



THE GAME IS CHANGING

THE LOYALTY REPORT 2018



THE OPPORTUNITY WITHIN DISRUPTION

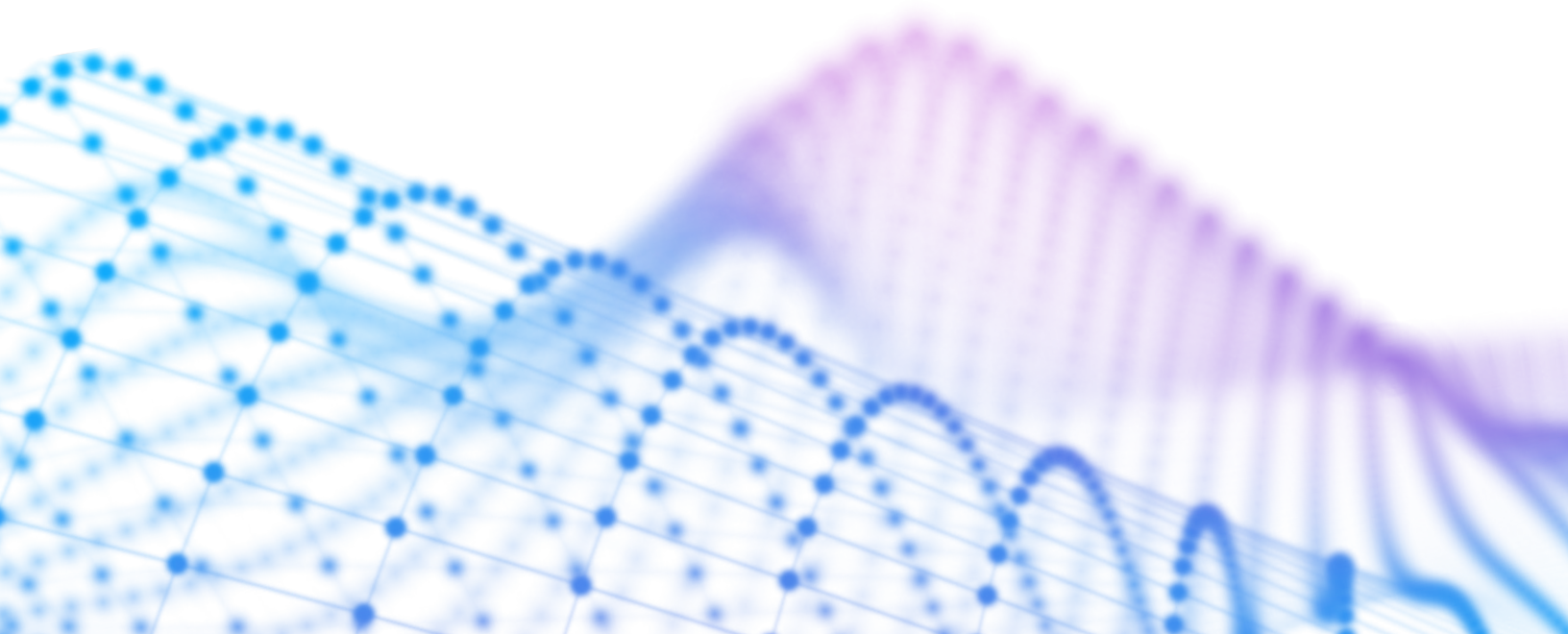
Loyalty is changing faster than ever before. The game is being disrupted by escalating customer expectations, perpetual new players, evolving technologies, and a game board that's constantly in flux. Brands must shape-shift with the living landscape as it continues to unfold—challenging traditional Program boundaries and reinvigorating the customer experience.

Loyalty is no longer simply a byproduct of the Program. It's paramount for the Brand. It's become both rational and emotional, living beyond the transaction in all Member engagements within

and beyond the Brand. Programs are now central to the customer/Brand relationship and this shifting Loyalty Program paradigm has given way to a more powerful driver of Brand performance, Member spend, choice, and advocacy.

To make smart moves, marketers and Program operators are embracing this opportunity to reimagine their strategy, rethink their Brand's boundaries, and rapidly iterate their next move.

**Where will the changing game
take your Program?**



LARGEST STUDY OF LOYALTY GLOBALLY

SAMPLE OF

50k+

NORTH AMERICAN + SOUTH AMERICAN
+ EUROPEAN CONSUMERS

EXAMINING

800+

LOYALTY PROGRAMS

IN

15+

INDUSTRY SECTORS

- Airline
- Apparel Retail
- Automotive
- Big Box Retail
- Car Rental
- CPG
- Entertainment
- Fitness
- Food Service
- Gas/Convenience
- Grocery
- Hotel
- Informal
- Online Retail
- Pet Retail
- Pharmacy
- Sports
- ... and more.

ACROSS

50+

ATTRIBUTES

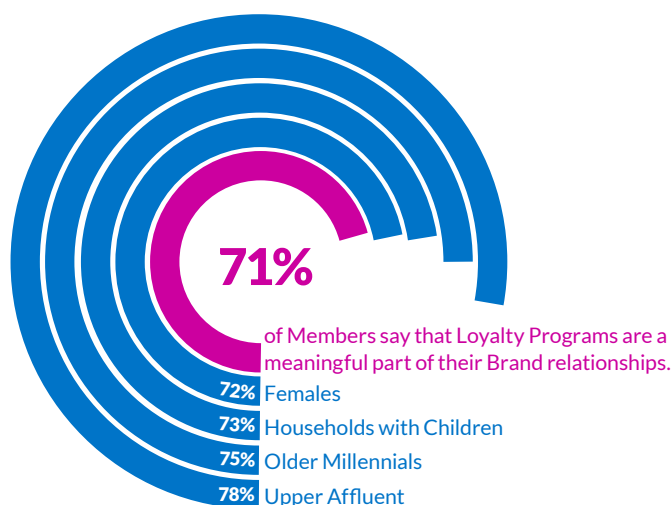
- Program Mechanics
- Rewards and Redemption
- Earn Mechanics
- Program/Brand Alignment
- Emotional Loyalty
- Program Influence on Behavior
- Digital Experiences
- Human Experiences
- ... and more.

FAST FACTS

Escalating customer expectations, new players, and a game board in flux are disrupting Loyalty and creating new opportunities for Programs to powerfully impact customer spend, choice, advocacy, and retention. The Loyalty Report 2018 decodes this shape-shifting landscape, the changing rules of engagement, evolving Program boundaries, and more. It's time for marketers and Program operators to reimagine their strategy, rethink customer engagement, and rapidly iterate their next move.

IT'S TIME TO GET IN THE GAME.

THE BRAND IS INCREASINGLY AT THE CORE OF THE EXPERIENCE



THE IMPACT

Loyalty Programs continue to heavily influence Member advocacy, retention, and spend.

70% SAY

I am more likely to recommend Brands with good Loyalty Programs.

77% STAY

Programs make me more likely to continue doing business with Brands.

63% SPEND

I modify my Brand spend to maximize Loyalty benefits.



THE EMOTIONAL CONNECTION

Programs that establish positive emotional connections with Members see 27% more of their Membership increasing their spend with the Brand.

MEMBER SATISFACTION BY SECTOR

50% Grocery

48% Credit Cards

48% Dining

47% Gas

47% Hotel

44% Specialty Retail

44% Drug Store

43% Car Rental

42% CPG

40% Movie

38% Apparel

36% Airline

TOP FIVE DRIVERS OF MEMBER SATISFACTION

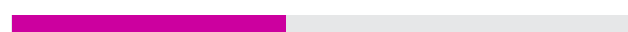
Program meets needs



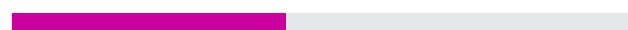
Enjoy participating in Program



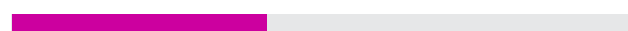
Program rewards/benefits appealing



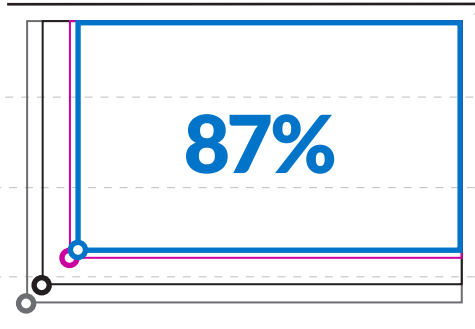
Program consistent with Brand expectations



Program makes Brand experience better

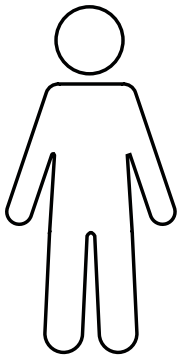
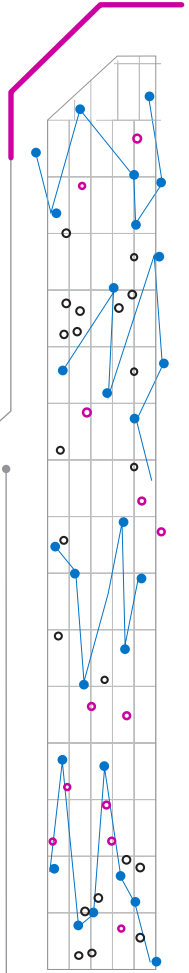


MONITORING IS MUTUALLY BENEFICIAL!



87% of Members are interested in having details of their activity and behavior monitored in order to receive access to personalized rewards or engagement. Even higher among...

88% Households with Children **91%** Gen Z
94% Affluent



YOUR PEOPLE IMPACT THE CUSTOMER EXPERIENCE

Effective Brand representatives drive higher Member satisfaction. **Yet...**

ONLY 21%
of Members are prompted to use Program by Brand representatives.

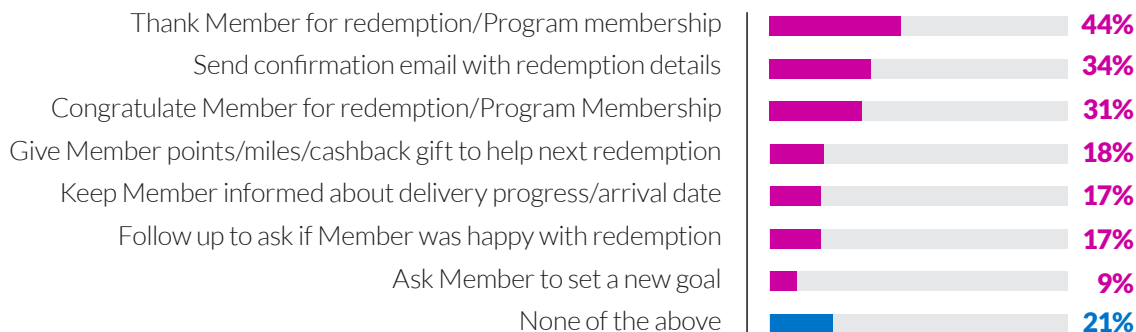
ONLY 20%
get help to make the most of their membership.

ONLY 19%
of Members feel special and recognized by Brand representatives.

MIND YOUR MANNERS!

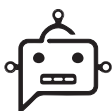
A positive redemption experience can be a long-lasting driver of Member satisfaction, yet many Programs are not taking steps to create a positive experience.

When a Member redeemed, did the Program...



ASK US ABOUT YOUR PROGRAM'S DNA
Over 800 Programs.

MEMBERS WANT TO CONNECT WITH NEW TECHNOLOGY



95%

of Members want to engage with their Program through new and emerging tech, including wearables, AR, VR, chatbots, etc.

VR

Chatbots

Wearables

AR/360° Video

Biometrics

A NEW PERSPECTIVE

CHANGE YOUR GAME AND YOU COULD SEE
A **7.5x** LIFT IN MEMBERS' SATISFACTION.

It's time to adopt a new outlook on Loyalty and move beyond your Brand's boundaries. Disruption is not only redefining the game board of Loyalty, it's creating an entirely new competitive landscape for Brands willing to make moves.

The players, agents, obstacles, goals, and strategies are all in motion. This change is being fueled by the customer's demand for better, smarter Programs—and for an expanded and enriched customer experience. Change your game to meet this expectation, and you could see a **7.5x lift in members' satisfaction**.

Amidst new players and competition, The Loyalty Report 2018 highlights where Brands can differentiate and improve the performance of their Loyalty Programs. Here are a few opportunities we think matter most to your Brand in 2018.

CHOICE IS THE NEW CURRENCY OF LOYALTY

There's a revolution happening in our homes, in our cars, on our wrists, and in the way consumers expect to engage with Brands and their products. Consumers are more open to, and even embracing, the option to track all aspects of their lives—steps taken, hours slept, lines skipped, how safely they drive...even their love lives.

We have tracked consumer openness to being observed for a long time, and our results this year show that what used to be considered creepy by many consumers is becoming mainstream; in fact, **87% say they are open to having various details of their activity monitored** in exchange for more personalized rewards and brand experiences. No longer are your customers merely counting points obtained through purchase; they're counting time saved, convenience, incidents, flexibilities, and graces.

Time, ease, access, brain space, status, humanity, and so on are the new currencies of our lives, and our loyalties.

If you're not offering this trade—intimacy for relevancy—you may be missing out on invaluable small data, not just big data, and the opportunity to use that information to forge deeper and longer lasting relationships with it. The reward is the opportunity to choose. Anything that you can count can, and will, become a Loyalty currency.

87%

of Americans are willing to have various details of their activity tracked by a brand in exchange for a more personalized and relevant relationship with the Brand or Program.

amazon go

"The number one problem for people is time poverty"

– Dilip Kumar, VP Technology Amazon Go

Commenting on the ease and time saving experience of Amazon Go.

TAKE THE LEAD, PUT PERSONALIZATION INTO PRACTICE

Too often, the advancement of technology happens exclusively to solve functional problems such as timeliness, but at the expense of the human experience. Yes, customers do want more, better, quicker, but they don't want to give up the traditional experiences that come with recognition and manners.

Our study shows that feeling valued, and special/recognized are important drivers of Member satisfaction. But only **44%** of Members were thanked for a redemption and just **19%** say their Program makes them feel special/recognized.

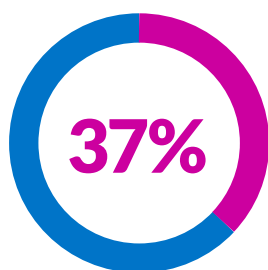
Programs should innovate in ways that use technology to create a more personalized and meaningful relationship; that arm representatives with more, better, and relevant information about the customer; and that put just as much importance on the emotional experience as on the functional experience.

A NEW PERSPECTIVE

#PAY2PLAY

The desire for convenience, and a sense of status and affluence have produced a new breed of customer—one willing to pay for access, benefits, and experiences in numbers never before seen. This group is willing to engage in a **pay-to-play** model that Brands such as Amazon Prime (once again a top-ranked Program in The Loyalty Report 2018) have so aptly recognized and capitalized on.

This model transcends the digital space. Traditional retailers, hotels, airlines, banks, and credit card issuers are taking advantage of this mechanic, knowing that **37% of customers are willing to pay a fee for an enhanced tier of Membership in their Loyalty Programs**. These customers see it as a small cost to pay for status, access, ease, and a better Program experience. Brands see the potential for a substantial revenue stream that affords them the opportunity to provide richer, more tailored, and highly relevant content and experiences.



Willing to pay a fee for enhanced benefits.

Even higher among...

47% Gen Z

46% Younger Millennials

46% Older Millennials

Brands looking to make a bold move today to secure a successful tomorrow should be seriously considering the addition of a paid Membership or tier to their Loyalty ecosystem. It's the new move for Program operators.

According to sources, Members of Restoration Hardware's two-year-old RH paid Program account for 95% of sales; Game Stop experiences 3x higher sales from paid Members; and GNC is seeing a 2x lift in sales among their paid Members. Beyond sales, these Brands are enjoying significant operational efficiencies and promotional cost savings. Also key is the fact that these brick and mortar retailers are finding themselves in digital shoes, where soon, none of their customers will be aggregate or anonymous.



LOYALTY ACROSS THE ENTERPRISE

Companies with a wide range of Brands, products, and divisions, have struggled to cohesively weave their Loyalty Programs throughout their offering, like points for card purchases but not mortgages; for flights but not in-flight purchases; for groceries but not gas. Aligning your company's diverse offerings under an enterprise-wide Program allows you to deliver an easier and more complete customer experience across all touch points. One such Brand to do this is Williams-Sonoma Inc. Its *Key Rewards Program* unlocks rewards every time key holders shop at any of their seven Brands, which include Pottery Barn, West Elm, and William-Sonoma. To keep the game changing, the parent Brand is planning to extend the Program to their soon-to-be-launched West Elm Hotel Brand.



Your customers want you to acknowledge them for a wider set of actions and spend—often across a broader set of products, services, and key Brand partners. Brands that do not offer a variety of product lines and services can mimic 'enterprise loyalty' by establishing and leveraging **partnerships with like-minded Brands**. These alliances allow Brands to curate a Loyalty ecosystem in which people are deeply engaged and entrenched in the experiences. Not to be confused with coalitions, these players are brand-aligned allies, who can help your Brand and Loyalty Program live beyond its traditional boundaries and interact with your customers wherever they are—across the enterprise. Evolution like this is eventual. If not now, when?

LOYALTY NO LONGER STANDS ALONE. IT'S INTEGRATING WITH THE CUSTOMER EXPERIENCE—AND VICE VERSA;

We are moving towards a future in which customers are not delineating between Program and Brand—where aspects of the Brand experience are facilitated by the Program and the benefits of Membership manifest themselves through better, more personal and more relevant Brand interactions. Investing in customer experience presents tremendous opportunities as well as the challenge to outpace customer expectations to surprise and delight in a demanding space.

In this digital age, meaningful human interactions have new found power to engage and retain customers. Effective Brand representatives can lift Member satisfaction by **3.9x**. Yet, Brand representatives have an opportunity to improve as only **21%** of Members are prompted to use the Program; only **20%** get help to make the most out of their memberships; and only **19%** of members say Brand representatives make them feel special and recognized.

“The Brands that are baking Loyalty mechanics right into the customer experience are the ones that are really capturing attention.”

- Sean Claessen, Bond Brand Loyalty

TECHNOLOGY IN LOYALTY HAS REACHED A TIPPING POINT

The changing Loyalty game that is underway will be facilitated and reinforced by emerging **technologies** and Members' increasing willingness (and desire) to engage with Brands and Programs digitally.

Until now, customers have been slow to welcome cutting-edge digital tech in Loyalty into their lives. We've pointed to digital innovation on the horizon for some time, and now Loyalty technology has reached a tipping point. Members have moved from skeptics to champions as the report finds that **95% of members want to engage with their Program through a mix of emerging, and growing technology**. Technology like chatbots, AI, VR, wearables, and connected devices in-home will enable new currencies, enterprise and partnership ecosystems, and the integration of Loyalty and CX to change the Loyalty game.

Technology can feel bombarding and intimidating—changing so quickly that it's difficult to know what to invest in, and when. In this new environment, our recommendation is to invest in technology that mimics or enhances your Program's humanity. The human element elicits an emotional response, which in turn nurtures a customer who is engendered to your Brand. Programs that establish positive emotional connections with Members see **27% more of their Membership increasing their spend with the Brand**.

Technologies that enable real conversations, something that makes Members feel valuable and important and drive a deeper emotional connection—these are the technologies that can help you out-manuever your competitors in an increasingly digital world. Programs scoring high on emotional connection include: Amazon Prime, Sephora Beauty Insider, and Panera Bread MyPanera.



THE LOYALTY OF TODAY IS PLAYING TO TOMORROW

This is a unique moment in time. The evolution of marketing and Loyalty is shaping a new and exciting landscape full of opportunity, risk, and reward. With **71% of Members saying that Loyalty Programs are a meaningful part of their Brand relationships**, Brands that are willing to embrace the speed of change and adapt along the way will win.

Findings and insights from the Loyalty Report 2018 will help you unlock and build new strategies to prepare your Brand for a new matrix of competition and customer experience.

A NEW PERSPECTIVE

GET MORE FROM THE LOYALTY REPORT

Contact us for more detailed report findings, to learn about purchasing the complete report, or to schedule a full-day Engagement Workshop.

Phone: 1 844 277 2663

Email: info@bondbl.com

LOOK FOR FUTURE REPORTS ON THE FOLLOWING TOPICS:

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[New Currencies of Loyalty](#)

[Sector Reports](#)

THE TOP PLAYERS IN LOYALTY

Based on Member Satisfaction

AIRLINE

1. JetBlue TrueBlue



2. Sun Country Airlines Ufly



3. Southwest Airlines Rapid Rewards



HOTEL

1. Hilton Honors



2. Marriott Rewards



3. La Quinta Returns



RETAIL—GROCERY

1. Giant Eagle fuelperks!



2. Smith's Fuel Program



3. H-E-B Points Club Rewards



RETAIL—DRUG STORE

1. Walgreens Balance Rewards



2. Rite Aid wellness+ with Plenti



3. CVS ExtraCare



THE TOP PLAYERS IN LOYALTY

RETAIL—HEALTH & BEAUTY

1. Sally Beauty Club



2. ULTA Ultimate Rewards



3. Sephora Beauty Insider



RETAIL—DEPARTMENT STORE

1. Kohl's Yes2You Rewards



2. JCPenney Rewards



3. Nordstrom Rewards



RETAIL—APPAREL

1. Express NEXT



2. American Eagle Outfitters
AEO Connected



3. Foot Locker VIP Program



RETAIL—SPECIALTY

1. Barnes & Noble Membership



2. Cabela's CLUB REWARDS



3. Bed, Bath & Beyond Beyond +



THE TOP PLAYERS IN LOYALTY

CASUAL DINING

1. Papa John's Papa Rewards



2. Domino's Pizza Piece of the Pie Rewards



3. Chick-Fil-A The A-List



GAS & CONVENIENCE

1. Kroger Fuel Program



2. Speedway Speedy Rewards



3. Sheetz MySheetz Card



COMING SOON

PAYMENT CARD PROGRAMS

- Merchant Co-branded
- Bank Branded Points
- Bank Branded Cashback/Rebate

GET IN THE GAME



It's time to strategize your next move. We've navigated the board, know the players and see the changing rules of engagement. We have the strategic focus and imagination to traverse your Program through the evolving Loyalty ecosystem and customer demands.

Let us arm you with your next move.

Contact us for more detailed report findings, to learn about purchasing the complete report, or to schedule a full-day Engagement Workshop.

About Bond Brand Loyalty

Bond Brand Loyalty is a global customer engagement agency that specializes in building Brand Loyalty for the world's most influential and valuable brands. Our mission is to make marketing more rewarding for customers, richer and more resilient for brands and to deliver profitable business outcomes for our clients. We build measurable, authentic and long-lasting relationships through a combination of services that includes loyalty solutions, customer experience, marketing research, customer analytics, live brand experiences and proprietary technology platforms.

Contact us at 1 844 277 2663

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