

THE CHANGING LOOK OF LOYALTY

New research from Ogilvy shows changes in customer loyalty are being driven by expectations of more personalized, more immersive, and more connected brand experiences.

Ogilvy EXPERIENCE



EXECUTIVE SUMMARY

Ogilvy Experience and Sitecore set out to survey consumers around the globe to better understand their current loyalty needs and expectations:

- What drives brand loyalty?
- What propels loyalty program engagement?
- How do consumers want brands to engage with them?

What we found:

- Brand loyalty is driven by more than loyalty program rewards.
- To keep customers engaged with a loyalty program, rational and emotional benefits are necessary.
- Consumers continue to expect customized, personalized, and channel-relevant experiences across the entire journey.
- Consumers are open to brand relationships through loyalty programs and other means. This offers brands significant opportunities to build customer loyalty and drive business impact.

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INTRODUCTION

Loyalty programs have long been considered an essential part of a well-rounded loyalty strategy, and they can drive significant business results.

Best-in-class loyalty programs demonstrate meaningful lifts in spend following program enrollment and disproportionate revenue generated from members.

But the loyalty landscape is changing. Recent events—the pandemic, civil unrest, and divisive politics—continue to have far-reaching impacts on both our personal and work lives.

Indeed, the past few years have seen tens of thousands of businesses closing. But it's shortsighted to blame those troubling events for recent business struggles. Brands were experiencing challenges retaining and growing customers prior to the pandemic.

Why? One powerful reason brands are failing is their reliance on tired strategies despite an evolving marketing landscape and changing customers.

Customers today are savvy and expectant. They want to be recognized and rewarded for their business. They anticipate personalized service and targeted offers.

And they desire greater meaning from their brand interactions.

Yet brands often continue to sell to yesterday's customers—the ones who carried loyalty punch cards in their wallets, who hadn't yet discovered e-commerce, and who could sometimes be taken for granted.

These customers no longer exist.

Moreover, it's a false premise that your brand has forever customers; loyalty is constantly changing and so are your customers.

Outdated loyalty programs—those that focus solely on transactions, lack emotional engagement, or haven't innovated or evolved—no longer work. Brands with old-school loyalty strategies don't see a positive return on their programs, but they will see customers defect.

We believe today's loyalty programs must evolve to unlock the full potential of loyalty and drive customer lifetime value.



RESEARCH APPROACH

Methodology and audience

A quantitative survey was conducted across 13 markets, in each market's native language, among brand-engaged consumers (BECs). BECs are defined as those ages 18–64 who interact with brands (they've given a brand permission to communicate with them through email, text messaging, social media, or a brand's loyalty program) in at least one of the target industries:

Retail (e.g., department stores, convenience stores, fuel stations, online retail, etc.)

Food (e.g., restaurants, grocery stores, etc.)

Services or experiences (e.g., airlines, hotels, amusement parks, etc.)

Financial services (e.g., banking, credit card, investing, etc.)

A CARAVAN Plus (customized omnibus) survey was conducted by ENGINE INSIGHTS October 12–19, 2021.

The survey was conducted in these markets, among the number of participants indicated for each:



*In the appendix data tables, references to Mainland China are abbreviated to "China."



EIGHT PRIMARY FINDINGS

1. Consumers are open to brand relationships

Most consumers are open to hearing from brands. Those who've given explicit permission for brands to communicate with them either via a program or outside one, provide access to influence their hearts and minds.

66% of respondents have signed up for a brand loyalty program,

providing those brands with a rich source of insights based on digital engagement and transactional data. Those insights are critical to maintaining brand engagement and growing customer value. (See appendix, question 1.)

Respondents are aware of their loyalty program memberships, with

72% stating they know exactly how many brand loyalty programs they belong to.

This access provides brands the opportunity to develop a relationship with consumers. (See appendix, question 2.)

81% of respondents have opted in to communications.

Consumers in the UAE, New Zealand, Hong Kong, and Australia are more likely to be loyalty program members, while those in Brazil, Spain, India, and Indonesia are more likely to opt in to communications. (See appendix, question 3.)

Notably, industries with more frequent consumer interactions are more likely to have more engaged consumers. Retail, food, and financial services average 82–84%, while services and experiences lag. (See appendix, question 4.)

SURVEY QUESTION

For each of the below, please indicate if you are signed up to engage or interact with any brand(s) **within each industry**. This could be communications or posts about offers, purchases, events, service contracts, membership, etc. Please select one on each row.

Brand-engaged consumers (defined as those who selected either response):

Yes, I've given a brand permission to communicate with me through email, text messaging, social media, etc., but not a loyalty program.

Yes, I've signed up for a brand's loyalty program.

84%

Retail

(e.g., department stores, convenience stores, fuel stations, online retail, etc.)



82%

Food

(e.g., restaurants, grocery stores, etc.)



73%

Services or experiences

(e.g., airlines, hotels, amusement parks, etc.)



84%

Financial services

(e.g., banking, credit card, investing, etc.)



2. Today's consumers have new expectations from brands

The study found consumers expect more from brands—they desire personalized, immersive, and connected experiences.

ADDRESS ME AS AN INDIVIDUAL

Personalized communications and experiences are a must. What once was a way to differentiate a brand is now table stakes. Moving from segmented to individualized interactions is needed to keep up with today's consumer expectations. (See appendix, question 5.)

MAKE IT RELEVANT

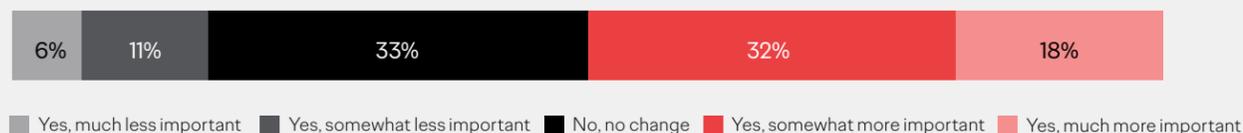
When consumers provide personal information and preferences, they expect relevant interactions in return. In other words, if I share my information with your brand, your brand better make it worth my while. (See appendix, question 6.)

SHARE MY VALUES

Fifty percent of respondents indicate the importance of a brand's values has increased over the past few years when it comes to joining or remaining engaged with brand loyalty programs. This is significant—a brand doesn't want to ignore half its audience or members. (See appendix, question 7.)

SURVEY QUESTION

When it comes to joining or remaining engaged in a brand loyalty program, **has the importance of a brand's reputation, values, and actions changed for you over the past few years?** Please select one.



RECOGNIZE ME ACROSS THE JOURNEY

Consumers want to be recognized and treated as loyal customers across brand interactions. (See appendix, question 8.)

In summary, what got your brand this far won't take your brand where it wants to go next. Brands must consider consumers' behaviors, mindsets, engagement journeys, and needs—both known and unknown—to drive brand devotion.

SIX REASONS TO USE FIRST- AND ZERO-PARTY DATA NOW

As your ability to leverage third-party data diminishes due to new regulations, you can still count on the first- and zero-party data linked to your loyalty program. They're both crucial to providing personally relevant messages to customers. Customer engagement relies on continually capturing new customer data to understand preferences while leveraging machine learning to automate marketing efforts.

First-party data is information required to receive a product or service, e.g., a customer's name and address, or information gathered as part of normal customer or prospect interactions (e.g., purchase or web-browsing information). Zero-party data, in contrast, is optional information customers choose to share with a brand, like a customer's sizes in other brands so your company can best advise which size to order in your brand, or the types of wine a customer prefers so your winery can offer deals on the varieties bound to be favorites.

Loyalty programs have six sources of value associated with first- and zero-party data.

DATA QUALITY

First- and zero-party data are more reliable and enable better customer targeting than third-party data, which has several drawbacks, including long processing times and less-accurate analytical results.

PROMOTION EFFECTIVENESS

As your brand shifts markdown dollars associated with mass promotions to precisely target personalized promotions, you'll see an increased return on investment (ROI).

MEDIA EFFECTIVENESS

Using first- and zero-party data leads to better targeting of your existing customers, better look-alike model development, more effective targeting of your potential customers, and an optimized media spend.

LIFECYCLE MARKETING AND PERSONALIZATION

Better data quality and richer data capabilities help you better understand customer segments and enable you to respond in real time, leading to an elevated customer experience and stronger emotional ties to a brand.

NEW SOURCES OF INCOME

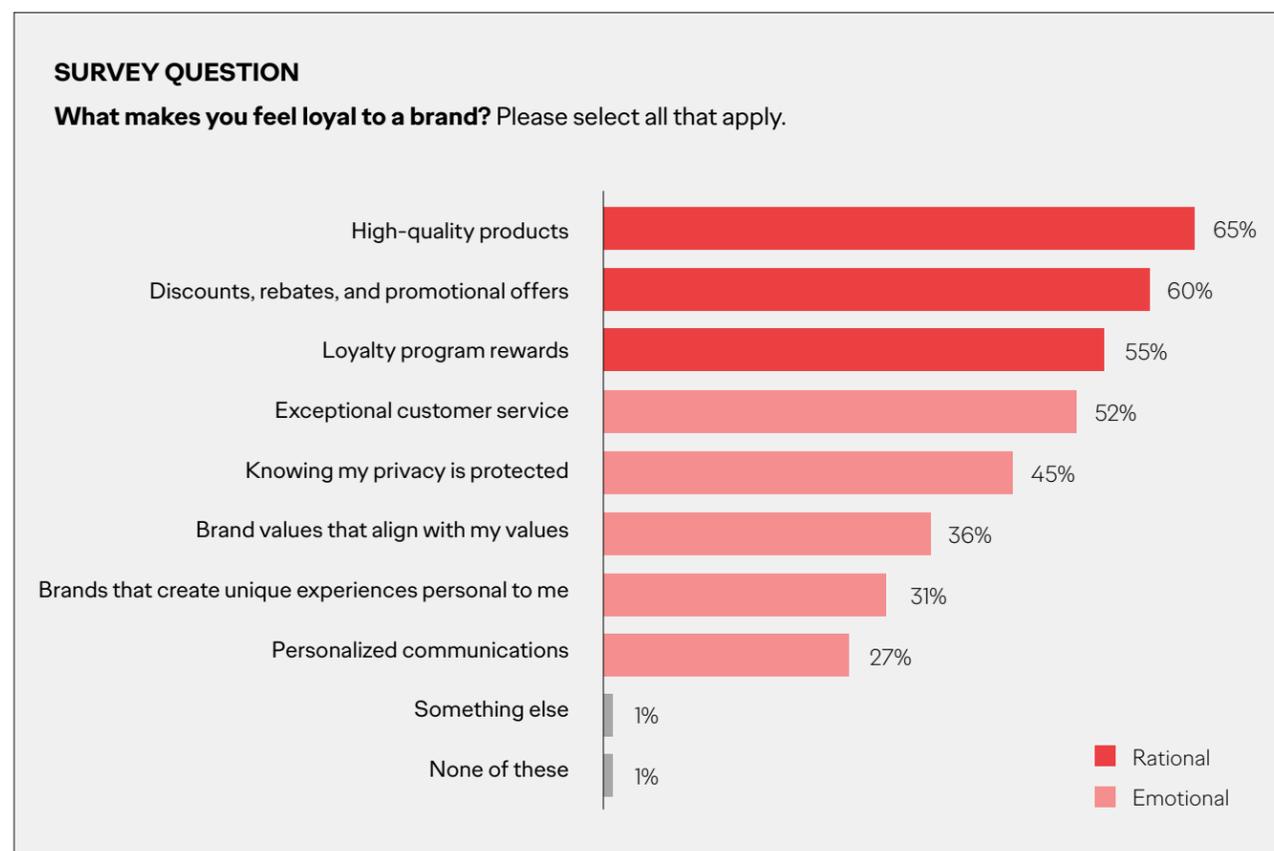
Increasing consumer identification and data could drive incremental revenue opportunities as potential partners pay to access your member base and your loyalty program's first-party data.

PRIVACY COMPLIANCE

By leveraging members' first- and zero-party data, which they've granted permission to use, you may win other customers who have privacy concerns about competitors' data practices.*

3. Brand loyalty is driven by much more than programs

Understanding what makes consumers *feel* more loyal should inform how you influence them to *act* more loyal. While rational reasons (e.g., offers, benefits, and rewards) are still vital, an increasing number of emotional drivers show significant importance.



Is your loyalty strategy past its freshness date?

There are two categories of loyalty we see in today's marketplace.



First, there's the transactional, back-of-mind loyalty whose customers stick with a brand because it's the easy, go-with-the-flow thing to do. The vast majority of businesses land here—using data, technology, and automation by rote in hopes of bringing people back via regular communications, discounts, and promises of points-based currency. These efforts hinge on the loyalty of familiarity and customers' fears of the unknown to prevent them from straying.

The problem is, this kind of loyalty is ripe for disruption—and easy to break. One email from a competitor offering a deep discount for a first-time purchase just might sway those seemingly loyal customers. Or what if a competitor boldly wades into a political or civil rights fray, and your customers—whose values align perfectly with that move—decide to purchase their next coat, brunch, or kayak from that brand. Maybe they even join that brand's loyalty program.



The second type of loyalty, found more rarely, is akin to devotion. Yes, it also uses data, tech, and automation to measure and predict customer value, and keep people coming back. But it leverages these tools in more human, more creative ways—inviting customers to join something greater. This brand inspires, involves, and rewards them.

And this type of loyalty begins the first time someone hears about your business and builds with every interaction.

This second type is what modern, long-lasting brands aim to cultivate. In addition to rational elements, consumers today expect companies to deliver exceptional customer service, privacy, and brand values that align with theirs. Obviously, a lot is weighing on a brand's approach to loyalty. (See appendix, question 9.)

4. Brand engagement is critical to avoiding attrition

Loyalty programs can build brand trust, but one misstep during the customer experience can deeply erode the consumer-brand relationship.

44% of respondents have stopped engaging with a loyalty program because of a single bad experience.

And that percentage increases with members of Gen Y and Z. Loyalty is bigger than a program—it extends across the entire customer experience. (See appendix, question 10.)

5. Loyalty programs must evolve to meet the full range of consumer needs

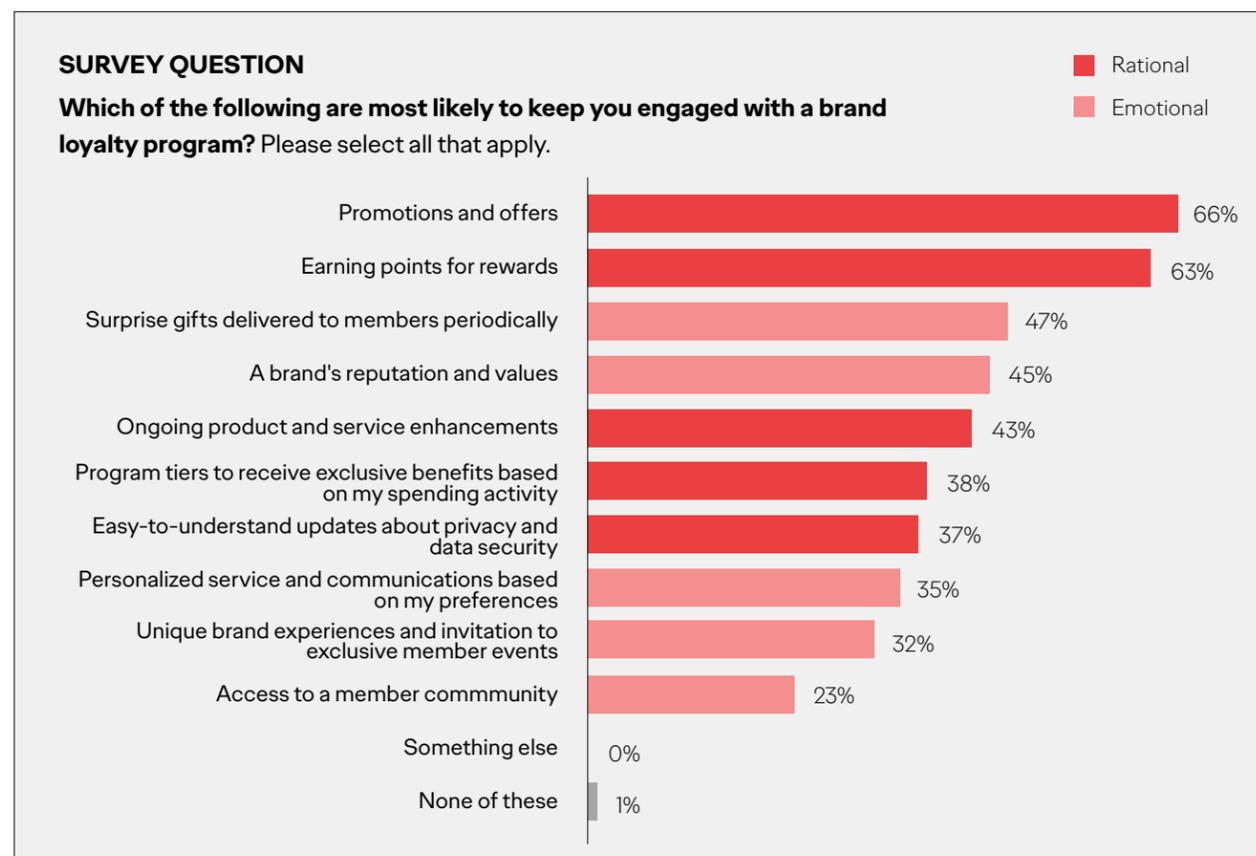
The old approach of relying on regular communications, discounts, and point-based currency is not sustainable.



A new approach, building emotional loyalty and personal relationships, is what's needed. Eight in ten consumers surveyed indicate that **emotional benefits help maintain engagement in a loyalty program.**

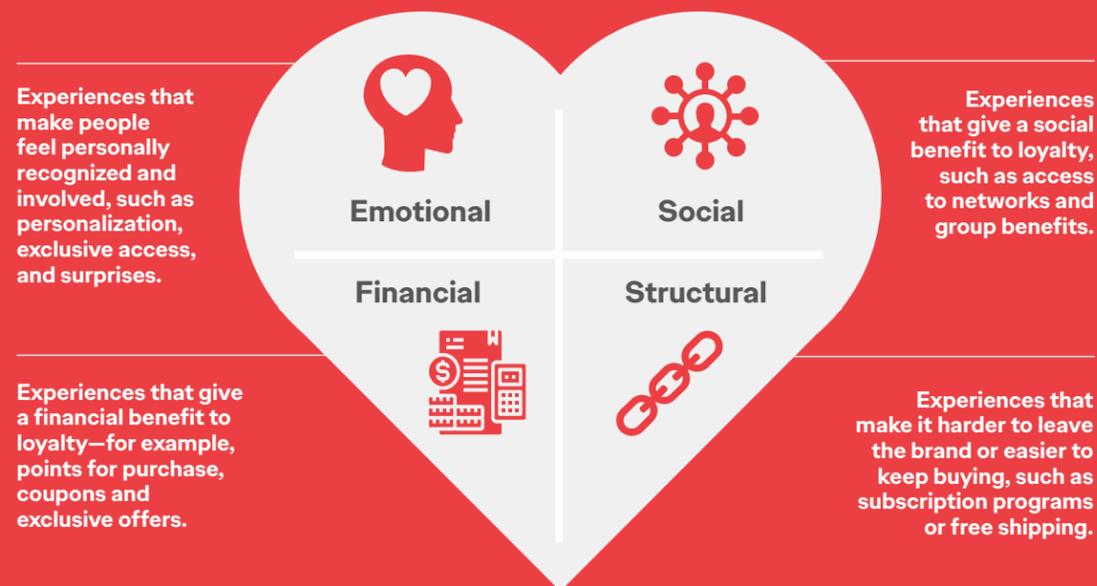
This is not about one type of benefit over the other. It's about a balanced approach that appeals to a wide range of generational and regional segments. (See appendix, question 11.)

An engagement approach that addresses both rational and emotional motivations helps programs evolve to provide richer experiences and targeted value to customers.



BOND WITH CONSUMERS IN FOUR WAYS

We believe brand devotion requires four types of consumer bonds: **emotional, social, financial, and structural.**

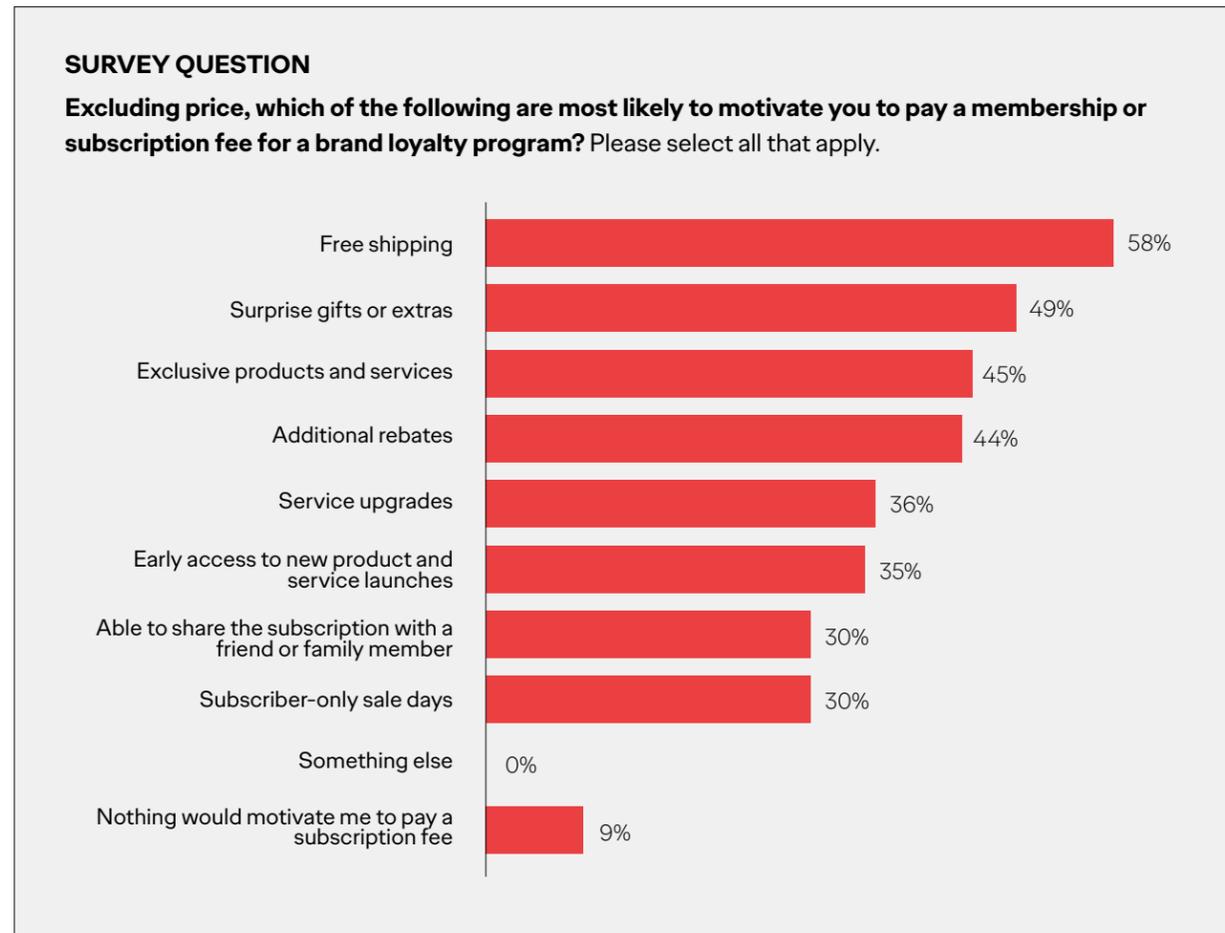


By factoring in these four components, a company extends its brand value and differentiates its loyalty proposition. The strong bonds built can unlock advocacy or sustain negative interactions.

6. Most consumers are motivated by paid loyalty offerings

What will customers pay for?

91% of respondents say they're willing to pay to get what they want, whether that's free shipping or surprise extras. For new programs, paid loyalty is a smart consideration. For existing programs, paid loyalty is often an overlay strategy specifically aimed at revenue generation. (See appendix, question 12.)



7. How your program shows up in the customer journey matters

Engagement first needs to be digital.

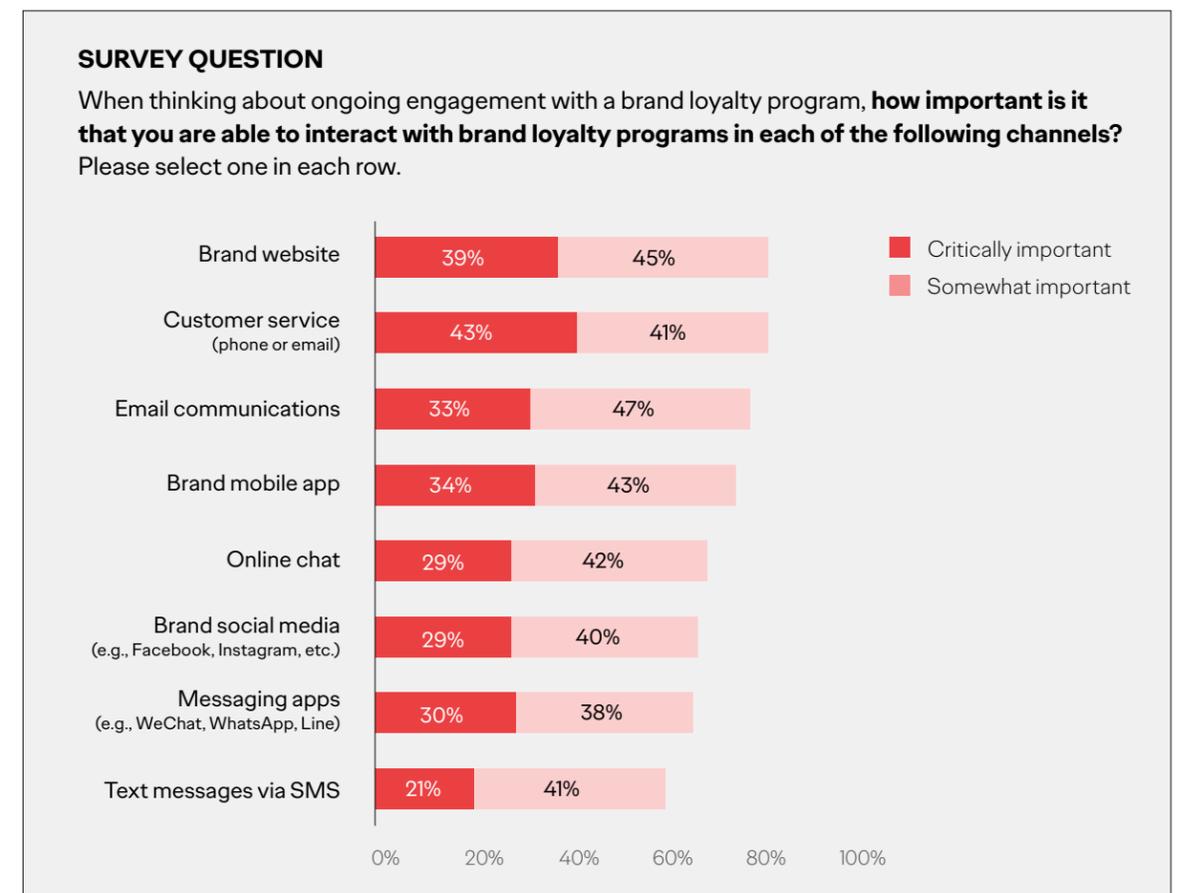
97% of respondents indicate that at least one type of digital interaction with a loyalty program is important to member engagement;

73% call it critical.

The survey revealed customer service is vitally important to consumers. While digital customer service is efficient, enabling the consumer to reach a real person who understands their needs can create an exceptional experience. Imagine

having a brand interaction that doesn't recognize your loyalty or your issue. Obviously, one-to-one experiences are imperative at every touch point.

That said, people live across digital channels—they're on a brand's site, app, social sites, and more. **Nearly one quarter of respondents identified four to six types of digital channels as critically important for member engagement.** As more options emerge on social and messaging apps (e.g., WeChat, WhatsApp), a brand must efficiently expand its loyalty ecosystem. Today's data and technology can connect and fuel personalized, scalable customer experiences from acquisition to activation to brand advocacy.



DATA AS FUEL

A brand's loyalty strategy and the single customer view must work in tandem to achieve customer lifetime value. Customer data is the fuel for continuous analysis and measurement of the value proposition and the impact on the business objectives. Insights from these components guide changes to the program construct—and channel and marketing engagement—to meet shifting consumer needs and influence market and socioeconomic trends.

The creativity involved in delivering a personalized experience begins with capturing data to better understand a consumer's behaviors and expectations for a brand relationship. Today's marketers then leverage this data, plus research, with behavioral, psychological, and technological tools to create a holistic, transformational approach to loyalty.

Best-in-class brands excel when they unearth unique insights about their customers and then translate those findings into a meaningful loyalty strategy.

To discover each brand's singular loyalty insights, Ogilvy Experience uses a broad range of research methods, helping our clients develop deep empathy for their customers. We consider customers' behaviors, mindsets, engagement journeys, and needs—both known and unknown. Then, based on newly examined customer data, we uncover insights to guide our recommendations for long-term engagement. Furthermore, our decades of experience building many of the world's biggest brands enable our team to identify—and this is key—opportunities unique to a client's brand.

EMBRACE TECHNOLOGY TO DELIVER FUTURE STRATEGIES

Thanks to various technologies, it's increasingly possible to meet the consumer in highly personalized ways at every touch point throughout the customer journey. On average, companies spend 28% of their budgets addressing tech debt. Perhaps surprisingly, that's nearly the same as the 33% they spend on driving innovation.*

What to do? Building a future-proof marketing technology stack requires adopting a composable approach. Leading digital experience platforms (DXPs) achieve this by composing, or combining, packaged business capabilities (PBCs). Each PBC is a feature or capability of the application and is typically a third-party software component. For example, a PBC could be a shopping cart, a promotion, or a business user.

Organizations that use composable architecture see many benefits:

FASTER TIME TO VALUE

Using our Platform DXP, customers no longer struggle to implement beyond content management.

BEST-OF-BREED APPROACH

Our Platform DXP allows our clients and partners to assemble Sitecore solutions that work with a best-of-breed martech stack.



LOWER TOTAL COST OF OWNERSHIP

Customers shouldn't have to battle with the high cost of hosting and annual upgrades. DXPs address both.

HIGHER ROI

With a composable solution, customers get to ROI faster and unlock further opportunities to accelerate growth.

FLEXIBLE DEVELOPMENT

This approach allows us to build client solutions with modern frameworks: Headless, Jamstack, MACH, etc.

DIFFERENTIATED SOLUTIONS

Partners can build value-add and differentiated solutions, and then go after a larger addressable market.

TECHNICAL TALENT POOL

Partners and customers can access a wider pool of talent across both .Net and Javascript communities.

FASTER DEVELOPMENT CYCLES

Modern CI/CD pipelines and DevOps reduce innovation cycles, thereby leading to far greater agility.

In summary, a composable approach uses various vendors, offering robust and comprehensive functionality; it doesn't rely on a single vendor to produce standard functionality as a one-size-fits-all offering.

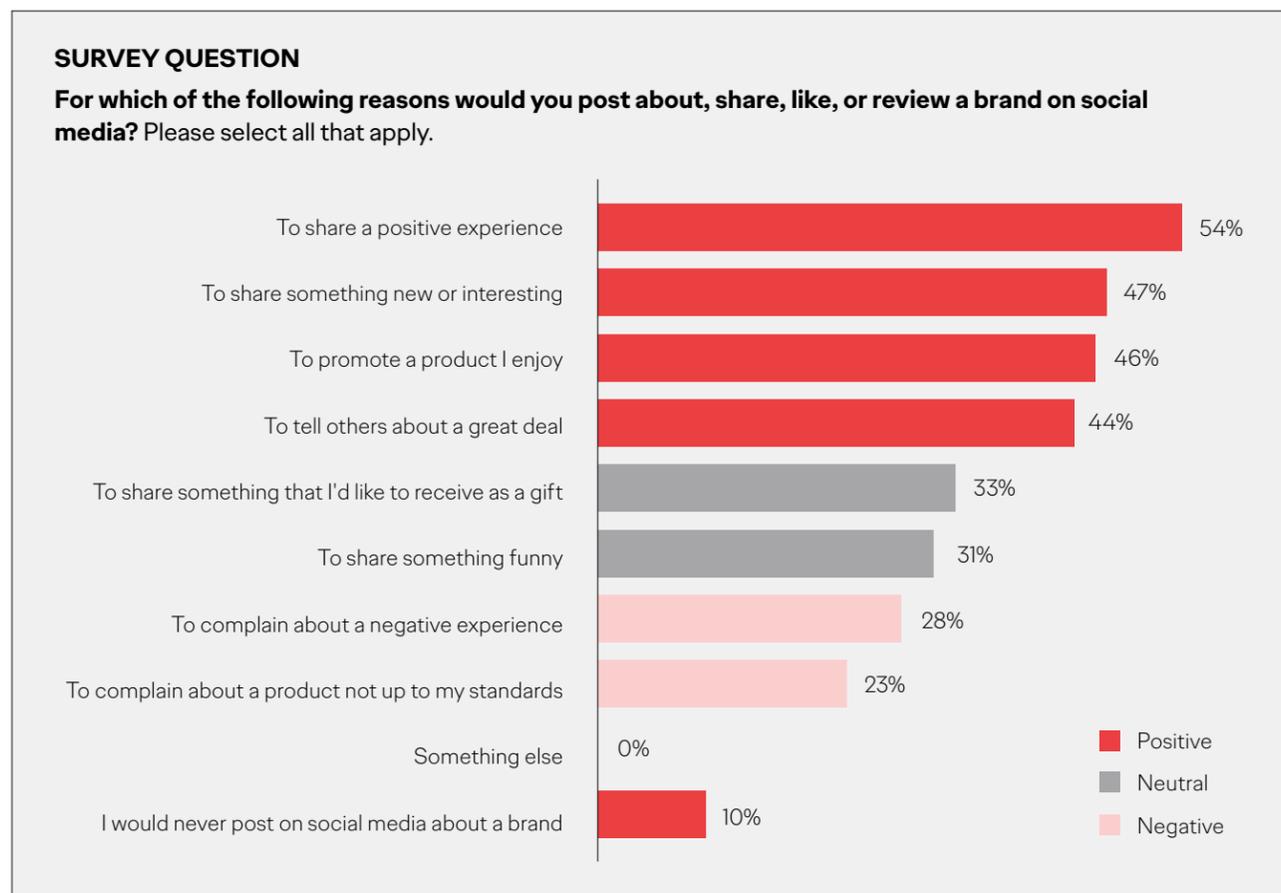
* BusinessWire, "Study Reveals Majority of IT Leaders Consider Technical Debt One of the Biggest Threats to Innovation as They Build Back," June 15, 2021.

8. Brand experiences live beyond the individual customer

It's certain that a good or bad brand experience can impact a BEC's perception. But such an experience doesn't end with a single consumer. Previously, a customer might tell a few friends or family members about good or bad brand experiences.

Today's empowered consumer can influence brand impressions exponentially by reaching out to their followers on social media. That may mean a few dozen people or tens of thousands.

Positive experiences are most likely to be shared, but even neutral or negative experiences show up in the social sphere. Knowing this, brands should consider not only how they deliver great brand experiences, but how to help consumers tell the brand's story. Respondents in India and South Africa are particularly vocal in their channels. (See appendix, question 13.)



GENERATIONAL DRILL DOWN

When studying generational differences, tendencies suggest, each generation brings its own expectations from loyalty programs. Consumers appear to value program elements that are core to brand experience when they're establishing their buying power as new adults.

BABY BOOMERS	GEN X	GEN Y	GEN Z
<i>Traditional loyalty</i>	<i>Inclusive loyalty</i>	<i>Personalized loyalty</i>	<i>Innovative loyalty</i>
Baby Boomers, shaped by the mass advertising and marketing era, value traditional loyalty drivers like rational benefits and are slow to adopt innovations.	While Gen Xers experienced the mass advertising and marketing era, they were at the forefront of the dot-com era. This broad exposure is probably why they're as likely to index for both traditional and newer loyalty components and channels.	Members of Gen Y are both ambitious and savvy about tech. They're also more in control of their digital touch points and open to innovative experiences . However, exposure to the dot-com bubble burst, 9/11, and the 2008 mortgage crisis has honed their attention on the financial benefits of loyalty programs.	Gen Zers, the emerging program acquisition audience, are adventurous and innovative. Less enamored by traditional program benefits and touch points, they're looking for brands whose values align with theirs , or they ignore brands altogether by spending little and "thrifting" at independent vintage stores and estate sales.

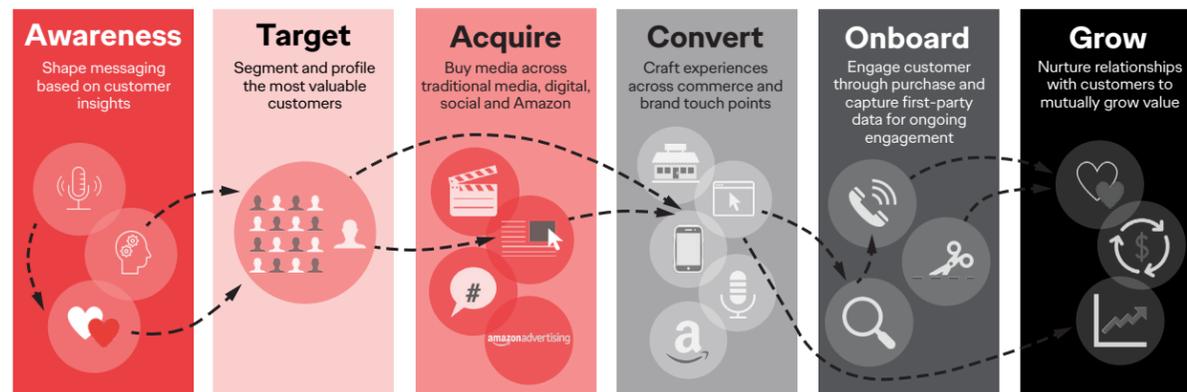
Customizable loyalty strategies should address the generational needs of their members, while staying true to the loyalty ambition and value prop.

CONCLUSION

How does your brand stack up against consumer expectations?

It's obvious from the survey findings that brands must develop creative loyalty strategies based on customer data to be successful. And they must implement loyalty strategies across all phases of the customer journey—from acquisition to activation to brand advocacy.

Today's loyalty stretches far beyond points and miles. It's bigger than a loyalty program and requires more than a marketing team. It's also not just about the currency value exchange, x for y, with a customer. If that were true, loyalty programs would exist only for brands' current, or even best, customers. In fact, data improves brand interactions, and thereby loyalty, across the entire customer journey for all consumers. Thus, loyalty today presents expansive opportunities for brands.



Ogilvy EXPERIENCE

Ogilvy Experience boasts 3,000 data strategists, product managers, designers, solution architects, and engineers who create experiences at the intersection of customer unmet need, business imperative, technology, and data possibilities. Together, our teams devise comprehensive strategies and full-funnel experiences that deliver speed-to-value for clients at scale.

The Lacek Group

The Lacek Group is a Minneapolis-based, data-driven loyalty, experience, and customer engagement agency that has been delivering results for its world-class clients for more than 25 years. The Lacek Group is an Ogilvy Experience company.

SITECORE®

Sitecore is the leading provider of end-to-end digital experience software. Unifying data, content, commerce, and experiences, our SaaS-enabled, composable platform empowers brands like L’Oreal, Microsoft, United Airlines, and PUMA to deliver unforgettable interactions across every touch point. Our solution provides the cutting-edge tools brands need to build stronger connections with customers, while creating content efficiencies to stand out as transformation and innovation leaders. Experience more at [sitecore.com](https://www.sitecore.com).

APPENDIX

Survey results are shared at a “total respondents” level. Statistically significant market differences above and below average are **visualized by flag location:**

- Markets that fall below the average are on the left-hand side of the total percentage.
- Markets above the average are on the right-hand side of the total percentage.

QUESTION 1

Please indicate if you are **signed up to engage or interact with any brand(s)** within each industry. This could be communications or posts about offers, purchases, events, service contracts, membership, etc.

66%

Yes, I've signed up for a brand's loyalty program.



QUESTION 2

To what extent do you agree or disagree with each of the following? **I know exactly how many brand loyalty programs I currently belong to.**

72%

Agree (somewhat/completely).



QUESTION 3

Please indicate if you are **signed up to engage or interact with any brand(s)** within each industry. This could be communications or posts about offers, purchases, events, service contracts, membership, etc. **Not a loyalty program.**

81%

Yes, I've given a brand permission to communicate with me through email, text messaging, social media, etc., but not a loyalty program.



QUESTION 4

For each of the below, please indicate if you are signed up to engage or interact with any brand(s) **within each industry**. This could be communications or posts about offers, purchases, events, service contracts, membership, etc. Please select one on each row.

Brand-engaged consumers (defined as those who selected either response):

Yes, I've given a brand permission to communicate with me through email, text messaging, social media, etc., but not a loyalty program.

Yes, I've signed up for a brand's loyalty program.

84%

RETAIL

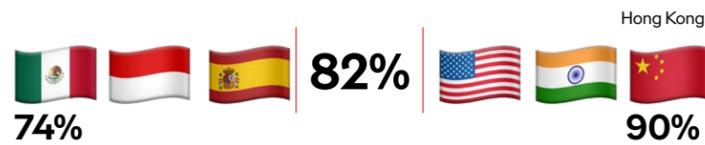
(e.g., department stores, convenience stores, fuel stations, online retail, etc.)



82%

FOOD

(e.g., restaurants, grocery stores, etc.)



73%

SERVICES OR EXPERIENCES

(e.g., airlines, hotels, amusement parks, etc.)



84%

FINANCIAL SERVICES

(e.g., banking, credit card, investing, etc.)



QUESTION 5

To what extent do you agree or disagree with each of the following? **Personalized communications and experiences from a brand loyalty program are no longer nice to have, they are a must-have for me.**

62%

Agree (somewhat/completely).



QUESTION 6

How important or unimportant are each of the following? Having **brand representatives know who I am and understand my preferences**, particularly when I have provided the brand my information.

73%

Critically important/somewhat important.



QUESTION 7

When it comes to joining or remaining engaged in a brand loyalty program, **has the importance of a brand's reputation, values, and actions changed for you over the past few years?** Please select one.

50%

Yes, somewhat more important/much more important.



QUESTION 8

How important or unimportant are each of the following? **Being treated as a loyal customer across all brand interactions and engagements** (e.g., online and offline).

85%

[X] Critically important/somewhat important.



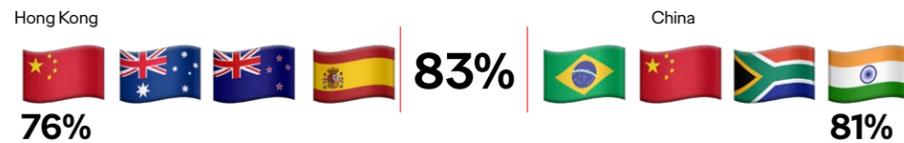
QUESTION 9

What makes you feel loyal to a brand? Please select all that apply.

89%
RATIONAL



83%
EMOTIONAL



QUESTION 10

To what extent do you agree or disagree with each of the following? **I have stopped engaging with a brand loyalty program because of a single bad experience** (e.g., customer service, product quality, etc.).

44%

[X] Agree (somewhat/completely).



QUESTION 11

Which of the following are most likely to keep you engaged with a brand loyalty program? Please select all that apply.

92%
RATIONAL



83%
EMOTIONAL



QUESTION 12

Excluding price, which of the following are most likely to motivate you to pay a membership or subscription fee for a brand loyalty program? Please select all that apply.

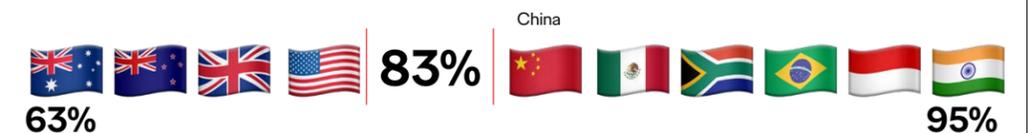
91%
ANY NET



QUESTION 13

For which of the following reasons would you post about, share, like, or review a brand on social media? Please select all that apply.

83%
POSITIVE



50%
NEUTRAL



38%
NEGATIVE



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