

## 1. Focusing on the bigger goal can engage your customers

Customers are more likely to buy and be loyal to a brand they trust and that shares their values.

## 2. Grow your audience

When you partner with a charity or environmental organization, you can gain the respect and attention of their audience.

## 3. Positive press coverage

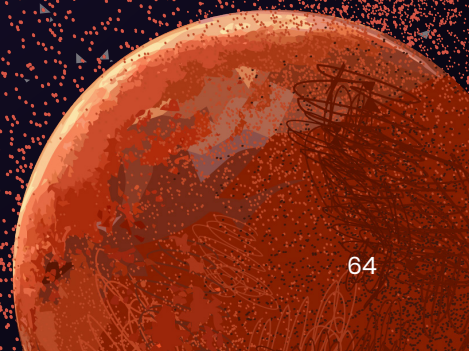
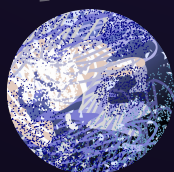
Loyalty campaigns and initiatives that benefit ESG causes can lead to positive word-of-mouth.

Being environmentally friendly or helping a charity doesn't always need flashy campaigns or a complete revamp of your loyalty program.

A loyalty program that uses digital loyalty passes instead of plastic cards spares the globe from a lot of unnecessary waste.

Besides giving customers the option to donate points for charity, also allow them to donate unused coupons to a charity organization of their choice.

You also need to be smart when choosing the causes your brand will get behind. The way in which the loyalty program supports the cause also has to be meaningful.





# Featured Loyalty Program: **adiClub**

Promoting an active, charitable lifestyle

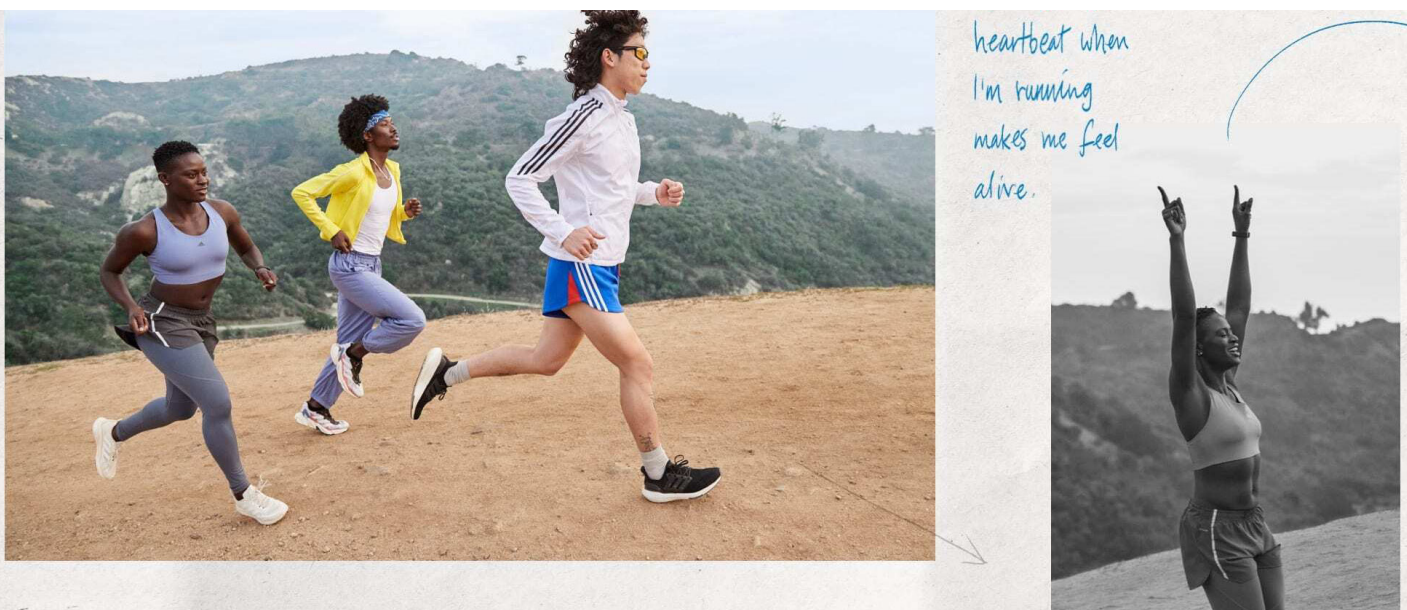
Internationally renowned shoe, clothing and sportswear designer and manufacturer adidas runs a loyalty program that gives back to the community by offering a non-transactional entry point for sport fans and by promoting a variety of charities members can donate to.

## Equity for sweat

adiClub is a trailblazing membership program where members can level up by making purchases and/or tracking their workout progress in the adidas Running or Training Apps, which utilize a technology called **move2earn**. The logic is simple: **users earn two points in their adiClub account for each kilometer generated** with a sporting activity tracked by the apps. These points can be spent on unique products, events and discounts.

## Promoting noble causes

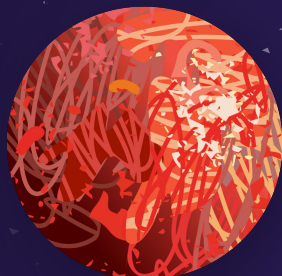
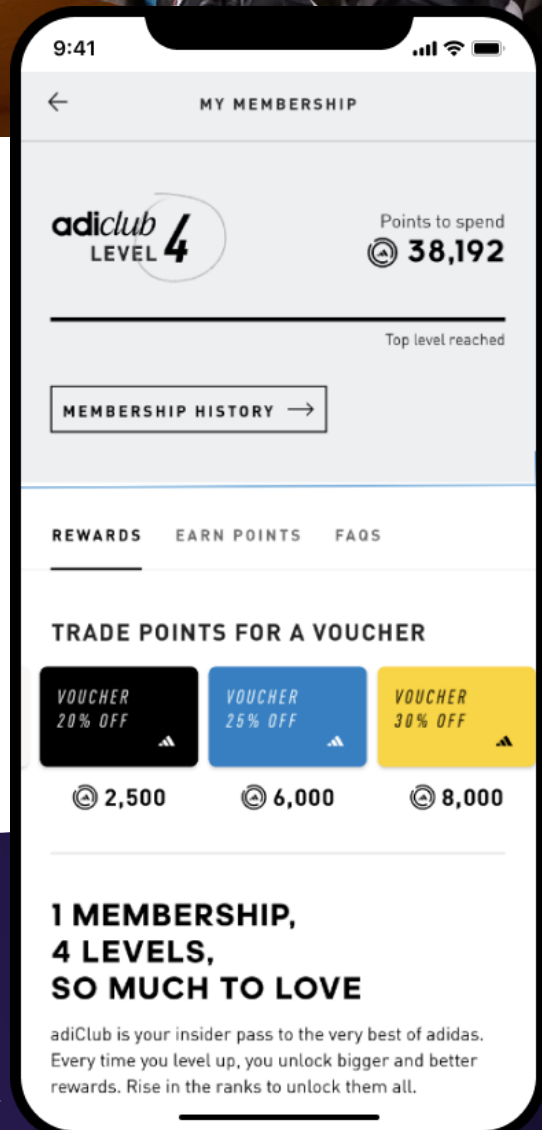
adiClub members can also spend their points on things other than themselves. The brand hosts charitable campaigns where members can **donate to five amazing non-profit community organizations** working to improve diversity for and accessibility to sports, highlighted by adidas athletes. Campaigns are time-limited and, based on the volume of points donated by members, adidas then donates a corresponding amount to the charity organization.



*This description was created based on publicly available information of adiClub, available in multiple countries, alongside the contribution from adidas. Content & Image Source: <https://www.adidas.com/us/adiclub>. Information taken during October–November, 2022. Details of the loyalty program might change over time.*

## Lessons you can learn from adiClub

- The adidas sport apps track a wide variety of sporting activities, meaning that members can earn points by doing any type of sport they like, not just running. Keep this in mind if you wish to ensure high engagement rates in your program.
- adiClub also hosts monthly challenges, where participants can earn bonus points by accomplishing set goals. Challenges promote high engagement rates in your program while also encouraging a healthy lifestyle.
- AdiClub uses these gamification features to support environmental campaigns, like Run for the Oceans, which focuses on plastic waste removal. In these campaigns, participants earn points and also help their communities and the planet.
- By introducing limited-time charity opportunities like adiClub, the notion of donating remains fresh, and members can be introduced to a series of good causes. Variety increases the chances that members will find a cause that resonates with them.





**LEE MARTIN**

Principal, CLMP™, Ellipsis and Co

*“We’re going to see an increasing use of card linking for loyalty programs as customers become ever more demanding for frictionless experiences.*

*Card linked solutions can improve loyalty outcomes in three ways. Firstly, it’s a better customer experience, making life easier for customers at the point of purchase.*

*Secondly, increased data capture for the merchant. Capturing every shop is especially a challenge for merchants with low frequency where customers’ may not always carry their loyalty card. Card linking helps to ensure the merchant captures every transaction.*

*Thirdly, if the merchant does a good job leveraging this data, understanding their customers should mean better personalised experiences to create real stickiness.*

***There is a risk though that marketers may see credit card cashback as an alternative to a loyalty program and rely on them instead. These merchant-funded offers, where a brand offers cashback to customers using a specific credit card, aren’t a replacement for a good loyalty program.***

*Merchant funded offers can be a great acquisition tool, but they may mostly attract promiscuous shoppers, and the relationship exists between the customer and the card issuer, not the merchant. These promotions don’t help a brand build long term customer relationships through more relevant communications and offers based on customer preferences and buying patterns which is what a good loyalty program should be doing.”*



**CHAYYA BASSI**

Co-founder and Partner, CLMP™, Quick Brown Fox

*“I think strategic partnerships will be one of the most important loyalty trends in the coming years.*

***Loyalty programs will need to look at strategic partnerships to allow their customers to interact in the same manner.***

*For instance a hotel franchise can offer benefits to customers not just when they are traveling or when they are staying with them, but can become a part of their everyday life, when members are not in their space.”*



**ANDREANNE RONDEAU**

Loyalty Specialist and Founder at stratLX

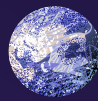
*“We saw a decline in coalition programs a few years back, but now we’re seeing a strong increase in strategic partnerships. Brands and companies are expanding their loyalty programs to include partners.*

***Strategic partnerships create additional value to members and companies in multiple ways.***

*First, they improve customer experience and perceived value as members can earn points and redeem rewards through partners, or even benefit from exclusive experiences with partners.*

*Secondly, for brands, they’re a great way to monetize loyalty programs as partners will partially or fully support the cost of the rewards and experiences. They’re also great acquisition tools.”*





# KEY TAKEAWAYS



## **For strategic partnerships, the first step is the hardest**

Finding partners that align with the brand is the biggest challenge in pursuing strategic partnerships for loyalty programs, but they're worthwhile because they help create unique loyalty experiences.



## **Payment card linking leads to richer customer data**

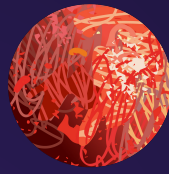
Connecting payment cards to the loyalty program can offer a new layer of first-party customer data for businesses. First, however, businesses have to overcome complex implementation and ensure to combine card linking with a robust loyalty program to gain customer insights that go beyond transactions.



## **Loyalty Programs can help make an impact**

Though loyalty programs that reward actions related to ESG causes are not yet the mainstream, many companies have reported that they plan to introduce such capabilities in the next three years, primarily by rewarding responsible behaviors.





# Loyalty Program Benchmarks & KPIs You Should Track

Companies have to choose their investments wisely during the current financial crisis. To understand performance and measure ROI for the loyalty program, businesses need to identify and track KPIs that are aligned with their objectives.

Which KPIs work and don't work depends heavily on the organization, its industry, its level of digitization, and its goals and priorities. Nevertheless, here are the top seven KPIs to keep an eye on if you want to better understand the performance of your loyalty program.

## The Top 7 Loyalty Program KPIs and Benchmarks

1. ROI
2. Adoption rate
3. Redemption rate
4. Repeat purchases
5. Incremental sales
6. Reduced churn
7. Customer lifetime value

## 1 ROI

First and foremost, a loyalty program needs to deliver a positive return on investment (ROI) in order to create value for the business. According to our research, **80.2%** of companies measure the ROI of their loyalty programs. Still, it's important to know that loyalty programs very rarely turn a profit during their first year due to initial investment and the time required to impact members' behavior. As the program matures, a well-structured program should have an impact on the bottom line.

This year's survey results back this up: in total, **80.0%** of companies that measure the ROI of their loyalty programs reported a positive ROI with, on average, **4.9X** more revenue than costs. A useful rule of thumb is to avoid tracking the ROI on a daily or monthly basis, and instead think about it as an annual sanity check.

### BENCHMARKS FOR KPIs:

#### ROI

# 4.9X

more revenue than cost is reported by the **80.0%** of companies who measured a positive ROI of their loyalty program.

## 2 Loyalty program adoption rate

What's the exact ratio of sales attributed to loyalty program members compared to total sales? How much of your audience is enrolled in the loyalty program? The loyalty program adoption rate is basically an indicator of how popular it is among customers.

As a benchmark, respondents with an existing loyalty program who measure their loyalty program adoption rate indicate that **44.8%** of their sales are made by loyalty program members. Of course, the adoption rate will never reach 100% (unless you auto-enroll customers), but the goal of a loyalty program is to nurture loyal customers, so you should aim to increase the lifetime spend of enrolled members as much as possible.

### BENCHMARKS FOR KPIs:

#### Loyalty program adoption rate

# 44.8%

of sales are made by loyalty program members.

### 3 The redemption rate of points, cash back, and rewards

Earn & burn loyalty programs that don't encourage customers to spend their points aren't doing their job. In other words, the more rewards customers use, the higher the rate of engagement. So if you see customers sitting on their points, it's time to intervene and encourage redemption.

As a benchmark, **86.1%** of respondents are tracking redemption rate. Also, survey respondents with an existing loyalty program who measure reward redemption rate indicate a reward redemption rate of **48.6%**, meaning that close to half of the points (or other loyalty currency) awarded are redeemed by members.

#### BENCHMARKS FOR KPIs:

##### Redemption rate

# 48.6%

**of points earned are redeemed by loyalty program members.**

Low redemption rates are always a red flag: a program where members are sitting on their points only grow liability and do not contribute to loyalty. However, high redemption rates pay back: according to the 290 million members' interactions tracked via Antavo, the average lifetime spend of members who redeemed their points at least once is 6.3X higher than those who have never redeemed.

### 4 Repeat purchases

Motivating customers to make the critical second or third purchase is the hallmark of a successful loyalty program. As such, tracking repeat purchases is meant to measure the ratio of members who have made more than one purchase over a set period of time to the total member base.

The general rule of thumb is to track repeat purchases over a specific period of time. Specifying a time period will allow you to compare repeat purchase rates with other time periods to get a better understanding of customers' spending habits. Keep in mind that high-purchase and low-purchase industries should have different standards for the timeframe in which they measure repeat purchases.

Unsurprisingly, **82.6%** of respondents with an existing loyalty program measure repeat purchases. It's worth tracking repeat purchases, no matter in what industry you are in.

#### IMPORTANT TO KNOW

# 82.6%

**of respondents measure repeat purchases in their loyalty program.**

## 5 Incremental sales generated by the loyalty program

Another indicator of a loyalty program's performance is how much additional revenue the program generates. Members usually spend more than non-members, but one could argue that it's simply because they are naturally more engaged. Incremental sales allow companies to identify how many additional sales are generated by the program.

Incremental sales can also shed light on other business questions such as: Which capabilities have the most impact on members? How can the overall program be improved? In order to find satisfactory answers and to track incremental sales, it's best practice to implement A/B testing and control groups.

A vast majority of businesses use the incremental sales KPI—**80.2%** of respondents with an existing loyalty program measure incremental sales generated by their loyalty programs. Keep in mind that you can measure this KPI independently for different customer segments for an even more comprehensive understanding of loyalty program results.

### IMPORTANT TO KNOW

**80.2%**  
of respondents measure  
incremental sales generated by  
the loyalty program.

## 6 Customer lifetime value

Customer lifetime value (CLV) for loyalty program members measures the total amount you can expect a member to spend throughout their business relationship with you. The more a member buys and the longer they remain a customer, the greater their lifetime value. CLV is an important KPI as it can help predict other KPIs. If CLV is decreasing, it might be a sign that churn will increase. CLV also has a direct impact on revenue and offers a clear understanding of how much a company can spend on customer retention.

Both customer churn and customer lifetime value can be hard to calculate due to the large amount of data required. A loyalty program can be a great tool to better understand these KPIs, because it is much easier to track engagement (or the lack thereof) through a rewards program.

Our survey indicates that **79.1%** of respondents with an existing loyalty program measure the CLV of their members. This number is especially impressive in light of the complexities that come with tracking this KPI.

### IMPORTANT TO KNOW

**79.1%**  
of respondents measure  
customer lifetime value in their  
loyalty program.



## 7 Reduced churn

When it comes to calculating customer lifetime value, the cost of retention is typically lower than the cost of customer acquisition. As shown in this report, companies are reducing their investment in acquisition in favor of customer retention. Increasing customer retention results in reducing churn.

The churn rate in a loyalty program is about members who stop doing business with a company and no longer engage with the program for a set period of time. In order to properly track customer churn, you first have to define the reference period of the calculation for it (12 months, 24 months, or more) based on your business and sales cycle.

According to the benchmark pulled from survey results, churn reduction is slightly lower on companies' priority lists, as just **65.1%** of respondents with an existing loyalty program said they measure churn reduction.

IMPORTANT TO KNOW

**65.1%**  
of respondents with an existing loyalty program measure churn reduction.

### The most common KPIs tracked by companies with a loyalty program

**86.1%**

measure reward redemption rate

**86.1%**

measure loyalty program adoption rate

**82.6%**

measure repeat purchases

**80.2%**

measure return on investment

**80.2%**

measure incremental sales generated by the loyalty program

**79.1%**

measure the customer lifetime value

**65.1%**

measure churn reduction

**64.0%**

measure referral and advocacy scores such as Net Promoter Score (NPS)

**46.5%**

measure acquisition cost vs retention cost ratio

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# THE GRAND SUMMARY



# KEY TAKEAWAYS

## #1 Loyalty programs will be a lifeline during the financial crisis

Companies view loyalty programs as a valuable investment during the potentially upcoming recession. In fact, **55.9%** of respondents envision the role of customer loyalty as essential or very valuable in overcoming the inflation crisis and a potential recession.

Also, **67.7%** plan to increase or significantly increase their investments in customer retention. Customer acquisition is generally seen as a less favorable investment.

## #2 Despite the downturn, ROI remains strong

The economic downturn hasn't reduced companies' faith in loyalty programs. Currently, **55.8%** of program owners are satisfied or very satisfied with their loyalty program and say that their rewards program contributes to sales, delivers great ROI, and is popular among customers, a figure that has remained stable since the 2022 report.

The reason behind this positivity may come from high returns on investment: **80.0%** of companies who measure the ROI of their loyalty program reported a positive ROI, earning on average **4.9X** more revenue than what they spend.

## #3 A new company department is forming: the loyalty team

Running a loyalty program requires a dedicated team. On average, **16.2** people are actively involved in loyalty program management at their organizations, and **40.7%** of businesses reported that they have a dedicated loyalty team leading the loyalty program, composed of employees from various departments.

Also, **5 out of 10** companies that are planning to launch a loyalty program over the next two years expressed interest in developing the loyalty concept in-house, and **36.8%** of them are looking for external expertise to support them through the design phase.

## #4 The value of external loyalty technology knowledge is growing

Companies want the technology behind the reward program to be managed by a mix of in-house and external teams. This is true for both companies launching their first program and for those revamping loyalty programs.

In addition, businesses are more satisfied with third-party loyalty technologies than they are with in-house solutions. Of the program owners who work with third-party technology vendors, **61.0%** are satisfied or very satisfied with their loyalty program.



### #5 Strategic partnerships may lead to new horizons

Partner rewards have been identified as a trend that will shape loyalty programs in the next three years. This trend aligns with insights from last year's report, which forecasted a growing impact of loyalty experiences.

Respondents in this year's survey believe strategic partnerships will achieve widespread adoption, but they also say there are challenges when it comes to selecting the right partner. On the positive side, **43.8%** believe that creating a unique loyalty experience is the best benefit of a strategic partnership.

### #6 Card linking is a great way to gather data

A second important loyalty trend is linking payment cards to the loyalty program. Predicted by **43.3%** of respondents to be adopted in multiple markets and brands, card-linked loyalty program offers are popular because they can generate more first-party data for companies and create a seamless payment experience.

However, technology or complexity of implementation is seen by respondents as the biggest challenge in card linking.

### #7 Loyalty pays back... for the world, too

Making a difference and contributing to the solution of big problems in the world is a surprise trend from this year's report. Though, currently, very few loyalty programs encourage customers to reward ESG-aligned actions, this is forecast to change.

In the next three years, **50.8%** of companies plan to reward responsible behaviors, **51.6%** plan to reward the purchase of ethical products, **48.4%** wish to reward charity, and **38.7%** aim to reward healthy lifestyle choices.







# HOW TO TAKE ACTION

Triumphing in the current market environment requires businesses to invest wisely in loyalty programs, so they will not only pay back for business, but also for customers—even the world we live in.

## HERE ARE OUR RECOMMENDATIONS:

### Invest in your existing customers

In turbulent economic times, focus on keeping your best customers close instead of trying to attract new ones. Customer retention has never been so important, but customer expectations are also ever-growing.

To remain relevant for customers and create value for them, invest in your loyalty program to keep up with trends and innovations. Think of personalized communication, emotional loyalty, engaging customers outside of the buying cycle, creating a seamless experience, offering privilege-driven rewards, and more.

### Set up KPIs that match your business goals

Loyalty programs can indeed have a positive ROI, but you need more than just rewards and offers for that. You need to be aware of your exact goals and KPIs in the initial concept phase, so you can build the loyalty program accordingly.

ROI, adoption rate, redemption rate, repeat purchases and incremental sales are all KPIs that more than 80% of businesses track. However, companies should create additional goals that are specific to their own business, for example, generating more word-of-mouth, building a community, creating a seamless omnichannel experience, and so on.

### Use loyalty programs as a source data

Loyalty programs can be used to gather both zero and first-party data. Instead of trying to collect a lot of data during enrollment, opt for more subtle and less distracting methods of data collection, such as gamified surveys, or granting rewards to customers who fully complete their extended profiles.

Moreover, creating a strategic partnership with other brands or deploying card linking can provide a rich source of untapped customer data, on top of the obvious benefits like extended reach or a more seamless customer journey.

### Align with your customers' values

Loyalty programs are meant to change customer behavior, and can be used to make the world a better place. If ESG is important to your brand, one of the best ways to align your brand with customer values and earn trust is by supporting ESG causes with your loyalty program.

This can be done in a variety of ways, from encouraging charity through point donations to rewarding customers for living healthily or bringing back old clothes for recycling. All companies need is specialized loyalty technology to make it happen.

# METHODOLOGY

## Data collection methods for the Global Customer Loyalty Report 2023 included:

- **A self-administered questionnaire**

The self-administered survey was completed between September 1 and September 31, 2022. The survey featured mostly quantitative results, but qualitative results appeared as well. Open-text responses were included. Total sample: 261 respondents.

- **Secondary data analysis**

The descriptive and comparative analyses were carried out on the basis of the primary data collected using the survey. The results were stated at a 95% confidence level.

- **Anonymous member interactions from Antavo's loyalty database**

Member interaction data was tracked across 32 loyalty programs. The data represents more than 290 million events collected from 6.74 million customers. Member interactions include actions related to a loyalty program and the wider business logic that is connected to the loyalty program, like earning and burning points and benefits, purchases, challenge completions, advancing in tier structures, referring friends, etc.

- **Internal research**

Internal research of publicly available information on loyalty trends and third-party loyalty programs.

- **Third-party sources:**

[MarketsandMarkets](#), [Forrester](#), [Lululemon](#), [CVS ExtraCare](#), [Virgin Red](#), [Amex Offers](#), [adiClub](#)

## THIRD-PARTY LOYALTY EXPERTS

**Chayya BASSI** – Co-founder and Partner, Quick Brown Fox [United Arab Emirates]

**Emil BJÖRNSKAR** – Senior Consultant, Miltton Insights [Sweden]

**Claudio CERQUERIA** – CEO and Founder, Redeem Loyalty [Brazil]

**Nick CHAMBERS** – Director, Mobile Loyalty Technologies Ltd [United Kingdom]

**Nicola FOX** – CRM & Loyalty Manager, Fine Tooth Comb [United Kingdom]

**Radek HRACHOVEC** – Partner, CLMP, Voxwise [Czech Republic]

**Phil HUSSEY** – Principal Consultant, LoyaltyLevers [United States]

**Nik LAMING** – Independent Consultant, Urban Leopard [Singapore]

**Monica LE** – Consultant, The Tecsa Group [Hong Kong SAR]

**Lee MARTIN** – Principal, CLMP, Ellipsis and Co [Australia]

**Adam POSNER** – CEO and Founder, The Point of Loyalty [Australia]

**Andreanne RONDEAU** – Loyalty Specialist and Founder, StratLX [Canada]

**Luke SAVILLE** – VP CDP and Loyalty, Authentic Digital Agency [United States]

**Phil SHELPER** – CEO, Loyalty & Reward Co [Australia]

**Ysai SIMS** – Senior Consultant, Miltton Insights [Sweden]

**Alexander SÜßEL** – Digital Loyalty Consultant, AS auf Zeit [Germany]

**Toralf WAAKTAAR-SLOKVIK** – Chief Executive Officer, Oculos [Norway]

**Nicole WILHELM** – Customer Loyalty Manager, CLMP, Get Focused [Germany]

# SURVEY DEMOGRAPHICS

**33.0%**

of respondents work for a company that offers a loyalty program

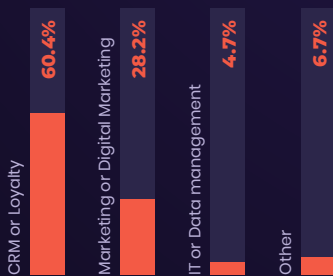
**14.6%**

of respondents work for a company that plans to launch a loyalty program in the next two years

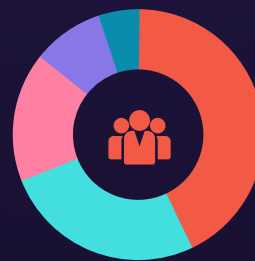
**52.5%**

work as independent consultants or work for an agency or consulting firm

## Respondents' professional responsibilities:



## Respondents' current level of seniority:



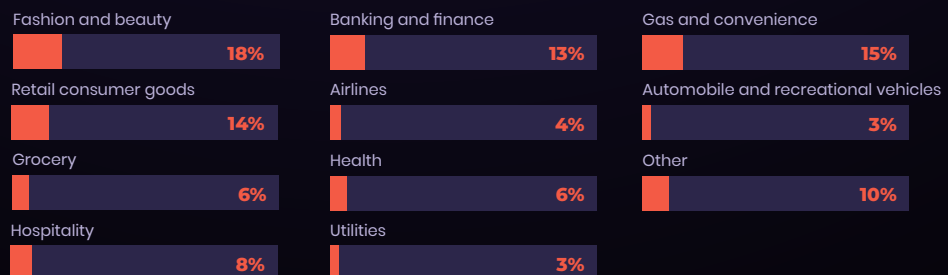
43.0%	Manager
26.2%	Director
16.8%	Specialist/Professional consultant
8.7%	Senior Vice President/Vice President
5.4%	C-Level/President/Owner

## Respondents' geographical location:

24.5%	Western Europe
4.2%	Africa
10.0%	Oceania
24.5%	Western Europe
12.3%	Central and Eastern Europe
6.1%	Middle East
16.9%	Asia
23.8%	North America
2.3%	South America



## Respondents' sector:



# REPORT AUTHORS

The Global Customer Loyalty Report 2023 and accompanying survey were a collaborative effort between Antavo and several industry experts.

**ZSUZSA KECSMAR** is Chief Strategy Officer and co-founder of Antavo. Listed by Forbes as one of Europe's top 100 female founders in tech, Zsuzsa is a former journalist recognized by the European Commission.

**ANDREANNE RONDEAU** is a Loyalty Specialist and Founder of stratLX, assisting businesses in all their loyalty and customer retention needs, from strategy to roll-out.

**TAMAS OSZI** is a Senior Loyalty Program Specialist at Antavo and a Certified Loyalty Marketing Professional. Tamas is known for his keen eye for loyalty and customer retention research and trends.

**BRIGITTA KANTOR** is the Creative Director at Antavo. She was responsible for visualizing the findings of this report from start to finish, from the numbers to the artwork.

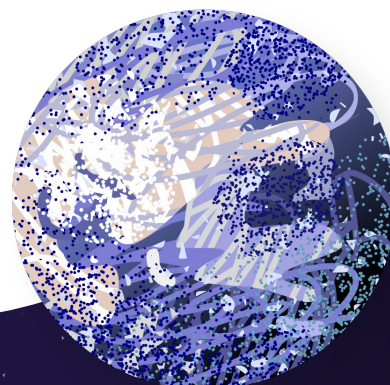
**BARBARA KEKES-SZABO** is a Loyalty Program Specialist at Antavo and a Certified Loyalty Marketing Professional. She is also a writing expert with a decade of experience in marketing.

**JESS MIZERAK** is a Certified Loyalty Marketing Professional and Emotional Intelligence Coach. She combines her loyalty expertise with her coaching skillset to help companies build loyalty.

**EVA BACSI** is the Marketing Director at Antavo. She drives collaborative projects with industry-leading organizations in loyalty and technology.

**MEAGAN MERCIER** is a Loyalty Manager and Data Analyst at stratLX supporting businesses in the planning and execution of their customer loyalty projects.

**BALINT PATAKI** is a Data Scientist at Antavo with experience in different industries in finance, marketing, climate and forestry. In this report, he was responsible for data engineering and analysis.





**antavo**

Enterprise Loyalty Cloud

# Antavo is the Enterprise Loyalty Cloud for next-gen loyalty programs

Antavo provides best-in-class technology to manage experience-based, paid, and lifestyle loyalty programs online, in-store, or on mobile.

Our no-code, API-centric platform empowers loyalty and marketing teams to manage loyalty programs without IT help. We invest 60% of our revenue into our product and issue quarterly product releases.

Antavo is recognized by Forrester, Gartner, Loyalty360, and is the preferred choice for loyalty consultants, agencies, and system integrators. Antavo's global clients include **BMW, KFC** and **Kathmandu**, as well as global businesses in air travel, pharma and fashion.

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