

Loyalty programs offer access to first-party data, new ways to connect with Gen Z

Article

With third-party cookies on the way out, access to customer data is more valuable to brands than ever.

- Over half (59%) of US digital retailers say that gathering relevant customer data to deliver more personalized experience is a primary concern or challenge for them in 2024, per a December 2023 survey from Bolt.
- In addition, 37% of US brands and agencies say their greatest concern or challenge for media investments in 2024 is having enough first-party data for targeting, activation, etc., per a November 2023 report from the Interactive Advertising Bureau.

By leveraging [loyalty programs](#), brands can collect first- and zero-party data. First-party data includes information like email address or purchase history, while zero-party data is data that a consumer shares intentionally and proactively, like communication preferences or purchase intentions.

“I don’t think enough retailers are leaning into zero-party data and asking consumers more questions as a way to bring in that personalization,” said Stephanie Meltzer-Paul, executive vice president, global loyalty at Mastercard. “If you have a somewhat new customer, you don’t have as much information about what they like and how they want to engage. You need those details to curate the [customer experience](#).”

Plus, loyalty members have to opt-in to sharing their information, which may help them feel more comfortable with highly targeted ads or messaging.

- 70% of internet users worldwide would share their communication preferences for personalized interactions and special incentives, per February 2023 data by Airship.
- 62% of consumers would share their demographic information, 60% would share their mobile phone number for text messages, and 59% would share their postal address, per the same survey.

“Consumers are willing to identify themselves and share more about themselves if they feel they are getting something in return,” said Meltzer-Paul. “That means some sort of offer, discount, customization, or general personalization.”

Because of this, we expect to see brands upgrade or introduce new loyalty programs this year to build out their first-party data strategy

- Ulta has recently rebranded and upgraded its rewards program, enabling users to pick out their birthday gifts (which were previously pre-selected) and learn more about accelerating their point earning and redemption.

- Sunglass Hut has introduced a new loyalty program for customers, which includes ways to earn rewards both in-store and online.

But in order for brands to get access to customer data, they need to be sure their loyalty program resonates with their audience.

If it ain't broke: When it comes to the basics, it's important to give customers what they want.

- The top reason (48%) US adults currently participate in loyalty or rewards programs is to receive discounts, per October 2023 data from Merkle.
- Offering a points or rewards system is the No. 1 way to [keep customers coming back](#) via loyalty programs, according to a November 2023 survey from Marigold in conjunction with Econsultancy.

Sephora has updated its loyalty program many times since its inception in 2007. But one feature has always remained a key component: The ability to redeem points for product samples.

“It's really tied back to what customers are coming to Sephora for in the first place, which is an amazing product assortment,” Emmy Brown Berlind, senior vice president and general manager of loyalty at Sephora, said during a [Retail Brew webinar](#). “So sampling is a wonderful way for us to reward people's loyalty.”

Keep it fresh: As younger consumers grow their purchasing power, brands will need to evolve their loyalty programs to cater to their needs and interests.

- 72% of [Gen Zers](#) say free shipping is the incentive they are most likely to use, while buy-more-to-save-more offers are the least likely (16%) to be used by Gen Z, per October 2023 data from ActiveCampaign and Ascend2.
- Over a third (35%) of worldwide Gen Z consumers will often unsubscribe to ignore or avoid receiving emails from brands, per a February 2023 Airship survey, meaning brands should not rely solely on email for communication.

“Forty-six percent of Gen Z teens (ages 13-18) are likely to consider themselves loyal to a brand simply because they love it, even when they have no intent to purchase, according to a recent study by Archival and Vogue Business,” said our analyst Sky Canaves. “Brands have to

think in terms of creating more opportunities for engagement in younger consumers' day-to-day lives that can add value in different ways.”

Gamifying loyalty could help brands deepen their engagement with younger consumers.

- 39% of Gen Z adults cite video games as one of their daily media activities, according to May 2023 data from Morning Consult.
- Gen Z teen favorite e.l.f. Cosmetics revamped its loyalty program earlier this year, expanding its communication channels beyond email and introducing gamification elements like badges and scavenger hunts to better connect with its loyalty members.

“Retailers can lean into areas like gamification, which the restaurant sector has done really successfully,” said Meltzer-Paul. They figured out a way to make [loyalty programs] super fun by creating games and challenges. Because at the end of the day, the product SKU is simple, so they needed something extra to keep customers engaged.”

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