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LOYALTY CLOUD

# 2024 GLOBAL CUSTOMER LOYALTY REPORT

## *Loyalty Empowers*

# EXECUTIVE SUMMARY

The Global Customer Loyalty Report 2024 is an industry-defining report that analyzes customer loyalty trends from an insider's perspective. It dives deep into the current landscape of loyalty programs, dissects the most noteworthy investment opportunities, and presents the most prominent market strategies.

The data in the report comes from three sources: a survey that was completed by **600 corporate survey respondents** from all regions of the world, and the analysis of more than **30.5 million member actions** tracked via Antavo's Loyalty Management system.

In addition, the report also features insights based on **1,200 minutes of interviews with renowned industry experts in customer loyalty.** As such, this report is meant to showcase loyalty program trends from the standpoint of current and future loyalty program owners, industry experts and third-party tech providers.

## KEY REPORT TAKEAWAYS:

- **2x more** companies want to increase their investment in customer retention than in acquisition

- **81.4%** of program owners confirmed that their loyalty program was helpful during the economic downturn

- **6.5 out of 10** companies would like to replatform and revamp their loyalty program

- For re-platforming a loyalty program, the most important aspect is ease of integration

- **9 out of 10** loyalty program owners reported a positive ROI, and their average ROI is **4.8X**

*The goal of this report is to help decision-makers better navigate the world of loyalty programs and provide statistics, charts and actionable insights on how to invest wisely in the current economic climate.*

*Let loyalty programs empower your marketing strategy to capture the hearts and minds of your customers!*

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# EDITORIAL LETTER

*Dear Marketing Leaders and Loyalty Professionals,*

*Over the past few years, the market has seen many challenges, yet the company's faith in loyal customers has never wavered. We are here to tell you: this trust in customer retention and loyalty programs was worth it - in more ways than one.*

**However, marketing leaders face a more complex decision-making process than ever.** *Due to the ongoing economic downturn, they must weigh the financial constraints, ROI potential, changing consumer behavior, competition, and sustainability factors for their loyalty program. No matter whether you are launching your loyalty program for the first-time or are a seasoned revamper, a careful and strategic approach is a must..*

*Our report is meant to help you make smart and wise investments by looking at shifts, twists and turns in the landscape of loyalty programs. This year's global insights show that loyalty programs stand on a strong foundation, and many companies plan to invest in them. The question is, are you at the forefront of this movement?*

**After all, true customer loyalty empowers your business!**

**ZSUZSA KECSMAR**
Co-founder and Chief Strategy Officer at Antavo

# FOREWORD FROM PARTNERS

*" Loyalty needs to be looked at as the outcome of a brand's experiences - not just a marketing activity - and brands which elevate their offerings with more purposeful outcomes will succeed. Research, insights and recommendations like those found in this report are critical for the industry because they help to ensure that brands can extend their loyalty experiences beyond traditional offerings, redefining what it means to deliver loyalty, and for consumers to be loyal."*

**CHRISTOPHER BAIRD**
Global Head of Loyalty, frog, part of Capgemini Invent

*" Antavo's compelling research shows that companies are increasingly recognizing the value of investing in retention over acquisition, as loyal customers are more likely to make repeat purchases and refer others to your business. We are excited to leverage the valuable insights shared in this report to offer guidance and rationale to reframe the need for loyalty propositions to become the single connected ecosystem for the users of our customers' loyalty programs."*
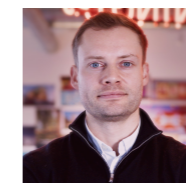
**JAMES BAKER**
Head of Strategy at VML Consulting

*" Today, every company must have their strategy defined and The Global Customer Loyalty Report should be essential reading. I believe it is the most comprehensive and democratised set of trends out there. Now the context is set, you must think about how to respond and create a loyalty proposition and business model that sustains, extends and grows. I encourage everyone to be bold and invest for greater impact from loyalty."*
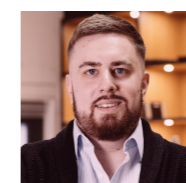
**ANDREW DOYLE**
Head of Loyalty Consulting at EPAM

# State of Loyalty: How has the loyalty landscape shifted in recent years?

- Trust in loyalty programs remains strong
- Future programs will be more emotional
- Loyalty programs prove their value during the economic downturn

# *1.1 - Satisfaction with loyalty programs remains stable, but revampers are more satisfied*

Operating a loyalty program is a long-term commitment and requires a complex decision-making process. But, when implemented with a strategic approach, loyalty programs are quite valuable.

Companies remain committed to customer loyalty and loyalty programs because they help drive KPIs and reach company goals. According to our research, **55.8%** of loyalty program owners are satisfied or very satisfied with their loyalty program.

### What does it mean to be "satisfied or very satisfied"?

- *Those who are "satisfied" say that their loyalty program contributes to sales and many of their customers are part of it.*

- *For those who are "very satisfied", the loyalty program delivers great ROI, and their customers love it.*

## 55.8%
**are satisfied with their loyalty program**

## Satisfaction with loyalty programs remains consistent across previous years.

Despite ongoing economic difficulties, program owners continue to be satisfied with their loyalty programs. It's noteworthy that satisfaction hasn't dropped even though economic hardships have raised expectations. This shows that companies have been focusing their efforts on loyal and engaged customers to keep their business growing in tougher times.

### Satisfaction with loyalty programs remains stable
**Year-over-year comparison**

| | | |
|---|---|---|
| **56.0%** Satisfied or very satisfied | **55.8%** Satisfied or very satisfied | **55.8%** Satisfied or very satisfied |
| 2022 | 2023 | 2024 |

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Another sign of trust is that businesses keep improving their loyalty programs to meet new expectations. The number of businesses that have revamped their loyalty program has grown year after year. As shown by our research, **60.3%** of loyalty program owners have made significant changes to their program in the past two years, a **3.3** percentage point increase from last year.

## 60.3%
**of companies revamped their loyalty program in the past two years**

As for the impacts of the revamps, the numbers show that those who have revamped their loyalty program are more satisfied than those who have not. Based on this year's research, **64.2%** of those who revamped are satisfied or very satisfied with the loyalty program. This is **21.2** percentage points higher than those who did not.

### Higher satisfaction with revamped programs
Program owners in the past two years:

| | |
|---|---|
| **43.0%** Satisfied or very satisfied | **64.2%** Satisfied or very satisfied |
| Didn't Revamp | Revamped |

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## ACTIONABLE INSIGHTS
For a successful loyalty program revamp

**Establish a compelling value proposition**

To build a loyalty program that will be popular among customers and generate value for your company, you need a compelling value proposition. In short: why should your customers sign up? Why now?

**Use rewards and mechanisms wisely**

Offer a blend of rational and experiential rewards, as well as engagement mechanisms like gamification. Make sure to listen to your customers and leverage your existing data.

**Define clear objectives and measure them**

Before revamping, make sure you have clearly articulated your objectives and have the full support of the executive team. Then, identify the key performance indicators (KPIs) that are aligned with your objectives and measure their impact.

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# *1.2* - Current loyalty programs still have a strong transactional foundation

From a strategic point of view, loyalty programs can focus on a variety of aspects. In his book, "Loyalty Programs: The Complete Guide*," Philip Shelper highlights the eight most important, which he calls the Essential Eight:

Whether companies should provide value through rational (transactional) benefits versus build a connection through emotional rewards is a particularly polarizing topic. While any loyalty program can incorporate both components simultaneously, when one is emphasized over the other, it will significantly influence the nature of the customer relationships tit builds.

### Essential Eight ™

*Phil Shelper - Loyalty Programs: The Complete Guide, 2nd Edition.*
*A groundbreaking set of principles for loyalty program design and optimisation*

1. **Simple**
2. **Valuable**
3. **Stimulating**
4. **Emotional**
5. **Complementary**
6. **Differentiating**
7. **Cost Effective**
8. **Evolving**

### Rational vs emotional – what's the difference?

#### Rational

*A loyalty program is classified as rational if it focuses primarily on rewarding purchases and transactional behavior. Programs that emphasize coupons, vouchers, earn & burn opportunities and cashback incentives fall into this category.*

#### Emotional

*A loyalty program that is classified as emotional focuses on making customers feel special, rewarding non-transactional behavior, and offering personalized and experiential rewards.*

*Emotional loyalty calls for differentiators. For example, an emotional loyalty program may offer bonus points to customers who recycle used clothes at the store, or may offer benefits including invitations to VIP events, unique experiences or free upgrades.*

According to this year's research, **65.4%** of program owners classify their loyalty program as more rational than emotional. On the other hand, **14.5%** describe their program as more emotional than rational, while **20.1%** claim that their program is well balanced between the two.



**A large majority of current programs are rational**

The focus of loyalty programs

MIXED
**20.1%**

RATIONAL
**65.4%**

EMOTIONAL
**14.5%**

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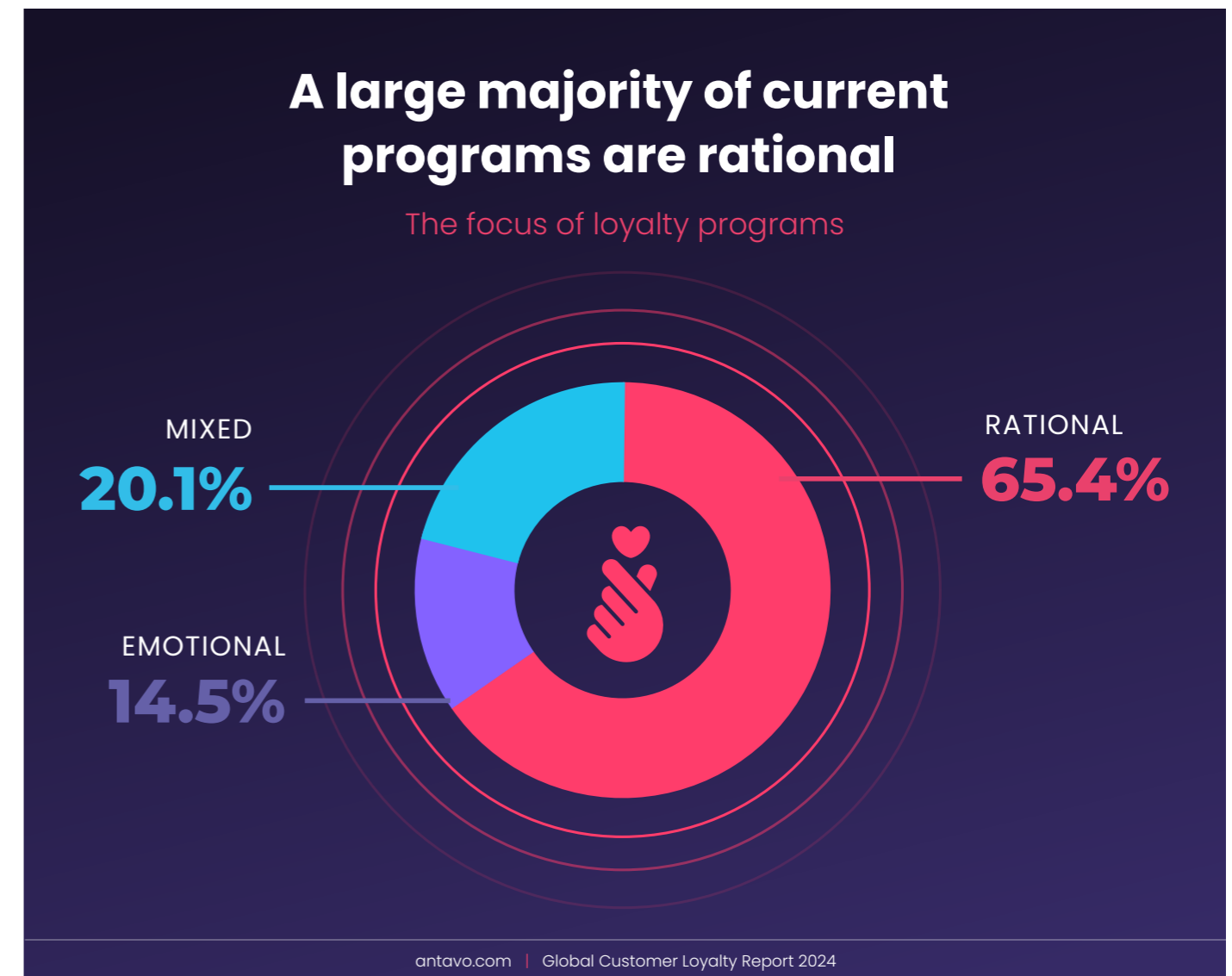
**For optimal performance, a program should strike a good balance between emotional and rational components.**

Rewarding rational behavior can pull people in, while recognizing members with emotional benefits keeps them engaged in the long run. Emotional components are also a great way to reward high-value customers and differentiate loyalty programs in a highly cluttered loyalty environment.

# *1.3* - Revamped and upcoming loyalty programs shift from rational to emotional

In the near future, there may be a shift in favor of emotional loyalty programs. Among those who have revamped their loyalty program in the past two years, **16.7%** classify their program as more emotional. However, among those who have not revamped, that number is only **11.5%**. In other words, those who have revamped are more likely to have pivoted to a more emotional loyalty program.

**The trend of shifting toward emotional loyalty is even stronger for upcoming loyalty programs.**

According to this year's research, **52.0%** of respondents who plan to launch a loyalty program in the next two years envision it as more emotional than rational, focusing on rewarding non-transactional behavior and offering experiential rewards.

## 52.0%
**of future loyalty programs will be more emotional than rational**

### *Emotional and experiential rewards come in many shapes and sizes*

- *Extended return policy*
- *Access to VIP customer service*
- *Partner rewards*
- *Early access to sales and members-only products*
- *Invitations to in-person or behind-the-scenes events*
- *Access to a community forum*
- *Limited-time benefits*

### Upcoming loyalty programs will be less rational

Year-over-year comparison
of rational loyalty programs to be launched

| Year | Percentage |
|------|-----------|
| 2022 | 30.4% |
| 2023 | 26.3% |
| 2024 | 19.5% |
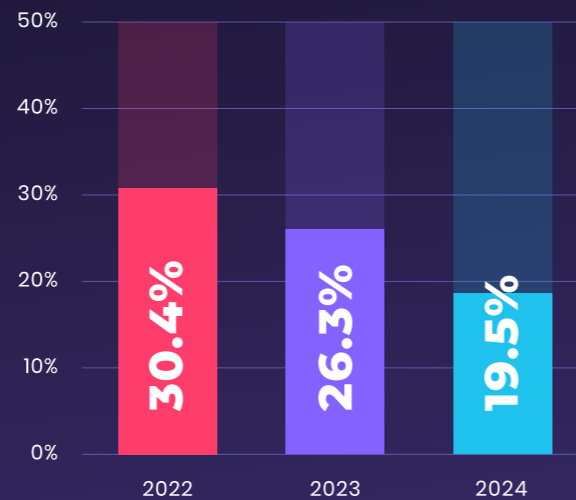
antavo.com | Global Customer Loyalty Report 2024

# Emotional loyalty in action

Non-transactional engagement is different from industry to industry.

For sports and sportswear, a new kind of phenomenon has emerged. "Move to earn" rewards you for working out, walking or other healthy lifestyle choices!

For example, Rip Curl rewards its members for a shared passion: surfing.

*Download the case study from Antavo's website*

**DOWNLOAD**

## ACTIONABLE INSIGHTS
For shifting towards emotional loyalty

**Focus on your customers**

Start building an emotional loyalty program by understanding your customers. That will allow you to tailor emotional rewards, experiences and communications to their needs, preferences and pain points.

**Gamify your loyalty experience**

To enhance your loyalty experience and challenge your members, create a feeling of thrill and excitement by adding gamification mechanics, like challenges and loyalty communities.

**Build affinity with non-transactional engagement**

Reward customers for actions outside of the buying cycle to foster genuine relationships and connect with them. You may reward friend referrals or positive lifestyle choices, like drinking more water.

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# 1.4 - Loyalty programs prove valuable during the economic downturn

In last year's research, sentiment among businesses was positive regarding the role of loyalty programs, as **87.2%** of program owners trusted loyalty programs to help them overcome the economic downturn.

### The trust in loyalty programs turned out to be well-founded.

This year, respondents were asked whether their program actually did help, and **81.4%** of program owners confirmed that their loyalty program was helpful during the economic downturn.

### In conclusion, loyalty programs hold great power during economic hardships.

This was seen during the pandemic, too: businesses nurtured their existing customers to stay afloat. After all, existing customers provide the core revenue for business. The reason why loyalty programs can help in economic hardships is because they are a consented, structured platform to reach customers.

**Loyalty programs contributed meaningfully during the downturn**

Among loyalty program owners

Over **8** out of **10**

loyalty program owners reported that their loyalty program has helped them overcome the economic downturn

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# 1.5 - Almost half of all rewards are redeemed

In terms of the health score of loyalty programs, we analyzed three metrics: activity rate, reward redemption rate and ROI. The first two are dissected in this chapter, while ROI is examined in Chapter 2.

Based on the 30.5 million member interactions recorded in Antavo's database, the average annual activity rate across loyalty programs is **58.6%.** This means that, among members who have enrolled in loyalty programs, more than half have made at least one purchase in the past year.

**58.6%**
of members made at least one purchase in the past year

### According to the results, almost half of the rewards in loyalty programs are redeemed.

In particular, respondents stated that **49.8%** of rewards are redeemed on average in their loyalty program. This result is similar to last year, which indicates that customers are still actively redeeming their rewards.

*Activity and redemption rates are KPIs for your loyalty program's health*

### Activity rate

*Measuring the activity rate of your loyalty program will show you how effectively it encourages purchase-related behavior. In terms of hard numbers, this KPI showcases which customers of yours have the potential for a high customer lifetime value. Still, don't forget that loyalty programs can incentivize other activities, too, that aren't necessarily transactional.*

### Reward redemption rate

*The reward redemption rate tracks the ratio of rewards that are actually used by customers. Reward redemption will never be 100%. In a loyalty program, member activity can be tracked via how many members redeem their points, cash-back, discounts or other benefits. Even with a great offer, not everyone is going to use it, which is why it's unrealistic to aim for a 100% redemption rate.*

## Reward redemption remains stable
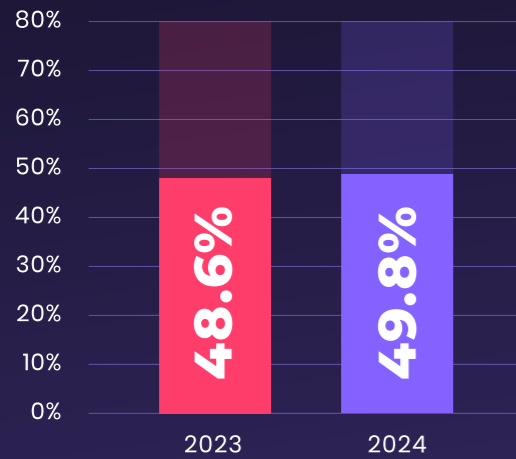


The redemption rate remains stable: almost half of all points, cashback and rewards were redeemed

There is a good reason why loyalty program owners should strive to keep reward redemption rates healthy.

**Reward redemption in a loyalty program actually boosts the lifetime value of customers.**

This claim comes from the analysis of Antavo's 30.5 million internal touchpoints: the average annual spend of members who redeem rewards is **3.1** times more than the annual spend of members who don't.

**Members who redeem rewards spend**

## 3.1x more than non-redeemers

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## ACTIONABLE INSIGHTS
### For shifting towards emotional loyalty

**Handle expiration with care**

Setting an expiration date is a common way to incentivize reward redemption. Make sure to set reasonable deadlines, be transparent by clearly communicating all expiration rules, and comply with local regulations.

**Experiential rewards are always popular**

Offering a balance of rational and experiential rewards is a key to success and contributes to a higher redemption rate. Experiential rewards create memorable moments with customers, increasing their engagement.

**Convenience is key**

Make the redemption process easy by ensuring that there isn't any friction when it comes to redeeming rewards—no matter whether it happens online or in-store.

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## Loyalty rewarded
## Perks and benefits abound
## Customers stay true.

Haiku by Loyalty Program Genius AI   **Learn more**

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**EXPERT REFLECTION**

# Revamping a loyalty program: the 5 essential steps



**JAMES BAKER**
Head of Strategy at **VML Consulting**

*R*evamping a loyalty program can be a game-changer when looking to meet customers' unique expectations or to address declining revenue and attitudinal shifts. At VML, we believe an effective loyalty program delivers long-term growth via a connected ecosystem of rewards, enhanced through personalization.*

*VML (formerly Wunderman Thompson) is a leading creative company that combines brand experience, customer experience, and commerce to create connected brands and drive growth. VML is celebrated for its innovative and award-winning work for blue chip client partners including AstraZeneca, Colgate-Palmolive, Dell, Ford, Microsoft, and more.*



**1. Define your goals:**

Determine what you want to achieve with your loyalty program e.g. new audience sign ups, relevance & engagement, revenue. Then outline new and complementary rewards or mechanisms that could help achieve these objectives and **continuously analyze changing user preferences/ trends** e.g. expectation of a seamless (digital) experience, mission-based elements, sustainability, increased (perceived) value through points and rewards.

**2. Replatform your loyalty program:**

Identify platforms that enable you to create a seamless omnichannel experience for your users. Also, make sure the platform integrates with your existing systems and has the **flexibility to add new features,** capabilities and has the speed of claiming rewards or using points.

**3. Create a compelling value exchange:**

Always speak to your users and undertake in-depth research such as conjoint analysis to determine the perceived value of individual and combinations of rewards. Then consider demand occasions, and how partnerships with other brands could extend your programs to provide **additional value through new, unique experiences,** more daily interactions and exclusive/ early-access events and products.

**4. Evolve your operating model:**

At VML, we embed loyalty experts into the company so that they leverage the products and services already on offer. They help you in data capture and underpinning technology platforms, **in-house loyalty expertise across sales, marketing and insights,** and consistent processes for delivering new improvements at scale, to ensure you have the tools to maximize the impact of your program.

**5. Communicate changes effectively:**

Frequent communication with users is essential to build trust & excitement. Use data analytics across channels and touchpoints to determine **how best to communicate changes**. This often varies depending on the significance (e.g. an email for detailed updates vs in-app notifications for simple tweaks).

## HOW TO TAKE ACTION
### On revamping loyalty programs

**Assess your proposition**

Analyze your current program to identify what's working and what's not. Use data analytics to measure engagement metrics (CTR, dwell time, on/off ramps), revenue (subscription vs sales through the platform), and customer insights through complex methods.

**Gamify the experience**

Create fun and engaging experiences that incentivize your customers to participate in your loyalty programs. Gamifying mechanics focused on missions & personal development (achievements, skills, levels, status) can drive greater user demand and engagement.

**Measure and optimize**

Continuously measure the performance of your customers' loyalty programs to tweak & optimize based on customer feedback and engagement metrics. Use fake door testing to experiment with different rewards to find what works best for your customers before launch.

# Advice from industry leaders

In order to provide a 360-degree view on the current and future landscape of loyalty programs, we interviewed over 50 industry experts from all regions of the world. Here are the most relevant insights.

### Simplicity is mission-critical

I think simplicity is mission critical for a successful program. Even if the program requires some complexity, particularly around tiering, the customer experience should always **focus on simplicity and engagement**. This is what really makes a big difference.
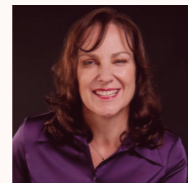
**AMANDA CROMHOUT**
CEO at Truth & Author of Blind Loyalty South Africa

📍 South Africa

### There are more KPIs than lifetime value

Customer lifetime value is probably the most important measure of success for a loyalty program. But to understand lifetime value, you need to **look at other important measures**, such as reward redemption, enrollment rates and customer churn.

**CLAUDIO FREIRE CERQUEIRA**
CEO and Founder of Redeem Loyalty

📍 Brazil

### Companies should go the extra mile

Currently, the pressure on companies to be creative and stand out intensifies, because the activity rate among members decreases. That's because what makes customers happy is when a **company goes the extra mile.** That's why companies must offer customers something they would like to be part of.

**RADEK HRACHOVEC**
Partner, CLMP at Voxwise

📍 Czechia

### Loyalty programs are not a trend, they're a necessity

Having a loyalty program is more than a trend. It's a necessity for today's businesses. COVID was a real wake-up call in this sense. In the Middle East, businesses are recognizing that **holding onto our best customers** is a core requirement, yet they don't know who they are. Smart companies are making moves.
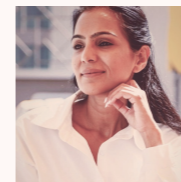
**CHAYYA SAKHUJA**
Co-Founder at Quick Brown Fox Consulting FZ LLC

📍 United Arab Emirates

### Think of your loyalty program members as the most important asset for your company

Your loyal member base is a huge asset — actually the most important asset of your company. And this asset needs to be scaled. Think about how to **make people part of the journey**, the company's journey? The company's vision and the company's mission?

**ANNEKE UITERWEERD**
Strategy Consultant at Springbok Agency

📍 The Netherlands

### Work harder to build loyalty

Loyalty is not just a program, it's a relationship. Customers have no reason to be loyal unless brands deliver value to their lives. That's why **businesses have to work much harder** to build loyalty amongst their customers.

**JAYNA KOTHARY**
Global CTO and Chief Product Transformation Officer at McCann Worldgroup

📍 United Kingdom

# KEY TAKEAWAYS

**Loyalty programs empower companies during economic crises**

The satisfaction rate for loyalty programs remains stable despite the ongoing economic downturn, as **55.8%** of loyalty program owners say they are satisfied or very satisfied with their loyalty program. Moreover, **8 out of 10** loyalty program owners found their loyalty program helpful during the economic crisis.

**"Rational" loyalty programs dominate the current market, but the future is looking more "emotional"**

Currently, **65.4%** of program owners classify their loyalty programs as more rational than emotional. However, companies who plan to launch a loyalty program often switch to a more emotional, experience-driven foundation. The same goes for those who have recently revamped their program.

**Reward redemption and activity rates remain high**

Ongoing hardships don't seem to be affecting the rate at which members interact with loyalty programs. Based on the findings, **49.8%** of rewards are redeemed on average in loyalty programs, while **58.6%** of loyalty program members actively engage with programs.
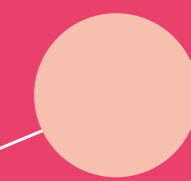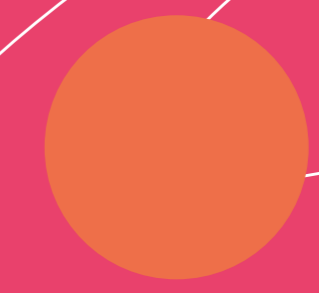
# How are companies investing in customer loyalty?

- Customer retention is a priority

- Loyalty strategy and tech are being updated simultaneously

- Easy integration is the most valuable tech aspect

# 2.1 - A growing portion of marketing budgets are being invested in customer loyalty

Besides understanding current state of loyalty, we also looked at new opportunities. We started by looking into companies' investment strategies.

**Gartner predicts that 1 in 3 businesses without a loyalty program will have one by 2027\*.**

This means the market will be much more crowded and competition will grow in the coming years.

As such, it comes as no surprise that businesses are willing to allocate a significant portion of their budget to loyalty marketing. Based on existing program owners' responses, **27.0%** of their total marketing budget is allocated to customer loyalty and CRM.

This ratio remains stable compared to last year. From 2022 to 2023, there was a jump in investment, most likely as a lesson from the pandemic era. The slight course correction in 2024 could mean that businesses have found the sweet spot for their budget and wish to avoid overspending.

### Businesses keep investing in loyalty marketing

**28.2%**
of total marketing budget in 2023

**27.0%**
of total marketing budget in 2024

**22.8%**
of total marketing budget in 2022

Companies with a loyalty program allocate 27.0% of their total marketing budget to customer loyalty and CRM

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**27%**
**of a loyalty program's marketing budget, on average, is dedicated to customer loyalty and CRM**

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# 2.2 - Positive loyalty program ROI continues to be the norm

Being able to accurately measure the ROI (return on investment) for marketing actions is essential to stay on the right track. After all, without the ability to measure ROI, it's hard to determine the success of your loyalty program.

Last year's report established that loyalty programs can indeed be a revenue center through a high ROI. This year, it seems that this trend has only gotten stronger, as **89.6%** of companies reported a positive return on investment.

Even better, respondents who reported a positive ROI also said their program generates **4.8 times more** revenue than what it costs. This indicates that successful loyalty programs are revenue generators for businesses.

### 9 out of 10 loyalty programs have a positive ROI

**9 out of 10**

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**4.8x**
**ROI is the average among those with positive ROI**

## ACTIONABLE INSIGHTS
For accurately calculating ROI

**Achieving ROI is a marathon, not a sprint**

It can take up to two years for a loyalty program to show solid results, so plan for the long-run and focus on the key metrics to meet your objectives.

**Be sure to have the right data**

Calculating loyalty ROI requires you to measure a wide variety of data, such as sales lift and incremental value, and compare it to historical results. Rigorously measuring incremental impact requires accessible and reliable data.

**Perform a cost-benefit analysis before investing**

Implementing and managing a loyalty program includes a wide range of expenses, including technology, HR, and rewards. So gain consensus on your model assumptions before investing in a loyalty program, and measure regularly.

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## Remember:

## ROI is not the only KPI to track.
## In the Global Customer Loyalty Report 2023, we identified 7 KPIs to track.

See page 69 for more info.

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

**Download the 2023 Report from Antavo's website**

[ DOWNLOAD ]

## 2.3 - More companies want to increase investment in customer retention

Since the Covid pandemic, businesses have started paying more attention to retaining existing customers. Naturally, this has meant a rising interest in strategies such as loyalty programs.

Unsurprisingly, businesses kept focusing on customer retention as the post-pandemic economic downturn set in. The results from the 2024 research paint a similar picture: **67.0%** of companies plan to increase investment in retention during the economic downturn, which is almost the same as last year.

Moreover, only **4.0%** of respondents plan to decrease investment in retention. Both of these figures align with results from the previous year.

**As a conclusion, the trend of increasing investment in customer retention is here to stay.**

On the other hand, the 2024 research shows that **31.2%** of companies plan to invest more in acquisition during the economic downturn.

More over, **15.2%** plan to invest less in the same area. When looking at the interest in spending more on customer retention and acquisition, the former is twice as big.

**2X** more companies **want to increase their investment in retention than in acquisition**

## ACTIONABLE INSIGHTS
For growing loyalty program membership cost-effectively

**Loyalty programs can serve two purposes**

You can use a loyalty program to both retain existing customers and attract new ones, thanks to features such as badges and challenges, welcome bonuses, and gamification elements.

**Everyone loves welcome rewards**

If you wish to attract a large crowd of potential members, set up an enticing welcome reward. Prioritize rewards that drive initial transactional engagement.

**Referral programs can be so much more**

Everyone knows referral programs—they are industry staples. However, you can put a new spin on them by asking influencers and mini-influencers to invite their audiences using a special referral link.

# *2.4* - Most companies plan to revamp their loyalty program — and they follow through

Keeping your loyalty program fresh and innovative by updating it is another important area of investment. Updating may mean revamping the strategy behind the loyalty program, re-platforming the technology, or both.

There are two main reasons why companies want to revamp their loyalty program strategy.

- They are unsatisfied with it.
- They see more potential in it and want to improve it.

**This year more companies have decided that they will change their loyalty strategy than in previous years.**

In this year's survey, **9 out of 10** companies with an existing program plan to revamp it in the next three years.

**The intent to revamp has increased compared to last year.**

### The intention to revamp loyalty programs has grown over time

**8 out of 10** plan to revamp

2023

**9 out of 10** plan to revamp

2024

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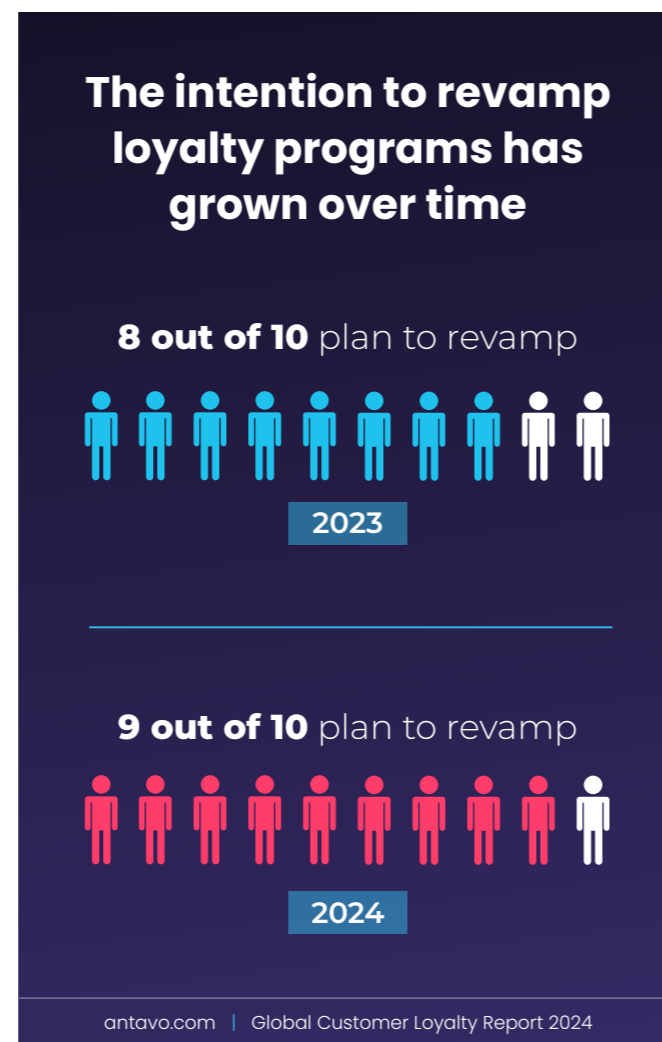
### *Revamping strategy or re-platforming technology: what's the difference?*

#### *Revamping strategy*

*When companies revamp their strategy, they make changes or add new features to their loyalty program. This involves assessing the current metrics and feedback, identifying opportunities, building a roadmap, and calculating potential ROI.*

#### *Loyalty program re-platforming*

*Re-platforming happens when a company switches to a different loyalty technology provider and platform. Doing so requires researching current tech trends, assessing integration requirements, setting functional and non-functional requirements, and potentially setting up an RFP.*

*Naturally, one doesn't exclude the other, as businesses can opt for a full overhaul, updating both their loyalty strategy and technology.*

## But companies aren't just making big plans, they are also following through.

Looking into the data, last year, **8 out of 10** companies wanted to revamp their loyalty program. We wanted to see whether they followed through or not.

According to our research, they did. This year, **6 out of 10** program owners confirmed making significant changes to their loyalty program in the past two years. These insights confirm that companies not only make plans, but actually execute on their plans to update their loyalty programs.

### Companies that planned to revamp actually followed through

**6** out of **10**

revamped their programs in the past two years

2024

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# *2.5* - *Businesses want to re-platform and revamp*

When a company decides to update its loyalty program strategy, those updates often go hand-in-hand with technology changes. This is either because their current tech stack isn't up to the task or they lack the integrations to handle the new features.

This year, **6.5 out of 10** respondents want to change their loyalty strategy and technology together.

**In other words, the majority of loyalty program owners plan to update both their loyalty strategy and technology.**

The desire to invest more in loyalty tech is backed up by other sources: Forrester points out that **59%** of global B2C marketing decision-makers planned to increase spend on loyalty technology in 2023*.
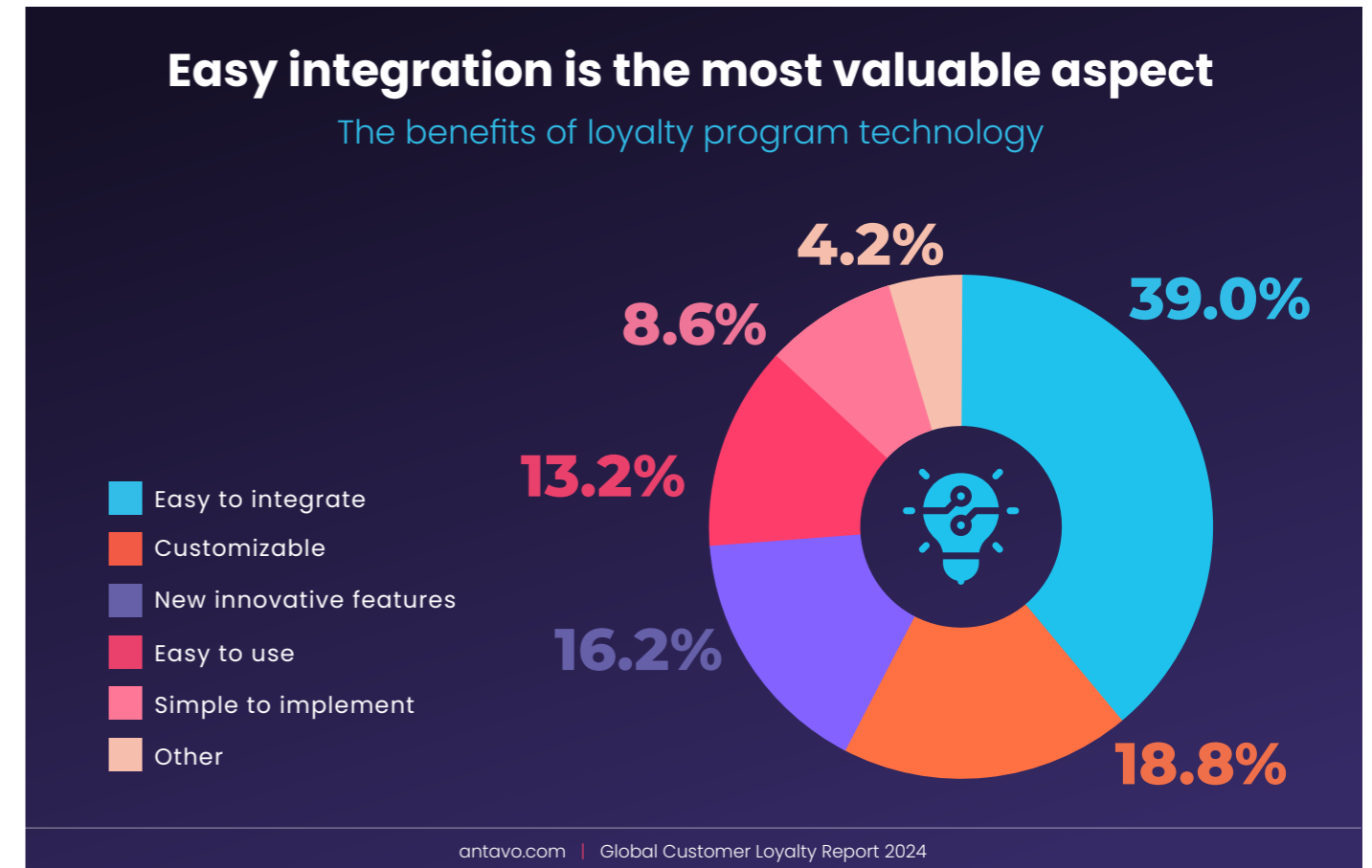
Still, when companies plan to invest in new loyalty technology, it's important to know what to look for in potential vendors.

**When respondents were asked to rate the benefits of loyalty technology, easy integration came out as the most valuable aspect.**

It ranked significantly higher than the other aspects. In practice, this means that companies are looking for vendors that use clearly-defined APIs, require as little coding as possible, and have a library of documentation to facilitate the integration process. It also means that the loyalty platform should fit seamlessly into the company's existing tech stack.

Compared to last year's results, ease of use became more valued than simple implementation. That's because ease of use is a long-term benefit that tops a one-time nice-to-have benefit, such as simple implementation.

## Loyalty program strategy and technology updates go hand-in-hand

**9 out of 10**
companies want to revamp
their strategy

**6.5 out of 10**
companies want to replatform
their technology

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## Easy integration is the most valuable aspect
The benefits of loyalty program technology

- Easy to integrate
- Customizable
- New innovative features
- Easy to use
- Simple to implement
- Other

4.2%
39.0%
8.6%
13.2%
16.2%
18.8%

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## ACTIONABLE INSIGHTS
To ensure smooth program integration and implementation

**Always pick an API-first solution**

Loyalty technology that uses APIs is quicker and easier to integrate, not to mention API communication requires less data traffic. It also means that you are in charge of the frontend. The loyalty program will look precisely how you want it to.

**If you can, go with no-code**

Using no-code loyalty technology means that you can configure rewards without coding knowledge or IT help. So you can keep program management in the team—there's no need to delegate or wait for days to make changes.

**Look at the tech vendor's integration library**

To deliver a real omnichannel experience, your loyalty program should synergize well not only with CDP and marketing automation platforms, but also with POS and other customer service solutions.

**EXPERT REFLECTION**

# Re-platforming from legacy to best-in-class loyalty technology

**TIMI GARAI**
Business Analyst Chapter Lead **at Antavo**

*L**egacy loyalty program technologies are swiftly becoming outdated. Instead of trying to patch old systems, businesses should consider the benefits of switching to a best-in-class loyalty technology to unlock new capabilities, improve management and drive more KPIs.*

*Being recognized by Gartner, Forrester, and Loyalty360, 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.*

**antavo**
LOYALTY CLOUD

## The clock is ticking for legacy technologies

For many brands, the backbone of their marketing and CRM technology was launched in the 2010s, and it desperately needs an upgrade. These systems are often complex and cumbersome to handle. Even worse, if you want to launch new loyalty program capabilities, you can only do so through custom development, which is usually a slow and costly process.

## The business benefits of switching to best-in-class technology

Each year, more and more companies seek to escape their limited platform capabilities by switching to a best-in-class SaaS loyalty solution. In my experience, there are four reasons why:

1. **Flexibility:** You can mold a modular loyalty technology platform to fit any need. Plus it can also drive a wide range of KPIs, from increased engagement to communication, community building and revenue generation.

2. **Faster moves:** As the UI is user-friendly, it's much easier for your marketers and program managers to implement their ideas. Thus the time to market for new campaigns is much faster.

3. **Better programs:** A more sophisticated technology allows more room for experimentation and A/B testing. Therefore, your loyalty program can cast a wider net on key customer segments.

4. **More ROI:** Thanks to better integration and access to better reporting capabilities, you have clear visibility of the program's performance, so you can better understand the ROI.

## The 2 types of re-platforming you should know about

From a strategic point of view, you can choose between a quick rollout or a full upgrade.

With a quick rollout, you keep your existing concept, design and program structure, only switching gears behind the hood. It's a smooth shift that's unnoticeable for your members, with very few business decisions required..

If you want to improve how your loyalty program works, or wish to change parts of it, you need to do a full upgrade. It's a longer, tech-heavy process that requires a lot of involvement from you. Still, this is the best option if you wish to improve the experience for both customers and your management staff, and improve your program's overall performance.

## HOW TO TAKE ACTION
### For Re-Platforming

### Run an RFP for loyalty program platforms

There's no better way to identify the perfect loyalty program vendor than running a Request for Proposal (RFP). Preparing for it helps you better understand your current technology and what the requirements should be for your new one.

### Build a migration plan

Never underestimate the importance of a smooth migration. If you wish to avoid unseen pitfalls, come up with potential edge cases, have a clear list of what the changes might affect, and compose a full team of experts who will oversee the migration.

### Prepare your communication plan

If you decide to phase into a new platform by also changing how the program works, make sure you let members know in advance. You might also need to decide whether it's a completely fresh start, or if points or benefits can be carried over.

# Advice from industry leaders

In order to provide a 360-degree view on the current and future landscape of loyalty programs, we interviewed over 50 industry experts from all regions of the world. Here are the most relevant insights.

### Simplicity is a key area of focus

*I think one of **the really key areas is simplicity**. I believe the platforms that really excel are the platforms that can be very complicated under the hood, but are very simple for the stakeholders (managers) that need to engage with them on a daily basis.*

**CHARLIE HILLS**
Chief Strategy Officer at Mando-Connect

📍 United Kingdom

### The current market is evolving, and it's super interesting

*Competition drives innovation and the explosion of market technologies, especially, is a driving force in this. It's very interesting to see how the platforms and capabilities are evolving, because they **allow companies to adapt to consumer trends.***

**EMIL BJÖRNSKÄR**
Head of Martech & Partnerships at Miltton Insights

📍 Sweden

### Universal APIs can minimize a lot of pain

*One of the big pain points that vendors should focus on is APIs. They should **provide a set of universal APIs** that can be easily integrated by their partners. The other thing they need to ensure is that point exchange and reward redemption can happen without modifying the system.*

**SHAWN TAN**
Managing Director at Interactive Rewards AsiaP

📍 Malaysia

### You need a solid business case before seeking out the technology

*You really need to make sure that you have the right strategy, the right program structure, and **the right personalization approach** before revisiting your customer journey. Once you have a solid business case, you're in a good shape to seek out the loyalty technology.*

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

📍 Canada

### Loyalty programs are going through a whole new review process

*I see quite a few programs now **reviewing, revitalizing, refreshing their propositions**, looking at their financials, their member experience. I'd say that's the number one change—programs are going through a whole new recycle or review process.*

**ADAM POSNER**
CEO and Founder of The Point of Loyalty

📍 Australia

### Customers are no longer "set it and forget it "

*It's all about breaking the mindset of having a set-and-forget loyalty program, and instead having an ongoing loyalty strategy. You also have to **think about how to spend your marketing campaign dollars** to fully leverage the power of data and customer insights.*

**LUKE SAVILLE**
CEO at Stedion

# KEY TAKEAWAYS

**Loyalty programs continue to be a worthwhile investment**

**9 out of 10** companies reported a positive ROI from their loyalty program. This is an increase from last year. For these companies, loyalty programs generate **4.8X** more revenue than what they cost. In addition, **27.0%** of companies' total marketing budget is allocated to customer loyalty and CRM.

**Customer retention still takes precedence over acquisition**

According to this year's research, **67.0%** of companies plan to increase investment in retention during the economic downturn, which is very close to last year's results. In contrast, only a third **(31.2%)** want to increase investment in customer acquisition.

**Companies want to refresh their loyalty strategy and technology**

**9 out of 10** loyalty program owners want to revamp their loyalty program strategy in the next three years. Simultaneously, **6.5 out of 10** companies want to re-platform their loyalty technology alongside their strategy so that they can implement new, innovative ideas.

# Exploring loyalty strategies that offer optimal cost-benefit ratios

- Micro-targeting offers the most favorable cost-to-benefit ratio

- Diverse reward redemption options give members more freedom

- Premium loyalty programs received mixed reactions

# Finding loyalty strategies with optimal cost-benefit ratios

The core message of this report is that companies should invest in loyalty programs, but they need to invest wisely. Otherwise they won't achieve the best possible results. In order to help current and future program owners identify the best opportunities out there, this chapter is dedicated to exploring the impact of popular (and polarizing) loyalty strategies.

In this year's research, respondents were asked to rate how various loyalty program strategies impact customer retention and satisfaction. In addition, they also had to describe whether or not these strategies are worth the investment.

**In this final chapter, you will find a detailed breakdown of the three most noteworthy strategies:**

**Micro-targeting**

**Diverse reward redemption options**

**Premium loyalty programs**

**Each strategy includes a detailed case study on how to do it right, featuring the following brands:**

**Kroger**     **SEPHORA**     **★ PRET ★**

## 3.1 – Strategy #1: Micro-targeting has the most positive impact across industries

For loyalty programs, it's very important to be relevant. Without targeting customers with the right message or incentive, companies wouldn't be able to shape people's behavior. Therefore, it's not surprising that **87.7%** of respondents think micro-targeting has a positive impact on customer retention and satisfaction.

### What is micro-targeting?

*The opposite of mass-marketing, micro-targeting focuses on a smaller segment of customers that share similar socio-demographic information, buying behaviors, preferences, etc.*

*The difference between personalization and micro-targeting is that the former is an overarching concept, while the latter is a direct approach. In other words, personalization determines the company's approach to creating relevant content, while micro-targeting is responsible for delivering it the right way for each segment.*

**87.7%**
**think micro-targeting has a positive impact on customer retention and satisfaction**

### Examples of micro-targeting

- **Beauty brand:** free styling sessions with brand influencers for the top 2% members who have engaged with the brand in the past 30 days

- **Bar:** staff can access member profiles for personalized drink recommendations based on past purchases and type: conservative, connoisseurs, or adventurous

- **Luxury brand:** creating a premium, invitation-only Club with paid membership, offering exclusive early access to unique products for high value customers interested in limited editions

- **Sportswear:** fly in highly engaged members with tech-enhanced performance gear preferences to visit the brand's HQ and test new gear

### Industries where micro-targeting has the most positive impact:

- Automobile
- Gas & Convenience
- Health
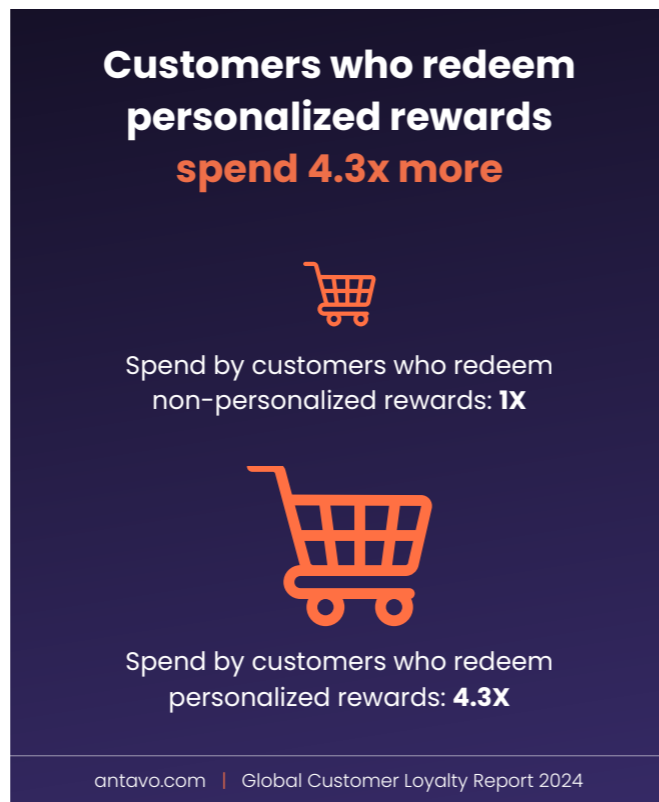- Hospitality
- Banking and Finance

This year's research revealed that the benefits of micro-targeting are greater than the cost, and this ratio is the highest among the listed trends and strategies.

The biggest benefit of micro-targeting is that it helps companies increase their relevance for a relatively low cost. It's also highly measurable, allowing for data-driven decision making.

**67.1%**
**think micro-targeting pays off. These respondents stated that benefits are GREATER than costs**

Micro-targeting is more than just engaging customers with a touch of personalization; the rewards need to be relevant, too, because personalized rewards directly impact customer lifetime value.

This is proven by an analysis of Antavo's 30.5 million data points. The average annual spend of members who redeem personalized rewards is **4.3X** higher than those who redeem non-personalized rewards.

**Customers who redeem personalized rewards spend 4.3x more**

Spend by customers who redeem non-personalized rewards: **1X**

Spend by customers who redeem personalized rewards: **4.3X**

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## ACTIONABLE INSIGHTS
For using micro-targeting in loyalty programs

**Use an omnichannel strategy**

Collect customers' transactional and behavioral data across all channels to get a 360-degree view of your customers. Then use the learnings to personalize the touchpoints.

**Involve your staff in building relationships**

Give employees access to loyalty member data once they identify themselves so they can strike up a conversation that has a more personal tone.

**Look closely at what your customers want**

Based on age, geography and family status, Ozzy Osbourne and King Charles would fall into the same segment. Instead, think about similarities in interests or how your customers shop.

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# Kroger Plus & Boost
## by Kroger Plus

## Lessons you can learn from Kroger:

## Micro-targeting at its best

**Kroger is an American grocery chain that operates supermarkets and multi-department stores throughout the United States and Canada.**

Kroger's freemium loyalty program Kroger Plus and Boost by Kroger Plus provides members with rewarding grocery shopping and savings on fuel. Kroger puts a lot of effort in understanding how customers shop. By tracking customer behavior, such as the products they buy and how often they shop, Kroger is able to create customer personas and understand the micro-segments within their customer base.

## Boosting membership benefits

The free Kroger membership includes benefits like **coupons, weekly specials, and savings on fuel.** Both paid tier memberships, in turn, offer additional benefits like $100+ in savings on specialty brands and free next- or same-day delivery depending on the subscription tier members choose.

Members of both paid tiers can **save up to $1,000 a year** on groceries, gas, and delivery fees. Kroger provides a 30-day free trial so members can get a taste of the subscription loyalty program.
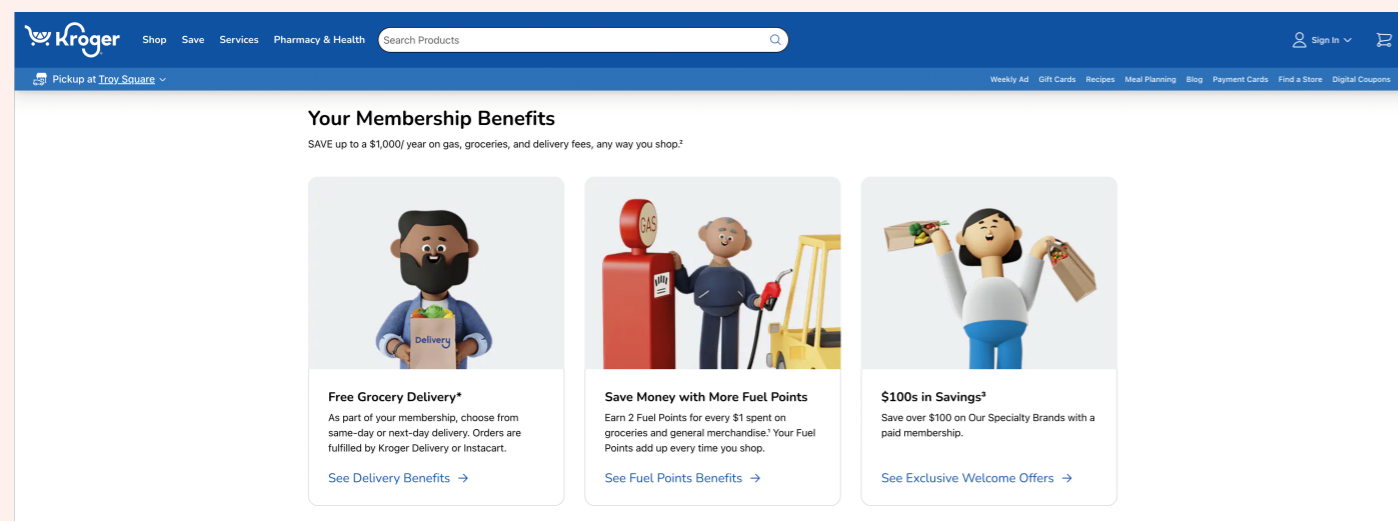


*Kroger makes sure to put convenience, savings and rewards at members' fingertips. With the help of their extensive data collection efforts, members receive increasingly personalized offers over time.*
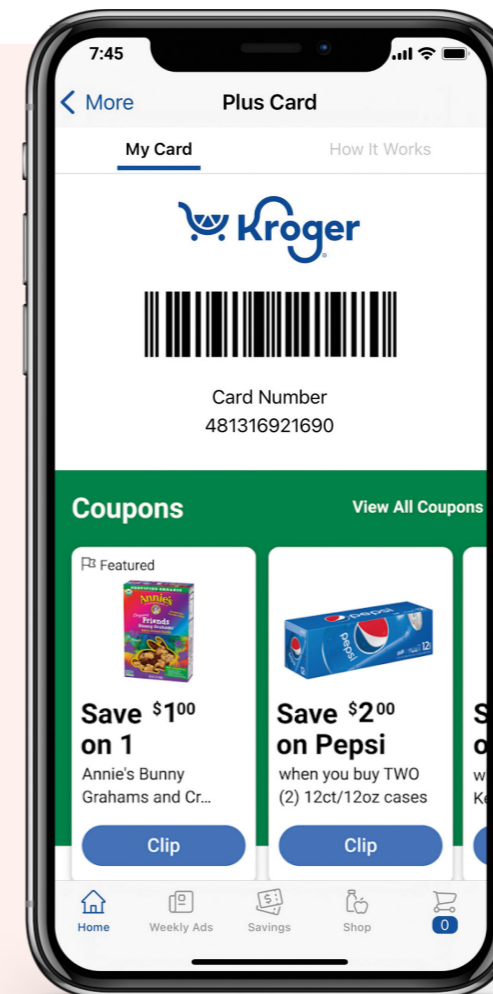
## How it works

*Kroger's three-tiered membership program offers a free version and two paid versions. Customers can become members of the free Kroger Plus program by creating a digital account.*

*Kroger also helps its members save on fuel every time they shop. Members can earn 1 Fuel Point for every $1 they spend on groceries and general merchandise, no matter whether they shop in-store or online.*

*This description was created based on publicly available information without the contribution of Kroger. Content & image source: kroger.com. Information taken during December 2023. Details of the membership program might change over time.*



1. **Kroger identifies micro-segments by monitoring customer behavior** – Kroger creates personalized rewards that provide important savings on the very specific items they know their customers love. Kroger serves up what they think the customer will need or enjoy at that moment in time.

2. **Kroger tailors promotions to drive loyalty** – With the help of the data collected, Kroger can give customers the kinds of promotions that resonate most with them. Personalized coupons are a key differentiator that drives customer loyalty.

3. **Kroger truly connects with customers by unleashing first-party data** – Kroger created Kroger Precision Marketing, Kroger's robust retail media advertising solution, to collect customer data and gain unique insights in order to help deliver targeted communications to the right customer in the right way.

4. **Kroger's loyalty program is omnichannel** – Kroger encourages in-store members who already have a physical Shopper's Card to create a digital account so they can take advantage of online-only deals as well. In the online account, members can manage their grocery list, preview weekly advertisements early and plan their shopping accordingly. Kroger states that average savings are as much as $576 per year.

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**EXPERT REFLECTION**

# How to use micro-targeting to retain customers

**DR. SOPHIE KÖNIG-RUTT**
Head of Loyalty, frog Germany

**M**icro-targeting boosts customer retention. To do this successfully, companies must define specific use cases, derive and collect relevant data and obtain customers' consent. Companies can build trust through independent data governance with the use of first-party data.

**frog is a leading global creative consultancy, part of Capgemini Invent**

We challenge the status quo to craft and build transformative human experiences that win hearts and move markets. In the loyalty space, we help you gain the trust of your customers and nurture long-term relationships and loyalty by designing elevated propositions, services and experiences that provide real value.

**frog** Part of Capgemini Invent

## Collecting data with consent and benefits

We see micro-targeting as a pivotal tool; **you can retain 5x more customers compared to non-targeted offers or benefits.** First, to approach micro-targeting successfully, companies must define concrete use cases that benefit the customer, i.e., addressing a prospective loyalty customer via social media with a special offer tailored to their interests and previous shopping behavior.

Secondly, relevant and specific data must be derived from these use cases.

Thirdly, the cornerstone of responsible data collection lies in obtaining user consent. We believe that consent, to be valid, must be freely given, specific, informed, and unambiguous.

Clear communication on how customers can withdraw consent at any time empowers customers and reinforces trust.

## Ensuring the right quality of data

Developing an effective micro-targeting approach depends to a large extent on **having data at hand that help to engage successfully with the customers** (i.e., first-party data about purchase history). To achieve this your company must define a clear strategy and derive a smart operationalization approach to the types of data that are being held.

Furthermore, the quality of the data is also of high importance and maintaining this quality is a never-ending process. In this landscape, the investment in refining and strengthening data quality becomes the

pillar for sustained customer engagement and loyalty.

## A strategy that your DPO certainly approves

Mastering micro-targeting to retain customers requires a DPO-approved strategy that aligns with global data protection standards. Since third-party data will gradually become less available due to the cookieless future, **the focus will be on first-party data**, and its importance will therefore increase.

Many of the DPO's daily concerns - like how data is being processed and stored - around data governance are eliminated when only using data that has been collected exclusively by the company itself.

## HOW TO TAKE ACTION
### To start micro-targeting

**Define your use cases**

Specify a small number of use cases to retain customers with micro-targeting which differ in channels and likelihood to leave. Begin with simple scenarios to ensure gradual learning and to gain valuable insights from relevant data.

**Choose your data sources**

Review existing data and cluster data in three groups: identity (such as personal information), traceability (such as customer interaction), and addressability (like the contact information). Identify gaps and pinpoint needed information.

**Test & learn for success**

Use initial use cases to test the impact of your micro-targeting on your customers' behavior. Draw conclusions from this and adapt personalized offers, benefits and the associated communication towards your customers if necessary.

# 3.2 – Strategy #2: Diverse reward redemption options positively impact customer retention

Offering diverse ways for customers to redeem rewards is key to keeping the member journey fresh. If people can only spend their points on coupons, they have less incentive to keep returning.

However, if members are able to donate their points to charity or win rewards, they will not only be more engaged, but the program itself will cast a larger net on its audience.

## Enjoying a greater level of freedom in redeeming rewards generates positive emotions and makes customers feel empowered.

This year's data reinforces this sentiment, as **78.1%** of respondents think diverse reward redemption options have a positive impact on customer retention and satisfaction. That's because having a large variety of incentives boosts satisfaction and engagement rates for customers.

### 78.1%
**think diverse rewards redemption options have a positive impact on customer retention and satisfaction**

### In what ways can members redeem their points and obtain benefits?

- **Exchange for transactional rewards:** *If customers can earn coupons or get cashback for their points, they feel that they are getting direct value for their commitment.*

- **Redeem gifts, freebies and experiences:** *A free meal or a stay at a luxurious hotel is a more impactful way to spend one's points, and motivates members to keep earning.*

- **Spend on a "chance":** *Being able to spin a Prize Wheel or enter a raffle for points is a highly engaging form of reward redemption.*

- **Donate points to a good cause:** *Members can donate points or unused coupons to charity to help those in need, which helps to build an emotional connection with the company.*

- **Pool points in a shared account:** *Participants can put their benefits together, through a family account or big community project, in an effort to earn one big reward.*

## Diverse reward options empower buyers by giving them more choices and flexibility.

Offering customers multiple ways to earn rewards might sound costly, but it pays off in the end. Respondents were asked whether they think the benefits of diverse reward redemption options outweigh the cost, and **46.9%** believed so.

Generally, offering multiple ways to redeem rewards prevents customers from sitting on their points, and the data on reward preferences can be used for micro-targeting too.

### 46.9%
**think diverse reward redemption options pay off.**
**These respondents stated that benefits are GREATER than the costs**

### What kind of reward types are redeemed the most often?

The 30.5 million data points collected from Antavo's loyalty platform reveal the following: **the most often used reward type is the freebie, followed by discounts and free shipping** — all of which are transactional in nature.

It's worth highlighting that events (such as experiential rewards) and free trials also made it into the top 5 list of most often used rewards. This indicates that rewards that are more emotional in nature are also popular among loyalty program members.

### Ranking the most often used loyalty program rewards:

1. Freebies
2. Discounts
3. Free shipping
4. Events
5. Free trials

## Partnerships and collabs are also great reward opportunities.

For brands that want to diversify their reward portfolios, there is a huge opportunity with partnerships and collaborations. Partner rewards can be digital or physical, and emotional or transactional in nature.

They also have a great cost-to-benefit ratio: **57.3%** of respondents claimed that the benefits are greater than the costs for partner rewards and collabs.

### *Partner collaborations take many forms:*

- **Partnerships:** *Between airlines, car rentals and hotel chains, partnerships are fairly common, and often travel brands even allow members to transfer points from one loyalty program to another.*

- **Coalition loyalty programs:** *They unite multiple brands in malls, airports or other physical locations to increase footfall via cross-brand earning opportunities.*

- **Partner rewards:** *Brands often seek partnerships with other brands that allow them to offer a greater variety of rewards in their loyalty programs, such as free coffee, merch, or free hotel stays.*

## ACTIONABLE INSIGHTS
### For offering rewards that are attractive

**Ask customers what they want**

Use surveys and other forms of customer feedback to determine what form of engagement your loyal customers prefer.

**Make charity engaging and meaningful**

Donating points to a charitable organization is one thing, but you can also allow them to donate unused coupons too.

**Offer family accounts and point gifting**

The point earner and the burner aren't always the same family member, but with the ability to transfer points, they can help each other out.

## Rewards that unite
## Customers' loyalty shines
## Bound by trust and love.

Haiku by Loyalty Program Genius AI   **Learn more**

**antavo**

# Beauty Insider
## from Sephora

**SEPHORA**

## Lessons you can learn from Sephora:

## A wide selection of rewards

**Sephora is a French-born, global retailer of personal care and beauty products with its own private label.**

It's no coincidence that Sephora's Beauty Insider rewards program has been an inspiration for many other loyalty programs in and outside of the world of beauty. The well-rounded, three-tiered program is known for offering plenty of rewards, providing a wide range of point-earning potential, building a beauty-loving community, and offering unique experiences.

## Nearly limitless rewards options

Sephora offers a great variety of rewards, whether it's part of their free sample collection, a free Sephora birthday gift, first access to products, or exclusive events. Sephora makes a great effort to periodically add new rewards from different brands to their catalog, including deluxe samples, full-size products, and experiences.

### Beauty Insider Benefits
All members earn 1 point per $1 spent.

| Savings | INSIDER Free to join | VIB Spend $350/yr | ROUGE Spend $1000/yr |
|---|---|---|---|
| Free Standard Shipping<br>Beauty Insider only, no minimum purchase required | ● | ● | ● |
| Beauty Insider Cash*<br>Apply 500 points for $10 off your qualifying purchase | ● | ● | ● |
| Seasonal Savings Events* | 10% off | 15% off | 20% off |
| Point Multiplier Events* ▸ | 2X points | 3X points | 4X points |
| End-of-Year Discount* | ● | ● | ● |
| Access to Auto-Replenish ▸<br>Set up subscription delivery and get 5% off your faves | ● | ● | ● |

*Sephora's Beauty Insider rewards program has always adapted to the times. That's why it's an important program to keep an eye on.*

## How it works

*Sephora's Beauty Insider is a free-to-join rewards program that allows members to earn points on merchandise and redeem those points for a variety of rewards. Members earn one point for every dollar they spend, and they need to spend a certain amount in order to ascend to the next tier.*

*The strikingly large rewards catalog, otherwise known as the Rewards Bazaar, is the pride and joy of Beauty Insider.*

Naturally, the higher the membership tier, the more options members have. Experiences include, for example, private beauty chats with featured experts and private beauty parties. In Sephora's Rewards Bazaar, rewards are available on a first-come, first-served basis.

3:04

BEAUTY INS…

**ROUGE**
272 points
Enjoy life as a Rouge through 12/31/24.

**Your Beauty Insider Summary**

Beauty Insider Challenges: Earn points when you complete tasks  NEW

Beauty Insider Cash: Get **$10 off** for every **500 points** you earn

Redeem your Points in the Rewards Bazaar

Your 2023 savings at a glance

You get **FREE standard shipping** on all orders

**Your Beauty Insider Card**

Scan this barcode at checkout in the store to earn points and redeem rewards.

1. **Sephora uses exclusivity to encourage customer behavior** – The tier system and surrounding communication are very motivating and encourage customers to want to move up the ranks and access more benefits. The upper tiers create exclusivity, which is one of the most effective ways a loyalty program can encourage desired behavior.

2. **Sephora allows payment with "Insider Cash"** – Customers can use their points to save money on beauty products. Beauty Insider Cash offers members of all tiers the possibility to apply 500 points to their purchase and receive a $10 discount.

3. **Sephora uses gamified quizzes** – With the help of gamified quizzes, Sephora collects further data about their members and makes sure to offer them the most personalized rewards possible.

4. **Sephora created a community** – The Beauty Insider Community is a place for beauty-loving loyalty program members to gather virtually to ask questions, join challenges, share their looks, swap tips, try out new products, and connect virtually with other Sephora shoppers.
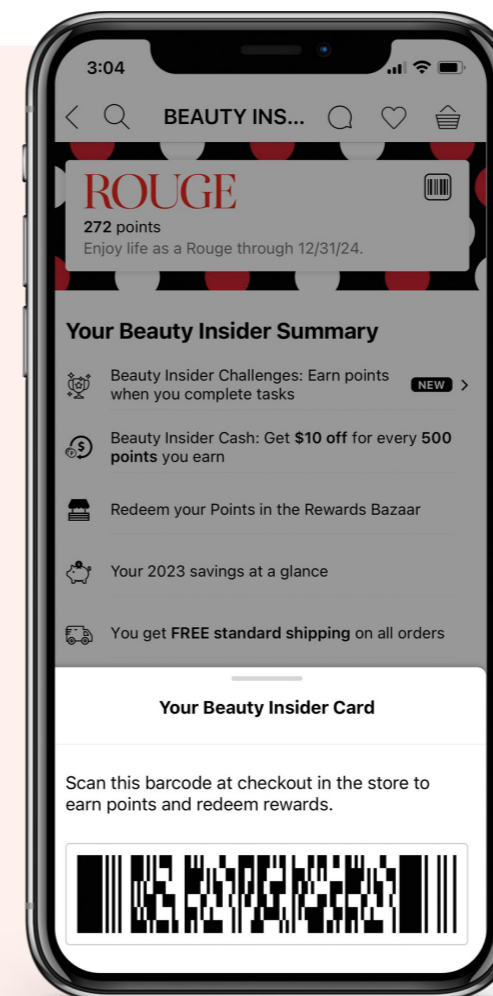
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**EXPERT REFLECTION**

# Web 3 and customer loyalty – a thought-provoking topic

**WARD DE KRUIFF**
Global Head of Web3 and Metaverse
at **EPAM Systems, Inc.**

**W**eb3 represents an unprecedented opportunity for loyalty programs to go beyond targeting audiences. Web3 provides a unique medium to tell your brand's story, leveraging uniqueness that can carry privileges and experiences or empower your community.

*EPAM Systems, Inc. (EPAM) is a leading digital transformation services and product engineering company. Through its innovative strategy, integrated advisory, consulting, design capabilities, and unique 'Engineering DNA,' EPAM's globally deployed hybrid teams help make the future real for clients.*

‹epam›

### Will Web3 adoption be widespread in loyalty programs?

Built on blockchain technology and publicly controlled by users, Web3 technology allows brands to be truly data-driven about loyalty – allowing brands to gather zero-party and first-party data and have a 360-degree view of the customer. It allows brands to build relationships with customers directly in a cookieless era.

Meanwhile, for consumers, Web3 will mean increased privacy. This is important because, in essence, **Web3 is grounded in community**, and offers an entirely new ecosystem for brands to connect with their customers on a whole new level.

### Using NFTs and digital collectibles for customer loyalty

What we see at EPAM is that digital collectibles are hot right now – NFL and Disney have both just introduced NFT marketplaces – because they are fundamental to building loyalty.

**Digital collectibles help build community by fostering engagement.**

People tend to collect as part of a community. Consumers can stay anonymous and control their data and their identity. Or they can choose to share their data with a brand as part of a community.

Once your brand is part of this community, you can use Web3 technology to build a better picture of your customer even beyond the brand ecosystem. This can elevate emotional loyalty.

### How Lufthansa introduced Web3

Lufthansa has leveraged the community for frequent travelers using Web3 technology as part of their loyalty program. By leveraging NFTs, **customers are rewarded with digital collectibles for each trip they take.**

Customers scan their boarding passes in a special mobile app when boarding, and they are instantly rewarded. This NFT loyalty program is almost infinite, as it's not status-led but is experience-led instead. Collecting sets of NFT cards – like trading cards – unlocks additional benefits, including flight upgrades, airport lounge access and even collectible digital artwork. The possibilities are hugely creative and potentially limitless.

## HOW TO TAKE ACTION
To implement Web3 for customer loyalty

### Introduce Web3 tech

There are two marketing routes: Implement Web3 as an extension of an existing loyalty program – like Lufthansa builds a loyal community and attracts the next generation of consumers. Alternatively, you can go all in and create a whole new ecosystem.

### Engender loyalty

The blockchain enables product authentication or visual proof of ownership, all locked within the blockchain. This means a business can grow a relationship directly with its customers by creating a long-term connection grounded in trust and positive experiences.

### Encourage inclusivity

Fueling brand desirability and promoting a genuine sense of belonging is enormously powerful for consumers. Small, exclusive groups of customers connected to a brand can be encouraged to join real-life physical events. It's quite a clever way to target very specific customers.

# *3.3 – Strategy #3: A new generation of premium programs is on the rise, but are they for everyone?*

There is a noteworthy loyalty program trend worth examining: memberships, subscription programs, and paid or premium loyalty programs.

## The terminology is rather varied.

Sometimes, these programs are just like their free counterparts, but with better rewards to compensate for the entry fee. In other cases, they are completely separate entities, acting as subscription-based services where members pay to get access to benefits like limited or unlimited products (such as free beverages) or free shipping.

## The entry fee can be a one-time fee or a recurring subscription.

Sometimes the premium element can even be an optional VIP section within a free loyalty program. Either way, the trend of premium loyalty programs is making waves and can be a game changer for the right business.

**21.6%**
**of companies offer a loyalty program with some type of premium element**

### In the future, we will start seeing more premium and paid loyalty programs.

In total, **26.0%** of companies that plan to launch a loyalty program in the next two years stated that they wish to introduce either a purely paid program or a combination of free and paid loyalty programs.

It's also worth highlighting that **23.4%** of respondents said that they haven't decided about the nature of their loyalty program.

**In conclusion, even more premium loyalty programs could be in the making.**

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

| | Free | Free + Premium | Premium | Don't know yet |
|---|---|---|---|---|
| Existing loyalty programs | 78.4% | 13.6% | 8.0% | |
| Future loyalty programs | 50.6% | 19.5% | 6.5% | 23.4% |

Existing loyalty programs   Future loyalty programs

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This sentiment is mirrored by the responses regarding this trend's impact. In total **47.6%** of respondents stated that premium loyalty programs have a positive impact on customer retention and satisfaction.

## 47.6%
**think premium loyalty programs have a positive impact on customer retention and satisfaction**

**The takeaway is that a large section of the industry believes that premium loyalty programs are a good idea.**

However, at the moment, not all of them are committed to launching one.

Nevertheless, it's highly likely that in the future, premium and subscription-based loyalty programs will be more widespread on the market.

*Customers are facing economic hardships all over the world. Can premium or subscription-based programs be popular?*
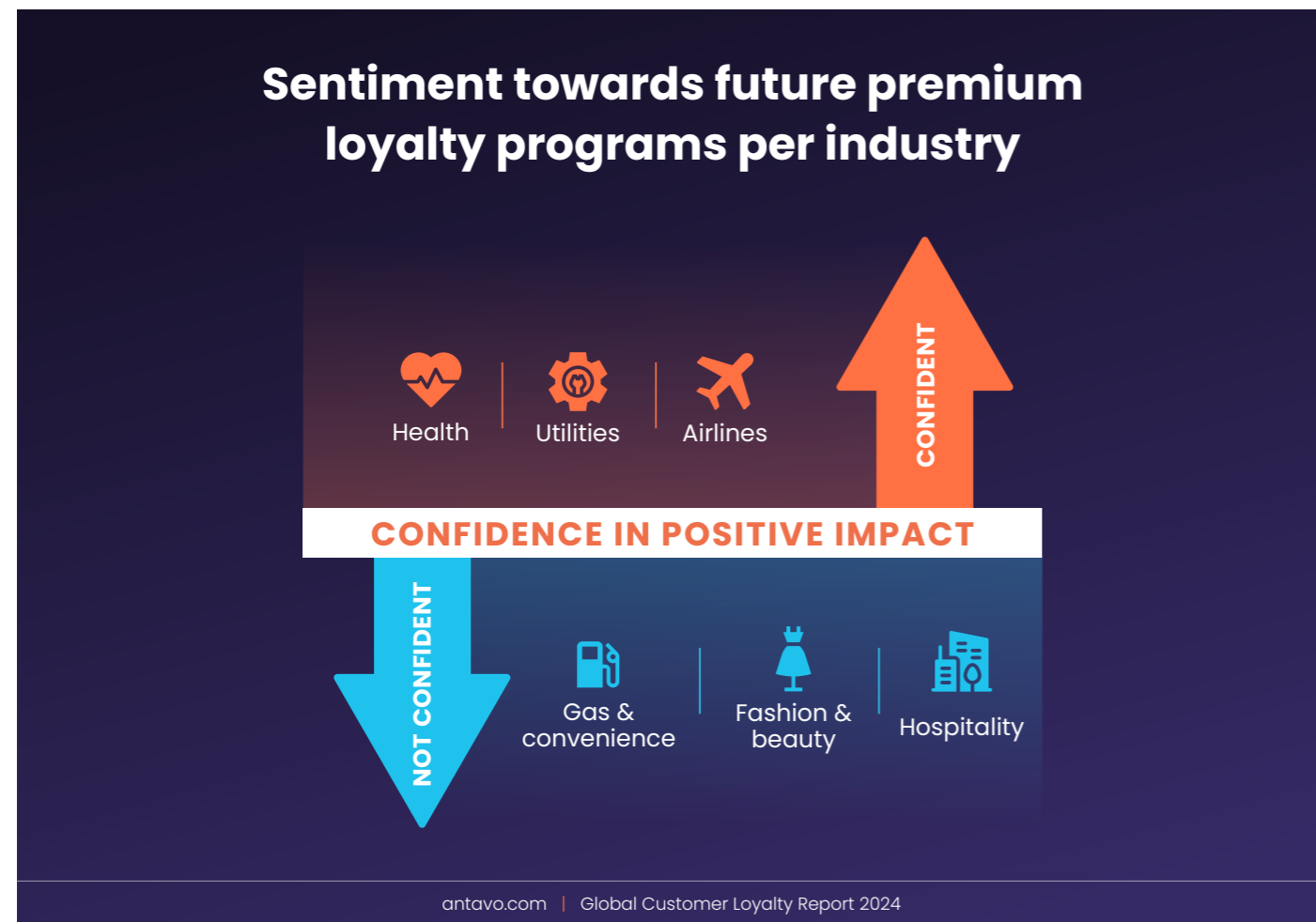
*In times of financial difficulties, customers tend to be more pragmatic and selective about what they spend their money on. This, however, doesn't mean they wouldn't pay for premium membership — as long as the associated value, perks, rewards, etc. are greater than the cost of entry.*

*This is why, brands have to make sure that the premium benefits help customers save more money, save time, or deliver „money-can't-buy" experiences.*

**Loyalty programs with premium elements are more common and may work better in certain industries.**

Even then, businesses need to tread a thin line balancing the benefits and the fees for members. When asked in the survey, **42.5%** of respondents said that the benefits of premium loyalty programs are greater than the costs.

## 42.5%
**think premium loyalty programs pay off.
These respondents said the benefits are GREATER than the costs**

### Sentiment towards future premium loyalty programs per industry

Health    Utilities    Airlines

**CONFIDENT**

**CONFIDENCE IN POSITIVE IMPACT**

**NOT CONFIDENT**

Gas & convenience    Fashion & beauty    Hospitality

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# Club Pret
## from Pret

★ PRET ★

## Lessons you can learn from Pret:

## Hooks you in with perks, and engages with a subscription

**Pret, previously Pret a Manger, is a British-born, multinational quick-service restaurant chain.**

The brand's mission is to create handmade food, freshly prepared each day. Members of their subscription loyalty programs, Pret Perks and Club Pret, are provided with amazing food and drink perks.

### A subscription loyalty program that is worth it

The Club Pret **subscription program** includes up to 5 Barista-prepared drinks a day, 20% off the entire menu in Pret shops, and daily seasonal offers.

Membership costs £30 per month and members can pause or cancel their subscription anytime — which is a great feature **allowing customers to stay in control**. Customers just walk in, scan their phones, and enjoy their coffee without having to pay on the spot.
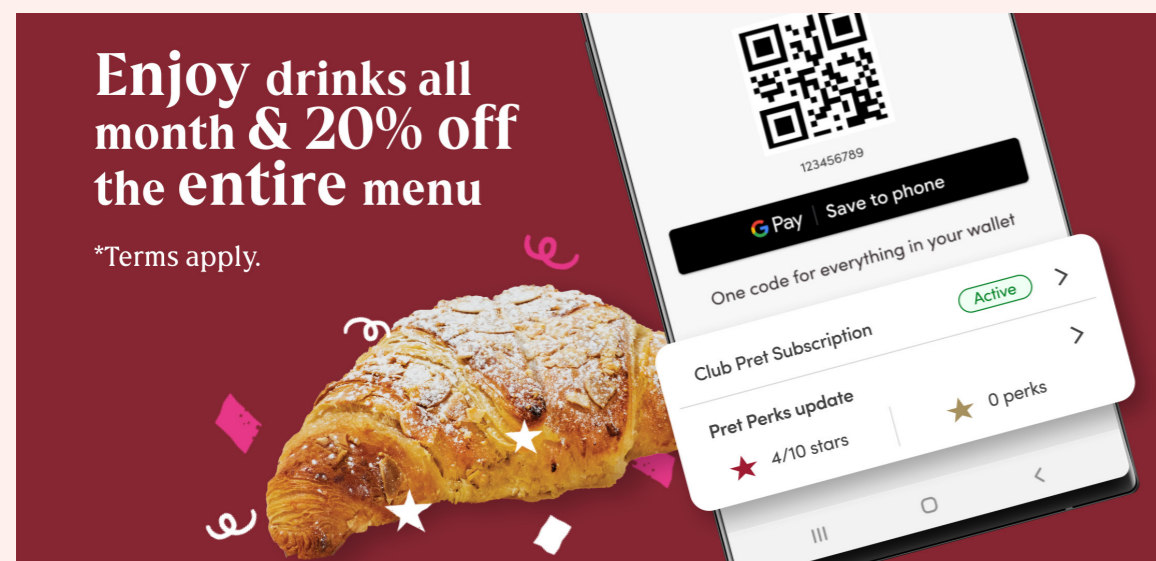


*Upon subscribing Club Pret members can enjoy savings every time they shop, every day.*

### How it works

Pret operates two separate reward programs that are designed to enhance each other's value offerings. One is a traditional free loyalty program (Pret Perks), while the other is a subscription-based membership with instant perks (Club Pret).

In Pret Perks customers can collect stars for their orders and receive tasty treats. This works similarly to a punch card. Meanwhile Club Pret caters to regulars, like members who work near Pret shops, or customers who want to work in Pret restaurants during the day.
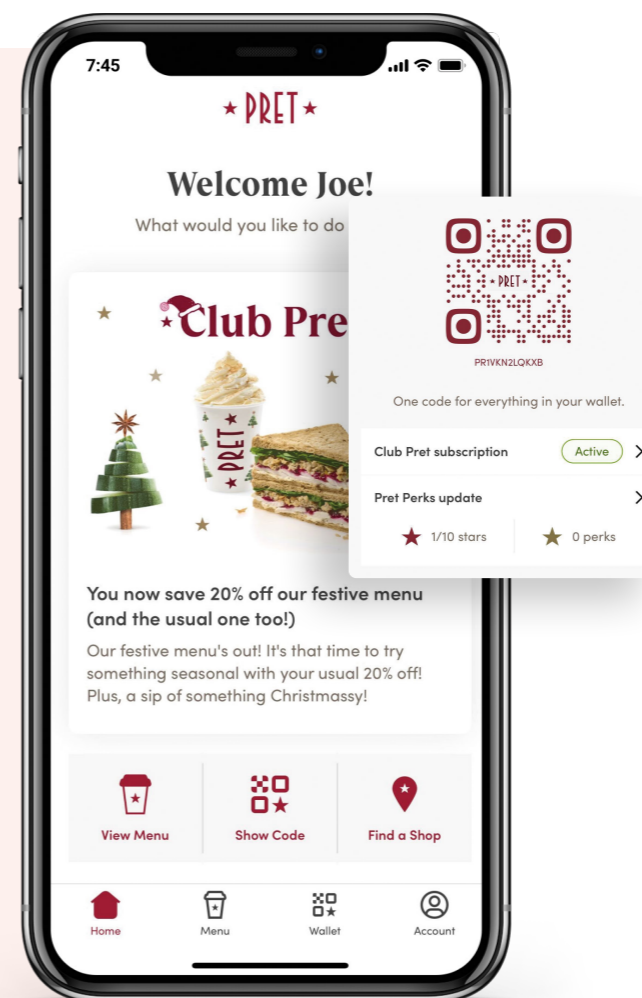
*This description was created based on publicly available information without the contribution of Pret. Image source: pret.co.uk/en-GB/club-pret. Information taken during December 2023. Details of the rewards program might change over time.*



1. **Pret hooks you in with savings** – Pret is well aware that subscribing to their program can feel like a serious commitment, so they make sure to give value in exchange. They even help members figure out precisely how much they can save by joining with the Club Pret Drinks Value Calculator.

2. **Pret lets you trial at half price** – Club Pret encourages members to sign up by offering the first month's subscription at half price. Subscribing to a paid loyalty program is a commitment. By offering a discounted first month, customers can test the program with lower financial risk.

3. **Pret targets regulars and occasional customers too** – Having both a free loyalty program and a subscription loyalty program is a smart strategy as not all customers are willing to pay for a subscription. The best target for the subscription is people who work near shops, and people who work online from their restaurants.

4. **Pret's free program is lead generation for their subscription** – By offering additional benefits to subscribers, the free loyalty program becomes a stepping stone. Customers in the free program may want to unlock more benefits, which are available in the subscription loyalty program.

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# Advice from industry leaders

In order to provide a 360-degree view on the current and future landscape of loyalty programs, we interviewed over 50 industry experts from all regions of the world. Here are the most relevant insights.

## Have a purpose behind personalization

*It's all about making sure that there's a purpose behind personalisation. Don't just show offers to people based on their search history, but also based on how much we know about them. All this leads to a really nice experience that makes them want to shop more with you.*

**NICOLA FOX**
CRM & Loyalty Specialist at Fine Tooth Comb

📍 United Kingdom

## New subscription programs need to be smarter

*I think the next wave of subscriptions is going to be companies getting really, really smart about how they're executing them, because people are a lot wiser now about what they are and are not looking for in subscriptions.*

**PHILIP SHELPER**
CEO at Loyalty & Reward Co

📍 Australia

## Brands are sitting on an information goldmine

*Organizations should realize that they are sitting on a on a goldmine of information about customer behavior or what benefits and services people are interested in. This data can fuel a lot of analysis and decision engines that can drive real-time, persnolaized offers.*
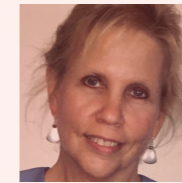
**MARA KELLY**
Vice President, Analytics Strategy at Acxiom

📍 United States

## Brands no longer see each other as enemies

*There will be more and more partnerships and alliances between brands as they realize that they aren't enemies. They are all still serving the same customers, so creating win-win value provisions for both brands increases the chance of delighting buyers.*
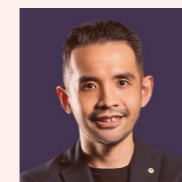
**HENRY CHRISTIAN**
Loyalty Leader at HC Loyalty Advisory

📍 Germany

## The best type of personalization is behavioral-based

*A lot of personalization can be logical. However, the best type of personalization is behavioral-based. For that, you need to discover what somebody's motivations are, why they're doing something, what they want, and what they're looking for — and then tap into it.*

**JM GUTHRIE**
Chief Customer Officer, Concord / authentic

📍 United States

## We are lucky to have so much data to choose from

*I think we are moving away from traditional personalization that's based on the color of lipstick a customer prefers. Now we can aggregate data from all sorts of data points that are collected from a cohort of customers or even individual customers. We are really lucky to have this.*

**CAROLINE PARKES**
Chief Strategy Officer at RAPP

📍 United Kingdom

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# KEY TAKEAWAYS

**Micro-targeting holds great potential for loyalty programs**

Personalization and relevant offers have a positive reputation in the industry. **87.7%** of respondents think micro-targeting has a positive impact on customer retention and satisfaction. Moreover, **67.1%** of respondents stated that the benefits are greater than the costs, making it the strategy with the most perceived value for customers and companies.

**Diverse reward redemption options help keep customers engaged**

Loyalty programs that offer different reward types are said to empower buyers by giving them more choices and flexibility. Among our respondents, **78.1%** think diverse rewards have a positive impact on customer retention and satisfaction. As offering different rewards options can be expensive, partner rewards or partner collaborations are a great opportunity for companies to reduce reward costs as **57.3%** of respondents claimed that the benefits of adding partnerships are greater than the costs.

**Premium loyalty programs are on a whole new level, but require more faith**

Results indicate that a new wave of premium loyalty programs is coming, as **26.0%** of companies who plan to launch a loyalty program want to add premium elements to it. Still, a lot of brands are unsure, as **23.4%** of future program owners have not yet decided whether they want to adopt a free or premium model. Nonetheless, **47.6.%** think this trend has a positive impact on customer retention and satisfaction.

# THE GRAND SUMMARY

# In conclusion...

- Key Takeaways

- How to Take Action

- Methodology

# KEY TAKEAWAYS

## #1 Loyalty programs are performing well amidst financial difficulties

- **Satisfaction with loyalty programs remains consistent: 55.8%** of loyalty program owners are satisfied or very satisfied with their loyalty program, claiming it helps with sales and delivers great ROI.

- **Reward programs are great tools during downturns: 81.4%** of program owners confirmed that their loyalty program was helpful during the economic downturn.

- **Loyalty programs will be more emotional in the future: 52.0%** of companies that plan to launch a loyalty program in the next two years plan to launch a program that is more emotional than rational.

## #2 Companies are eagerly investing in customer loyalty

- **Keeping existing customers is more important than attracting new ones: Twice as many** companies want to increase their investment in customer retention versus acquisition.

- **Loyalty program owners plan to invest more in loyalty:** Companies plan to invest a large percentage of their marketing budget, **27.0%,** into loyalty marketing and CRM.

- **Investing in loyalty programs does indeed pay off: 9 out of 10** companies reported a positive ROI. Among these companies, average ROI was a substantial **4.8x.**

## #3 Program owners seek to bring their tech and strategy into the 21st century

- **More and more companies want to revamp:** Last year, **8 out of 10** companies with a loyalty program wanted to revamp their program. This year? **9 out of 10** say the same, so we will be seeing many refreshed programs.

- **Many businesses have already revamped:** In the past two years, **60.3%** of program owners have made significant changes, which shows a serious commitment.

- **Technology is being upgraded on a large scale: 6.5 out of 10** companies that want to revamp their loyalty strategy also want to re-platform their technology. For them, the most valued aspect is easy integration.

## #4 A set of loyalty strategies offering optimal benefits is emerging

- **Micro-targeting is a worthwile investment strategy: 87.7%** of respondents think it has a positive impact on customer retention and satisfaction. Micro-targeting also has the best cost-to-benefit ratio among the inspected loyalty strategies.

- **Partnerships are a great addition for diverse reward redemption options: 78.1%** think diverse rewards have a positive impact on satisfaction and retention, but for cost-efficiency, businesses should consider some form of partnership or collaboration.

- **Premium and subscription loyalty programs are on the rise: 26.0%** of companies that plan to launch a loyalty program want to add premium elements to it. However, responses are mixed on the impact and cost-to-benefit ratio.

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# HOW TO TAKE ACTION

Knowing the trends is just half the battle. Businesses need to make the right calls at the right time in order to maintain their position and become innovators.

## HERE ARE OUR RECOMMENDATIONS:

### Action 1: Emphasize retention and acquisition with the same tool

Flexibility is the key to retaining existing customers while attracting new ones. With a loyalty program, you are in control of your strategy: you have the opportunity to present an enticing and unique program to your most loyal customers, while offering an attractive value proposition for new acquisitions.

You should also build a loyalty program with long-term progression in mind. Making engaging and rewarding games and challenges instantly available for everyone is a great incentive to encourage people to join, while putting experiential rewards or other higher value-add rewards, like free shipping, at the top of the tier list motivates high-value customers to stick around and level up.

### Action 2: Build a loyalty program that balances rational and emotional elements

Different customers have different preferences. Combining both rational elements, such as points and savings, and emotional elements has a stronger influence on customer behavior. While emotional elements, such as personalized experiences and exclusive access, will build engagement and sense of belonging, the rational elements provide essential tangible, practical and financial benefits to customers.

That's why your loyalty program needs to feature both at the same time.

The easiest way to boost your reward portfolio is to incorporate partner rewards. Partner rewards not only make your reward offering more diverse, but also offer a great acquisition opportunity, as your partner's audience may decide to join your program as well.

### Action 3: Revamp your loyalty strategy and loyalty technology at the same time

There's no better time than the present to completely revamp your loyalty program. A more ambitious, more complex loyalty program might require better technology, so don't be afraid to switch to a modern, no-code and headless loyalty platform.

Remember: **6.5 out of 10** companies are planning to revamp and re-platform together, meaning that your competitors are on the move. Adopting an innovative approach is a real differentiator for boosting brand recognition.

### Action 4: Consider a premium or subscription program with a free element

Launching a subscription-based or premium program means that you'll cater to a smaller, but dedicated audience. If you still wish to cast a wide net, but want to target the privilege-seeking crowd, too, consider launching a program that includes both free and premium elements.

These kinds of loyalty programs have the best of both words, where members can join for free, but earn additional perks or privileges by signing up for paid membership.

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# METHODOLOGY

**Data collection methods for the Global Customer Loyalty Report 2024 included:**

- **A self-administered questionnaire**

  The self-administered survey was completed between September 5 and September 29, 2023. The survey featured mostly quantitative results, but qualitative results appeared as well. Open-text responses were included. Total sample: 593 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 29 loyalty programs. The data represents more than 30.5 million events collected from 9.7 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, reward redemption, enrollments, etc.

- **Internal research**

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

- **Qualitative interviews**

  We condusted 1500 minutes of qualitative interviews with 50 industry professionals. See the whole list of professionals on Page 75.

- **Third-party sources:**

  Gartner, Forrester, Kroger, Sephora, Pret

- **Recommended books:**

  - Amanda Cromhout - Blind Loyalty, 2023

  - Philip Shelper - Loyalty Programs: The Complete Guide, 2nd Edition, 2023

- **Notes:**

  - Images of this report were generated by Midjourney AI

  - Haikus of this report were generated by Antavo's Loyalty Program Genius AI

# SURVEY DEMOGRAPHICS

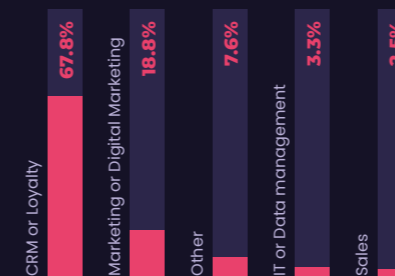**33.6%** of respondents work for a company that offers a loyalty program

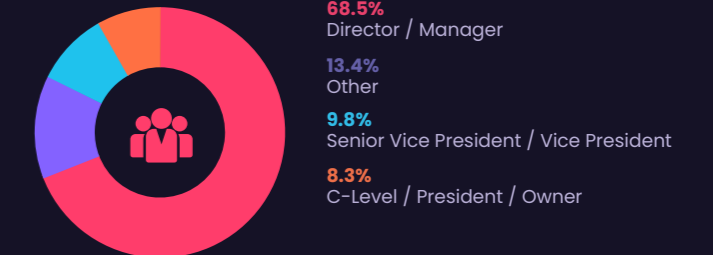**13.0%** of respondents work for a company that plans to launch a loyalty program in the next two years

**53.5%** work as independent consultants or work for an agency, a consulting firm or a technology vendor
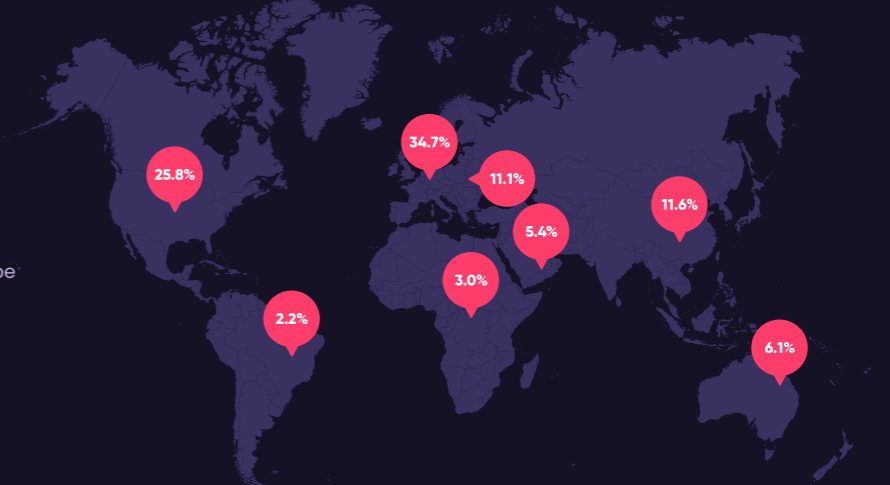
**Respondents' professional responsibilities:**

- CRM or Loyalty — 67.8%
- Marketing or Digital Marketing — 18.8%
- Other — 7.6%
- IT or Data management — 3.3%
- Sales — 2.5%

**Respondents' current level of seniority:**

- **68.5%** Director / Manager
- **13.4%** Other
- **9.8%** Senior Vice President / Vice President
- **8.3%** C-Level / President / Owner

**Respondents' geographical location:**

- **34.7%** Western Europe
- **25.8%** North America
- **11.6%** Asia
- **11.1%** Central and Eastern Europe
- **6.1%** Oceania
- **5.4%** Middle East
- **3.0%** Africa
- **2.2%** South America

**Respondents' sector:**

- Other — 23.9%
- Fashion and beauty — 17.4%
- Retail and consumer goods — 13.4%
- Hospitality — 12.0%
- Banking and finance — 8.7%
- Utilities — 5.1%
- Grocery — 5.1%
- Health — 4.3%
- Gas and convenience — 4.3%
- Airlines — 3.3%
- Automobile & recreational vehicle — 2.5%
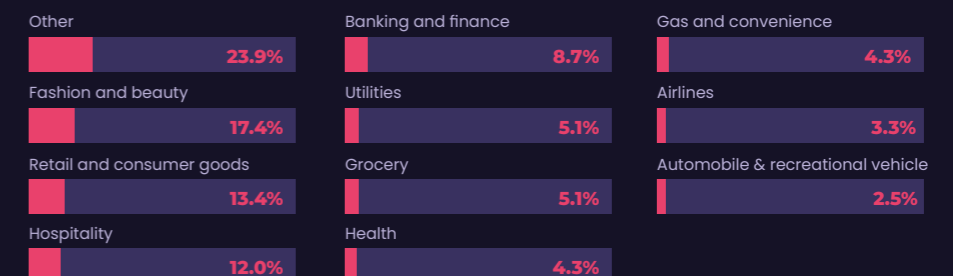
# INDUSTRY EXPERTS

**As part of our research we conducted 1500+ minutes of qualitative interviews with the following 50+ experts.**

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

**Adam SCHAFFER** - Founder & Director, Symbia Advisors, [UK]

**Alex MEILI** - Loyalty expert and lecturer on CRM & Loyalty, HWZ University [Switzerland]

**Amanda CROMHOUT** - CEO of Truth & Author of Blind Loyalty [South Africa]

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

**Andrew DOYLE** - Managing Principal & Practice Head, EPAM Continuum [UK]

**Andrew NOEL** - Co-Founder & Managing Partner, GALE Partners [USA]

**Anneke UITERWEERD** – Strategy Consultant, Springbok Agency [The Netherlands]

**Bill HANIFIN** - CEO, Wise Marketer Group [USA]

**Bob SALMASI** - Founder, Bob's Loyalty Shop [UK]

**Brian ADAMOVICH** - CEO, CultureKey [USA]

**Camille BAERT** - Senior Loyalty Consultant, Numberly [UK]

**Caroline PARKES** - Chief Strategy Officer, RAPP [UK]

**Charlie HILLS** - Chief Strategy Officer, Mando-Connect [UK]

**Chayya SAKHUJAR** - Co-Founder, Quick Brown Fox Consulting [UAE]

**Christopher BAIRD** - Director, frog, part of Capgemini Invent [UK]

**Claudio Freire CERQUEIRA** - CEO and Founder of Redeem Loyalty, Redeem Loyalty [Brazil]

**Cristina Ziliani PROFESSOR** - University of Parma, CLMP [Italy]

**JM GUTHRIE** - Chief Customer Officer, Concord / authentic [USA]

**David Aaron SLAVICK** - Co-founder & Partner, Ascendant Loyalty [USA]

**Dean LANZMAN** - Head of Data, MullenLowe [UK]

**Emil BJÖRNSKAR** - Head of Martech & Partnerships, Miltton Insights [Sweden]

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**Luke SAVILLE** - CEO, Stedion [USA]

**Mara KELLY** - Vice President, Analytics Strategy, Acxiom [USA]

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**Steve BORGES** - Co-founder, Biglight [UK]

**Tom PEACE** - Managing Director, The Loyalty People [UK]

**Ward De KRUIFF** - Head of Web3 and Metaverse, Epam Systems [Netherlands]

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# Antavo is the 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, and global businesses in air travel, pharma and fashion.

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