

# 2022 LOYALTY BAROMETER

**A Marketer's Guide to Building  
Loyalty in the Customer Experience**

## **About This Report**

Our Loyalty Barometer Report covers emerging loyalty topics and examines how consumer mindsets are shifting, so brands can ensure their customer strategies are current and relevant. In this fifth annual report, we took an expanded view of loyalty, looking at how consumers feel about loyalty programs and understanding their view of loyalty within the customer experience and brand messaging. This year's emerging topics include paid loyalty (also referred to as premium or fee-based loyalty), values-based loyalty, and non-fungible tokens (NFTs) and crypto.

## **Methodology**

In April 2022, 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.

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# REPORT OVERVIEW

**Marketers are facing a consumer landscape today that is significantly different than the one just two years ago.**

Those who still talk about loyalty as a program fail to capture the value generated from a shift to an enterprise view: a view that focuses on creating loyalty within the total customer experience and makes strategic investments in martech, operational resources, and agency partner expertise.

**Marketers who rely on their same strategies from the pre-pandemic world will fall behind.**

Those older strategies need to be updated (or maybe even discarded) to take on a more modern view of loyalty – one that is anchored in building trust; meeting rational and emotional needs; leveraging new engagement mechanics; and creating an innovative approach to personalization.

# Four Things Modern Loyalty Marketers Should Start Doing Today

**79%**  
of consumers  
are more likely to  
do business with a  
brand because of  
its loyalty program.

## Leverage loyalty programs to build consumer trust.

It's no surprise that building brand loyalty starts with a great product that meets rational needs and builds trust in the brand. But product alone is not enough, as brands must meet both rational and emotional needs to keep their customers' loyalty. Loyalty programs can be the mechanic through which brands continue to build customer trust by meeting the rational need for value through discounts, then also support emotional needs by providing convenience and life-enhancing benefits and services.

*Skip to page 10 for more*

**73%**  
of millennials say a  
consistent customer  
experience will make  
it more likely they  
will continue to do  
business with their  
favorite brand.

## Provide financial utility and emotional benefits.

While macro year-over-year attitudes toward loyalty programs have not significantly changed, there has been a shift in preference toward structural elements and features that provide expanded financial utility in consumers' lives. In today's environment of inflation and product shortages, consumers want program benefits that help reduce their daily financial burden and provide a sense of stability. Discounts remain king as the top reward preference; however, focusing on discounts alone will not keep customer loyalty. Brands that fail to meet emotional needs will succumb to switching in the long term.

*Skip to page 12 for more*

## Ditch data and personalization strategies that lack sophistication.

Merkle's recent [consumer behavior report](#) highlights that brands are still not doing a great job of meeting consumer expectations for personalization. Our loyalty research built on these findings and shows that current personalization efforts have a smaller impact on buying decisions, relative to other factors like customer service, having a loyalty program, and a consistent customer experience. The commoditization of personalization has made it table stakes in the customer experience. Brands need to adopt more sophisticated relationship marketing strategies and techniques to personalize experiences more robustly, stand out, and drive business impact.

*Skip to page 14 for more*

ALMOST  
**60%**

of consumers said current personalization efforts (via website and marketing communications) have no impact on their likelihood to continue to do business with a brand.

## Forge a new dimension of engagement with promotion-based loyalty campaigns.

Engagement campaigns that use promotional mechanics can be flexible levers in a loyalty experience that drive interaction, collect data, fill emotional needs, and ease pain points related to earning rewards quickly and more frequently. With all signs pointing to a volatile economy in the future, promotion-based campaigns designed around what's most important to consumers will continue to build rational and emotional connections at a time when these consumers might want to pull back. While often thought of as stand-alone campaigns, when strategically planned and woven together, a series of promotions can create a new dimension to your loyalty program – one that sparks interaction, creates buzz, delivers surprise rewards, and tests new engagement concepts.

*Skip to page 20 for more*

ALMOST  
**50%**

of consumers want chance-to-win rewards included in loyalty programs (up from almost 35 percent in 2019).



# CUSTOMER LOYALTY AT A GLANCE

**67%**  
belong  
to 1 to 5  
programs.

**78%**  
belong to a  
paid loyalty  
program.

APPROX.  
**90%**  
say they earned  
or redeemed  
a reward in the  
past 6 months.

## PROGRAM TYPES

*Least preferred*

*Most preferred*

**Punchcard**

**Cash back**

## GAMIFICATION FEATURES

*Least preferred*

*Most preferred*

**Leaderboards**

**Chance-to-win prizes**

## CONSUMERS' FAVORITE BRANDS

These top brands show that consumers respond to the full loyalty experience, not just the loyalty program:



## TOP PICKS IN EACH CATEGORY

	REWARDS	WAYS TO INTERACT	PAIN POINTS
#1	Discounts	Surprise offers or gifts	Too long to earn
#2	Cash back	Convenience features	Too difficult to earn
#3	Free products	Words of appreciation	Rewards aren't valuable

### Loyalty is about more than discounts:

- 60%** feel loyal to their favorite brand because it's a great product.
- 75%+** say consistent customer experiences and customer service make it more likely they will do business with brands.
- 50%** are more likely to participate in a loyalty program based on brand values.

### Messaging impacts loyalty:

- 67%** think about email communications as being part of the brand's loyalty program.
- 37%** say personalized emails and text make them more likely to do business with a brand.

### CONSUMERS ENROLL IN LOYALTY PROGRAMS FOR:

- Discounts
- Free products

### BRANDS CAN KEEP THEIR LOYALTY WITH:

- Discounts
- Surprises
- Exclusive benefits





# Evolution of the Loyalty Landscape

TL;DR (too long; didn't read)

A great product or service is the foundation for brand loyalty.

Programs that establish customer trust through reliably delivering rational and emotional benefits will build emotional connections.

Loyalty programs, customer service, and a consistent customer experience drive buying decisions.

# Building Loyalty Requires More Than a Loyalty Program

## SURVEY QUESTION

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

**60%**  
Great product

**26%**  
Convenience

**24%**  
Enhances life

**22%**  
Great service

**22%**  
Loyalty program

**Meet rational and emotional needs throughout the customer experience to deliver loyalty outcomes.**

The transformation of loyalty from a static, programmatic strategy to an enterprise-wide endeavor continues to accelerate. While a loyalty program can be the cornerstone of an overarching loyalty experience and can have significant impact on a consumer's decision to do business with a brand, our research shows consumers think about loyalty more broadly.

Our Human Loyalty® philosophy is based on the idea that brand loyalty starts by meeting trust-building, rational needs. Once trust is established, a door opens for brands to create emotional connection and meaning, which leads to enduring brand loyalty.

Consumers reflected this perspective by indicating a great product is, by far, the top reason they feel loyal to a brand. Sixty percent said so in our research. Convenience and enhancing one's life were next on the list and closely ranked. This combination of meeting rational product needs and delivering emotional benefits is what creates the feeling of brand loyalty. And almost two-thirds of respondents felt a brand's email program was part of its approach to loyalty – validating that consumers view loyalty as more than just a program.

- Merkle 2022 Loyalty Barometer

## **Program and experience drive buying decisions.**

Loyalty programs do, of course, play a role in this dynamic. Programs provide rational value through discounts and rewards. They can also provide emotional value through life-enhancing features, benefits, and services. And for brands, programs can be the mechanic to deliver the top things consumers say brands should offer to keep their loyalty: discounts, surprise offers or rewards, and exclusive benefits.

Importantly, loyalty programs ranked the highest in terms of impact on consumers' likelihood to continue to do business with a brand. But customer service and a consistent customer experience were not far behind. This emphasizes the importance of broadening the view of loyalty from a siloed strategy to one that encompasses the total customer experience – from brand touchpoints and loyalty programs to messaging and promotions.

While the differences in impact between Gen Z and baby boomers come as no surprise (with millennials and Gen X consistently falling in between), response rank was similar across age groups. But the influence of a mobile app on Gen Z's likelihood to continue to do business with a brand rates equal to service and experience. An app may not make sense for all brands, but for those where it does, your mobile app should be a critical strategy to reaching Gen Z, much more so than a personalized website.



**A mobile app should be a critical strategy to reaching Gen Z.**

**SURVEY QUESTION**

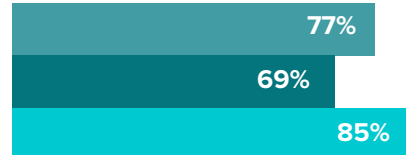
**Please indicate the impact of the following on your likelihood to continue doing business with a brand:**

■ All generations   ■ Gen Z   ■ Baby boomers

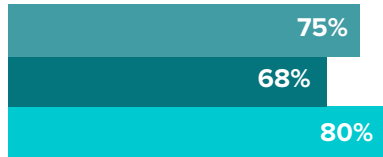
**LOYALTY OR REWARDS PROGRAM**



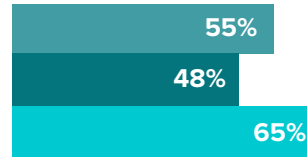
**CUSTOMER SERVICE**



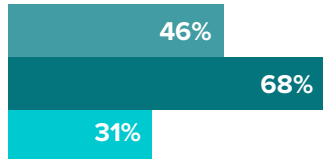
**CONSISTENT CUSTOMER EXPERIENCE**



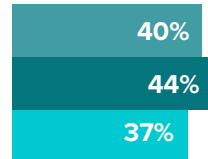
**DATA PRIVACY POLICIES**



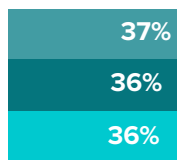
**MOBILE APP**



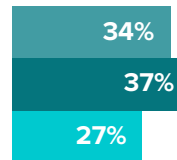
**CORPORATE VALUES**



**PERSONALIZED EMAILS AND TEXTS**



**PERSONALIZED WEBSITE**



- Merkle 2022 Loyalty Barometer



# Personalization Outlook

## TL;DR

Personalization is an expectation, and consumers don't perceive personalized tactics as a reason to continue doing business with a brand.

Consumers are less comfortable sharing much of their data with brands today than they were two years ago.

Sophisticated personalization techniques, like identity resolution and machine learning, can fill data gaps and help deliver more relevant communications and experiences.

# Old School CX Personalization Has Little Impact on Loyalty

**Innovation in your personalization efforts is needed to drive business growth.**

Personalization has become a commodity, and typical approaches to personalization no longer create the value they once did. While personalization is an important part in the creation of the customer experience, to nurture loyalty and drive business growth, brands need to move beyond the basics of email and web personalization.

Only about one-third of consumers said that personalized emails, texts, and websites will make them more likely to do business with a brand, and almost 60 percent said this type of personalization has no impact on buying decisions. Only 18 percent said that personalized experiences were among the top three things brands should offer to keep their loyalty. And relevant communications? They ranked second from the bottom in terms of what makes consumers feel loyal to brands.

Marketers should not interpret this as a call to abandon their personalization strategies. Instead, a more sophisticated approach to personalization – one that includes identity resolution, predictive models, cluster-based segmentation, and AI and machine learning – is needed to wow consumers who have grown accustomed to basic content and personalization strategies.



**You need a more sophisticated approach to personalization.**

## Consumers are sending mixed messages.

Despite these responses, there is no getting around the fact that a brand's customer experience, loyalty program, and messaging must provide tangible value to bring consumers in and keep members engaged. This requires that customers willingly participate and share their data if they want brands to deliver relevant experiences that make their lives better.

While most consumers want relevant messaging, they are all less comfortable sharing the necessary information needed to deliver this relevance. It's within this mixed message that brands need to learn to navigate. Brands that rely on traditional preference centers to capture zero-party data should instead find innovative and organic ways to capture that data within the experience.



### SURVEY QUESTION

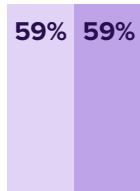
What information are you comfortable letting brands use to make your rewards experience more relevant to you?

■ 2020 ■ 2022

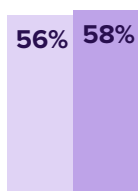
### GOOD NEWS

Consumers are comfortable letting brands use:

#### PURCHASE HISTORY



#### REWARD STATUS



Only 9% noted worrying about security as a program pain point, down from 20% two years ago. 55% are more likely to continue doing business with a brand because of its data privacy policies.



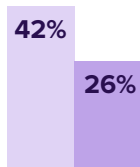
### NEW THIS YEAR

We found that **16%** are comfortable letting brands use their lifestyle info and **37%** are okay with personal interest info.

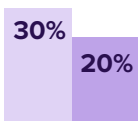
### BAD NEWS

Consumers aren't as comfortable letting brands use:

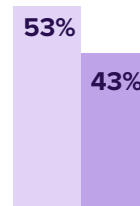
#### SELF SELECTED PREFERENCES



#### BROWSING HISTORY



#### GENDER



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# What Consumers Expect

## TL;DR

Inflationary pressures are influencing consumer preferences and expectations.

Consumers are looking for rewards with expanded financial utility to help them reduce their financial commitments.

The time it takes to earn a reward continues to be the biggest loyalty pain point.

# Freebies Lose Luster, Discounts Are Core

## Provide tangible value but don't overlook emotional needs.

The top reason consumers participate in loyalty programs continues to be discounts, with 49 percent saying that is the main reason they participate, so there is no doubt that programs need to provide tangible value in their core structure. In today's climate, program adoption could be a challenge for brands that base their program's value exchange solely on things like access or experiences.

Members will expect discounts as part of the program value exchange, but buying their loyalty will not help you win in the long term. Discounts build trust through rational benefits. But a poor customer experience, ineffective support, and out-of-touch messaging will break down that trust and undermine your ability to drive loyalty.

## Reward preferences reflect today's economic climate.

There has been a subtle but noticeable shift in consumers' mindsets around preferred rewards. While discounts and free products were big in the past, today's consumers are looking for more utility, preferring benefits that reduce a household's financial commitment. Discounts on a brand's product or service are most coveted by 79 percent of consumers (up from 71 percent just two years ago). A tad less important are freebies, as 65 percent of consumers (a drop from 75 percent in 2020) indicate free products, services, or samples are a benefit they like to receive.

Surprise or unexpected rewards are still relevant but less compelling than in years past as consumers look for stability. Brands should still inject fun elements like chance-to-win prizes and surprise rewards into their loyalty programs, but they should do so as a program feature.



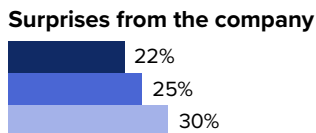
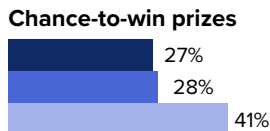
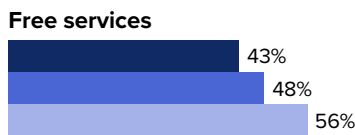
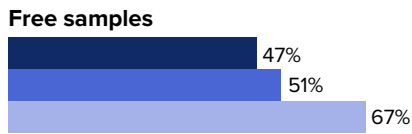
**A quarter of all respondents said they have no complaints about their loyalty program.**

If your program is lagging in engagement, evaluate the elements of your reward structure that tend to push members away. Year over year, consumers indicate that rewards take too long or are too difficult to earn, and one in five feel that rewards don't provide enough value. But there is a bright side to this story. This year – except for a small uptick in earn time – there are significant declines in negative participation drivers. Decreases in communications and privacy concerns demonstrate that brands have been addressing consumer needs. And 25 percent of respondents have no complaints at all.

**SURVEY QUESTION**

**What type of rewards and benefits do you like to receive? Select all that apply.**

■ 2022 ■ 2021 ■ 2020

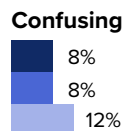
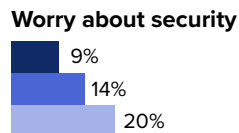
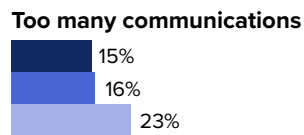
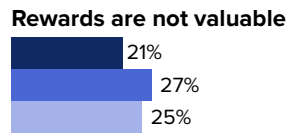
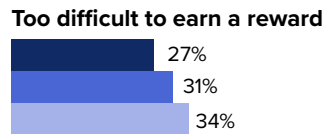


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**SURVEY QUESTION**

**What do you not like about the loyalty or rewards programs you currently belong to? Select all that apply.**

■ 2022 ■ 2021 ■ 2020



- Merkle 2022 Loyalty Barometer

## Invest in promotion-based loyalty campaigns in a volatile economy.

With brands still navigating the effects of the pandemic, plus global market uncertainty, marketers are bracing for a potentially bumpy economic future. Because marketing budgets will be affected, it's imperative that brands invest in retention measures now to keep buyers engaged down the road. Short-term promotion-based campaigns, ones that live on top of your core loyalty or CRM programs, create flexible levers that can be designed to meet brand objectives and customer needs. And empathetically meeting customer needs will appeal to your customers' rational side, win their hearts, and build stronger loyalty.

BY THE WAY ...

### What is a promotion?

**A “do, get,” incentive-based call to action with a chance to win or guaranteed reward in exchange for the consumer’s registration and participation.**

Promotion channels and tactics vary, but promotions always leverage proven game mechanics to spark emotion and drive behavior. A promotion can be a stand-alone experience or one that is integrated with existing marketing and loyalty programs.

It is

✓ Sweepstakes

✓ Instant Win

✓ Contest

✓ Trivia

✓ Personality Test

✓ Collect & Win

It Isn't

✓ Coupons

✓ Discounts

✓ BOGO Offers

When looking across generations, there are significant differences in what matters to consumers. As belts tighten, insights into generational differences will allow you to design engagement campaigns and tailor marketing messages to speak to different consumer segments and their specific needs.

	<b>MORE IMPORTANT</b>	<b>LESS IMPORTANT</b>
<b>GEN Z</b>	<ul style="list-style-type: none"> <li>Surprise and delight</li> <li>Personalized experiences</li> <li>Chance-to-win rewards</li> <li>Convenience</li> </ul>	<ul style="list-style-type: none"> <li>Services and support</li> <li>Saying thank you</li> <li>Cash-back rewards and discounts</li> <li>Exclusive access</li> </ul>
<b>MILLENNIALS</b>	<ul style="list-style-type: none"> <li>Surprise and delight</li> <li>Services and support</li> <li>Earning through partners</li> <li>Personalized experiences</li> </ul>	<ul style="list-style-type: none"> <li>Saying thank you</li> <li>Social media engagement</li> <li>Cash-back rewards</li> <li>Brand content</li> </ul>
<b>GEN X</b>	<ul style="list-style-type: none"> <li>Free product and samples</li> <li>Cash-back rewards and discounts</li> <li>Earning through partners</li> <li>Services and support</li> </ul>	<ul style="list-style-type: none"> <li>Surprise and delight</li> <li>Cause-related rewards</li> <li>Relevant communications</li> <li>Convenience</li> </ul>
<b>BABY BOOMERS</b>	<ul style="list-style-type: none"> <li>Services and support</li> <li>Social media engagement</li> <li>Cash-back rewards and discounts</li> <li>Saying thank you</li> </ul>	<ul style="list-style-type: none"> <li>Surprise and delight</li> <li>Free samples</li> <li>Chance-to-win rewards</li> <li>Personalized experiences</li> </ul>

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# Preferred Ways to Earn

## TL;DR

Cash-back program structures are most preferred, but even long-standing programs that can't pivot quickly should figure out a way to deliver more immediate value.

Consumers want chance-based gamification features included in loyalty programs.

Consider brand partnerships to meet customer needs for earning across brands while also creating a new revenue stream from the program.

Use promotional tactics to deliver surprise rewards on top of the current program value exchange.

# Cash Is King, but Immediate Value Is the Bigger Theme

Each year, we ask about the appeal of common loyalty program value exchanges. Earning and redeeming points for a discount has been the preferred program structure from the start. This year, because of the economic challenges faced by consumers, we added cash-back rewards as an option: it took the top spot, pushing discounts to number two.

This comes as no surprise as the last couple of years have been tough on consumers and their wallets. From the pandemic and supply chain shortages to inflation and economic uncertainty, consumers are focused on rational needs and instant gratification. This theme is reflected in how each program type was ranked. Cash-back rewards allow members to instantly see value from their transaction with the brand (and also helps alleviate the number-one complaint that it takes too long or is too difficult to earn a reward). If a cash-back strategy won't work for your brand, use this insight to deliver more immediate value in the way the cash-back option does.

## Preferences look similar to mid-2020.

This year had a couple of big moves that – when excluding the addition of the cash-back option – result in a list that looks similar to pandemic-2020 preferences. The spend and get value exchange dropped from second position to sixth, likely because of the new cash-back option. And surprise-based program structures jumped from a consistent fifth place to third, a surprising outlier in the study's theme of consumers seeking stability and utility. Consumer preference to redeem points for discounts has consistently rated higher than redeeming points for catalog items. The ability to choose a curated reward from a catalog, mixed with the time it takes to earn, may stifle the perceived value of a rewards catalog, so it's important to learn about your customers to see if this is the specific case for them.

## Program types that never made the top six:

Free shipping with a membership fee

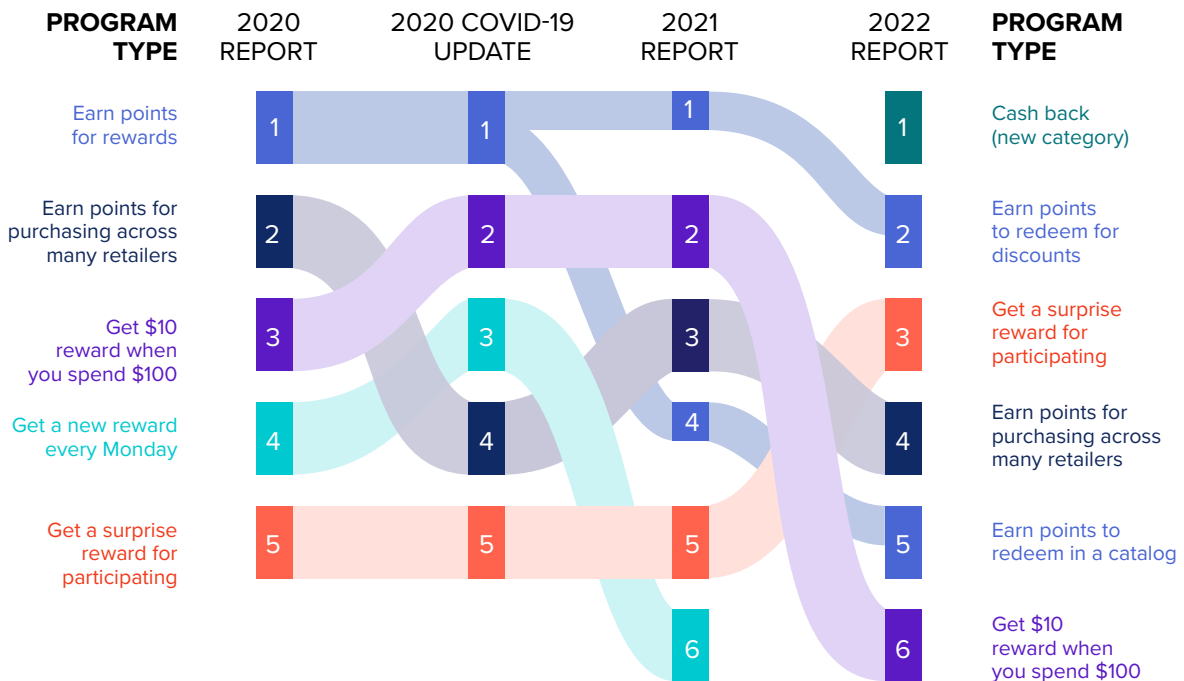
Buy five, get one free

## The appeal of cross-brand earning is strong.

Earning points for purchase across many retailers continued its appeal in this year's survey, moving back just one spot to fourth place (due to the addition of cash-back rewards). While coalition loyalty has never taken hold in the US, consumer desire for cross-brand earning remains strong. We've seen this come to life through brand partnerships in airline programs where you can earn program currency for using partner ride-share services. As consumers adjust their shopping behavior due to inventory shortages, price increases, and pandemic lifestyle changes, having the ability to consolidate earning across various brands is appealing and addresses complaints that it takes too long to earn rewards. Brands, particularly those with large-scale programs, should figure out how to take advantage of this consumer need and look for avenues to monetize their loyalty program through strategic partnerships.

### SURVEY QUESTION

Please rate the appeal of the following types of loyalty programs, where 1 is the most appealing:



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#### SURVEY QUESTION

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

Responses are for the “a chance to win large prizes” feature.

■ 2019 ■ 2022

#### CREDIT CARD

36%

46%

#### TRAVEL

41%

45%

#### RETAIL

35%

51%

#### EVERYDAY PRODUCTS

30%

54%

- Merkle 2022 Loyalty Barometer

## Engagement Trends

### Chance-based engagement features have high appeal.

As seen in our last two reports, the most preferred loyalty program features continue to trend similarly across industries. This year, however, the top two program elements, chance-to-win prizes and instant win, largely outweigh the other program features, especially for retail and everyday products categories. This likely speaks to our current economic environment and rational needs being top of mind.

These chance-based engagement features also create excitement, encourage increased frequency, and add freshness to the program. For example, the chance to instantly win a gift card by playing a game is a fun way to escape reality for a few minutes, and it also allows a customer to get real value that can save money on their next shopping trip. The fixed cost of a limited number of chance-based rewards helps curb liability as brands cut marketing budgets.

### Use promotions to test engagement features.

Tracking milestones and VIP tiers remains an important program feature across most industries. Milestones help to demonstrate progress, and tiers can show appreciation for customers' loyalty (when the benefits among tiers are motivating and differentiated). But milestones and tiers aren't right for every brand. Other common game mechanics, such as challenges, badges, and leaderboards, have appeal among smaller audiences. Apply these features strategically or include them in promotional campaigns to test and learn before adding to your core program structure.

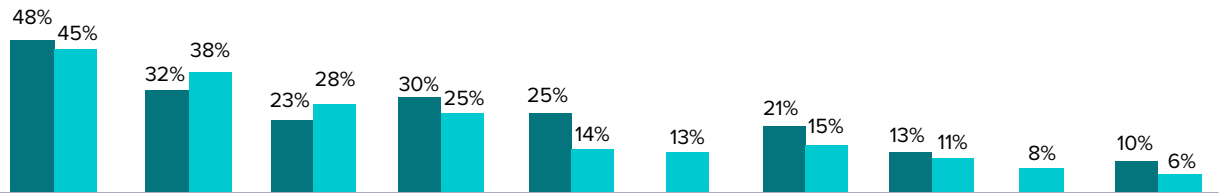
**SURVEY QUESTION**

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

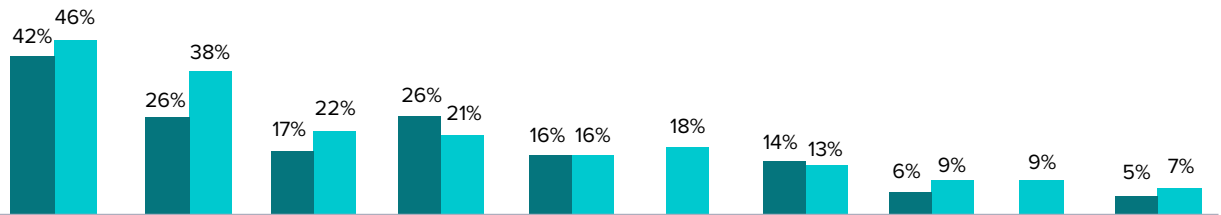
■ 2021 ■ 2022

A chance to win large prizes   Instant win   Track milestones   VIP tiers   Charity donation   Crypto currency rewards   Challenges   Badges   NFT rewards   Leaderboards

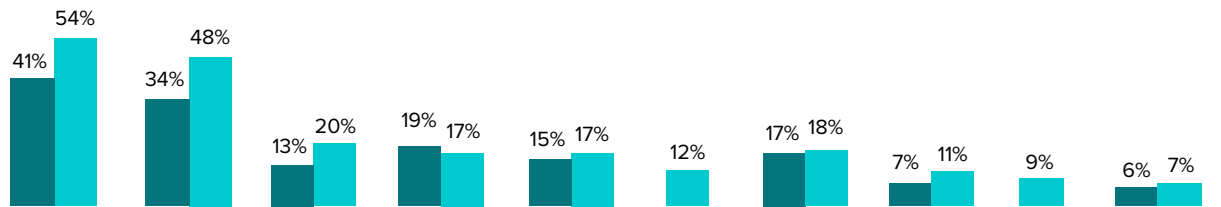
**TRAVEL**



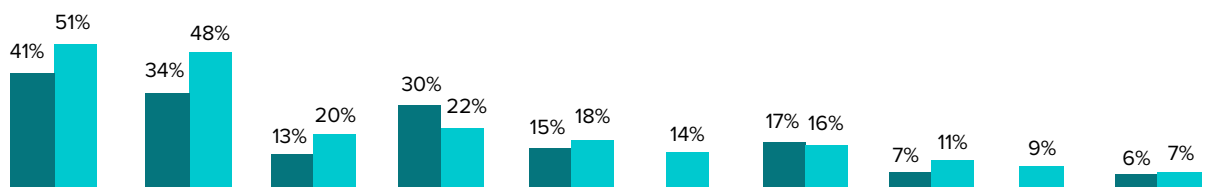
**CREDIT CARD**



**EVERYDAY PRODUCTS**



**RETAIL**



- Merkle 2022 Loyalty Barometer



# Emerging Topics in Loyalty

## TL;DR

Paid programs are a popular and effective way to deliver elevated value to your best customers while generating revenue.

Incorporating brand values into loyalty strategies drives preference and is important for gaining the attention of millennials and Gen Z.

You should test features like crypto and NFTs to understand consumer adoption and take part in shaping the web3 future.

# Hot Topics in Loyalty

## SURVEY QUESTION

Why did you join a paid membership program?

39%

Consistent discounts

37%

Extra services and benefits

29%

Enhanced loyalty benefits

23%

Best service and experience

12%

Immediate discount

- Merkle 2022 Loyalty Barometer

## Paid loyalty

Consumer appetite for paid loyalty programs is evident. Seventy-seven percent report participation in at least one paid program, and 55 percent participate in up to three. Thirty-nine percent joined a paid loyalty program to access consistent discounts, closely followed, at 37 percent, by the desire for extra services and benefits. Few intend to discontinue membership after receiving an immediate discount.

While free loyalty programs – which cast a wide, low-risk net – help build a customer base and reward a range of shoppers, fees from paid programs allow brands to deliver higher value benefits that are financially infeasible for larger, lower-value customer groups. A paid offering can also differentiate a brand in a crowded or fragmented marketplace, making the decision to switch brands less advantageous for loyal customers as they already paid for program benefits. Plus, the prospect of a new revenue stream for brands is highly appealing.

Amplifying free loyalty programs to include a premium or paid tier, one that immediately delivers elevated rewards and differentiated benefits, can satisfy customer demand for a reliable and valuable relationship with their most frequented brands. An offering that targets this highly engaged set of customers can also facilitate the regular and authentic collection of zero- and first-party data, alongside invaluable insights about products, services, and sentiment. Approach your expansion into paid loyalty like you would any new offering: perform the due diligence to understand consumer appeal and the operational needs to successfully deliver a paid program.

## Values-based loyalty

The notion that consumers want to align with brands in a more meaningful way is well founded and, according to our research, reinforced by consumer sentiment. A majority agree a brand's values and public stance on societal events impact their loyalty and likelihood to join a loyalty program. Forty percent say corporate values influence their buying decisions, and it's no surprise this sentiment is stronger among millennials and Gen Z.

When given the choice between incentive-based rewards and softer benefits like points donation, almost all consumers choose incentives; however, all generations still agree that purpose-driven program elements are appealing. Values-based initiatives are the tactics that make consumers feel more emotionally connected to a brand, so pull these levers when you want to extend your brand values into the customer experience.

Brands that authentically embody shared beliefs in loyalty strategies will drive preference and build emotional connections, while those that don't start to incorporate empathy and values into their customer experience will begin to feel out of touch. Incorporating charitable elements in your program is low-hanging fruit and provides a feel-good addition that can surface common values between your brand and customers. But a benefit like allowing customers to vote in organizational leadership demonstrates a different level of investment in value alignment, so it would be beneficial to brainstorm ideas outside of charitable donations.

While brand values are not currently a top driver of purchase decisions and loyalty participation, the impact of values-based loyalty will increase as the share of buying power shifts to new generations. Millennials are interested in brands that live their values, and Gen Z all but requires it, indicating that the most impactful loyalty programs of tomorrow will be rooted in customers rewarding the brands that are obvious in their commitment to shared values.



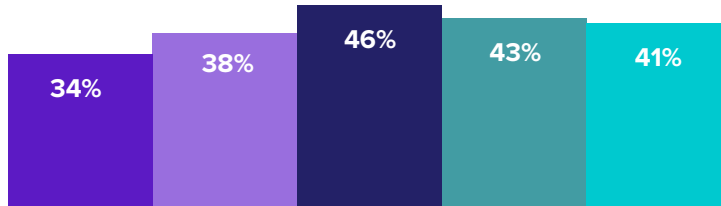
**Consumers of all generations agree that purpose-driven program elements are appealing.**

## SURVEY QUESTION

Please state your level of agreement with the following statements (top two choices):

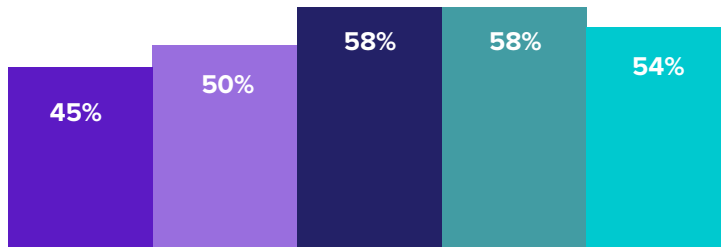
■ Baby boomers ■ Gen X ■ Millennials ■ Gen Z ■ All generations

**I consider a brand's public stance on societal events when making purchases.**



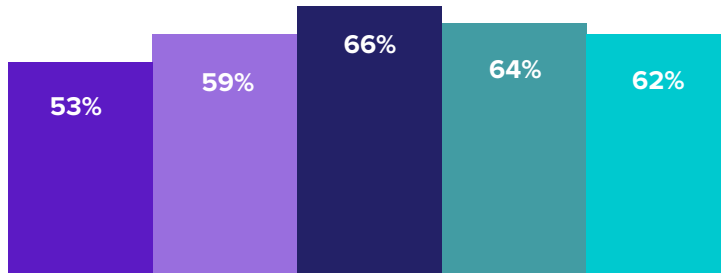
- Merkle 2022 Loyalty Barometer

**I am more loyal to a brand because of its public stance on societal events.**



- Merkle 2022 Loyalty Barometer

**I am more likely to participate in a brand's loyalty or rewards program if it is based on brand values.**



- Merkle 2022 Loyalty Barometer

## Crypto and NFT rewards

While NFTs and cryptocurrency are not yet universally adopted by consumers, a growing segment of consumers place value on the existence and future of these features. Our study indicates cryptocurrency rewards are of more interest to consumers than NFTs, likely because brands are beginning to accept this currency as a form of payment for goods and services. Surprisingly, there were small differences in interest levels across generations.

What's exciting about the study response is that it shows there is significant white space in the market for brands to get creative and experiment in a new frontier. Brands willing to invest in these areas can help shape consumer expectations and incorporate bespoke elements into the customer experience. Branded NFTs are also expected to play a major role in promotions, using exclusive activations that drive engagement and sales within the metaverse. Those brands that test and learn early will be better equipped for when crypto and NFTs are at scale in the web3 future.

### SURVEY QUESTION

**What type of rewards and benefits do you like to receive from a loyalty program?**

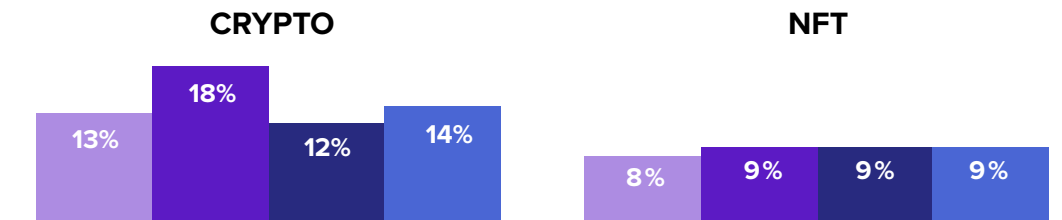
**6%**  
Crypto

**3%**  
NFT

### SURVEY QUESTION

**Which features would you like to see included in a loyalty or rewards program?**

Travel Credit card Everyday products Retail



- Merkle 2022 Loyalty Barometer



# Loyalty Impact

## TL;DR

Both free and paid loyalty programs have the biggest impact on share of wallet, with slightly less impact on the likelihood to spend more.

The decision to pursue a paid loyalty program or a free program shouldn't rest on whether one drives buying behaviors more than the other.

There are small differences in spend and frequency impact among generations, but bigger differences exist between baby boomers and Gen Z when it comes to brand expectations and engagement.



# Both Free and Paid Programs Impact Share of Wallet

As noted earlier, our study found that a loyalty program had the biggest impact on a customer’s likelihood to continue doing business with a brand. Customer service and a consistent customer experience were close seconds.

Our research also dug deeper into the specific influences on consumer behavior that free and paid programs have. What rose to the top is that both free and paid programs have the highest influence on share of wallet. For both program types, 79 percent said programs make them likely to purchase from the brand more frequently, and about 70 percent were likely or more likely to spend more because of program participation.

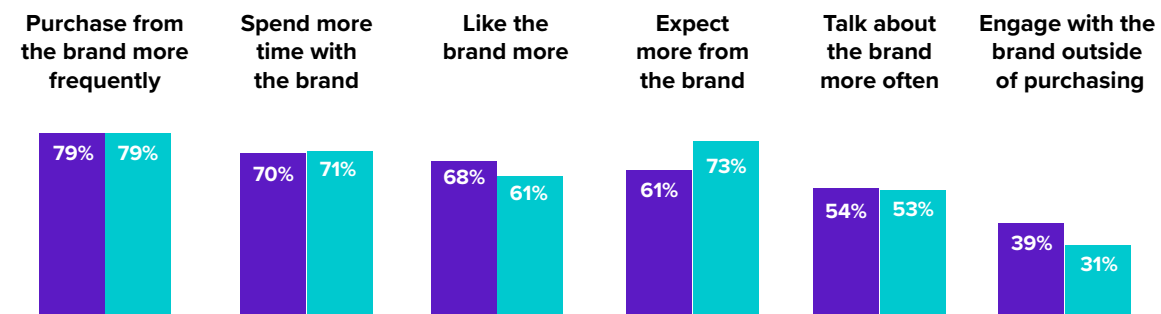
Don’t base your decision to pursue a paid or free program on which drives more buying behaviors, as consumers indicate the impact is about equal. Instead, base your decision on your brand’s strategic direction, specific customer insights, and the ability to deliver a competitive advantage.

Our study also revealed that paid programs have a higher impact on brand expectations. This makes sense since members pay to access exclusive benefits and may feel more invested in the program (although Gen Z indicated this to a lesser extent). Likelihood to engage with brands simply as a result of program participation ranked last, with a significantly lower impact for older consumers.

## SURVEY QUESTION

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

■ Free ■ Paid



- Merkle 2022 Loyalty Barometer

# Conclusion

Customer loyalty is no longer cultivated by brands only within the confines of a loyalty program, and brand loyalty isn't solely demonstrated by shoppers in the form of purchase. Brands and customers have matured expectations that will only last if both sides are willing to share and use data in meaningful ways that nurture the relationship, which is built on interactions within the customer experience, brand messaging, and formal loyalty programs.

## Key takeaways from this year's study:

### **Pay attention to the emotional needs of consumers.**

As noted in [Merkle's 2022 CX Imperatives](#), brands must design experiences for the head and the heart. Fulfill rational needs by leveraging discounts, offers, and free products to reliably deliver real value and earn customer trust. Once you've done this, connect to customer emotions through ancillary benefits and services that deliver convenience, entertainment, recognition, and belonging. Creating high-head and high-heart interactions in the customer experience (and particularly in a loyalty program) nurtures regular and repeated engagement and makes the brand less susceptible to switching.

### **Evolve the approach to measurement as loyalty strategies mature.**

Brands need to meet customers' tangible and intangible needs and should evaluate program impact and success from this lens. While programs drive incremental revenue, they also add intangible value through retention, advocacy, data collection, and marketing and operational efficiencies. And of course, there is assumed value in the notion of brand love. But marketers have historically had difficulty quantifying and showing the impact of emotion on revenue, and NPS and satisfaction scores just aren't enough.

Merkle's Human Loyalty® Emotional Score connects the intangible value of customer brand loyalty to tangible, long-term brand value. Tapping into emotion-based and value-derived segments (that our scoring mechanism can provide) opens new paths to program optimization, focused on building both rational and emotional connection.

**Adjust to the notion of relevance taking new shape in consumers' minds.**

Savvy marketers know change is needed because of the waning impact of typical personalization approaches; the loss of the third-party cookie; inflation and changes in the marketplace; and privacy regulations and greater consumer demand for data protection and transparency. Sophisticated relationship marketing strategies and capabilities will be necessary to reach consumers, requiring both technical expertise (with a deep understanding of the martech stack) and strategic thinking. Create innovative approaches that factor in the evolving consumer view of relevance and personalization and are visible along the entire consumer journey, including loyalty and messaging.

**NOW is the time to invest in loyalty and promotions.**

Today's volatile economy is the exact type of situation when brands should invest in retention and activation strategies like loyalty and chance-to-win promotions. The always-on structure of a loyalty program provides stable mechanics to build trust, deliver value, and capture data. And promotions do the same great things around data collection and motivating behavior that loyalty programs can do but have the added benefit of being more flexible, coming in and out the customer experience to drive specific goals. Promotions can also be used within a loyalty structure to deliver surprise rewards and engaging program features (both of which consumers desire, as we all know from our study). If you still think a loyalty program alone builds enduring loyalty, you're behind. Combining promotions and loyalty strategies to create opportunities to connect brand moments throughout the entire customer experience is a more contemporary view that builds loyalty as an outcome.

## ABOUT MERKLE

Merkle, a dentsu company, is a leading data-driven customer experience management (CXM) company that specializes in the delivery of unique, personalized customer experiences across platforms and devices. For more than 30 years, Fortune 1000 companies and leading nonprofit organizations have partnered with Merkle to maximize the value of their customer portfolios. The company's heritage in data, technology, and analytics forms the foundation for its unmatched skills in understanding consumer insights that drive hyper-personalized marketing strategies. Its combined strengths in consulting, creative, media, analytics, data, identity, CX/commerce, technology, and loyalty & promotions drive improved marketing results and competitive advantage. With more than 14,000 employees, Merkle is headquartered in Columbia, Maryland, with 50+ additional offices throughout the Americas, EMEA, and APAC. For more information, contact Merkle at 1-877-9-Merkle or visit [www.merkleinc.com](http://www.merkleinc.com).

### About Merkle Promotion & Loyalty Solutions

We were pioneers in the field of digital promotions when we were founded in 1999 as ePrize, later known as HelloWorld. Through strategic acquisitions, continuous innovation, and rebranding efforts over the next two decades, we expanded our consumer engagement and loyalty capabilities to become a trusted partner to today's top brands looking to engage and motivate their customers. Upon joining the Merkle family in 2018, together we now lead the industry in data-driven customer experience management (CXM), enabling expanded capability in promotional and loyalty solutions, CRM, digital customer experience, and strategy as part of dentsu. Below are a handful of brands representing our many Promotion & Loyalty Solutions (P&LS) client partners across industry verticals.

