

A woman wearing a white dress and a straw hat stands on the edge of a large, circular stone structure built into a hillside. She is looking out over a coastal town with red-roofed buildings and a harbor, with the sea extending to the horizon under a clear sky. The stone structure she is on appears to be a well or a large basin, and the surrounding landscape is rocky with some greenery.

Deloitte.

Transcending expectations in the new loyalty landscape

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

Introduction

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

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

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

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



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



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



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

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

RESEARCH OVERVIEW



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



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



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

OUR ASSESSMENT STRATEGY

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

0

Driver is nonexistent in brand’s program

1

Driver exists and meets basic, functional needs

2

Driver is competitive and delivers a strong experience

3

Driver exceeds expectations and provides a best-in-class experience



Critical mass

Simple journeys, meaningful destinations

As consumer loyalty offerings continue to evolve from generic points programs, we observe the critical mass of programs shift their focus to:

- 1 Developing more compelling value propositions in support of their brand strategy; and
- 2 Delivering them in more seamless, integrated ways.

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

PERCENTAGE OF PROGRAMS SCORED "COMPETITIVE" OR HIGHER



Compelling, brand-aligned value proposition

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

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

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

INDUSTRY COMPARISON



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



Seamless, integrated loyalty experiences

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

Creating a cohesive loyalty experience requires a truly omnichannel approach, with mobile at the center. Today, US adults spend more than three hours per day on mobile apps.¹ As a result, more than 80% of the programs we reviewed have shifted toward a mobile-first loyalty strategy,

positioning the mobile experience as the critical connection point across physical and digital interactions. This ties into the additional drivers of integrated engagement and program simplicity, which sit at the forefront of an impactful strategy in a digital landscape where customers are hungry for seamless, simple loyalty experiences at their fingertips.

PROGRAM SPOTLIGHT: STARBUCKS



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

By placing Starbucks Rewards at the heart of its mobile app, offering unique benefits and contactless payment options, Starbucks has made its loyalty experience and broader customer experience nearly synonymous. As a result, the program accounts for more than 50% of US company-operated sales.²

INDUSTRY COMPARISON



Lagging

Leading

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

What does this mean for consumer loyalty programs?

Five questions to consider:

1

Have you clearly defined the business goals and value drivers you seek to deliver through your loyalty program?

2

Which consumer segment(s) will you target, and what specific behaviors do you want to influence?

3

How will your loyalty value proposition, offering, and benefits be designed to drive those behaviors and goals?

4

How can you embed your loyalty program across moments that matter, from inspiration to rediscovery?

5

What internal silos must be broken down to do this?



On the verge

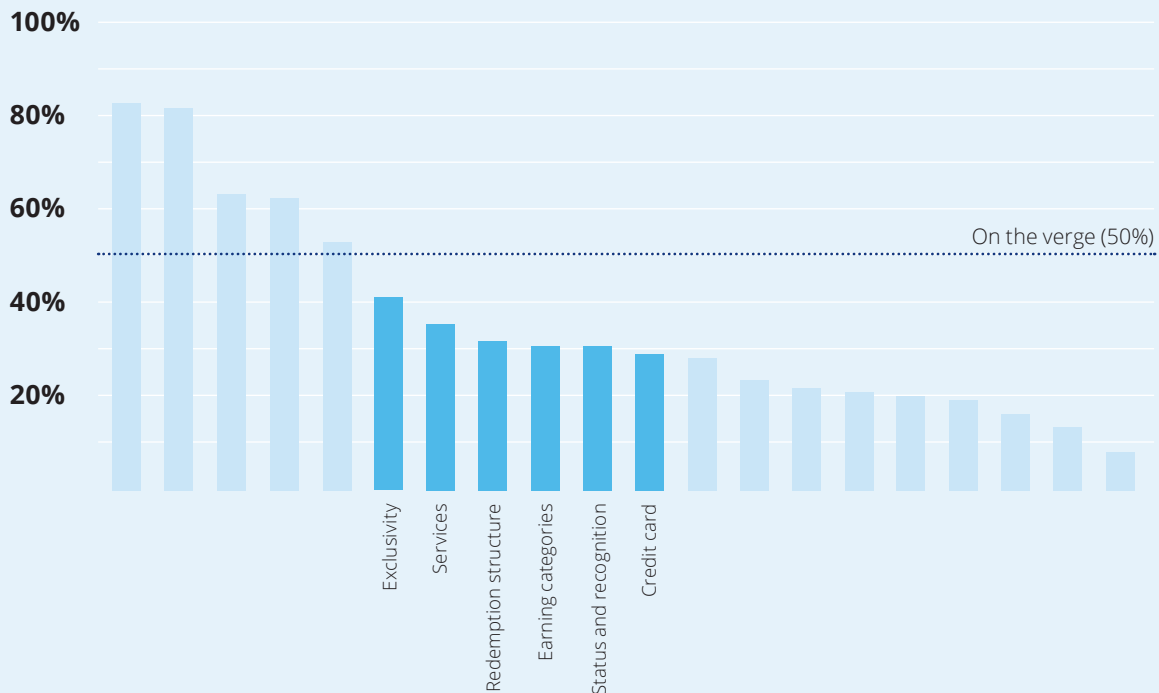
Heightened experiences, tailored choices

As programs move beyond the fundamentals, we observe market leaders investing in two key areas to entice and retain their members:

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

The combination of these features allows programs to elevate their offering by recognizing members and giving them a customizable experience. As a result of a company creating a member-centric loyalty program, their members will feel appreciated and rewarded at crucial touchpoints.

PERCENTAGE OF PROGRAMS SCORED "COMPETITIVE" OR HIGHER



Differentiated ways to earn and redeem

Rewards remain a critical piece of the loyalty program equation, but are no longer enough on their own to engage today's consumers. To modernize their offerings, brands and retailers are introducing differentiation into their reward systems. Dynamic examples include increased earnings when members buy sustainable or private label products, accelerated rewards when members prepay for products and services, or instant perks when members link accounts with a partner brand.

Additionally, leaders are offering member rewards for actions beyond the transaction, such as attending an event, leaving a product or service review, downloading the mobile app, referring a friend, and more. Our research revealed that 31% of consumer loyalty programs allow members to earn through nontransactional means.

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

INDUSTRY COMPARISON



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



Enhanced recognition, exclusivity, and access

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

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

PROGRAM SPOTLIGHT: MARRIOTT



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

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

INDUSTRY COMPARISON



Lagging

Leading

Home goods, department stores, and apparel and footwear players disproportionately invest in exclusivity and access relative to other features, offering member-only merchandise, early sale access, extended return windows, and more.

What does this mean for consumer loyalty programs?

Five questions to consider:

1

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

2

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

3

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

4

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

5

Do you have ways, either formal or informal, to recognize and appreciate your most loyal members?



The next wave

Influential moments, human experience

More than ever, brands and retailers are looking to play a meaningful and multidimensional role in the lives of their members. We observe that the most innovative and experimental loyalty programs look to build meaning through:

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

PERCENTAGE OF PROGRAMS SCORED "COMPETITIVE" OR HIGHER



Personalized interactions and experiences

True loyalty leaders have capitalized on the valuable first-party data of their consumers. They create data-driven, personalized loyalty experiences for their members, which can take many shapes, from tailored offers to curated content and messaging. Nearly one-third of US loyalty program members state they would be willing to share their personal information in exchange for more personalized experiences and rewards.⁵ However, less than 25% of programs are personalizing member experiences based on previous interactions, purchase history, and stated or inferred preferences.

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

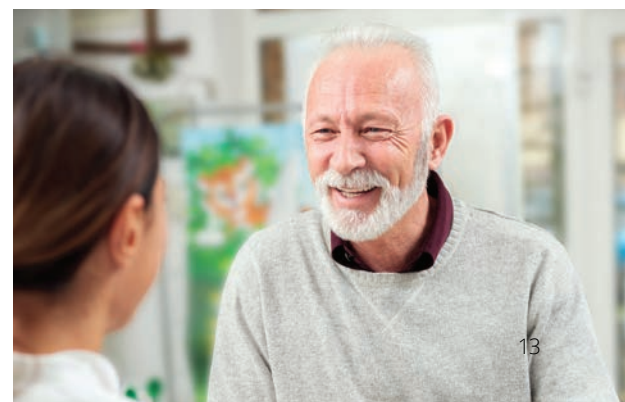
INDUSTRY COMPARISON



Lagging

Leading

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



Extended loyalty ecosystem

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

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

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



INDUSTRY COMPARISON



Lagging

Leading

Hospitality and airlines have a long history of partnerships and offer the most robust loyalty ecosystems today. Members can often earn and redeem points across partners by linking accounts, in addition to other benefits such as automatic status.



Sephora has built its Beauty Insider program⁶ around a community of more than 25 million members who are passionate about health, beauty, and wellness. In addition to traditional loyalty benefits and rewards, members are invited to participate in the Beauty Insider community, a platform for members to come together, ask questions, share inspiration, get product recommendations, and more. Members can participate in groups and connect with fellow enthusiasts and experts based on their specific needs or topics of interest (e.g., clean beauty, dry skin). In addition, the platform allows members to connect directly with Sephora’s brand partners, engage with beauty news, and participate in digital and in-person meetups. As a result, members feel a more meaningful and emotional connection with the brand that far exceeds transactional loyalty.

Community and belonging

Far from transactional utility, select leaders are addressing the social value and community they can provide members through their loyalty offering. Curated member-to-member connections, for example, deepen members’ feeling of belonging and heighten their emotional connection to the brand. Our research reveals, however, that only 14% of loyalty programs are actively fostering and incentivizing community-building. Filling the market gap of customer connection will prove pivotal to future growth.

A sense of purpose is additionally important for today’s consumer. However, only 20% of programs provide an avenue for members to participate in or contribute to a mission.

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

INDUSTRY COMPARISON



Lagging

Leading

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

What does this mean for consumer loyalty programs?

Five questions to consider:

1

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

2

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

3

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

4

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

5

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



Conclusion

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

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
















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



Methodology

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

INDUSTRIES EVALUATED

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

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

0

Driver or feature is nonexistent in the brand's loyalty program

1

Driver or feature is competitive and delivers a strong experience

2

Driver or feature exists and meets basic functional needs

3

Driver or feature exceeds expectations and provides a best-in-class experience

LOYALTY DRIVERS EVALUATED

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

Endnotes

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