2024

LOYALTY BAROMETER

MERKLE

Introduction

For six years, the Loyalty Barometer Report has surveyed consumers' thoughts and feelings on loyalty programs and how brands can better align with consumer preferences. In this edition, we'll reveal how consumer mindsets are evolving and what brands can do to ensure customer strategies remain current, relevant, and impactful.

Methodology

In October 2023, we surveyed 1,500 consumers who were sourced outside of the loyalty marketing programs that Merkle manages for clients.

Responses came from US residents aged 18 to 65, allowing us to look at responses by generation.

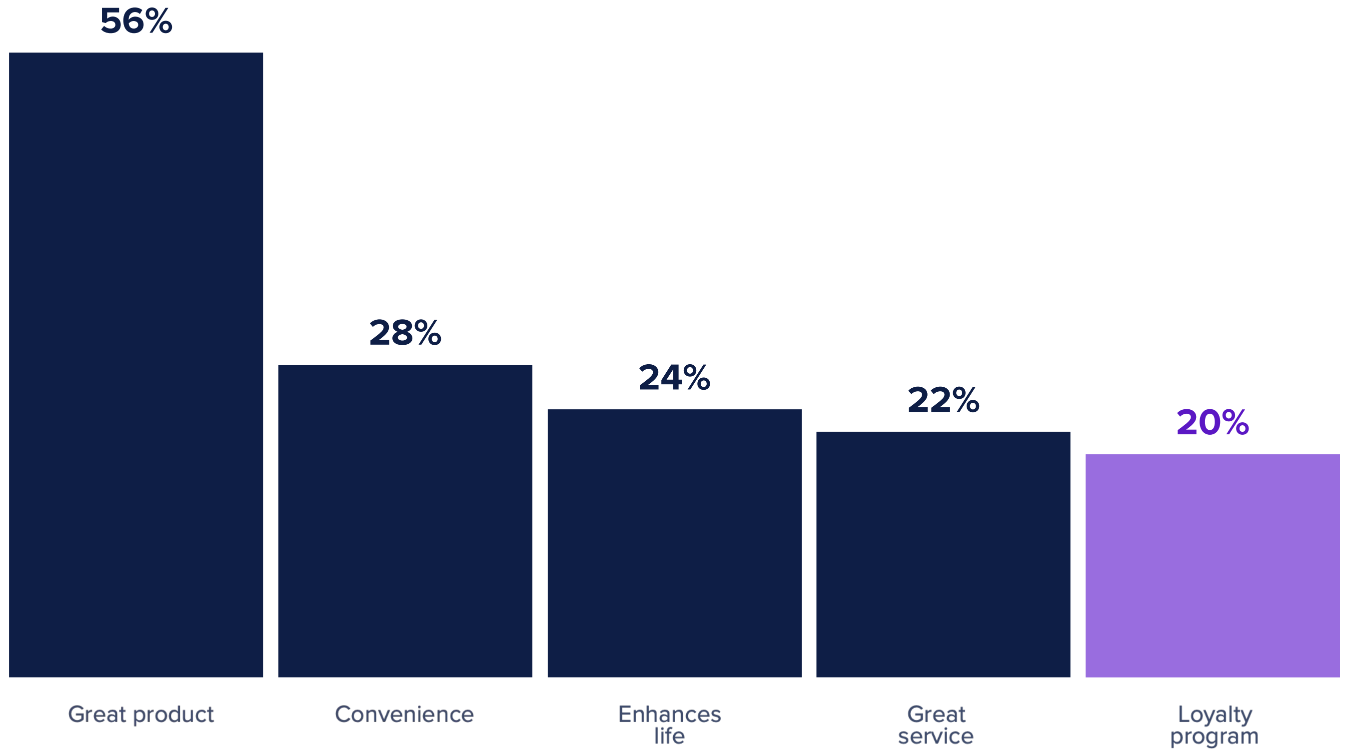

// brand loyalty

Building loyalty requires more than a program

While a loyalty program can have significant impact on a consumer's decision to do business with a brand, our research shows consumers think about loyalty more broadly. Having a great product is the most important factor in building brand loyalty.

SURVEY QUESTION

What are the top two things that make you feel loyal to your favorite brand?



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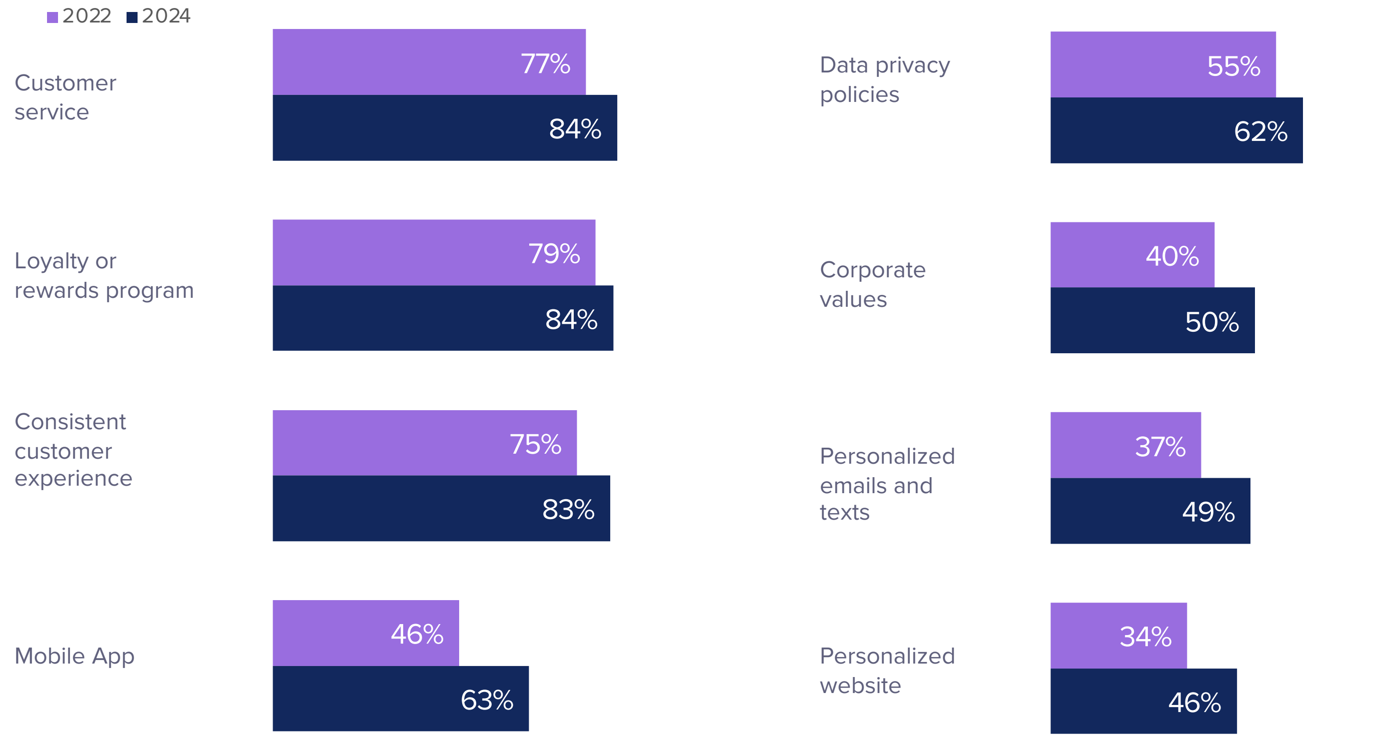
Service, a loyalty program, and experience continue to have highest impact

Customer service, consistent customer experience, and a loyalty program make consumers more likely to continuing doing business with a brand—at a higher rate than the prior report. Mobile apps showed the biggest increase in impact, largely driven by Millennials and Gen Z.

SURVEY QUESTION

Indicate the impact of the following on your likelihood to continue doing business with a brand:



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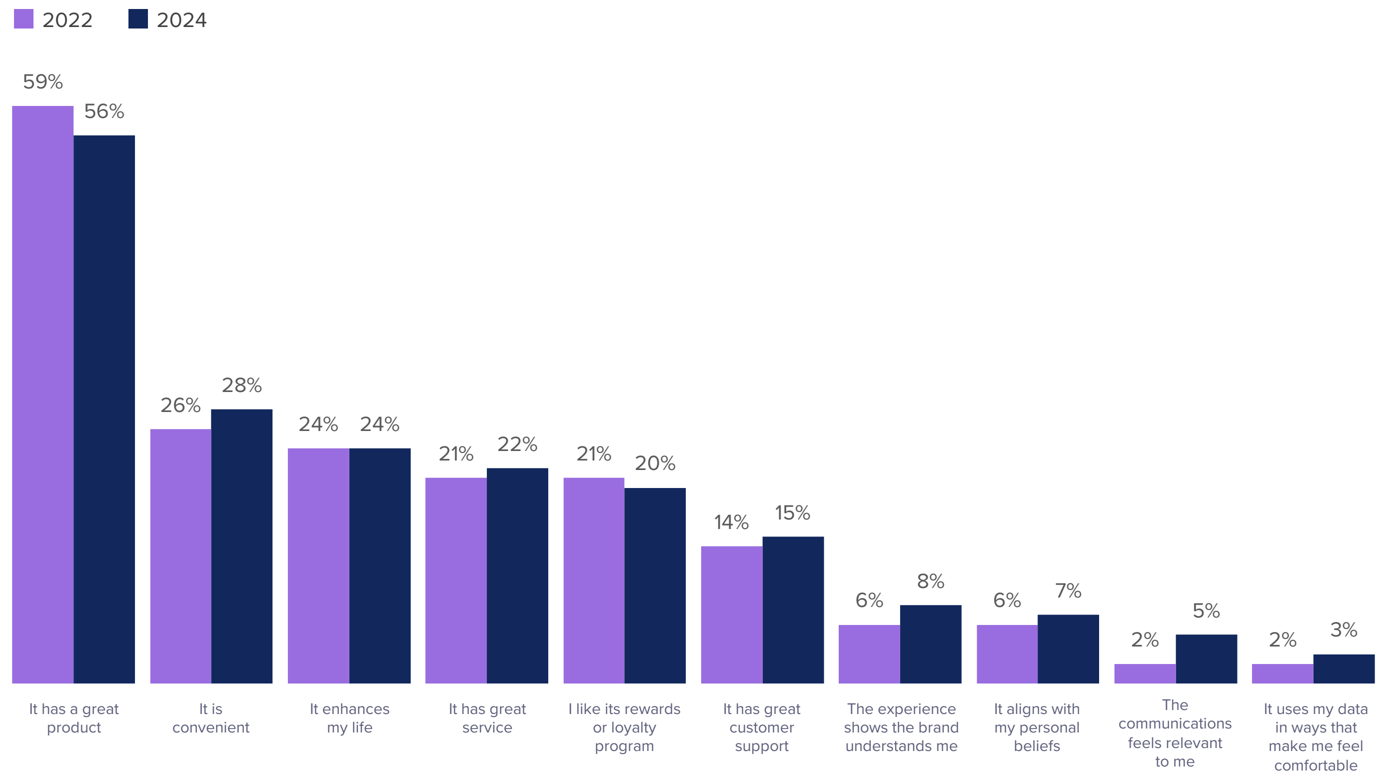
Product and service build brand loyalty

Year-over-year responses to what makes consumers feel loyal remained relatively consistent. There are small changes to the impact of products and convenience, with consumers indicating product is slightly less important and convenience slightly more important to feeling loyal.

SURVEY QUESTION

Think about your favorite brand. What are the top two things that make you feel loyal to it?



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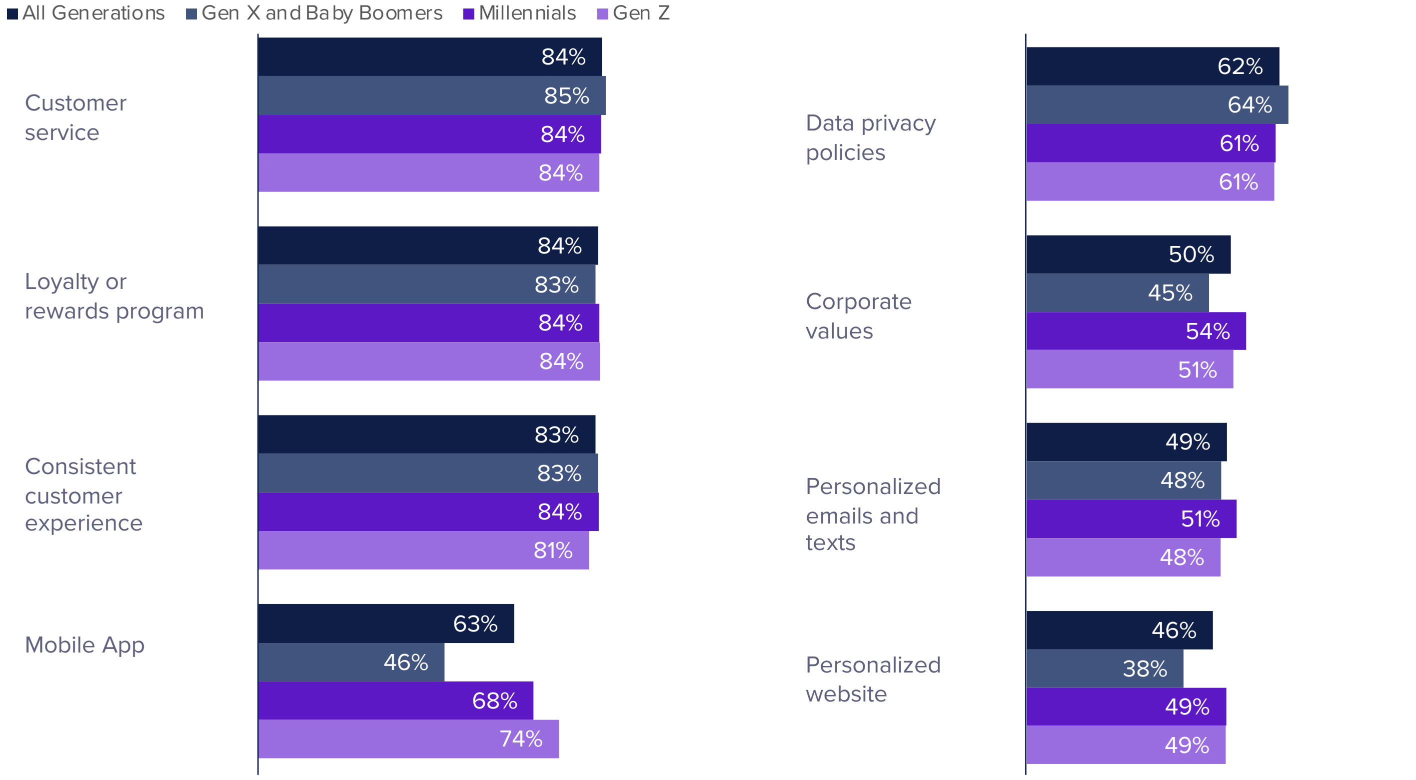
There are small differences among generations

The impact of mobile apps, corporate values, and personalized websites are lower among older consumers. Older consumers are slightly more concerned about data privacy. Mobile apps have the most impact on Gen Z.

SURVEY QUESTION

Indicate the impact of the following on your likelihood to continue doing business with a brand:



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// loyalty program participation

Loyalty program participation continues to increase

Consumer loyalty program enrollment is up significantly vs. our last report with 77% of respondents belonging to up to 5 programs. And participants continue to find value from them with 93% indicating they recently earned a reward. Responses like these signal that loyalty programs are becoming customer expectations—particularly in retail and food service spaces.

SURVEY QUESTION

How many loyalty or rewards programs do you belong to? How many of those programs did you earn or redeem a reward from in the past 6 months?

2022		2024
67% Belong to up to 5 programs	→	**77%** Belong to up to 5 programs
94% say they earned or redeemed a reward in the past 6 months	→	**93%** say they earned or redeemed a reward in the past 6 months

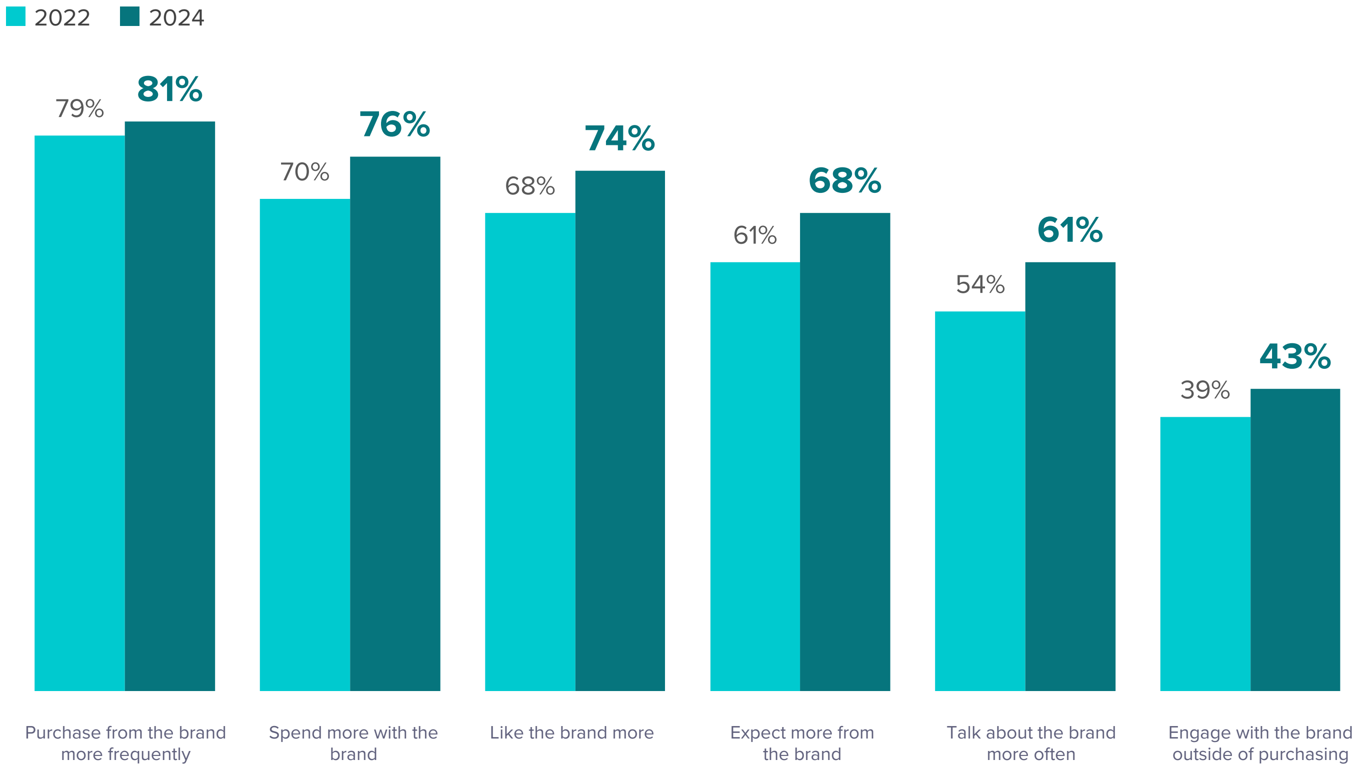
- Merkle 2024 Loyalty Barometer

Loyalty programs are impacting consumer behaviors

This year's report showed an upward trend on a loyalty program's impact to consumer behaviors across the board. Consumers are still most likely to purchase more frequently from a brand because of their participation in a loyalty program. But their likelihood to also spend, engage with, and advocate for the brand also increased since 2022.

SURVEY QUESTION

Indicate your likelihood to do the following things because of your participation in a loyalty or rewards program. (Top two box)



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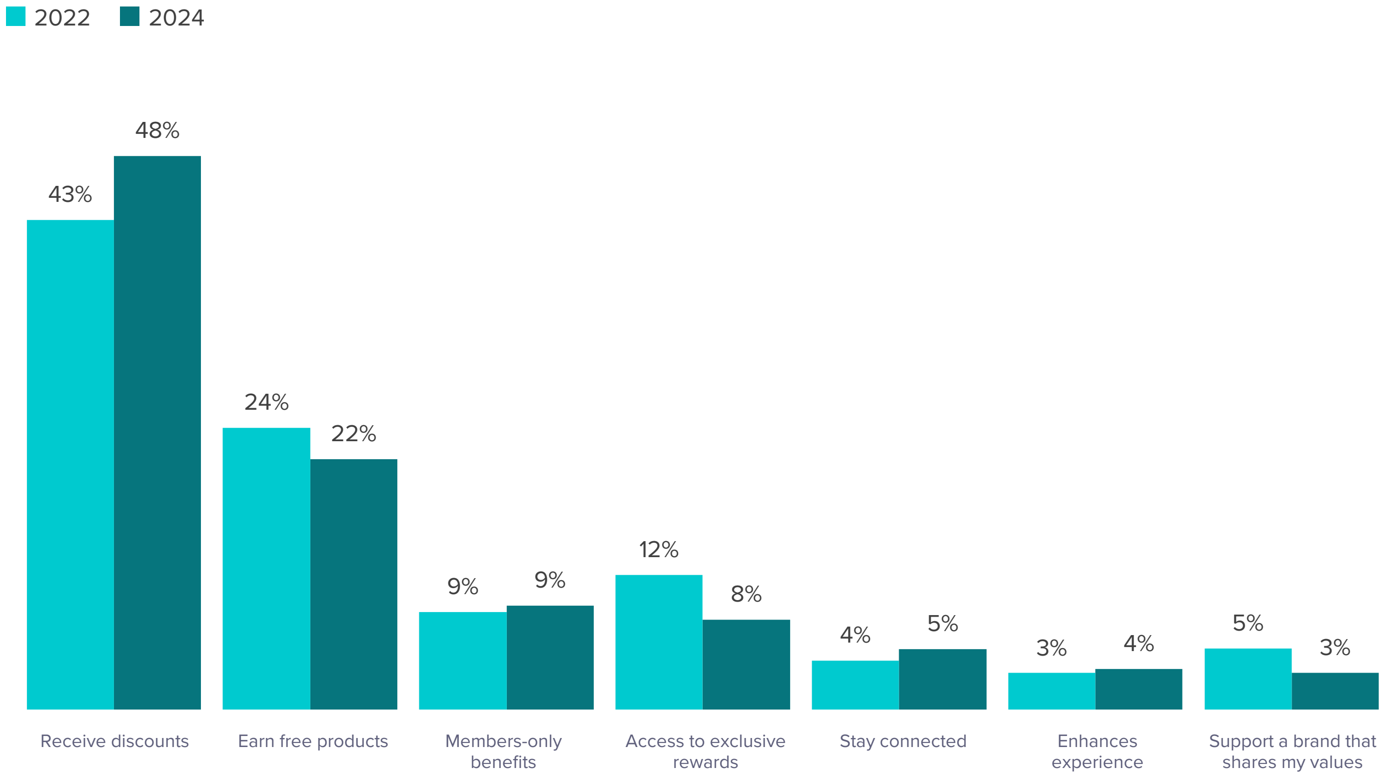
Discounts and free product drive program participation

It's no surprise that discounts rank as the top reason to participate in a loyalty program, with free products following as the second most enticing benefit. Discounts are significantly more important to consumers compared to the last report, indicating the importance of loyalty programs in helping consumers offset rising costs and mitigate financial pressures at home.

SURVEY QUESTION

When thinking about the loyalty or reward programs you currently belong to, what is the main reason you participate?



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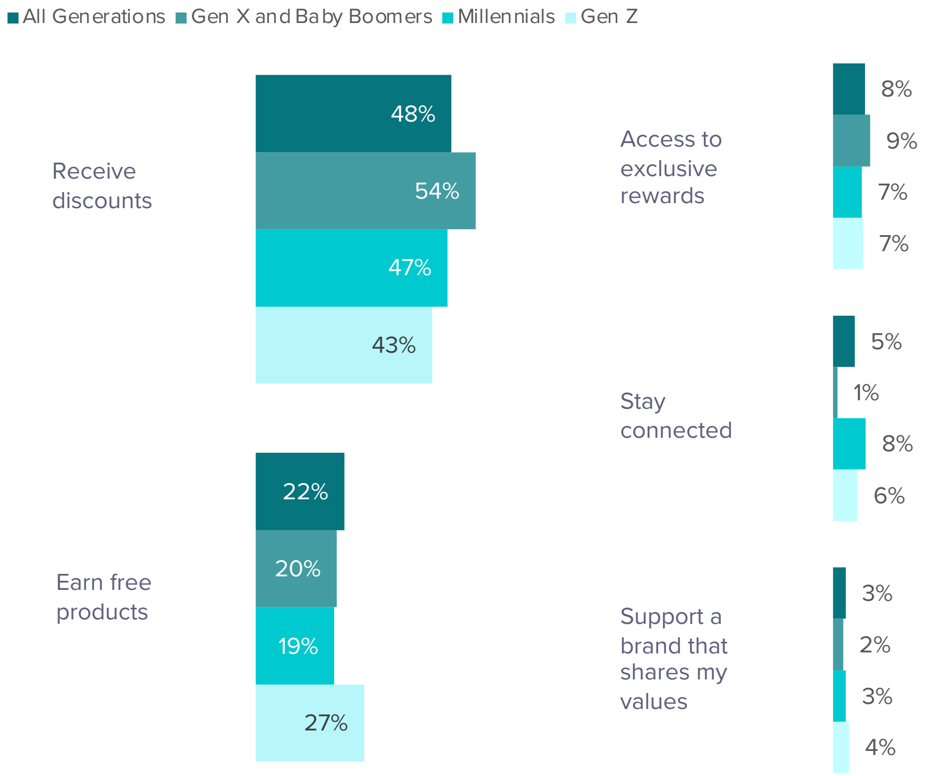
Generations agree that financial rewards must anchor program value exchanges

Discounts are more important to Gen X and Baby Boomers; connection and experience, less so. On the other side of the generational spectrum, free products make Gen Z want to participate in a loyalty program more than other generations.

SURVEY QUESTION

When thinking about the loyalty or reward programs you currently belong to, what is the main reason you participate?



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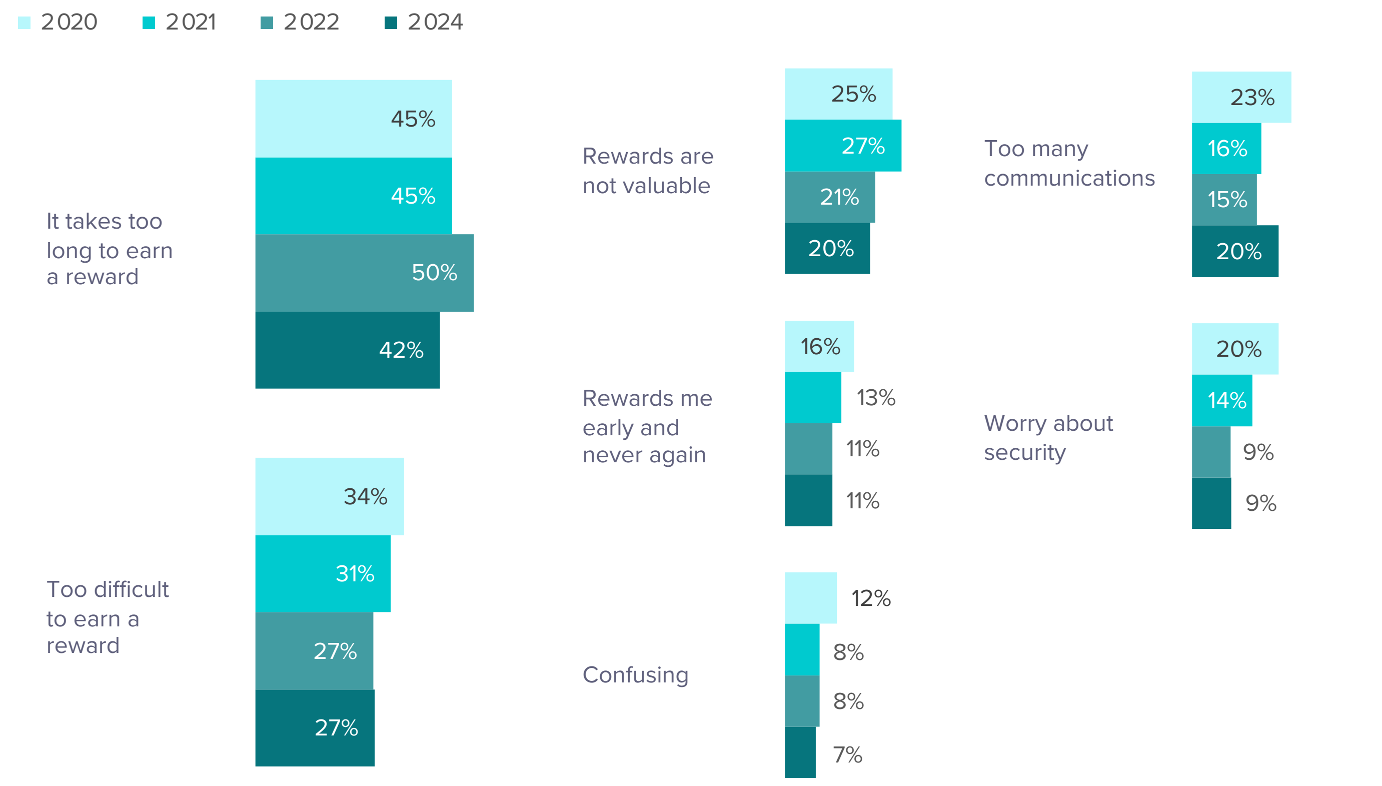
Consumers want rewards faster

Similar to prior reports, **consumers still feel it takes too long to earn a reward**. But this year, significantly fewer felt that way, with 42% saying it's a reason why they don't like loyalty programs compared to 50% in our last report. Overall, reasons to be dissatisfied with a loyalty program continues its downward trend. Perhaps this indicates brand improvements to their programs are having an impact.

SURVEY QUESTION

In thinking about the loyalty or rewards programs you currently belong to, what don't you like about them?



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// loyalty program design

MULTI-YEAR VIEW

Preference for immediate discounts hasn't changed

Cash back and discount-focused value exchanges continue to be the top consumer preference, with about 90% of consumers finding them appealing. Spend-and-get programs and rewards catalogs maintained their downward trends. Punch card frequency-based programs ranked last on the list, with about half indicating this value exchange is appealing.

SURVEY QUESTION

Please rate the appeal of the following types of loyalty or rewards programs: (Top 2 box rank)

	2024 REPORT	2022 REPORT	2021 REPORT	2020 REPORT	2020 COVID-19 UPDATE
Cash Back	1	1	-	-	-
Earn points to redeem for discounts	2	2	1	-	-
Get a surprise reward for participating	3	3	5	5	5
Earn points for purchasing across many retailers	4	4	3	2	4
Get a new reward every Monday	↑ 5	7	6	4	3
Earn points to redeem in a catalog	↓ 6	5	4	-	-
Earn points for rewards	-	-	-	1	1
Get $10 when you spend $100	↓ 8	6	2	3	2

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2024 GENERATIONAL VIEW

SURVEY QUESTION

Please rate the appeal of the following types of loyalty or rewards programs: (Top 2 box rank)

Top three value exchanges are consistent among age groups

Program rank changes among the less appealing value exchanges. Gen X and Baby Boomers rate spend-and-get value exchanges higher than younger consumers. Younger consumers find the choice in reward catalogs more appealing.

	ALL	GEN X & BABY BOOMERS	MILLENNIALS	GEN Z
Cash Back	1	1	1	1
Earn points to redeem for discounts	2	2	2	2
Get a surprise reward for participating	3	3	3	3
Earn points for purchasing across many retailers	4	↓ 5	4	↓ 5
Get a new reward every Monday	5	↓ 6	5	4
Earn points to redeem in a catalog	6	↓ 8	↓ 7	6
Free shipping with membership fee	7	7	↑ 6	7
Get $10 when you spend $100	8	↑ 4	8	8
Buy 5, get 1 free	9	9	9	9

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Offers and experience are most important to consumers

Consumers want brands to surprise them with offers or gifts and to make their shopping experience more convenient. Product recommendations showed an increase in importance among consumers, ranking third on the list compared to fourth in Merkle's last report. "Softer" brand interactions like showing appreciation, supporting causes, and social media engagement rank less important among consumers.

YEAR-OVER-YEAR VIEW

SURVEY QUESTION

What are the three most important ways a brand can interact with you? (Year-over-year)

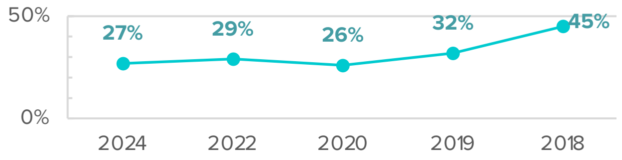
- Merkle 2024 Loyalty Barometer

(6-YEAR TREND VIEW)

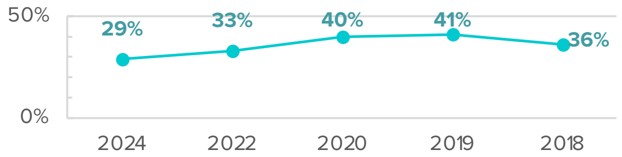
SURVEY QUESTION

What are the three most important ways a brand can interact with you?

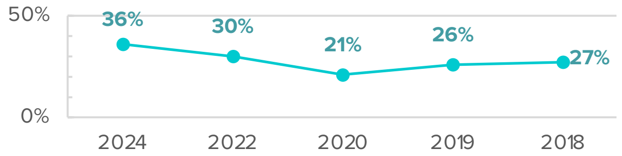
Helping me solve a problem



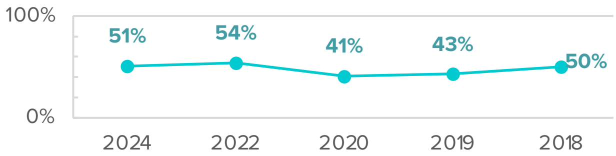
Saying thank you



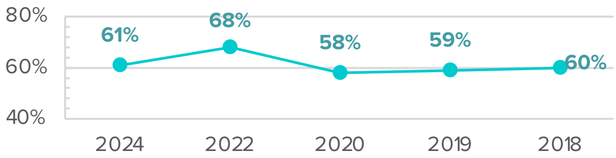
Recommending products based on my needs



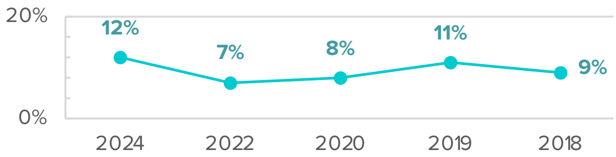
Making shopping more convenient



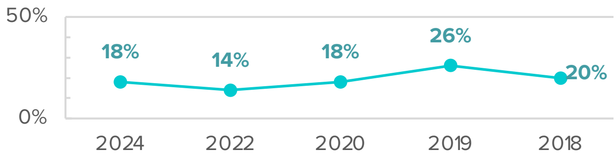
Surprising me with offers or gifts



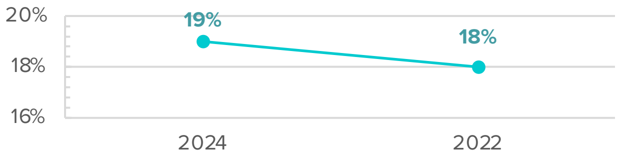
Engaging with me on social media



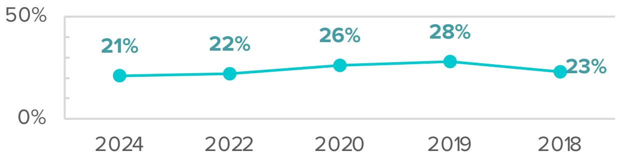
Welcoming me when I visit a store



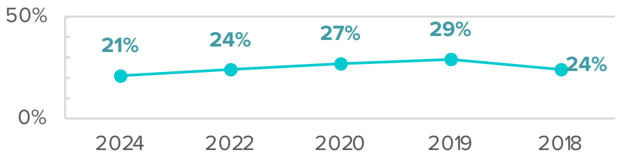
Supporting a cause I believe in



Keeping me up to date on latest news



Providing an option to "remember me"



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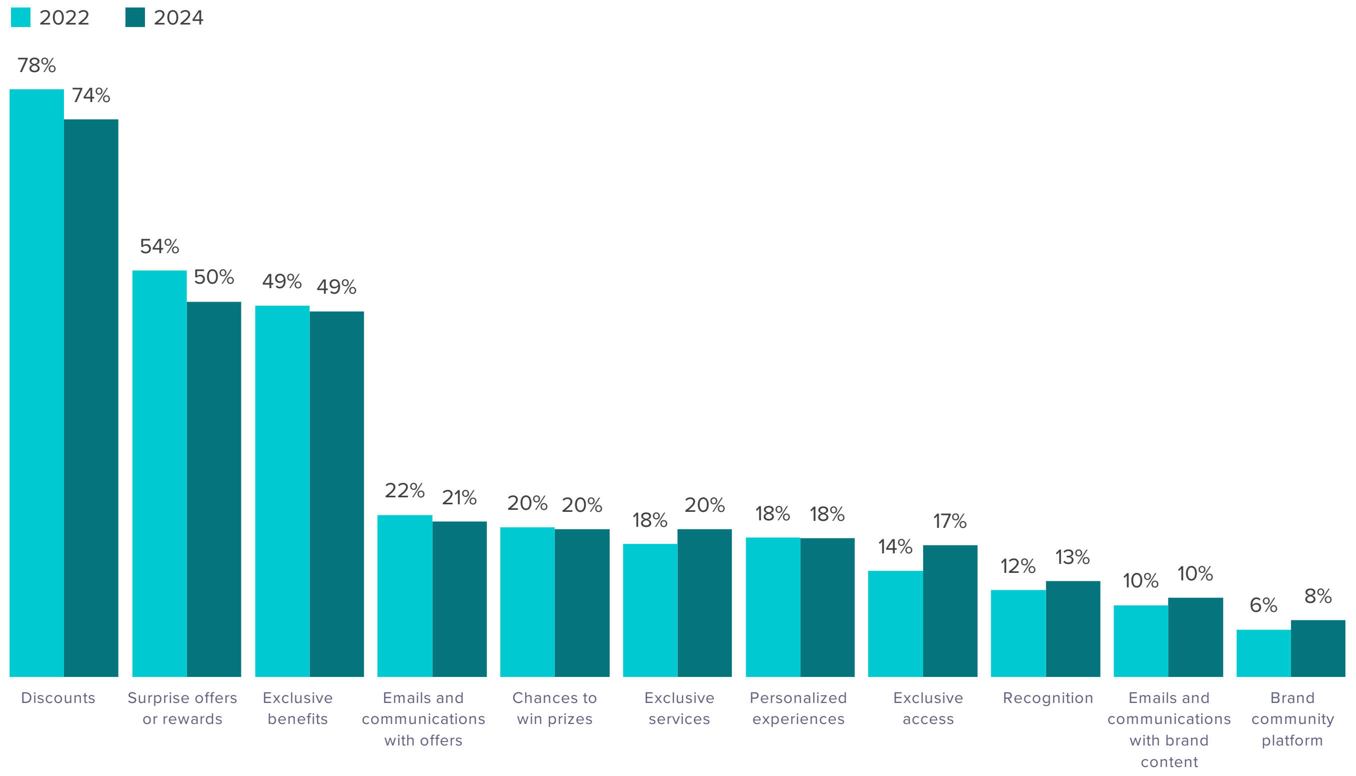
Consumers want discounts, rewards, and benefits

It's no surprise that consumers want financially-driven program features beyond communications, engagement, and exclusive perks. But don't overlook softer incentives in your reward structure. Anchoring a program's value exchange solely on discounts will turn it into another promotional vehicle instead of a connective thread in the CX.

SURVEY QUESTION

Thinking about rewards and loyalty programs, what are the top three things brands should offer to keep your loyalty?



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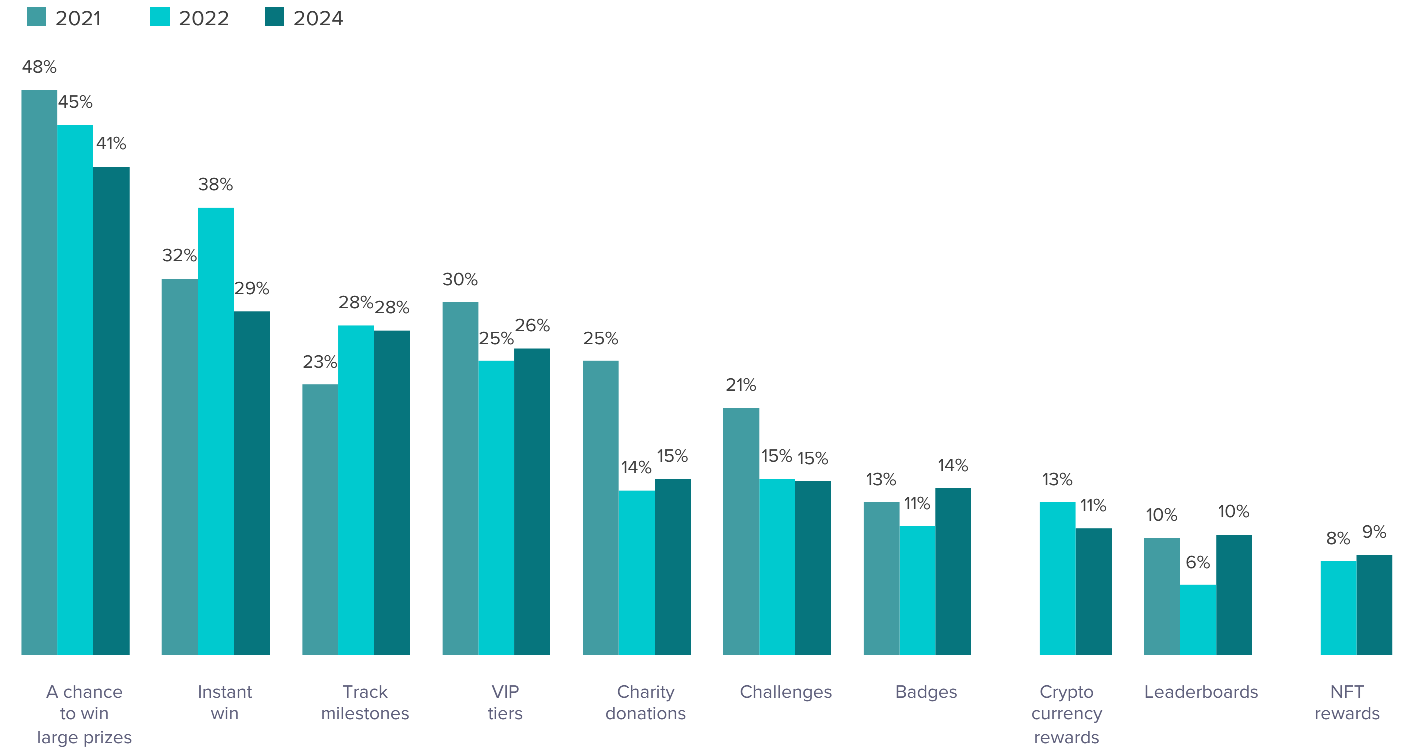
TRAVEL

SURVEY QUESTION

Which of the following features would you like to see included in a loyalty or rewards program?



- Merkle 2024 Loyalty Barometer

Use gamified program features strategically

The appeal of gamified program features in travel loyalty programs has remained relatively constant for consumers. But with fewer than half of consumers wanting them in a travel loyalty program, brands should use them strategically or include them in promotional campaigns to test and learn before adding to a core program structure.

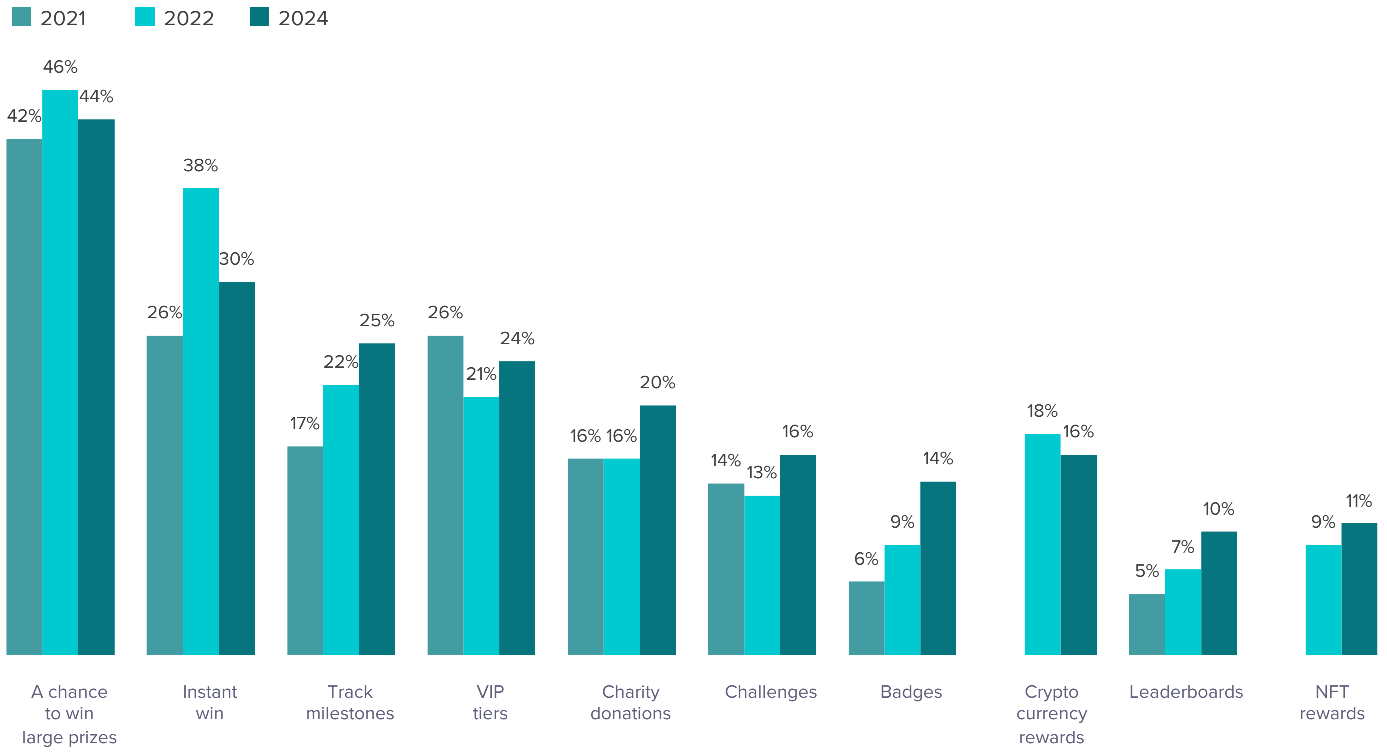
Use gamified program features strategically

The appeal of gamified program features in credit card rewards programs has remained relatively constant for consumers. While many show increased appeal compared to Merkle's last report, fewer than half of consumers want them in a credit card loyalty program. Brands should use them strategically or include them in promotional campaigns to test and learn before adding to a core program structure.

CREDIT CARD

SURVEY QUESTION

Which of the following features would you like to see included in a loyalty or rewards program?



- Merkle 2024 Loyalty Barometer

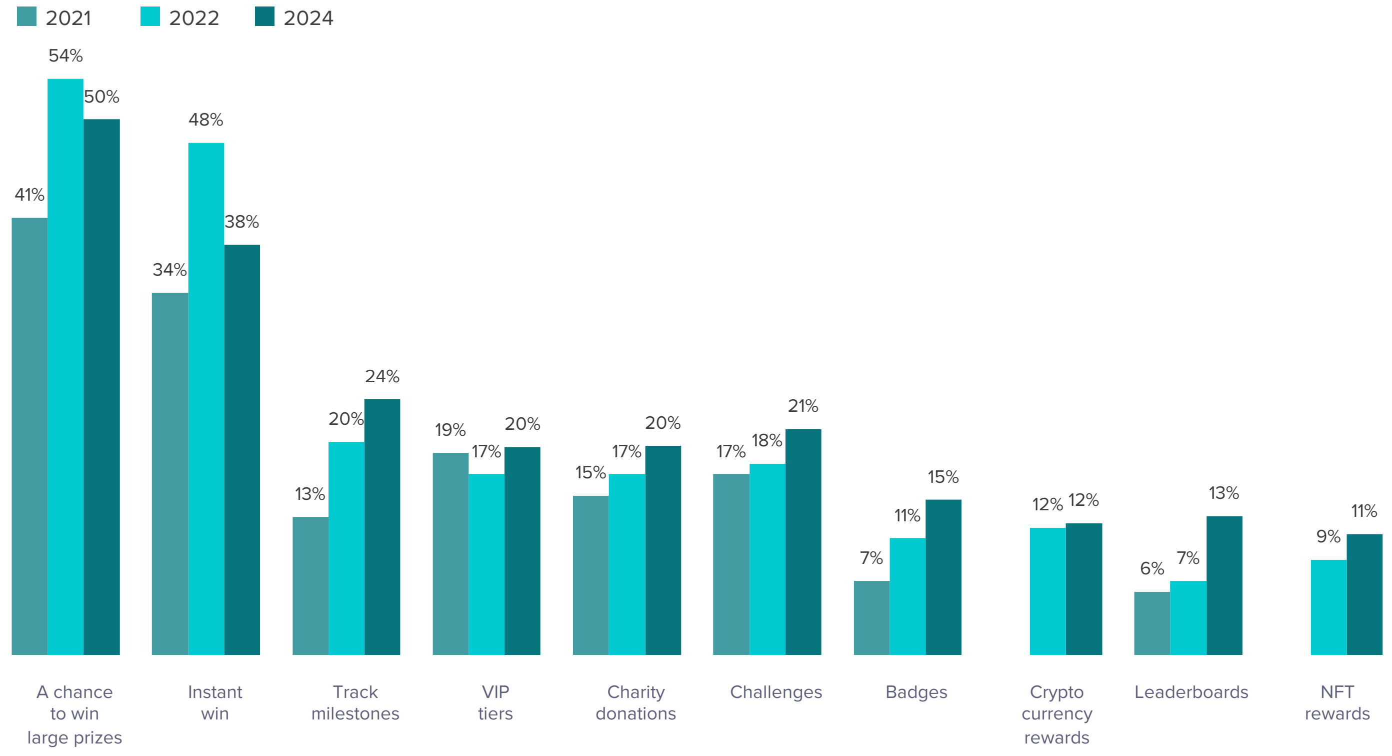
Use gamified program features strategically

The appeal of gamified program features in loyalty programs for everyday products has remained relatively constant for consumers. While many show increased appeal compared to Merkle's last report, fewer than half of consumers want them in an everyday product's loyalty program. Brands should use them strategically or include them in promotional campaigns to test and learn before adding to a core program structure.

EVERYDAY PRODUCTS

SURVEY QUESTION

Which of the following features would you like to see included in a loyalty or rewards program?



- Merkle 2024 Loyalty Barometer

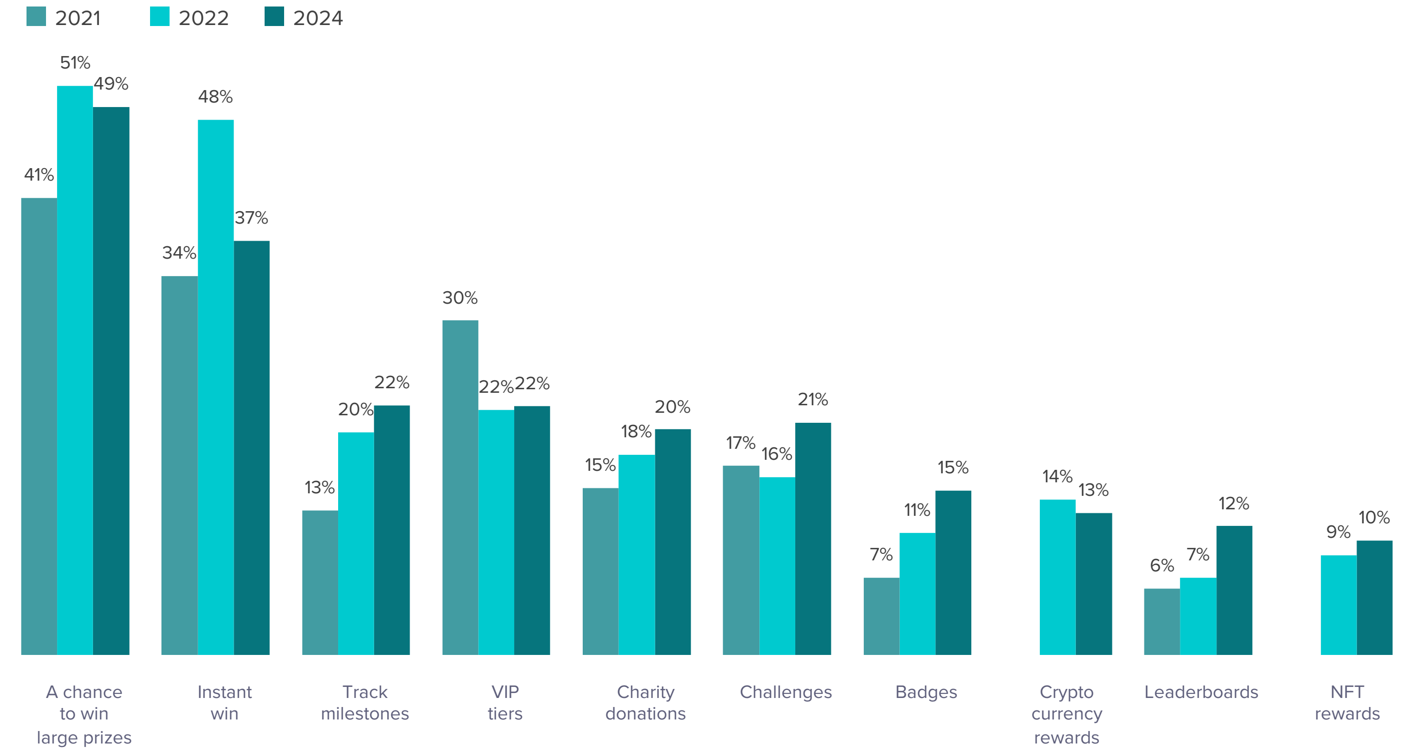
Use gamified program features strategically

The appeal of gamified program features in retail loyalty programs has remained relatively constant for consumers. While some show increased appeal compared to Merkle's last report, fewer than half of consumers want them in a retail loyalty program. Brands should use them strategically or include them in promotional campaigns to test and learn before adding to a core program structure.

RETAIL

SURVEY QUESTION

Which of the following features would you like to see included in a loyalty or rewards program?



- Merkle 2024 Loyalty Barometer

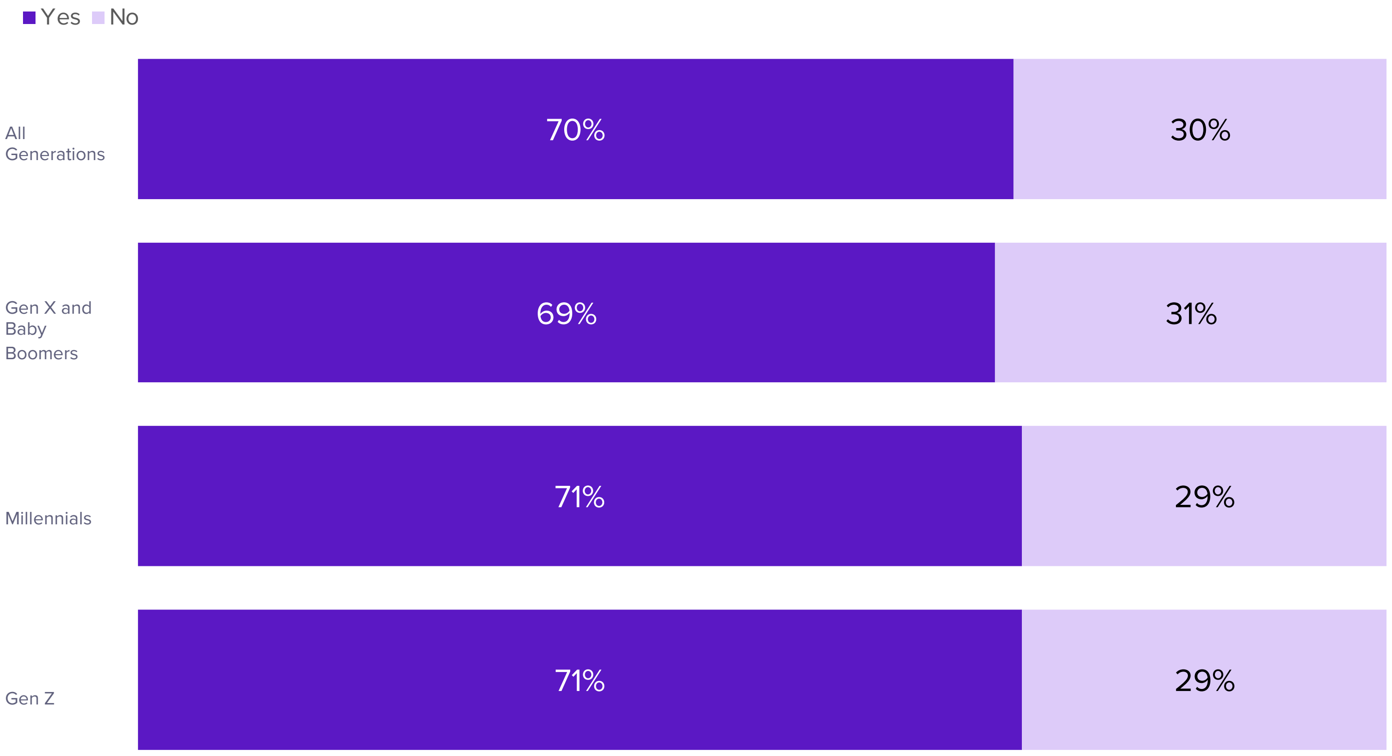
// messaging

Consumers don't experience a brand in channel silos

There is a universal perception among consumers from all generations that opting-in to email communications feels like they are part of brands' loyalty program. Brands that manage these channels in operational silos risk missing customer expectations and building brand loyalty across the customer experience.

SURVEY QUESTION

Think about brands that you actively agreed to receive email communications. Do you think about those email communications as being part of the brand's loyalty program?



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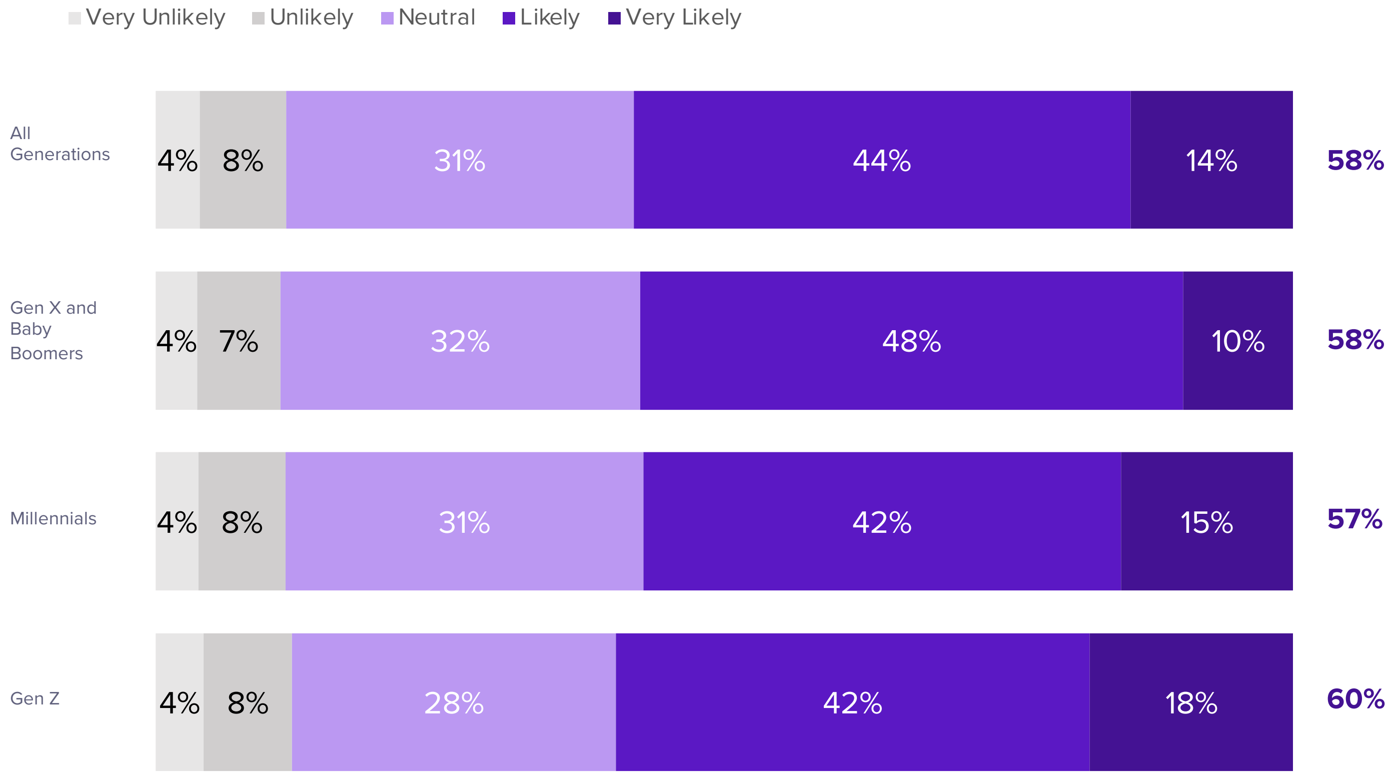
Personalization innovation is needed to drive business growth

Roughly 60% of consumers indicate they are likely to respond to personalized messaging or marketing. But nearly one-third are neutral or negative to personalization's impact on behaviors. Brands need to continue to hone their personalization tech investments and find new ways to nudge neutral and unlikely consumers to act because of personalization tactics.

SURVEY QUESTION

How likely are you to respond to a message or marketing material that is personalized based on individual needs and interests?



- Merkle 2024 Loyalty Barometer

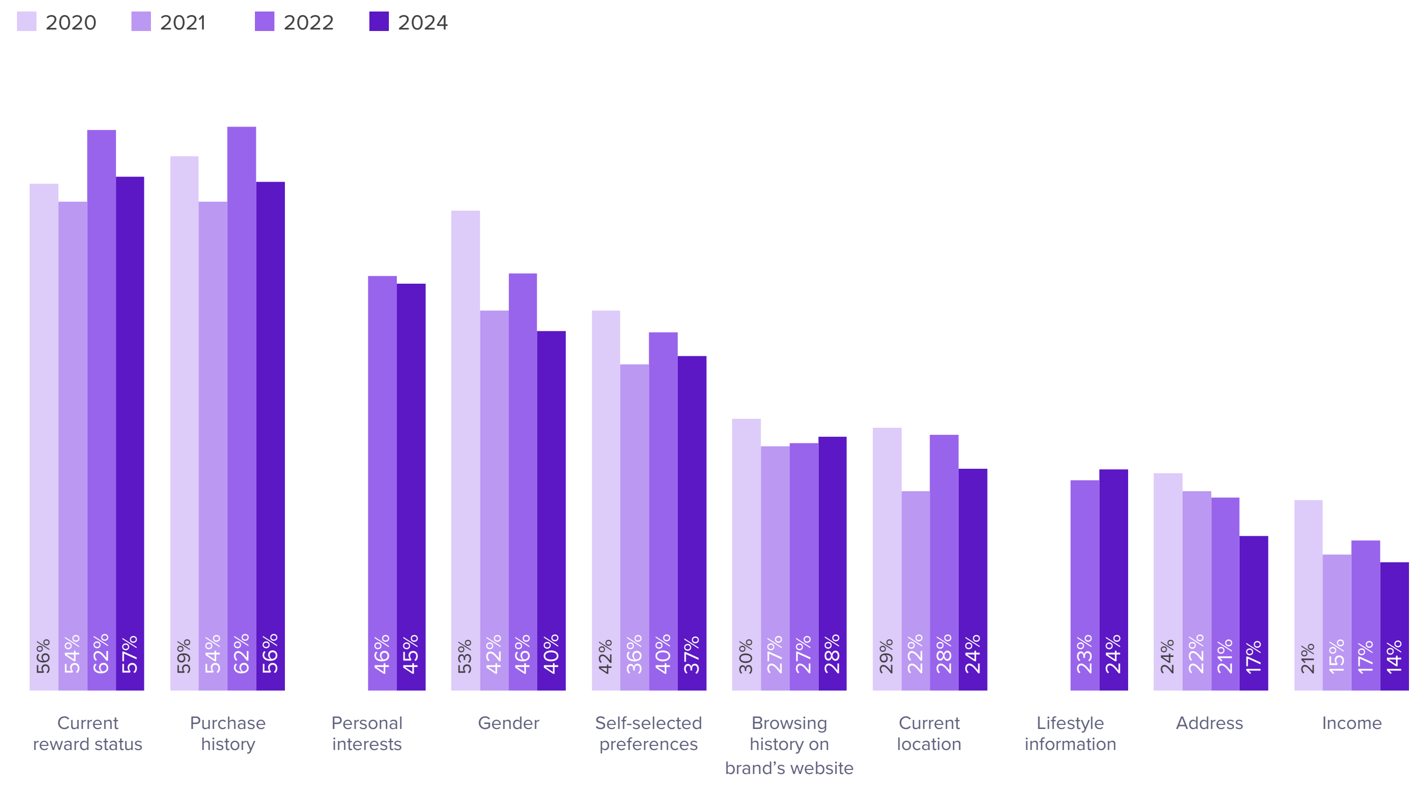
// data and personalization

Consumers are increasingly protective of their data

An overall downward trend in consumer's comfort level with using their data continues in this report. Most data types showed declining four-year trends with a few indicating close to flat changes. To put consumers minds at ease, brands should be more transparent and show customers where they are using personal data and the value it is giving in the shopping or brand experience.

SURVEY QUESTION

What information are you comfortable letting brands use to make your rewards experience more relevant to you? (Four-year-trend)



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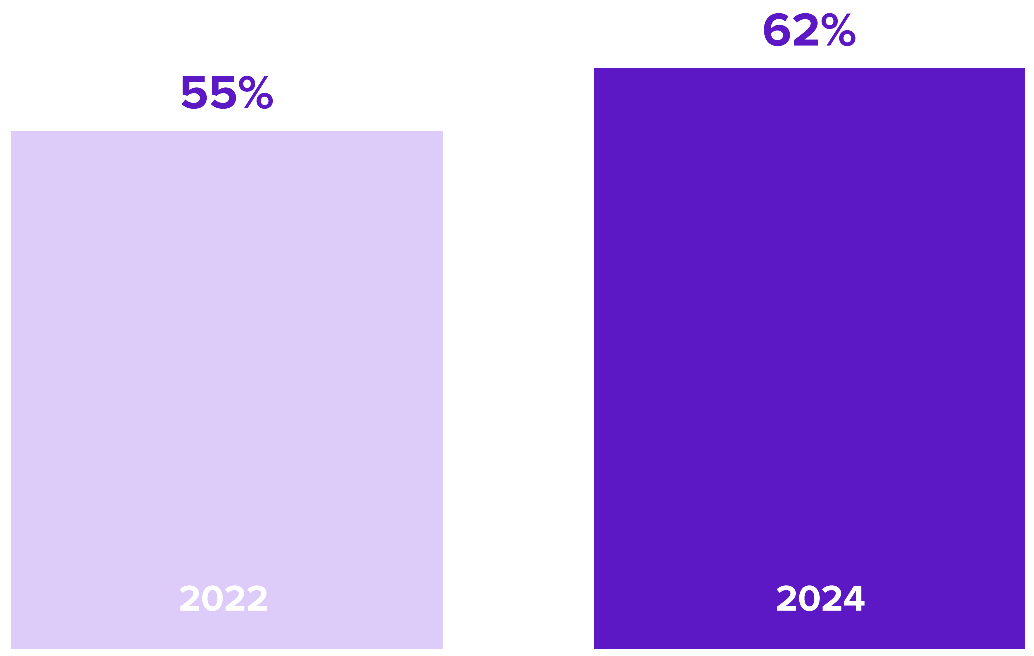
Data privacy policies impact buying decisions

Data breaches, privacy regulations, and now concerns about AI continue to stay on top of consumer minds and impact their decisions to buy from and engage with businesses. Brands should stay in front of this issue and be more transparent about how they are using customer data.

SURVEY QUESTION

Indicate the impact of the following on your likelihood to continue doing business with a brand: (More likely responses)



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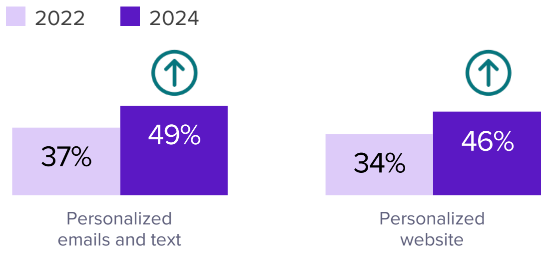
The personalization landscape

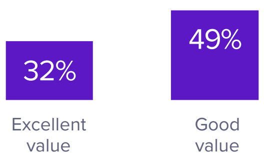
GOOD NEWS

Consumers indicate that there is value in personalization tactics and that personalization impacts behaviors. Brands need to manage these signals against consumers' declining comfort level with brands using their data.

Personalization's impact on likelihood to do business with a brand



Value of personalized rewards



36% Indicated recommending products based on needs is an important way a brand can interact with consumers.

58% Are likely to respond to messaging or marketing that is personalized based on needs and interests.

BAD NEWS

Personalization efforts don't move the needle on brand loyalty as much as good products and experiences do. Personalization is a consumer expectation, so brands must get it right. But personalization tactics alone won't convert brand buyers into brand loyalists.

18% Of consumers indicate that personalized experiences are important to keeping them loyal to a brand

5% Of consumers indicate relevant communications help them feel brand loyal

3% Of consumers indicate experiences that "understand" them help them feel brand loyal

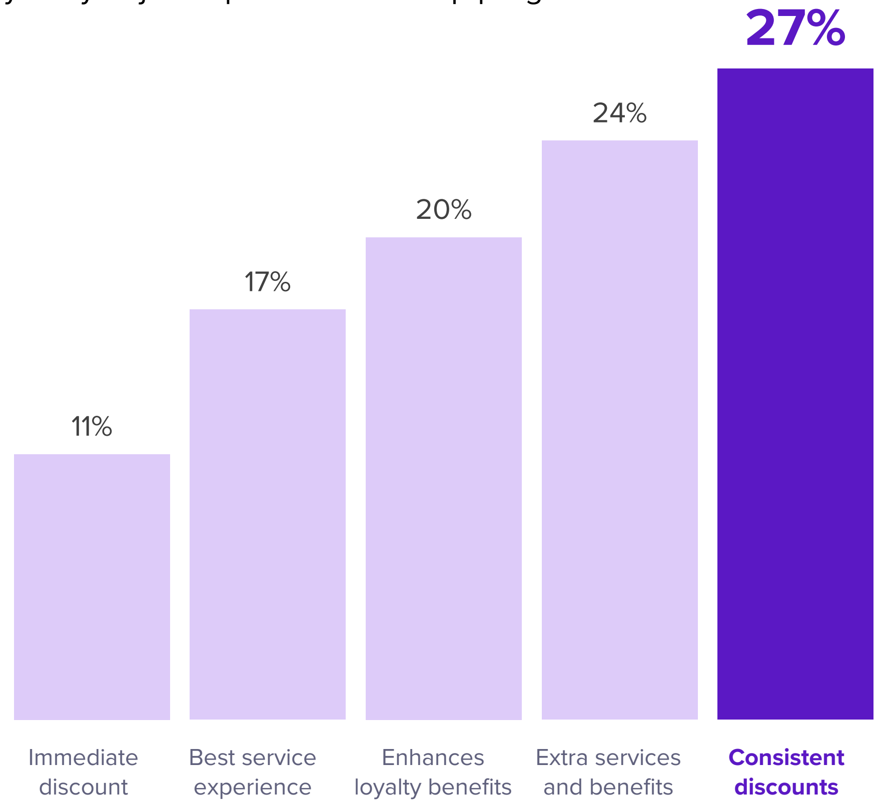

// paid loyalty

Paid programs can amplify free loyalty programs

Consumers joined a paid loyalty program for consistent discounts, followed by extra services and benefits. Including a paid program can satisfy customer demand for a reliable and valuable relationship with their most frequented brands.

SURVEY QUESTION

Why did you join a paid membership program?



GENERATIONAL DIFFERENCES

For "consistent discounts" option:

28%	Gen X and Baby Boomers
26%	Millennials
27%	Gen Z

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Consumers enrolled in more paid programs

The appeal of paid programs remained strong compared to our last report. While most belong to fewer than three paid loyalty programs, the percentage of those enrolled in four to ten had strong growth, up to 25% this year vs. 21% two years ago.

SURVEY QUESTION

How many paid membership programs do you currently participate in?

	Fewer than 3	4 to 5	6 to 10	11 to 14	15+	None
2024	51%	20%	5%	1%	1%	21%
2022	55%	17%	4%	1%	0%	22%

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Millennial shoppers belong to more paid programs

Paid loyalty programs are highly appealing to millennial consumers. Millennials over-index on program enrollment for participation in four or more paid loyalty programs. Thirty-four percent are enrolled in four to ten programs vs. 20% for those over 45 and 25% among Gen Z.

SURVEY QUESTION

How many paid membership programs do you currently participate in?

	Fewer than 3	4 to 5	6 to 10	11 to 14	15+	None
All Generations	51%	20%	5%	1%	1%	21%
Gen X and Baby Boomers	51%	16%	4%	1%	0%	29%
Millennials	51%	26%	7%	2%	1%	14%
Gen Z	52%	19%	6%	1%	1%	21%

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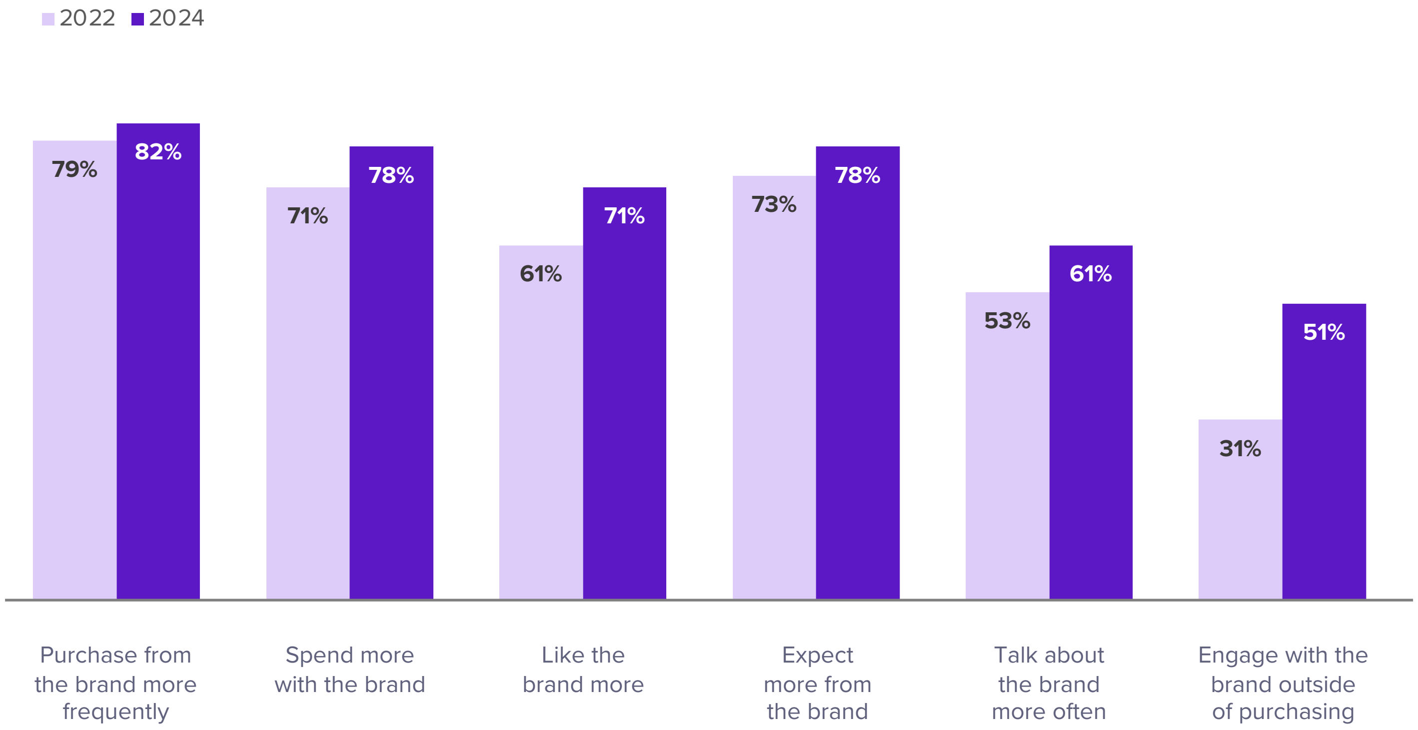
Over-index Under-index

Paid loyalty programs are having a positive effect on brand behaviors

The impact paid loyalty programs have on consumer purchase and engagement behaviors grew stronger compared to our last report. This year we saw the biggest increases in consumers' likelihood to engage with a brand outside of purchasing and would like the brand more.

SURVEY QUESTION

Please indicate your likelihood to do the following things because of your participation in a paid loyalty program (top two box):



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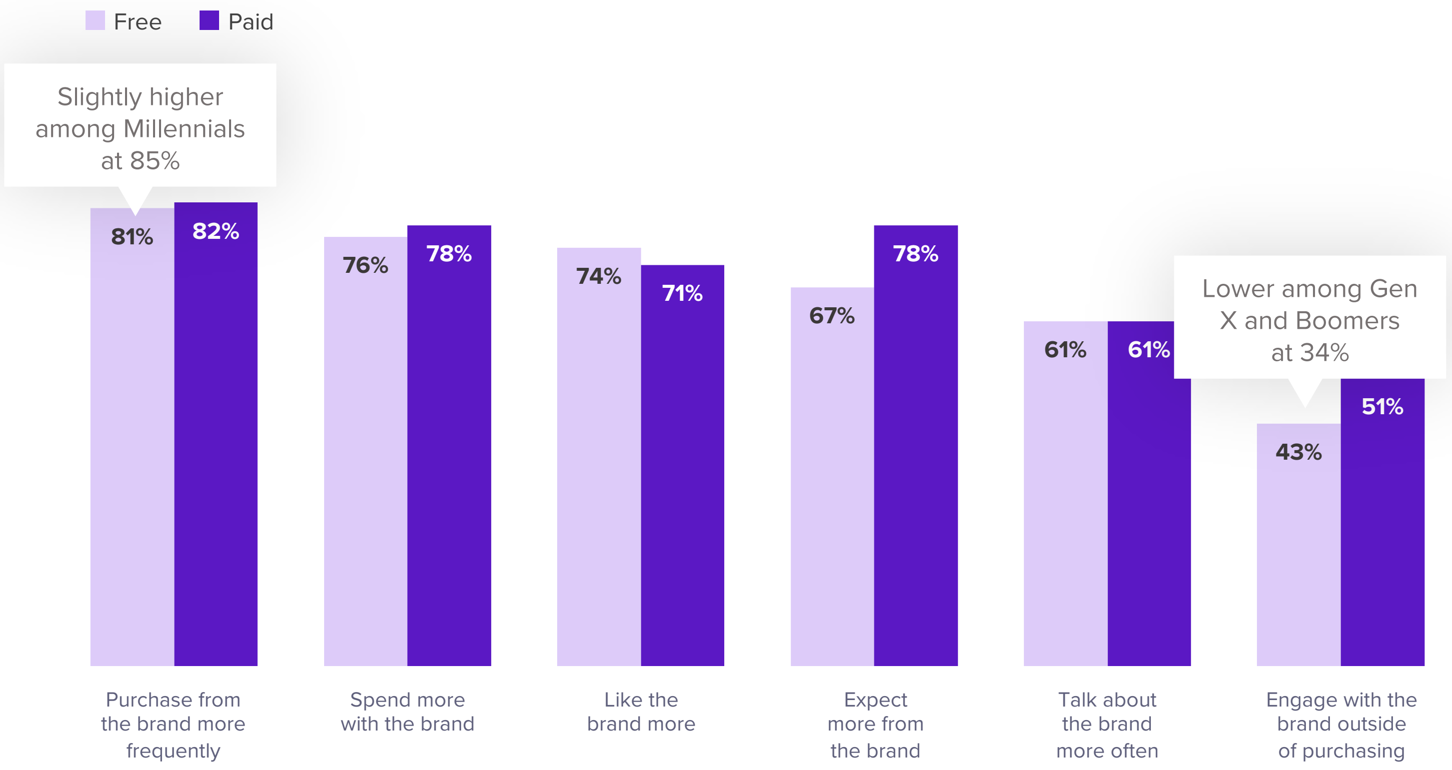
Both free and paid programs impact share of wallet

Free and paid loyalty programs deliver similar outcomes; however, brand expectations are higher for those enrolled in paid programs. The likelihood to engage with a brand because of paid program participation is also significantly higher for these members.

SURVEY QUESTION

Indicate your likelihood to do the following things because of your participation in a free loyalty program or paid loyalty program. (Top two box)



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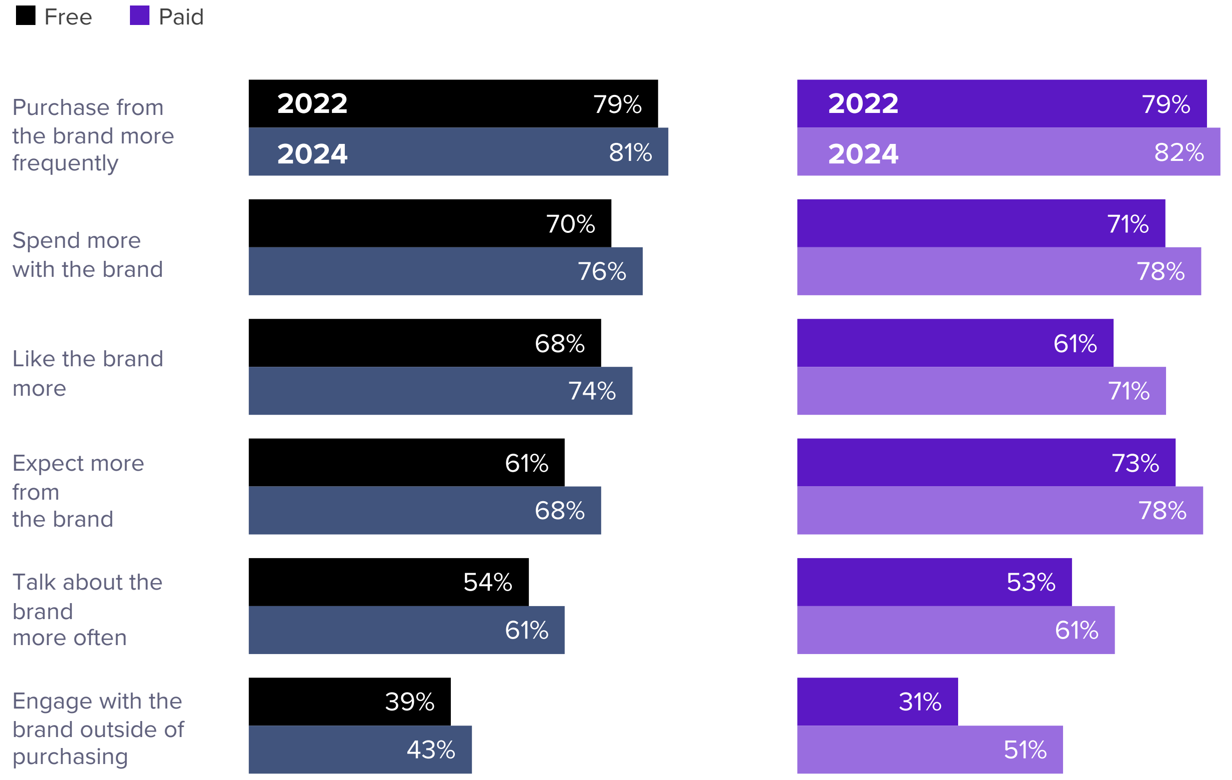
Paid and free loyalty programs impact consumer behaviors

This year's report showed an upward trend on a loyalty program's impact to consumer behaviors for both free and paid programs. Consumers are still most likely to purchase more frequently from a brand because of their participation in either type of program. But their likelihood to also spend, engage with, and advocate for the brand also increased since 2022.

SURVEY QUESTION

Indicate your likelihood to do the following things because of your participation in a free loyalty program or paid loyalty program. (Top two box)



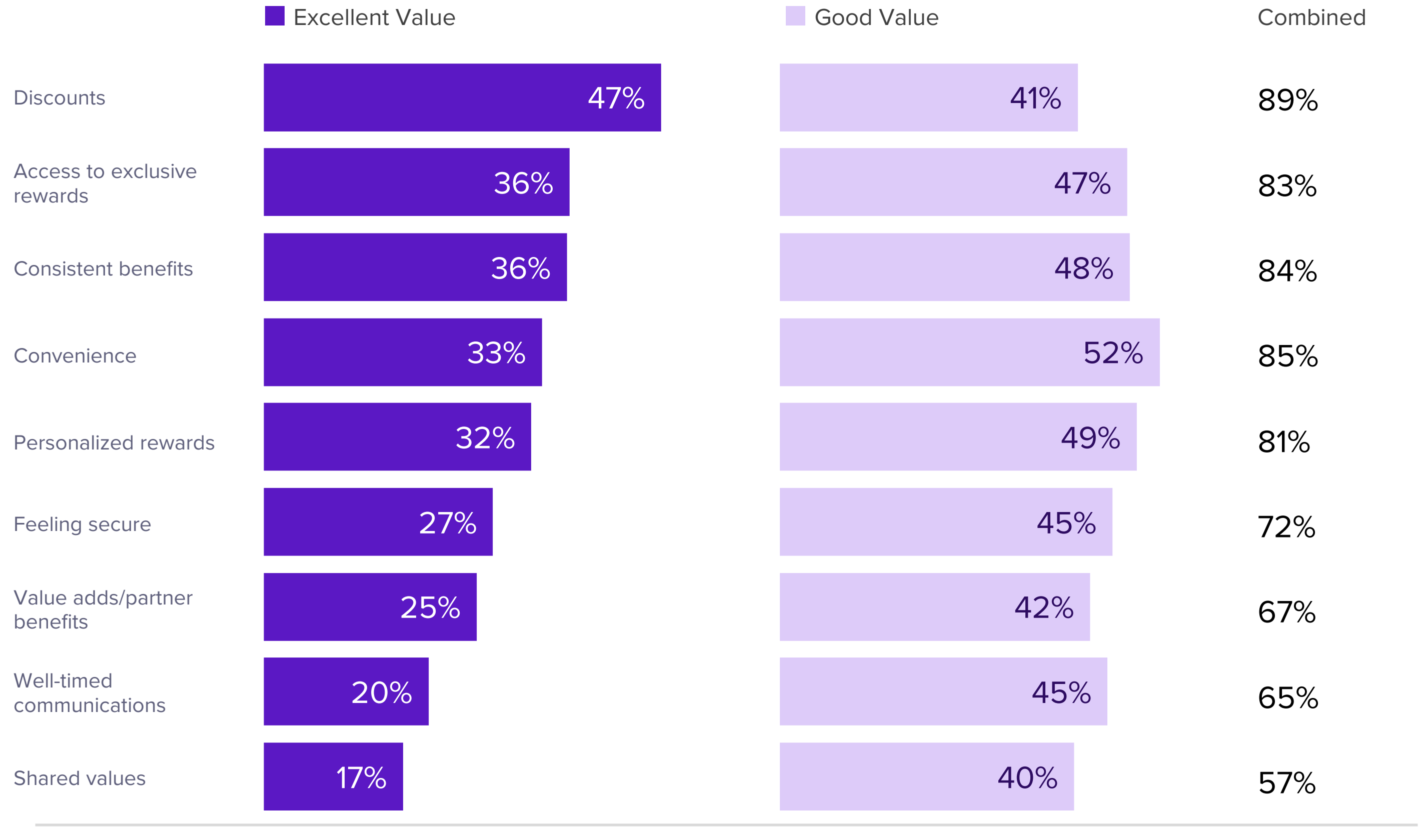
- Merkle 2024 Loyalty Barometer

Discounts and rewards deliver the most value

Consumers value discounts and rewards more than softer benefits received from joining a paid or subscription-based program. Personalization and convenience are perceived as being good value attributed with paid programs.

SURVEY QUESTION

How valuable to you are these offerings in premium subscriptions?



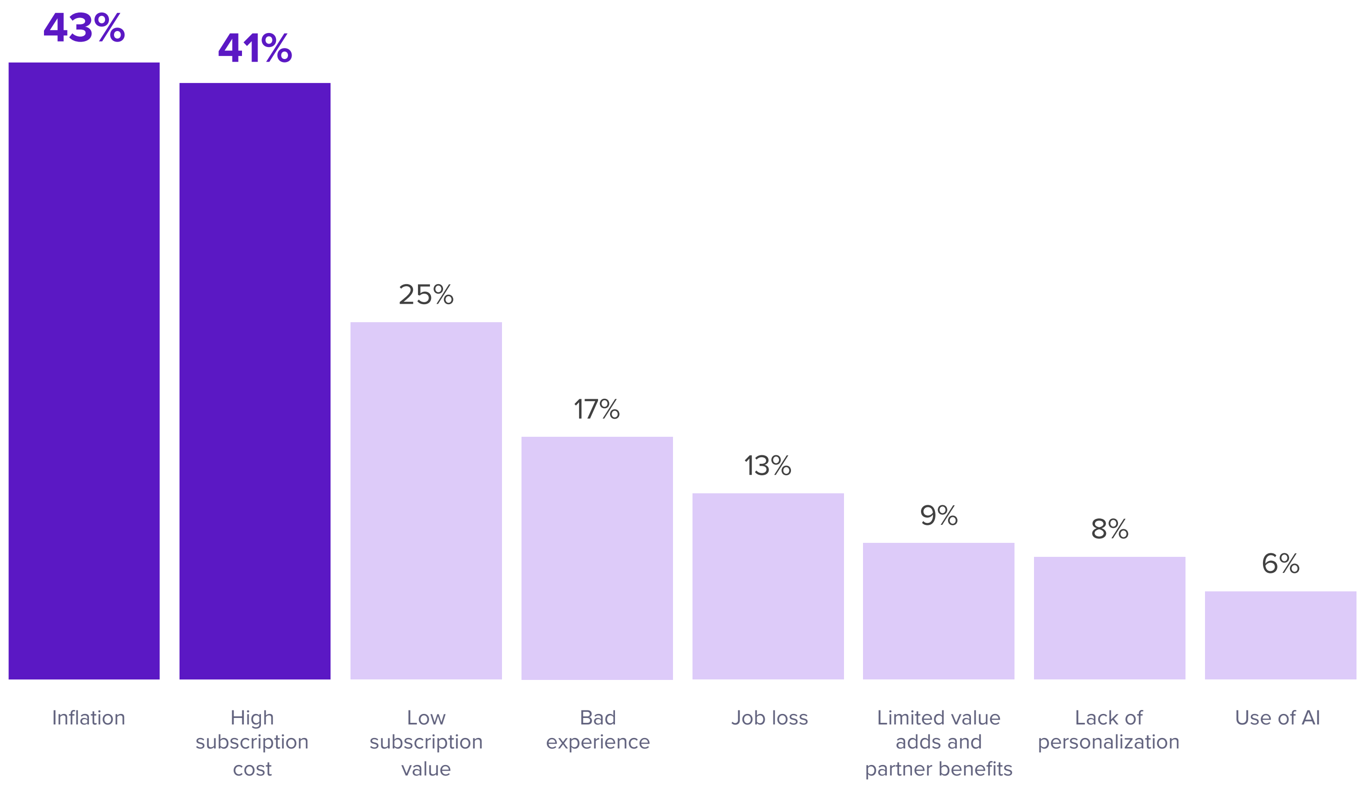
- Merkle 2024 Loyalty Barometer

Financial concerns influence paid membership retention

Half of consumers cancelled a paid membership in the past year, with one-third cancelling one or two memberships. Financial reasons—whether inflation or the cost of the subscription—are the primary reason. But one-third also indicated that low or limited membership value contributed to their decision.

SURVEY QUESTION

If you have reduced your number of paid membership programs, what factors contributed most to this decision?



- Merkle 2024 Loyalty Barometer

Free and paid programs leverage different strategies

While business impact is similar between paid and free programs, before investing in a paid program, explore options and perform the due diligence needed to understand consumer appeal and the operational needs to successfully deliver a paid program.

Paid strategies may work for some but not for others.

	Free Programs	Paid Programs
APPEAL TO	Wide audience	Narrow audience
DELIVER BENEFITS THAT ARE	Earned over time	Immediately available
WITH A FOCUS ON	Scalable, discount-focused rewards	Higher-value benefits that are financially infeasible for larger, lower-revenue customers.

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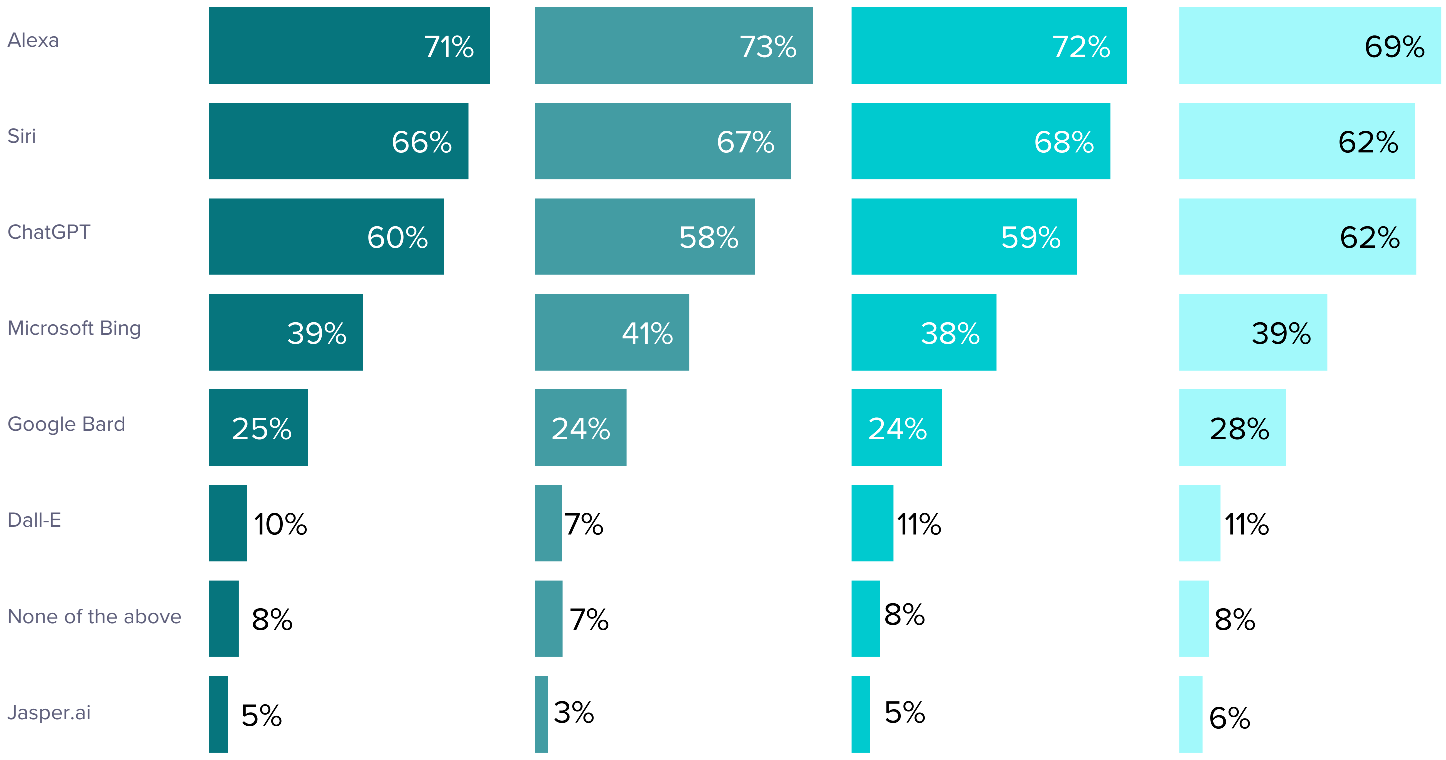
// emerging topics

AI awareness is high among all consumers

Across generations, awareness of AI-enabled technologies is high. Technologies with the highest awareness come from the big tech players, or in ChatGPT's case, a brand with lots of buzz around it. Gen Z has a higher awareness of Google's Bard, as well as Jasper and Dall-E which focus on content and image creation, respectively.

SURVEY QUESTION

Which AI enabled technologies have you heard of before?



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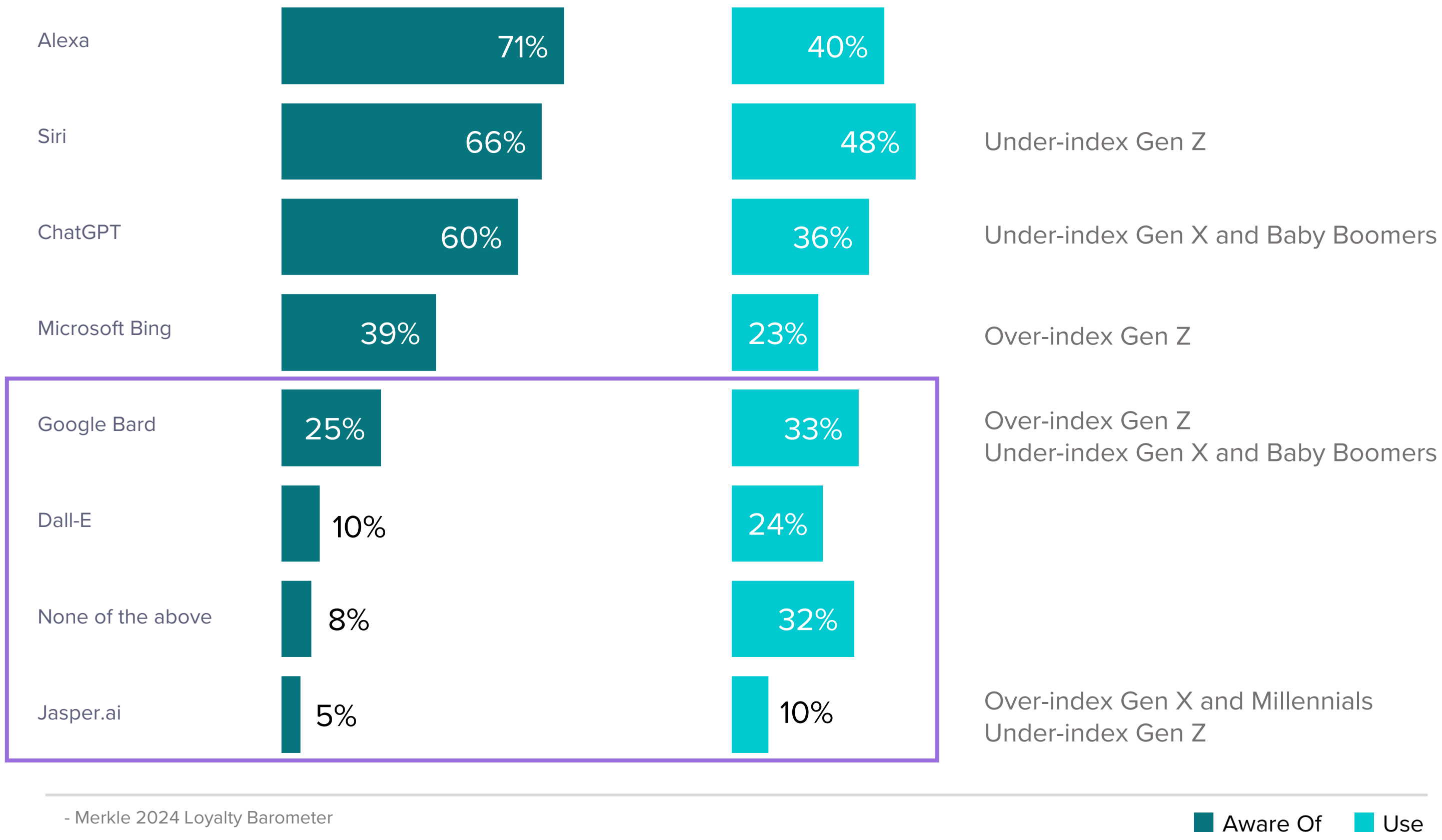
AI is no longer just for early adopters

Adoption of AI-enabled technologies is in the early majority stage of the innovation lifecycle with between 20-50% of consumers having used at least one technology. Younger consumers over-index on several platforms, but there is also some unusual consumer behavior. Among half of the technologies surveyed, more consumers said they use the technology than were aware of it – a sign of consumer confusion in this new space.

SURVEY QUESTION

Which AI-enabled technologies have you heard of before? Which do you currently use?



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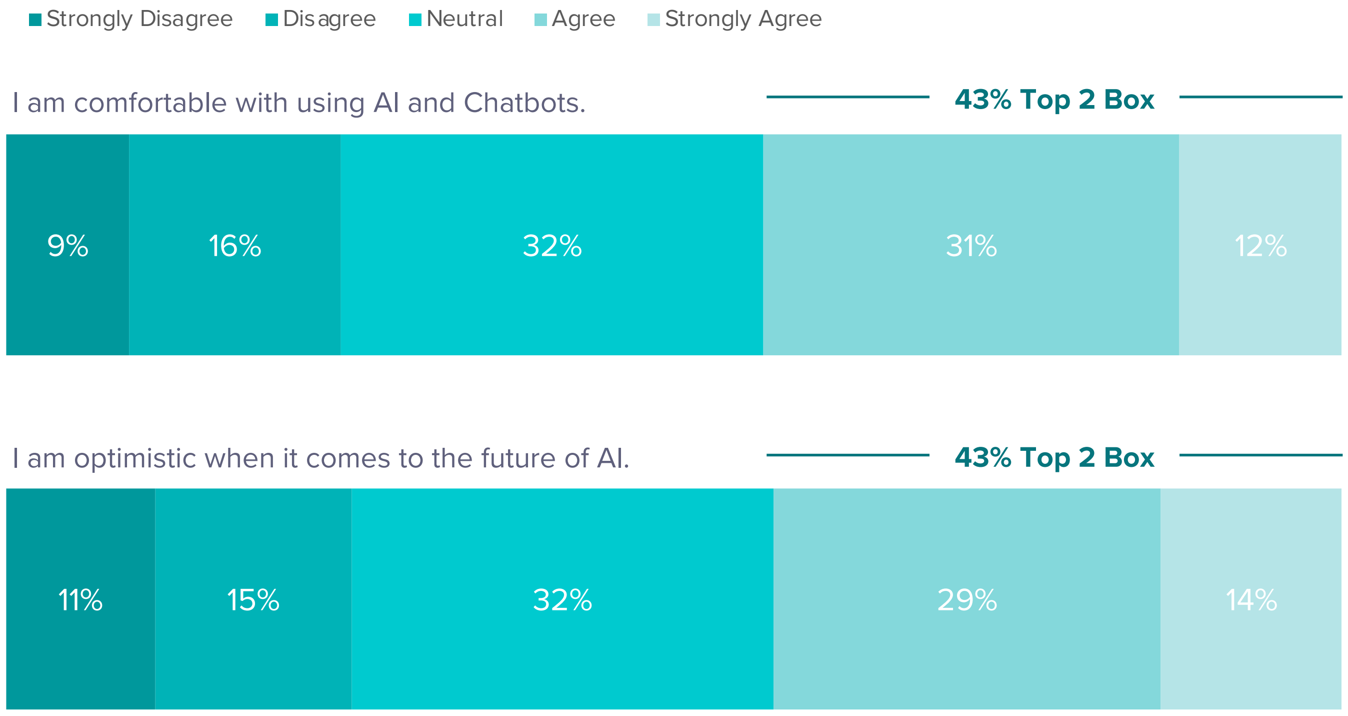
Most consumers are comfortable with AI

The verdict is still out for many, with one-third of consumers taking a neutral stance on their comfort level with AI and their feelings about its impact in the future. One-quarter of consumers are neither comfortable with using AI nor optimistic about its future.

SURVEY QUESTION

What are the top two things that make you feel loyal to your favorite brand?



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// conclusion and key takeaways

Year-over-year trends are stable, but data privacy concerns and AI are poised to alter the landscape.

Converging forces around data privacy and AI will shape how marketers reach their customers and provide them with the right offer, at the right time, at the right place, and in the right channel. Loyalty programs and strategies will need to evolve to catch up to rapidly changing customer expectations and harness the value from emerging technologies like AI.

Consumer demand for loyalty programs remains high.

Loyalty programs continue to be an important way for consumers to earn discounts and other benefits from the brands they love. Participation in both paid and free programs are up since our last report, signaling increased demand for programs and potentially an expectation for them among consumers. The good news for brands is that both paid and free programs impact purchase frequency and spend. Investing in this channel can help brands meet customer expectations and drive business objectives.

Financial rewards must anchor program value exchanges.

Discounts and other financial incentives are the most important rewards for consumers. But discounts alone aren't a strong enough retention lever. Brands must wrap the financial value exchange in differentiated benefits and services that reflect the brand's customer promise and create program stickiness by adding value beyond discounts

Consumer distrust around using their data will erode loyalty program value.

Year-over-year trends continue to show a decreasing level of consumer comfort with allowing brands to use their data. This is a major risk for brands because loyalty and personalization strategies will crumble if consumers are no longer willing to share their purchase and personal data. Brands should be transparent about how and where they're using customer data, while showing the tangible value generated from their data use.

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