As Starbucks and J.Crew enhance their rewards programs, consumers crave simplicity

Article

The trend: Retailers and brands are doubling down on rewards programs at a time when rising prices are causing customer loyalty to weaken.
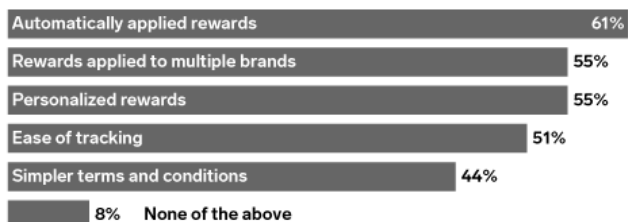
- **Starbucks** interim CEO **Howard Schultz** teased an enhancement to the company's rewards program that includes coffee-themed NFTs providing consumers with access to exclusive content and other perks. The coffee chain plans to roll out the initiative at its investor day in September.

- **J.Crew** overhauled its J.Crew Passport program by adding multiple tiers that lead to perks such as a birthday shopping credit and free monogramming. As members rack up points, they can move up tiers and receive access to more exclusive benefits.

- **General Mills** introduced an app-based rewards program that offers points redeemable for gift cards, merchandise, and other perks.

  Why now? As prices rise, customer loyalty is weakening. **Thirty-eight percent of the 39 consumer brand categories—including dining and retail—analyzed by Brand Keys are experiencing "declining" loyalty**.

- Rewards programs can help counter the trend. For example, unlike many fast-food chains that have seen a downturn in the number of people buying combo meals, **Restaurant Brands International**'s eateries have seen an uptick in customers redeeming loyalty program rewards to cut the price of their meals. The company has encouraged that shift by pulling back on paper **Burger King** coupons to incentivize consumers to join its rewards program and access promotions and deals.

- By gathering data about consumers, retailers can create more personalized offers that are likely to resonate with audiences. This strategy also addresses customer needs, as **55% of consumers would use loyalty programs more often if they received personalized rewards**, per a Salesforce survey.

Reasons Why Consumers Worldwide Would Use Loyalty Programs More Often, Feb 2022
% of respondents

Automatically applied rewards	61%
Rewards applied to multiple brands	55%
Personalized rewards	55%
Ease of tracking	51%
Simpler terms and conditions	44%
None of the above	8%

Note: ages 10-58
Source: Salesforce, "Fifth Edition State of the Connected Customer," May 13, 2022

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KISS (Keep it simple, stupid): There's no more important element to a rewards program than enabling a seamless user experience that incentivizes members to participate.

- **Sixty-one percent of consumers would use loyalty programs more often if they automatically applied rewards** and **44% would do so if they offered simpler terms and conditions**, per Salesforce.

- "Reward and loyalty programs need to be easy for the customer to use," said **Patty Soltis**, eMarketer principal analyst at Insider Intelligence. "The app is not the new punch card for loyalty. Customers in loyalty programs want personalization and easy-to- understand promotions. Keep it simple."

The big takeaway: Rewards programs should be a straightforward trade in which members share firsthand data in exchange for a clear, desired benefit, such as a discount or free item. The more consumers need to invest time and/or energy to understand a program's details and nuances (such as how to use a NFT), the fewer the people who are going to use the program.

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