

How Consumers Really Feel About Loyalty Programs

Landscape: The Customer Loyalty Playbook

by Emily Collins

May 8, 2017

Why Read This Report

Loyalty programs are ubiquitous, but consumer appetite for the promise of savings and recognition is not dwindling. Consumers are asking for more and expect programs to deliver beyond the points. In return, loyalty program members display greater potential than the average consumer for a more substantial relationship. B2C marketing professionals should consider the current consumer attitudes outlined in this report when creating or updating their loyalty programs.

This is an update of a previously published report. Forrester reviews and updates it periodically for continued relevance and accuracy; we revised this edition to factor in the most recent Forrester Consumer Technographics® data.

Key Takeaways

Savings Fuel Loyalty Program Enrollment

Forrester's data shows that instant discounts and savings fuel program enrollment and participation. Members report that programs influence where they shop, how much they spend, and what they buy.

Member Behavior Goes Beyond Taking Advantage Of Discounts

Compared with the average US online consumer, loyalty program members are more likely to evangelize and recommend products and services and pay a higher price when the conditions are right. Programs that balance discounts with nontransactional interactions will boost customer engagement.

Members Rate Customer Experiences Higher

Loyalty program members are more likely to rate their customer experiences higher than nonmembers across several industries, including travel and retail. In the age of the customer, loyalty programs help create a better customer experience.

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Consumers Join Loyalty Programs For More Than The Perks

B2C marketing pros responsible for growing customer loyalty are increasing investments in their loyalty programs, placing heavy emphasis on improving customer experience.¹ And it's no wonder — in a typical three-month period, loyalty program members on average spend \$42.33 more with traditional retailers (those with physical stores) than shoppers not in a loyalty program, and program members rate their customer experiences higher than nonmembers across most industries.² To better understand consumer perceptions of and participation in loyalty programs, we evaluated the latest data from several Forrester Consumer Technographics Surveys. We found that consumers:

- › **Join a multitude of programs.** Seventy-two percent of US online adults belong to at least one loyalty program, and on average, those enrolled in loyalty programs report that they belong to nine.³ Their membership spans programs across industries, but the highest penetration — over two-thirds of consumers in loyalty programs — occurs in high-frequency activity categories like grocery and drugstores (see Figure 1). Membership in programs for banks and credit cards, retail programs, quick service restaurants, and travel and hospitality brands follows. Enrollment behavior varies based on age. For example, Gen Y consumers are less likely than most older consumer age groups to belong to grocery programs but have a higher enrollment in bank and credit card programs.⁴
- › **Seek to join programs of brands they like.** US online adults report that programs influence their shopping behavior — specifically, where they shop, what they buy, and how much they spend (see Figure 2). While less than a quarter (24%) of US online adults who belong to loyalty programs feel that they belong to too many, 56% of consumers agreed with the statement “I seek out loyalty programs of brands that I like.”⁵ And they agree that programs make them feel more loyal.⁶ These warm and fuzzy feelings are shared by all age groups. In fact, Millennials are even more likely than older generations to agree that programs make them feel more loyal to a brand.⁷
- › **Want to feel special.** Empowered consumers want what they want when they want it, and this extends to loyalty program benefits. Most customers gravitate toward loyalty program membership as a way to save money, but they also want something extra — 59% of US online adults who

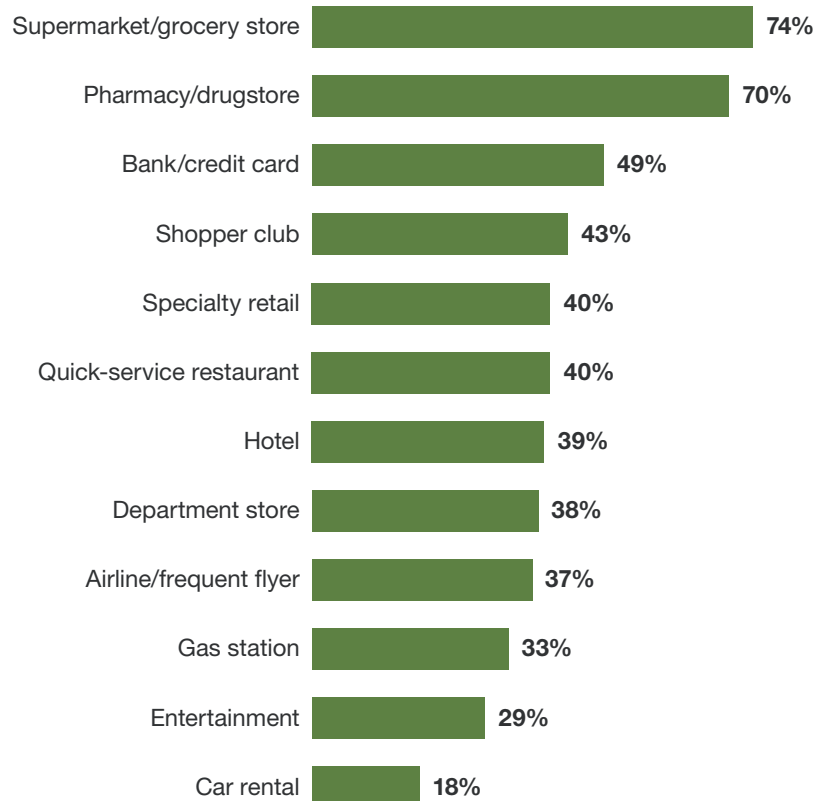
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belong to a customer loyalty program say that getting special offers or treatment that isn't available to other customers is important to them. For consumers who regularly participate in a majority of those programs, 69% find special treatment important.⁸ That's not to say that points and discounts aren't alive and well, but consumers want more out of their loyalty programs. Fifty-six percent of US online adults want enhanced customer services such as member-only events or services (see Figure 3). Over the last three years, consumer interest in receiving enhanced customer service increased seven percentage points, while interest in points and discounts remained nearly flat.⁹

FIGURE 1 High-Frequency Purchase Categories Command Loyalty Program Enrollment

“Which of the following types of customer loyalty programs do you belong to?”



Base: 3,322 US online adults (18+) who belong to a customer loyalty program

Source: Forrester Data Consumer Technographics® North American Retail And Travel Survey, Q4 2016 (US)

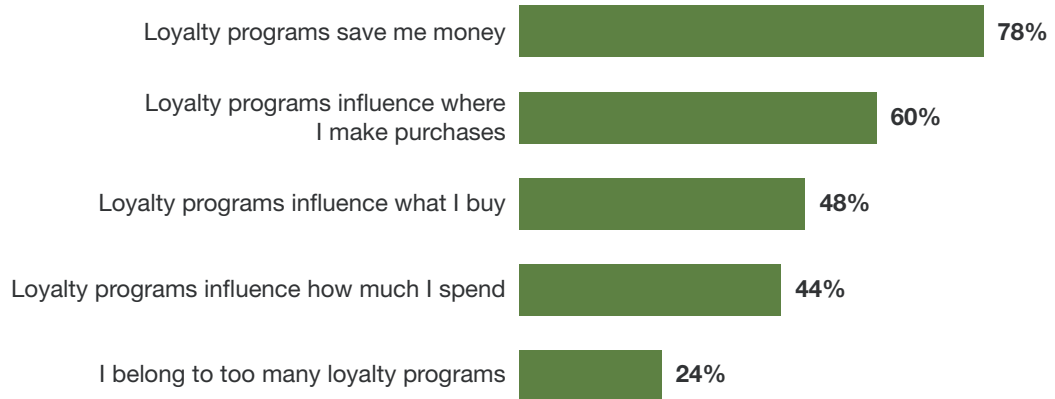
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FIGURE 2 Consumers Expect Monetary Benefits From Loyalty Programs

“How much do you agree with the following statements regarding customer loyalty programs?”

(4 or 5 on a scale of 1 [strongly disagree] to 5 [strongly agree])



Base: 3,322 US online adults (18+) who belong to a customer loyalty program

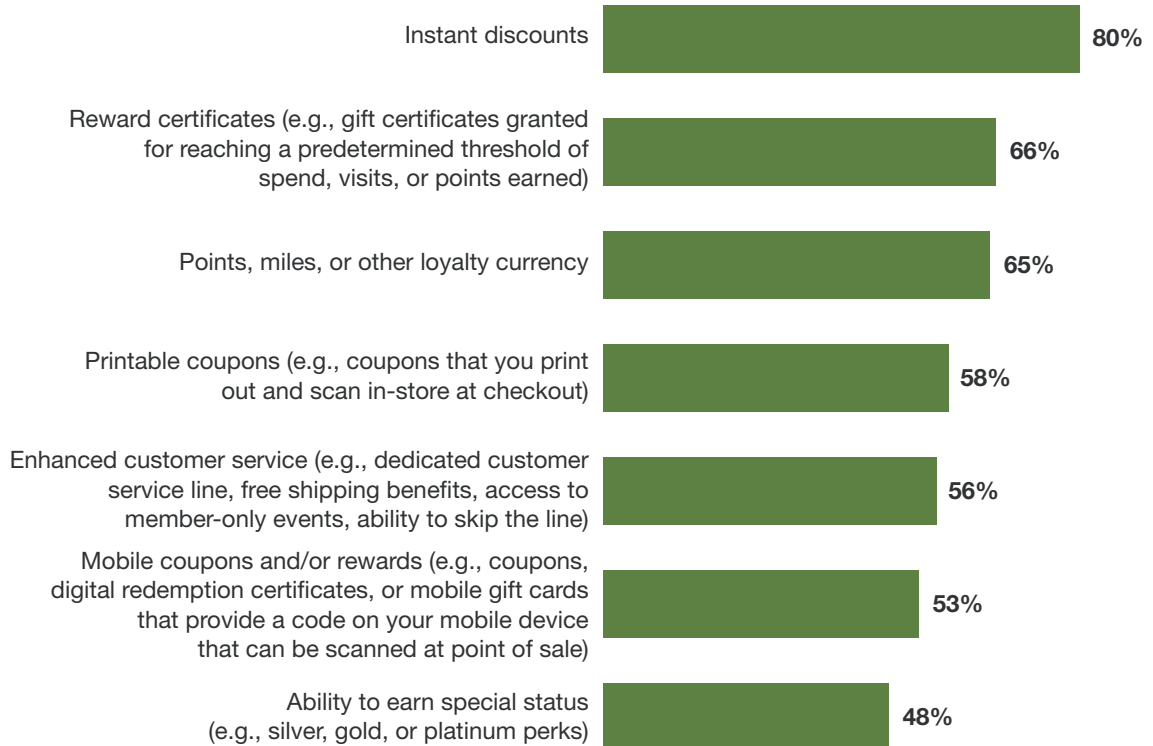
Source: Forrester Data Consumer Technographics® North American Retail And Travel Survey, Q4 2016 (US)

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FIGURE 3 Consumers Perceive Loyalty Programs As An Opportunity To Save Money**“Thinking about the loyalty programs you belong to or have considered joining, how important is it that a program contains the following elements?”**

(4 or 5 on a scale of 1 [not important] to 5 [very important])



Base: 4,585 US online adults (18+)

Source: Forrester Data Consumer Technographics® North American Retail And Travel Survey, Q4 2016 (US)

Loyalty Program Members Are Your Most Valuable Customers

Our data shows that consumers who enroll in programs display the potential for deep, long-lasting relationships that go beyond the discounts a brand offers to loyalty program members. And not just because loyalty programs drive valuable user behaviors and attitudes. Loyalty program members also tend to feel more valued — 65% of members feel like the brand rewards their loyalty, compared with only 28% of nonmembers who feel that way — and self-identify as loyal customers.¹⁰ This is good for business because members also:

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- › **Rate their customer experiences higher.** Forrester's Customer Experience Index (CX Index™) shows that loyalty program members are likely to rate customer experience with a brand seven points higher than nonmembers. And members don't just value their experiences more; they value the brand more. Program membership correlates to advocacy, retention, and enrichment.¹¹
- › **Appreciate nontransactional rewards.** Discounts and savings attract consumers. But our data shows that loyalty program members value benefits beyond cash savings. Thirty-nine percent of those who regularly participate in the loyalty programs they join are interested in redeeming their points for experiential rewards — such as tickets to a concert or private cooking lessons.¹²
- › **Spend more and will pay a higher price.** Loyalty program members spend more with traditional retailers than other shoppers. Their average spend in the past three months at the time of the survey was \$184, versus \$141 for nonmembers.¹³ And compared with the average US online consumer, loyalty program members have feelings for brands that go deeper than the discounts offered. Members who are regularly accessing loyalty programs and services on their devices are more likely to pay higher prices for products and services that have a relatable image than members who rarely, if ever, participate in loyalty programs.¹⁴
- › **Advocate and evangelize.** Our research shows a positive correlation between participation in a given program and consumers' likelihood to recommend: Members of a brand's loyalty program are significantly more likely to recommend that specific brand.¹⁵ And with emotion — specifically feeling valued, appreciated, and confident — identified as one of the biggest drivers for loyalty, B2C marketing pros should prioritize driving loyal attitudes as much as increasing purchase behavior over time.¹⁶

Recommendations

Look Beyond The Face Value Of Your Loyalty Program

B2C marketers focus a lot of energy on quantifying the “give and get” of their loyalty programs — for example, determining how much a point is worth, identifying redemption thresholds, or selecting discount amounts. But doing so emphasizes only part of the value that the loyalty program generates. Companies that capitalize on member relationships and building both behavioral and emotional loyalty improve program results and differentiate from competitors.¹⁷ To do this at your firm:

- › **Consider the nuances of your audience.** Loyalty members are not all created equal, and different types of rewards may resonate with different segments. But the age of the customer demands customer obsession.¹⁸ Leverage customer insights to better understand who your customers are and what they want from the relationship, and use that knowledge to drive your program strategy, reward design, and personalization. Loyalty members are even more likely to respond to solicited feedback if it means more relevant rewards or offers. For example, a company might explicitly ask customers if they want to “see more deals like this”; or, after a customer purchases a blouse, a retailer could send suggestions for skirts to match.

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- › **Balance your rewards mix.** All members aren't gold diggers. Woo newbies with discounts, but use less-generic rewards to give members options. For example, Kimpton Hotels' rewards program offers all members opportunities to earn Kimpton Karma by staying, dining, and interacting on social media. Perks range from free Wi-Fi, bar credits, and free nights to more experiential benefits like priority reservations, a dedicated reservation line, and even access to the CEO.¹⁹ Companies can differentiate their programs by partnering to offer value-add benefits. For example, Starbucks partners with Lyft, Spotify, and The New York Times to allow My Starbucks Rewards members the chance to earn Stars through non-Starbucks purchases.²⁰
- › **Measure relationship — not just operational — metrics.** Measuring the operational aspects of a loyalty program — such as new signups, offer uptake, earn-and-burn transactions, and so on — is important, but it only reveals what happens in response to a marketer-controlled message. B2C marketing pros should also see how loyalty is improving customer intimacy as well as involvement with a brand, physical store visits, social and customer service call sentiment, shared content, and brand affinity. For instance, one insurance company we spoke with is developing a “lifetime-value-to-the-customer” metric. It will complement its customer lifetime value metric and track how the company demonstrates value to and appreciates customers over time.

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Supplemental Material

Survey Methodology

Forrester Data Consumer Technographics North American Retail And Travel Survey, Q4 2016 (US), was fielded in October 2016. This online survey included 4,585 respondents in the US between the ages of 18 and 88. For results based on a randomly chosen sample of this size, there is 95% confidence that the results have a statistical precision of plus or minus 1.5% of what they would be if the entire population of US online adults (defined as those online weekly or more often) had been surveyed.

Forrester weighted the data by age, gender, region, income, and broadband adoption to demographically represent the US online adult population. The survey sample size, when weighted, was 4,585. (Note: Weighted sample sizes can be different from the actual number of respondents to account for individuals generally underrepresented in online panels.) Lightspeed GMI fielded this survey on behalf of Forrester.

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For Forrester Data Customer Experience Index Online Survey, US Consumers 2016, Forrester conducted an online survey fielded in February through May 2016 of 122,500 US individuals ages 18 to 88. For results based on a randomly chosen sample of this size (N = 122,500), there is 95% confidence that the results have a statistical precision of plus or minus 0.01% of what they would be if the entire population of US adults who are online weekly or more often had been surveyed. The final data set was stacked by brand (319 US brands) and weighted by age, gender, region, income, and broadband adoption to represent 242,494 weighted respondents answering for all brands. (Note: Weighted sample sizes can be different from the actual number of respondents to account for individuals generally underrepresented in online panels.) Please note that respondents who participate in online surveys generally have more experience with the internet and feel more comfortable transacting online.

How To Get Access To Forrester's CX Index Data Analysis And Insights

Forrester's CX Index helps companies do three things. It 1) arms you with a deep and actionable understanding of the quality of your customer experience, 2) provides competitive benchmark data so you know how you stack up against your peers, and 3) enables the ability to model which improvements will have the biggest impact on revenue and other key business metrics.

Forrester collects CX Index data on more than 800 brands in 17 industries across eight key markets (Australia, Canada, China, France, Germany, India, the UK, and the US). If you wish to find out more details regarding Forrester's CX Index data and services or how you can leverage the methodology, please contact your account manager or data@forrester.com.

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Endnotes

¹ In a global survey of B2C marketing decision makers, 81% stated that improving customer loyalty and 76% stated that aligning their brand's promise with their customers' experience were top priorities over the next 12 months. Source: Forrester Data Global Business Technographics Marketing Survey, 2015.

CMOs must engage with CIOs to wield a critical asset: the business technology (BT) to win, serve, and retain customers. This report identifies the top technologies for your BT agenda, including systems of insight to understand customers and systems of engagement to win, serve, and retain them along every step of their journeys. See the Forrester report "[The Top Technologies For Your Business Technology Agenda, 2016.](#)"

² Members of traditional retail loyalty programs spent an average of \$183.50 over a typical three-month period, compared with \$141.20 spent by nonmembers. Source: Forrester Data Customer Experience Index Online Survey, US Consumers 2016.

Many loyalty programs include perks designed to give a firm's best customers a differentiated experience. But do they deliver? In this brief, we answer that question by comparing the CX Index scores given by loyalty program members versus nonmembers across four industries — airlines, car rental providers, hotels, and retailers. See the Forrester report "[Brief: Loyalty Program Members Give Brands Higher Customer Experience Index Scores.](#)"

³ Source: Forrester Data Consumer Technographics North American Retail And Travel Survey, Q4 2016 (US).

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- ⁴ Seventy-four percent of Gen Y (28- to 36-year-old) consumers belong to supermarket/grocery store customer loyalty programs compared with 76% of Gen Xers (37- to 50-year-olds) and 79% of Young Boomers (51- to 60-year-olds). Comparatively, 53% of Gen Y consumers but only 49% of Gen X consumers and 45% of Young Boomers belong to bank and credit card loyalty programs. Source: Forrester Data Consumer Technographics North American Retail And Travel Survey, Q4 2016 (US).
- ⁵ Source: Forrester Data Consumer Technographics North American Retail And Travel Survey, Q4 2016 (US).
- ⁶ Fifty-three percent of online adults (18+) who belong to any customer loyalty program agree with the statement, “Loyalty programs make me feel more loyal to the brand.” Source: Forrester Data Consumer Technographics North American Retail And Travel Survey, Q4 2016 (US).
- ⁷ More than 60% of both younger and older Millennials (Gen Z and Gen Y) who belong to customer loyalty programs agree that loyalty programs make them feel more loyal to the brand; 51% or less of respondents over age 37 agree with this same statement. Source: Forrester Data Consumer Technographics North American Retail And Travel Survey, Q4 2016 (US).
- ⁸ Source: Forrester Data Consumer Technographics North American Retail And Travel Survey, Q4 2016 (US).
- ⁹ Forrester asked survey respondents to indicate how important different elements of loyalty programs are to them when thinking about programs they belonged to or those they’ve thought about joining: Comparing 2013 to 2016, “Instant discounts” has seen less than a one percentage point change while “Enhanced customer service” has had some fluctuation but has ultimately gone up by seven percentage points. Source: Forrester Data North American Technographics Customer Life Cycle Survey, Q2 2013 and Forrester Data Consumer Technographics North American Retail And Travel Survey, Q4 2016 (US).
- ¹⁰ Nearly two-thirds (64%) of US online adults who belong to any customer loyalty program and who regularly participate in most of the programs they join say that loyalty programs make them feel more loyal to the brand or company, compared with 42% who participate in just a few programs and 19% who rarely participate. Source: Forrester Data Consumer Technographics North American Retail And Travel Survey, Q4 2016 (US).
- This excludes consumers in hotel loyalty programs because this question was omitted for the hotel industry. Source: Forrester Data Customer Experience Index Online Survey, US Consumers 2016.
- ¹¹ Source: Forrester Data Customer Experience Index Online Survey, US Consumers 2016.
- For more comparisons of CX Index scores given by loyalty program members versus nonmembers to different firms in the four industries (airlines, car rental providers, hotels, and retailers), see the Forrester report “[Brief: Loyalty Program Members Give Brands Higher Customer Experience Index Scores.](#)”
- ¹² Source: Forrester Data Consumer Technographics North American Retail And Travel Survey, Q4 2016 (US).
- ¹³ Source: Forrester Data Customer Experience Index Online Survey, US Consumers 2016.
- ¹⁴ Forty-two percent of US online adults who regularly access their loyalty programs or services they join across desktop/laptop, tablet, and/or mobile agree that they are willing to pay more for products consistent with an image they like. Source: Forrester Data Consumer Technographics North American Retail And Travel Survey, Q4 2016 (US).
- ¹⁵ Loyalty program involvement and advocacy are positively correlated. Sixty-eight percent of members of a loyalty program will positively recommend the program’s brand, compared with 60% of nonmembers. Source: Forrester Data Customer Experience Index Online Survey, US Consumers 2016.
- ¹⁶ In most industries, how an experience makes customers feel has a bigger influence on their loyalty to a brand than effectiveness or ease. See the Forrester report “[The US Customer Experience Index, 2016.](#)”
- ¹⁷ Earning customer loyalty is crucial to business success and, to truly measure and demonstrate loyalty, brands must consider both customer emotion and behavior. See the Forrester report “[Improve Loyalty Measurement With Behavioral And Emotional Metrics.](#)”

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¹⁸ Six years into the age of the customer, power is shifting from organizations to customers exactly as we predicted, driving more digital disruption, encouraging more consumer hyperadoption, and compelling more organizations to embrace customer obsession. All companies will have to evolve their operating model to pivot to customer obsession. See the Forrester report “[Leadership In The Age Of The Customer](#).”

¹⁹ Source: “Kimpton Karma Rewards,” Kimpton (<https://www.kimptonhotels.com/karma-rewards/benefits>).

²⁰ On July 22, 2015, Starbucks announced it would join with Lyft. Source: Mike Isaac, “Starbucks Joins With Lyft on Loyalty Program,” The New York Times Bits blog, July 22, 2015 (http://bits.blogs.nytimes.com/2015/07/22/starbucks-pairs-up-with-lyft-on-loyalty-program/?_r=1).

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