

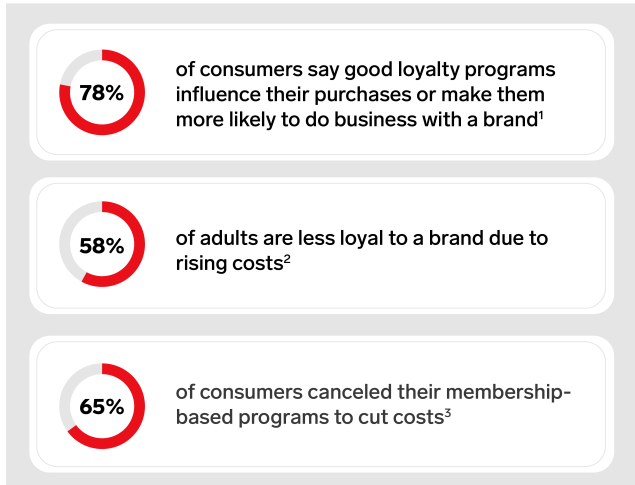
# To keep customers coming back, brands need to rethink their loyalty strategies

Article

As consumers are forced to make hard decisions about where they spend their money, brands that rely on tired loyalty tactics may struggle to keep up.

**The data backs this up.** Over three-quarters (78%) of US consumers say good loyalty programs influence their purchase decisions or make them more likely to do business with a brand. But 65% of consumers have canceled their membership-based programs to cut costs.

## As US Customers' Needs Change, So Does Their Loyalty



Source: <sup>1</sup>Bond, "The Loyalty Report 2022 USA" in partnership with Visa, June 2022;

<sup>2</sup>Dynata, "Global Consumer Trends Report: The Economic Crossroads," June 2022;

<sup>3</sup>PYMNTS.com and sticky.io, "Subscription Commerce Conversion Index," May 2022

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“Loyalty programs still drive purchase behavior, but people are much more cautious about which programs they buy into or renew,” said our analyst Paul Verna during our **virtual summit** earlier this month.

**Adding perks:** Verna shared three considerations for marketers to take their loyalty program to the next level.

- 1. Tier buildout.** Increase loyalty and adoption by providing customers with lower-cost or free options. Netflix and Disney+ have already started doing this by adding ad-supported membership tiers. PF Chang’s is also hopping on this trend, offering a free loyalty program with some paid membership options.
- 2. Expanded features.** Brands should look for opportunities to provide more to their customers. Amazon has recently added more ad-free music and podcasts for its Prime members, while The Walt Disney Co. is reportedly considering tying park and resort benefits to its media platform.

**3. Partner development.** We expect more companies to join the likes of Delta Air Lines and Starbucks, or Walmart and Paramount+, to link their programs to expand their customer bases.

**Consumers these days are characterized by the three Fs:** frugal, fickle, and finicky. What's to blame? Everything from supply chain disruptions and economic uncertainty to subscription fatigue and a greater sensitivity to sustainability and social issues.

“All this means that brands need to elevate their approach, because [consumers] are in a different mindset than before,” said Verna.

**The US, in particular, is having a loyalty crisis.** More than half (58%) of US adults are less loyal to their favorite brands, higher than the global average and the second-highest rate among the countries we track.

- This lack of loyalty is being driven by the rising cost of goods.
- “Whether or not we officially go into a recession here in the US, there’s no question that consumers are feeling anxious,” said Verna.
- Though this pattern is being observed across all generations, millennials are the most likely to be less loyal to brands due to rising costs, whereas baby boomers are least likely to stray to cut costs.

**Key takeaway:** It takes a lot more to keep customers loyal these days. Look to the brands that do it best (e.g., Disney, Starbucks) for ideas on how to take your loyalty program from blah to best in class.

*This was originally featured in the Retail Daily newsletter. For more retail insights, statistics, and trends, [subscribe here](#).*