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How retailers use co-branded credit cards to drive loyalty as shoppers shift online

Article

Retail loyalty programs—the most prevalent type in consumers' wallets—help brands develop lasting customer relationships through easy, accessible, and appealing

incentives. Co-brand credit cards—issued as partnerships between major brands, banks, and card networks— have long been a key piece of that puzzle: At a 2019 investor meeting, Best Buy listed its credit card as the second-largest driver of customer loyalty and repeat action. And BJ's Wholesale Club noted at Goldman Sachs' 2019 Global Retailing Conference that cardholders show up, shop, spend, and renew at higher levels. This is likely because retail co-brands enable shoppers to earn rewards tied to retailers they love on all their spending.

Average Number of Active Loyalty Memberships Among US Consumers, by Type, 2021

	Average active loyalty memberships	% change vs. 2020
Credit and debit cards	1.6	-15%
High-frequency retail (e.g., drug store, grocery, quick-service restaurant, warehouse, and discount)	1.2	10%
Mid-frequency retail (e.g., apparel retail, department, home retail, digital travel agency, retail health and beauty)	1.1	14%
Travel	0.8	5%
Dining	0.8	1%

Source: Bond Brand Loyalty, "The Loyalty Report 2021" in partnership with Visa, July 20, 2021

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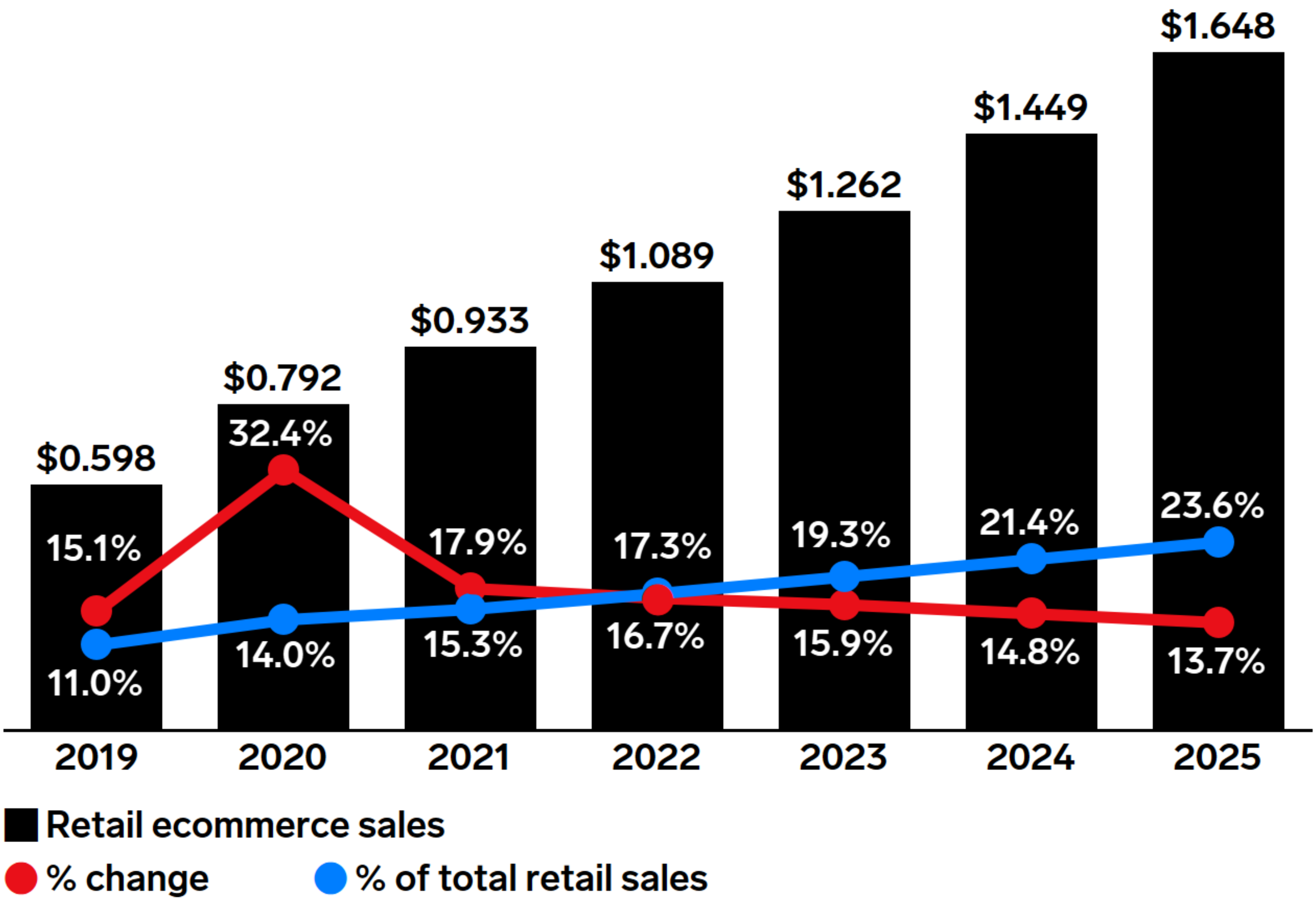
To maintain momentum, especially since shopper loyalty to specific brands fell in 2020, retailers must meet customers where they're shopping. Right now, that's online: US ecommerce sales will comprise 15.3% of US retail this year and reach nearly a quarter by 2025, per eMarketer.

Retail Ecommerce Sales in the US, 2019-2025

trillions, % change, and % of total retail sales



Note: 2019-2025 CAGR=18.4%; includes products or services ordered using the internet, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, food services and drinking place sales, gambling, and other vice goods sales
Source: eMarketer, May 2021

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Rapid ecommerce growth has not diminished co-brands' value to shoppers, but it is forcing major programs to rethink how to reach loyalists and maintain their value to this base.

- **Co-brand benefits did not shift wholly in 2020, but strategies to acquire customers and attract spend did.** Most retail programs'providers' benefits, like Macy's, remained nearly identical during the pandemic. Yet pandemic-driven digitization forced co-brand providers to reevaluate areas like marketing, where they had relied on in-store promotion, per Alliance's May 2021 Investor Event. And they had to move quickly, since just 40% of loyalty program members felt those programs and co-brands worked together seamlessly last year, per Bond Brand Loyalty—indicating a value proposition that could diminish without updates.
- **Providers are embracing proprietary technology to digitize loyalty experiences and integrate co-brand cards.** Services like Synchrony's SyPi plugin or Alliance's new Enhanced Digital Suite enable retailers to digitize their loyalty programs within their branded platforms—and integrate cards into those platforms. Such offerings include marketing tools, virtual cards, mobile applications and card management, and digital wallet integration, which can improve repeat engagement among shoppers and maintain or boost cards' value for loyalists by giving them the retail experiences they demand—in turn making the programs more lucrative for retailers offering them.

Read more about co-branded credit cards and customer loyalty in Insider Intelligence's Co-Brand Credit Card Report.

Report by Jaime Toplin Aug 03, 2021

The Co-Brand Credit Card Report