2023 Loyalty Program Trends

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Moving into 2023, there are many uncertainties on the horizon for consumers, and retailers are faced with inventing new ways to retain loyalty and encourage spending. Some of the major factors at play that retailers must consider are the recession, rising interest rates and gas prices, and the dissolution of third-party data.

Companies need to find new ways to capture complete shopper profiles without the data they have relied on for so long, and then entice those customers to spend more at a time when money is tight. Retailers and brands can — and should – take advantage of their loyalty programs to combat these issues. After diving into the up-and-coming trends in the loyalty program space, we will see that retailers are already beginning to do this by using some old tricks that have been revamped to fit modern-day needs.

Here are five loyalty program trends companies should be aware of in 2023:

THE RISE OF ZERO-PARTY DATA

CROSS-BRAND PARTNERSHIPS

LEVERAGING TIERED PROGRAMS TO ENCOURAGE PARTICIPATION

PUTTING LOYALTY POINTS BACK INTO SHOPPERS' POCKETS

USING LOYALTY POINTS TO GIVE BACK

1 THE RISE OF ZERO-PARTY DATA

With new privacy laws going into effect this year, browsers are beginning to limit the share of personal information for targeted advertisements. This year, Google announced its plans to phase out third-party cookies by the end of 2023. While Chrome isn't the first browser to make this move, it may have the most impact due to the fact that Google Chrome accounts for over half of the global web traffic. While these efforts are a huge win for data privacy, brands now need to leverage other methods for data collection.

The best candidate to replace cookies is zero-party data. This is data that is intentionally and proactively shared by consumers, making it a much more trustworthy and accurate way to collect information. An excellent way to collect these types of data is through loyalty programs. An example of this would be shopper preferences that are shared when first creating a loyalty program account.

> **Eighty-six percent of consumers say they'll trade personal and preference data with a brand in exchange for early or exclusive access to something, while 55% say they'll do so to feel part of a brand's community.**
>
> SOURCE

Companies can also use techniques such as quizzes, size calculators, and surveys to build a more comprehensive customer profile. Annmarie Gianni is a small skin care and beauty product company that built a customer loyalty program around rewarding customers who take their "What's Your Skin Score" quiz. With the combination of the data collected from the quiz and the incentives offered to customers for completing it, Annmarie was able to generate $200,000 in revenue and 20,000 leads within two months of implementation.

While shoppers may be wary of sharing data at times, they're more likely to do so if they feel there's value in sharing it or there's something in it for them. These incentives can be important, as can being transparent in what the data will be used for – such as personalizing recommendations or potential deals.

2 CROSS-BRAND PARTNERSHIPS

In 2022, brands aimed to broaden their customer base by partnering together to offer rewards across platforms. That trend is continuing into 2023 with retailers partnering to expand the scope of their loyalty programs drastically.

A fitting example of this is the partnership between Dick's Sporting Goods and Nike. A benefit of this partnership is that customers can now link their Nike Membership account to their Dick's Scorecard to earn additional loyalty incentives online and in-store. Brands can increase engagement and loyalty by offering exclusive benefits for purchases made through retailers, and, in turn, retailers can increase overall sales. Meanwhile, both parties are gaining insight into customer demographics and buying patterns, which makes this a strategic move going into a cookie-less future. Another example of this trend is the partnership between Amazon and Kohl's that was launched in 2019. Amazon customers are now able to return items to Kohl's stores, which has increased foot traffic in Kohl's, especially from the younger generation.

As the direct-to-consumer market continues to grow and shoppers can now buy their favorite products directly from brands online, it's even more difficult for retailers to retain loyalty. By making strategic partnerships with brands that complement their business, retail companies can attract a larger and more loyal shopper base while also improving the customer experience. It's important to remember that the partnership must make sense to the customer, so finding a partner that shares similar values is table stakes for any co-branding opportunities.

More than two million new customers visited Kohl's stores in 2020 after their partnership with Amazon.

SOURCE

3 LEVERAGING TIERED PROGRAMS TO ENCOURAGE PARTICIPATION

Another method retailers are turning to for the collection of zero-party data is tiered loyalty programs. This follows closely to the gamification trend that was on the rise going into 2022 by leveraging consumers' competitive nature to promote engagement. By offering incentives to top-tier members, such as early access to sales and new product drops, companies are incentivizing shoppers to not only spend more, but also take part in more surveys and other data-gathering methods to gain points. By incentivizing these added touchpoints for shoppers, companies can increase customer engagement while also gathering more data about customer demographics, tastes, and purchasing habits.

Retailers offering tiered loyalty programs have reported 2.1 times more spend by customers in top tiers and 1.8 times higher return on investment. These tiered loyalty programs also aid in building a connection with customers on an emotional level due to the gratification felt

after achieving new loyalty status. Emotional loyalty can lead to higher engagement from members and more purchases down the road.

Some of the retailers that have seen remarkable success with the tiered loyalty program include Sephora, Marriott, and Starbucks. Lucky Brand also launched a loyalty program where members gain one reward point for every dollar spent, and those points go toward determining tier status. Incentives for reaching higher tiers include free shipping, exclusive early access and special offers, and even birthday surprises.

4 PUTTING LOYALTY POINTS BACK INTO SHOPPERS' POCKETS

As interest rates and gas prices are on the rise, companies will be making efforts to put more money back into shoppers' pockets. Companies have started leveraging gas discounts, cash back, and even airline credits to encourage brand loyalty throughout these trying economic times. Kroger has been a long-standing example of leveraging loyalty points toward gas discounts through their partnership with Shell, but other companies such as Dunkin' and Walmart are beginning to hop on this trend. The "Sip Dunkin,' Save at Shell" program that expanded nationwide in 2020 allows members to save 10 cents per gallon after purchasing five Dunkin' beverages. As of April of 2022, Walmart+ members can earn up to 10 cents off per gallon at Exxon and Mobil stations.

As far as cash back goes, CVS offers 2% back on all purchases through their ExtraCare rewards program, and those rewards are paid out on a quarterly basis. AutoZone also offers $20 rewards after every five purchases of $20 or more, which aims to lessen financial burden and encourages additional spending at their store.

As of 2021, nearly 29% of US adults (73.7 million people) now own co-branded credit cards.

SOURCE

Co-branded credit cards remain another way for retailers to stay top of mind for consumers. While the concept is nothing new, the benefits that the cards can give shoppers (cash back, points, etc.) can influence shopper behavior, especially for big box retailers that seek to be a one-stop shop for their customers. In a time when customers are being mindful of what they spend and where they spend it, having a co-branded credit card in their wallet could make the difference.

5 USING LOYALTY POINTS TO GIVE BACK

Another alternative use for loyalty points on the rise is donations to humanitarian organizations. Shoppers are putting increased emphasis on the importance of Corporate Social Responsibility, and they prioritize that through the brands they choose to support. One study shows that 64% of consumers feel a brand's social responsibility efforts are important to them.

To encourage brand loyalty, companies are giving shoppers the option to donate loyalty points to a social cause of their choice. During the pandemic, credit card spending decreased significantly because people were no longer spending on travel and other similar activities. In order to encourage more spending on their co-branded credit card, Marriot began offering the possibility for loyalty program members and cardholders to donate their Marriott points to healthcare charities and other organizations that supply aid to vulnerable populations.

As we head into a tighter economic climate and people begin to cut back spending on those travel and leisure activities, companies can take a page out of Marriott's book and boost spending by letting customers support a cause they care about with every dollar they spend. Another example of this is Amazon's Smile program, which donates 0.5% of eligible purchases to charitable organizations of the shopper's choosing. Sephora also has their Charity Rewards program that chooses charities on a rotating basis and allows members to donate their rewards.

CONCLUSION

Customer loyalty is being tested as prices rise and shoppers are pushed to seek out brands with the lowest prices. The trends in this piece highlight how companies are utilizing their loyalty programs to gather more zero- and first-party data on their customers while also supporting them through the trying economic times that are on the horizon. Through partnerships and tiered programs, companies are able to gather more data from their shoppers, while also offering better benefits to boost satisfaction. More importantly, companies are making concerted efforts to support their loyal customers through discounts, cash-back rewards, and opportunities to give back. We will continue to see brands and retailers enhancing the shopper experience and building loyalty through these avenues.

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