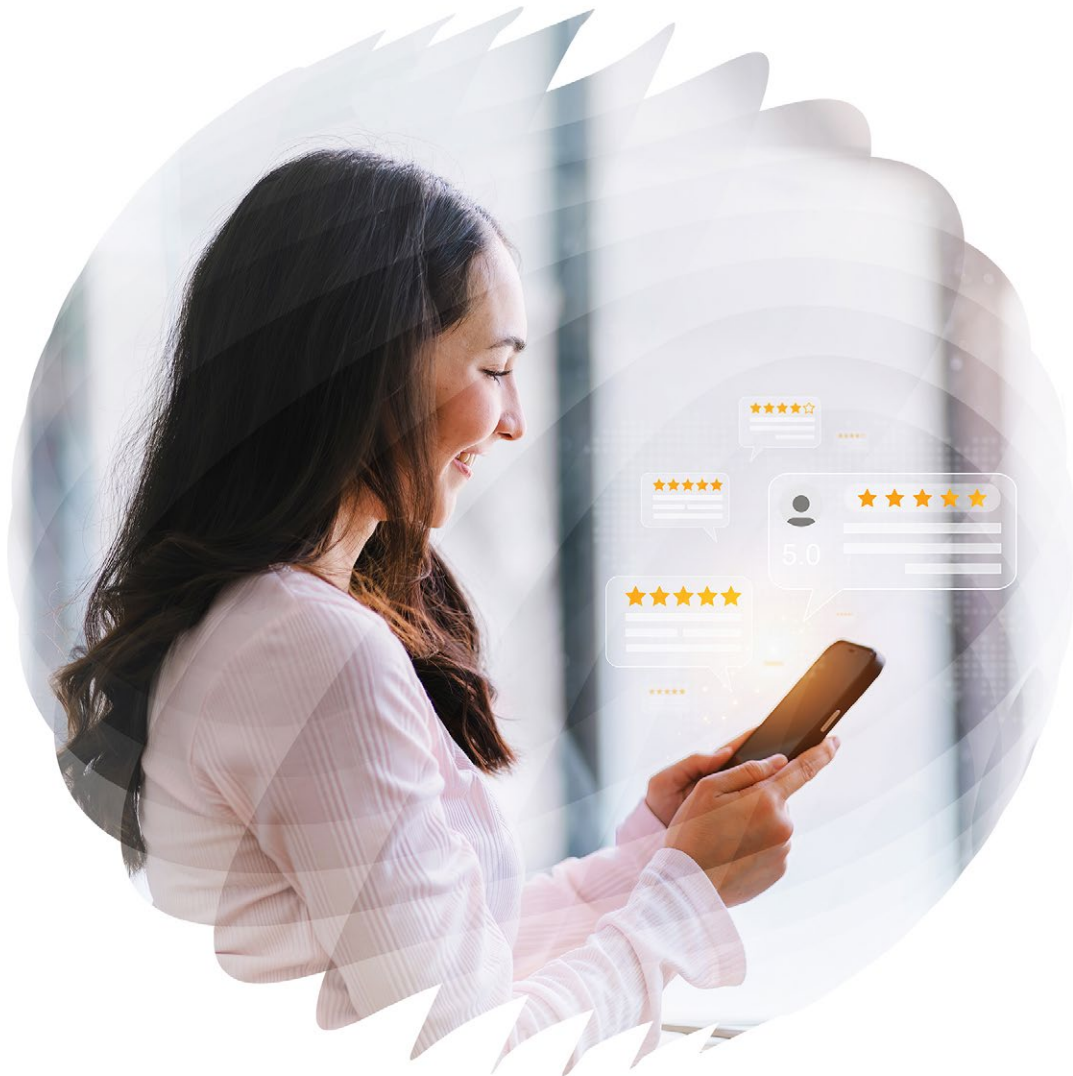


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Evolving trends in brand loyalty and consumer behavior: 2023 edition

Annual survey results on loyalty program preferences

Introduction

The current macroeconomic environment, marked by higher interest rates and slowed consumer spending, could make consumer loyalty programs more crucial than ever for brands. Yet consumer attitudes toward these programs can be fickle. For the third year in a row, our consumer loyalty survey¹ asks participants to rank the importance of key program features and benefits to reveal insights into how these preferences are evolving and may vary across consumer segments. The latest survey results reveal a mix: Among **five key trends**, three **provide updates on themes** we saw in our [2022 report](#), while two are **newly emerging**. What do consumers want now? How should brands evolve their loyalty programs?

To help drive loyalty program demand and consumer engagement, brands should:

Monitor the evolution of 2022 themes by:



Recognizing the nuanced importance of co-branded credit cards across industries.



Enhancing trust in data capture while continuing to provide personalized experiences.



Keeping loyalty programs simple, with easy ways to earn and redeem rewards.

Pay attention to newly emerging 2023 themes through:



Designing paid programs to help drive additional spend and engagement.



Offering premium rewards and enhanced customer service.

1. See end of piece for survey methodology detail

Evolution of 2022 themes

In 2023 we discovered there is a divide among industries on the role of the credit card. The linkage of co-branded credit cards to loyalty programs may no longer be as important as it once was for certain industries. This suggests that **particularly when consumer spend is down, companies in industries where co-branded credit cards are considered less important components of a loyalty program may not need to drive a direct association between their credit cards and their larger loyalty experience.** Additionally, in contrast to last year's steep increase, this year's results revealed **a decreased willingness to share personal data** with loyalty programs, signaling that brands should consider new methods to enhance consumer trust while still delivering personalized loyalty experiences. Finally, as in last year's results, the **simplicity of a program** and the **financial value it provides** continue to rank as the two **most important attributes** of a loyalty program. We found this to be true for consumers across age groups, indicating that these key features and benefits should remain top priorities for brands.

1. **A bifurcation has emerged between industries that continue to successfully incorporate co-branded credit cards into their loyalty strategy and industries that see declining importance of credit cards as an additional loyalty lever.**

The importance of credit cards in consumer priority rankings dropped 11% from 2022, indicating that the previous year's surge in credit card importance has cooled. While a competitive credit card once ranked among the top five reasons to switch to a competing loyalty program, this benefit has since dropped to the number eight spot. With higher interest rates, slowing consumer spend, and the higher APR rates newer credit cards carry, loyalty programs in industries where co-branded credit cards are less important should consider whether it's necessary to directly link their credit card to their loyalty experience. Our data shows that brands within industries like pharmacy and drug stores, grocery stores, and restaurants may not find as much value in having co-branded credit cards tightly linked with their loyalty programs. This holds true if these programs are trying to appeal to more mature consumers. Our 2023 survey also revealed that **less than 40% of Gen X or older respondents are looking to enroll in a credit card** connected to a loyalty program or even recognize the exclusive benefits a co-branded credit card unlocks. These results imply that some brands, depending on the industry, may not need to directly link their co-branded credit card, as they are no longer as valuable of a loyalty lever as they once were.

While the cross-industry importance of co-branded credit cards has dropped, industries that have traditionally provided **credit cards with additional financial benefits**—such as **airlines, retail banks, department stores, and hotels**—are **still seeing consumer interest**, according to our survey data. These brands should continue to provide consumers with the lucrative financial benefits co-branded credit cards offer.



2. Reluctance to share data is up, along with the desire for personalization and consumer control.

After last year's steep rise, **willingness to share personal information slightly decreased** in 2023, while the importance of transparency and consumer control over their data increased. In [2021](#), reported willingness to share personal information came in at 33%. In 2022 that figure increased to 53% and then in 2023 dropped slightly to 48%. Consumers in industries with traditionally stricter data-sharing policies, like retail banks and pharmacy and drug stores, showed more hesitancy, with only 41% of consumers willing to share personal data. We are seeing this lower willingness to share at a time when consumers do not believe programs provide sufficient personalization. This creates a catch-22 for some brands that need to deliver more personalized offerings with less consumer data.

To increase consumer participation, **brands should demonstrate the benefits of sharing data**. Users across age groups expect personalized experiences and content as a matter of course. Survey results indicate consumers **are more willing to share data** when brands provide **personalized experiences and rewards with increased consumer choice**. Our data shows that personalized rewards that come with flexibility of choice, special gifts, and relevant offers or promotions are three of the most important ways brands can cater to consumers.

Consistent with 2022 findings, we suggest companies focus on optimizing the data provided to them and delivering the personalized experiences that consumers demand. At the same time, brands should continue to build consumer trust through responsible use of consumer data and transparency into what data is collected.

3. Simplicity, ease, and financial rewards remain perennial favorites.

Year over year, consumers of all ages continue to prioritize **"simplicity and ease"** and the **"ability to earn and redeem financial rewards"** as the two most important components of a loyalty program. This year, these attributes have not only retained their top status, but their importance has also grown by 4% and 5%, respectively. And they are the two most important loyalty program components across generations. Interestingly, the significance of simplicity and financial rewards increases with age. While 77% of Gen Z participants find both attributes to be important, approximately 90% of Baby Boomers feel this way.

Brands should focus on enhancing ease of enrollment, simplicity of use, and clear communication around their program's financial rewards while investing in efforts to customize supplemental loyalty benefits and program structures based on target consumer preferences.



Emerging themes in 2023 and beyond

While our survey indicates there's been a **rise in participation in paid loyalty programs**, we found that consumer willingness to spend is not markedly different between paid programs and free programs. This suggests that there could be an opportunity for brands to gain more share of wallet by designing paid programs to **incentivize additional spend and engagement**. Additionally, this year's survey revealed a **rise in demand for specialized treatment and improved customer service** in return for consumer loyalty. In other words, brands that provide more premium (or "white-glove") services through targeted offers and benefits may see higher consumer engagement, satisfaction, and spend.

1. Participation in paid loyalty programs is rising, but paid programs should be strategically designed to help drive incremental revenue.

According to our 2023 survey results, **the percentage of consumers participating in paid loyalty programs has steadily grown**, more than tripling since 2021. Currently, **53% of consumers surveyed pay for a loyalty program**, up from 32% in 2022 and 17% in 2021. Although surveyed consumers are opting for paid programs, these programs are not eliciting an increased level of engagement or spend. When analyzed, behavior did not vary greater than +/-4% between paid and free consumer loyalty programs. This leaves an opportunity for brands with paid programs to rethink how their programs are designed to help drive more consumer spend and engagement. This could be particularly salient for brands that have both paid and free programs and want to appropriately differentiate between the two.

To entice consumers to pay a fee, **additional benefits should be substantially different** from general loyalty program or credit card perks. Our research shows that consumers across industries are most willing to pay for **additional financial benefits** like exclusive discounts, promotions, and special pricing. As mentioned previously, programs that offer **personalized experiences** can drive more consumer engagement in paid programs. Brands should look to incorporate these personalized

experiences to help drive additional consumer engagement above and beyond what consumers can get for free. Additionally, brands should consider the nuances of their specific industry. For example, in travel-based industries, such as airlines and hotels, **increased flexibility** (e.g., no cancellation fees) and **enhanced services** (e.g., upgrades) are viewed as just as important as financial benefits.

Although we have seen a year-over-year increase in consumer willingness to participate in paid programs, we may be reaching the ceiling for the paid programs market. This year's survey indicates that only 35% of consumers who are not currently enrolled in a paid program are interested in paying a fee to access additional benefits and rewards.



Benefits that could increase consumer willingness to opt into paid loyalty programs

- Discounts, promotions, and special prices
- Free products and gifts
- Upgraded or enhanced services
- Special merchandise or products
- Increased flexibility (e.g. no cancellation fees, extended return windows)

2. Premium rewards and enhanced customer service are keys to attracting and retaining consumers.

Today's **consumers want special treatment and better customer service in return for their loyalty**, according to our latest survey. To help differentiate their loyalty programs and boost engagement when overall consumer spend is slowing, brands should provide new ways for high-earning and loyal consumers to obtain additional premium services through targeted offers and benefits. In 2023, **status tiers that provide new rewards at higher levels** moved into the **top five priorities** for financial benefits and rewards, bumping out co-branded credit cards. More than 60% of consumers surveyed agree or strongly agree that status tiers allowing members to earn more rewards at higher levels are an important part of a loyalty program, and more than 62% agree or strongly agree this is **a valuable way to make consumers feel appreciated**.



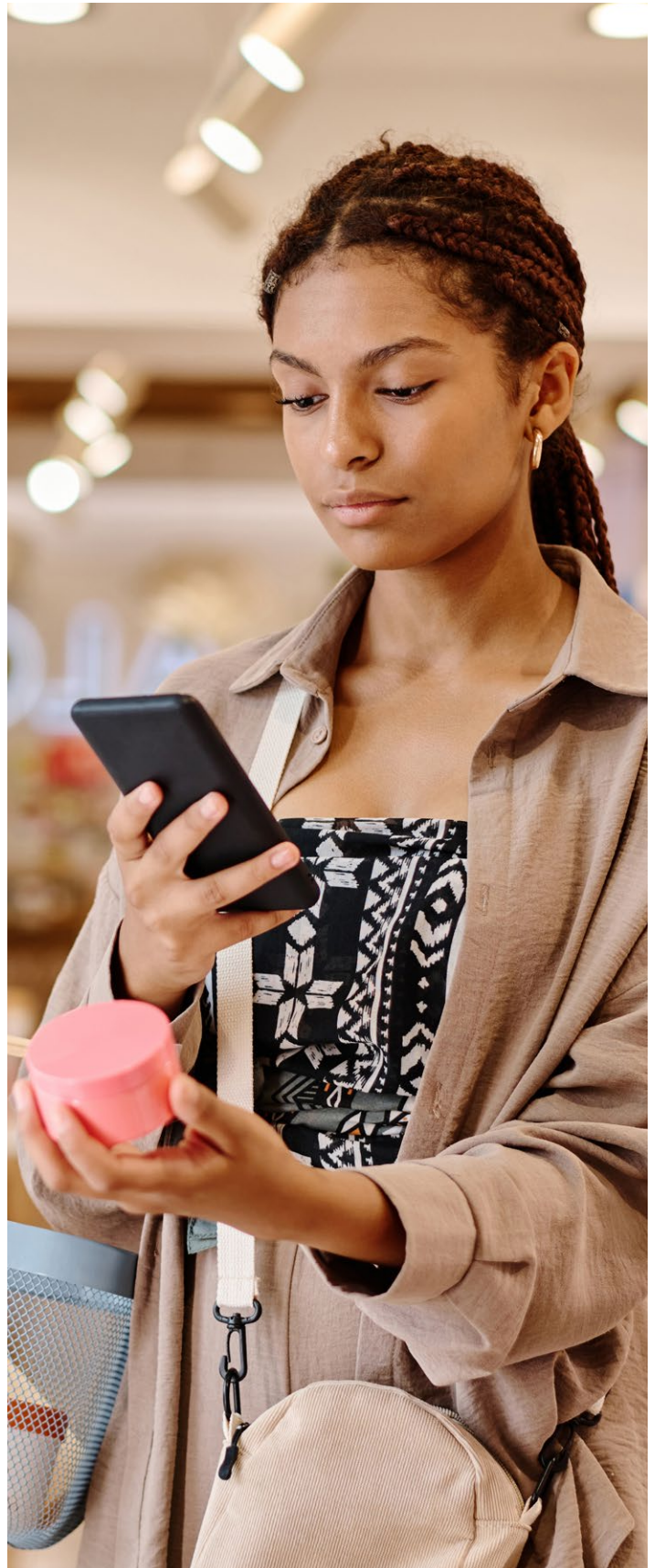
In 2023, consumers increasingly expect white-glove treatment and exclusive member benefits through loyalty programs, such as:

- Dedicated member consumer service.
- Exclusive experiences or upgraded/enhanced services (e.g., flight upgrades or expedited delivery).



The importance of upgraded or premium services has an outsized importance in some industries, such as:

- Retailers, transportation, media and entertainment, and apparel and footwear brands.
- The hospitality industry (airline, hotel, and transportation services).



Conclusion

Going forward, we continue to recommend loyalty programs that are easy to use and provide clear financial benefits. In addition, with the current economic climate, it's important to consider your industry context when deciding to embed co-branded credit cards into your wider loyalty strategy. Paid loyalty programs may see a greater lift in member spend and engagement than "free" programs by providing unique benefits, such as upgraded benefits and consumer service. In addition to revealing broader trends, our annual survey also underscores the importance of tailoring strategies and benefits to appeal to varying industry trends, consumer bases, and generational cohorts.

Want to explore this year's data further? Deloitte's full suite of loyalty services can help brands optimize program offerings to offer compelling benefits and experiences, build strong member relationships, and deliver exceptional business results.



Methodology

We surveyed more than 3,200 US consumers in June 2023 representative of the US population across age, gender, race, and region. Each consumer was asked a series of questions around his or her loyalty behavior and preferences for loyalty programs in a specific industry.

Industries included in the survey:



Airlines



Apparel and footwear brands



Pharmacy and drug stores



Hotels



Convenience and gas stations



Restaurants



Ride-share providers



Department stores



Sports, leisure, and hobbies



Car rental services



Grocery stores



Home goods and electronics



Media and entertainment



Healthy, beauty, and wellness retailers



Retail banks

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Acknowledgments

The authors would like to thank Brendan Boerbaitz, Meghan Crawford, and Anne Ridenhour for their contributions.



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