

RESEARCH REPORT

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# THE LOYALTY EVOLUTION:

**Growing Investment and  
the Multichannel Promise**

<b>Methodology</b> .....	3
<b>Executive Summary</b> .....	4
<b>Key Findings</b> .....	5
Summary of Key Findings .....	6
Not All Marketing Organizations Are Created Equal .....	7
Loyalty Budgets to Increase in 2017 .....	8
ROI Top Driver of Spend for Most.....	10
The Sweet Smell of Success.....	11
Finding Success With Multichannel Loyalty.....	13
Driving Engagement and Transaction is Key .....	14
Acquisition and Retention Remain Kings of the Hill.....	15
The Carrot and the Stick.....	17
Establishing Clear Loyalty Program Goals.....	19
Drivers and Inhibitors of Adoption .....	21
<b>Conclusion</b> .....	24
<b>About CrowdTwist and Brand Innovators</b> .....	25

# METHODOLOGY

CrowdTwist and Brand Innovators surveyed 234 digital marketers at Fortune 500 brands over a one-month period from March 2016 to April 2016. The purpose of the survey was to study how leading brands are evolving the way they interact with consumers and how loyalty intertwines those efforts. Overall, the survey base represented a diverse set of industries, from retail and food and beverages to real estate and utilities, with the goal of soliciting responses from the widest range of marketing organizations across a diverse set of product types. The sample has significant representation among both tactical practitioners and senior executives (as grouped based on job title). Of those 234, 36 were senior (VP level or above), whereas the bulk (198) were tactical (director, manager, or other). Almost half of the total respondents have been at their companies for five or more years and have been in their discipline for 10 or more years.

In constructing the survey, it was assumed that a correlation exists between how brands sell their goods and their respective degree of sophistication. Overall, selling direct to consumers (39 percent), and selling goods via a combination of online and physical stores (38 percent) were the most common approaches, followed by a combination of third parties and directly (35 percent). Ranking relatively low were any strategies that relied on a single approach to sales, such as selling goods exclusively via third parties (12 percent), online channels (13 percent), or physical stores (11 percent). In fact, those with programs that were more sophisticated tended to sell across multiple channels; those with ad hoc programs interacted directly with consumers.

# EXECUTIVE SUMMARY

Since the inception of loyalty programs more than century ago, much has changed in the way consumers interact with companies and how companies work to foster consumer loyalty. In an increasingly cross-platform world, the fight for customer loyalty has exploded into a 24/7 endeavor. Many would suggest that customer relationships and loyalty are now the primary source of competitive advantage for all brands entering what Forrester Research calls “Age of The Customer.”

The good news is that the majority of organizations seem well aware of the primacy of fostering loyalty. According to Forrester Research, improving customer loyalty is likely to be a top marketing priority for 80 percent of decision-makers at large organizations<sup>1</sup> and 82 percent of decision-makers at mid-size organizations<sup>2</sup> in the next twelve months. According to a new survey from the Chief Marketing Officer (CMO) Council, 61 percent of CMOs believe that loyalty program participants represent their best and most profitable customers, and they view investment in customer loyalty programs as an essential part of their marketing strategy.<sup>3</sup>

The big question this research paper seeks to answer is how close are brands in the United States to effectively executing loyalty programs today?<sup>4</sup> More than 230 brands across a wide range of industries responded to the survey. The findings reveal that just over 50 percent of respondents believe their current customer loyalty programs are successful. In addition, 88 percent of respondents with Multichannel programs—loyalty programs that ensure harmony across channels and data sets—rate themselves as successful.

Despite current successes by some, most still feel there is a lot more work to be done as they look to navigate several hurdles, from technological deployment and data management to budget allocations, to make loyalty programs as successful as possible.

While many brands are daunted by the roadblocks ahead, they are increasingly committed to making loyalty a priority by putting their money where their mouths are, with the majority predicting that their customer loyalty budgets will increase in 2017. For brands that are not executing loyalty programs—or are executing them poorly—the heat in the kitchen will get hotter in the future.

## HISTORY LESSON

### The Roots of Loyalty

Many believe that the beginnings of customer loyalty programs come from the late 18th century with so-called “premium marketing” programs in which American retailers began to give copper tokens with purchases that could be redeemed for products on a future purchase. Around 1891, stamps replaced coins in such loyalty programs. One of the earliest (and most well known) programs was the S&H Green Stamp program, in which consumers received tiny stamps when they made purchases from participating merchants. The stamps were saved and redeemed for products when the accumulated stamps had attained a certain value. Just how popular was the program? S&H Green Stamps once issued three times as many stamps as the U.S. Post Office, and by the 1960s, S&H was the largest purchaser of consumer products in the world. Many consider the S&H Green stamps as the first “modern” loyalty program and these could arguably be considered a predecessor to Air Miles programs today.

1. [The Forrester Wave™: Customer Loyalty Solutions For Large Organizations](#), Q1 2016, Forrester

2. [The Forrester Wave™: Customer Loyalty Solutions For Mid-Size Organization](#), Q1 2016, Forrester

3. [Getting a Business Lift From Loyalty: The Leaders in Loyalty](#), CMO Council

4. For the purposes of this study, customer loyalty is generally defined as programs that increase the likelihood of customers to continue to buy from a specific brand or company, as a result of positive experiences, satisfaction, and the perceived value of a product or service.

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# KEY FINDINGS

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# SUMMARY OF KEY FINDINGS

Of the many insights the research uncovered, the following stood out:

## LOYALTY LANDSCAPE

- Focus and spend on loyalty is at the cusp of a surge, with 57 percent of brands indicating that they will increase loyalty program budgets in 2017.
- A significant chunk of the market (26 percent) has no formal program to encourage customer loyalty, although many brands are encouraging customer loyalty through informal means.
- Slightly over half (57 percent) of the companies polled view their own customer loyalty efforts as extremely to somewhat successful. Interestingly, 38 percent of brands would not classify their efforts as successful or failed, indicating that a significant chunk of the market is still, in essence, trying to find their best strategy in growing customer loyalty.
- Only 17 percent of respondents say they are Multichannel in their approach to customer loyalty programs—these are defined as brands with multichannel loyalty programs that ensure harmony across channels and data sets.
- Of respondents with Multichannel programs, 88 percent rate themselves as successful.
- Of respondents, 44 percent think their programs are on par with those of their peers; another 30 percent feel they are doing the bare minimum.

## FOCUS AREAS

- Acquisition and retention remain the most popular way brands measure their customer loyalty programs.
- 31 percent of all respondents ranked the main focus of their loyalty program as driving engagement.
- Multichannel is an increasing area of focus, with 88 percent of respondents saying executing coordinated campaigns across channels is an important activity relevant to loyalty efforts.
- Keeping a balance between driving engagement and increasing transactions is key to program success.
- At an aggregate level, brands still focus on the traditional tactic of rewards, and offering discounts was the top response by a wide margin.

## HURDLES AND CHALLENGES

- Technology, data management, and budgetary hurdles exist for implementing and making loyalty programs successful.
- One in two brands cite siloed transactional data as a reason for not rolling out a loyalty program.
- Technical resources—including Customer Relationship Management (CRM) and loyalty program software—are the biggest barriers to generating optimum results (53 percent).
- Data integration, internal resource alignment, and siloed transactional data all inhibit program success.
- Lack of technical resources and money allocation create barriers to getting optimal results from customer loyalty programs.



# NOT ALL MARKETING ORGANIZATIONS ARE CREATED EQUAL

To better understand key trends, the survey was structured to segment respondents by the sophistication of their current customer loyalty programs efforts. These segments are as follows:

- Multichannel (17 percent): We have multichannel loyalty programs in place that ensure harmony across diverse channels and data sets.
- Getting There (12 percent): We are putting sophisticated multichannel loyalty programs in place, but they do not yet ensure harmony across diverse channels and data sets.
- Spend & Get (21 percent): Our current customer loyalty programs are single-channel, spend-and-get loyalty programs (e.g., spend \$50, get 50 points).
- Ad Hoc (24 percent): Our current customer loyalty offerings are opportunistic/ad hoc and not formalized.
- No Program (26 percent): We currently have no formal programs to encourage customer loyalty, but plan to do so in the near future/have no plans to do so in the near future.

### Nearly Half of All Respondents Have Spend & Get or Ad Hoc Programs

Which of the following statements BEST describes your company's current focus on customer loyalty?

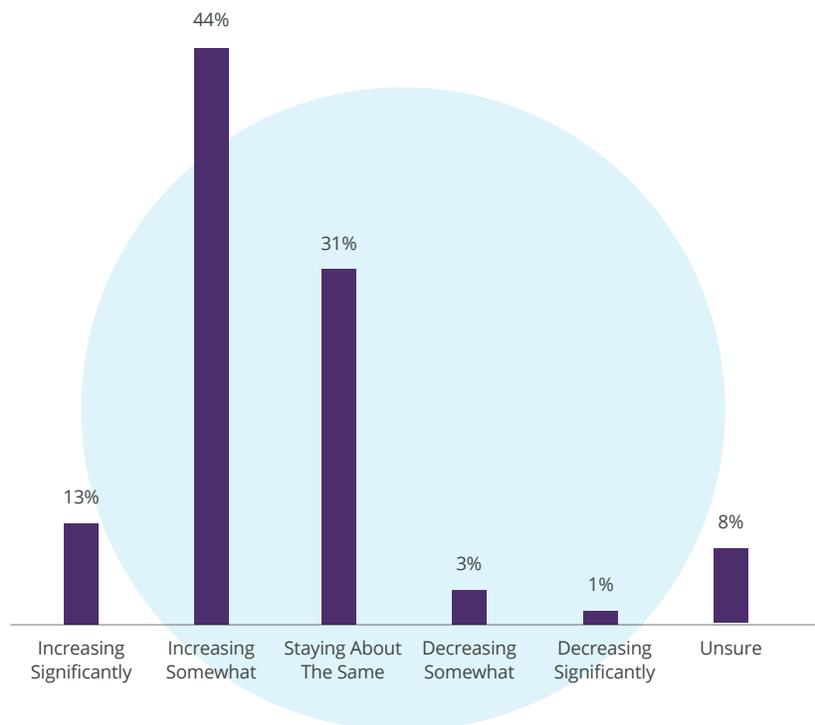


# LOYALTY BUDGETS TO INCREASE IN 2017

Despite a somewhat uneven adoption of formal loyalty programs to date, the majority of brands surveyed pegged 2017 as a year of increased focus on loyalty. At an aggregate level, 57 percent of brands indicate that they will increase their overall loyalty program budgets in 2017, with 31 percent planning to maintain current spend levels. Most significantly, only four percent of respondents indicate that they plan to decrease spend on such programs, whereas eight percent claim to be unsure of how spend would trend year over year.

**More Than Half of Respondents Predict Customer Loyalty Budgets Will Increase in 2017**

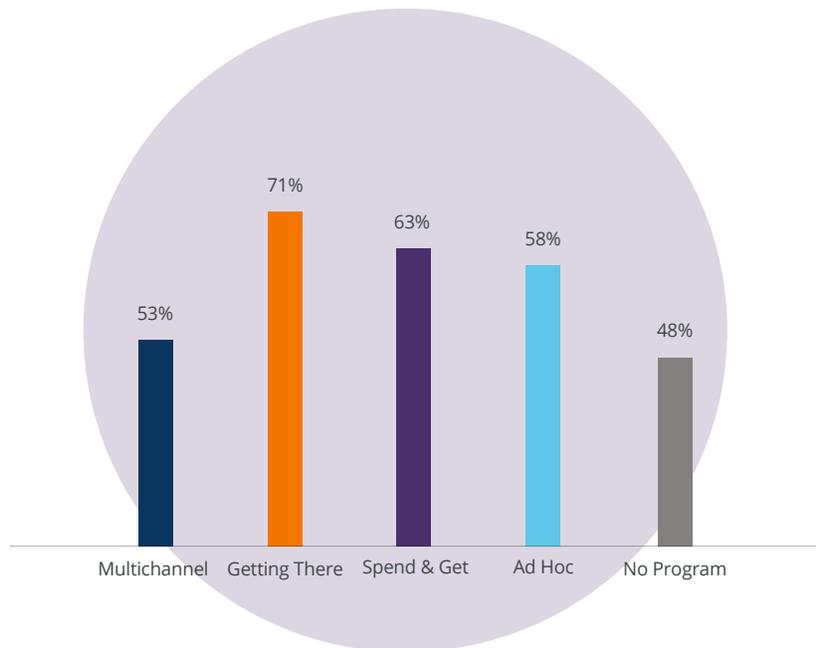
Thinking ahead to the end of 2017, do you see your company's percentage of budget allocated to customer loyalty efforts:



This focus on increased spend is consistent across all levels of program sophistication, with only those brands that have no programs having a segment response rate of under 50 percent. Specific respondents leading the charge include those in the Getting There segment (71 percent).

**53% of Multichannel brands and 71% of Getting There brands see loyalty program budgets increasing in 2017**

Thinking ahead to the end of 2017, do you see your company's percentage of budget allocated to customer loyalty efforts:  
Increasing Somewhat to Significantly



## THE BOTTOM LINE

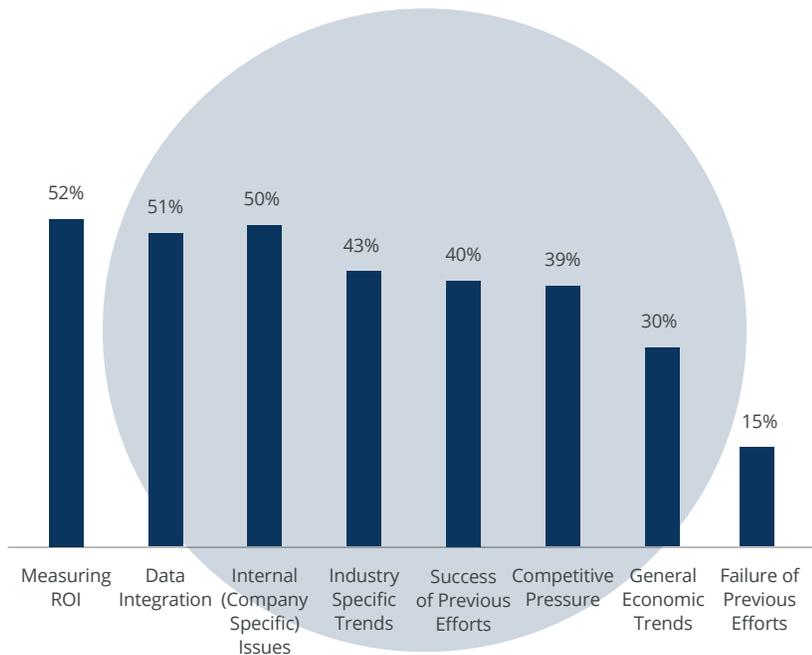
All brands, including many that do not currently have loyalty programs, are realizing that they need to invest in a wide range of tactics to ensure they keep existing clients loyal, as well as bring new ones into the fold. Keeping consumers loyal today requires more than simplistic spend and get programs: Consumers want more, and as a result, smart brands plan to dedicate more budgets to loyalty in 2017.

# ROI TOP DRIVER OF SPEND FOR MOST

To explain this tsunami of increased spending on loyalty in 2017, participants ranked a wide range of factors that possibly affect such shifts.

## ROI, Data Integration to Fuel Loyalty Budget Increases

Which of the following factors do you see as causing these changes to your company's percentage of budget allocated to Customer Loyalty Efforts in 2017? (select top 3 answers ONLY)



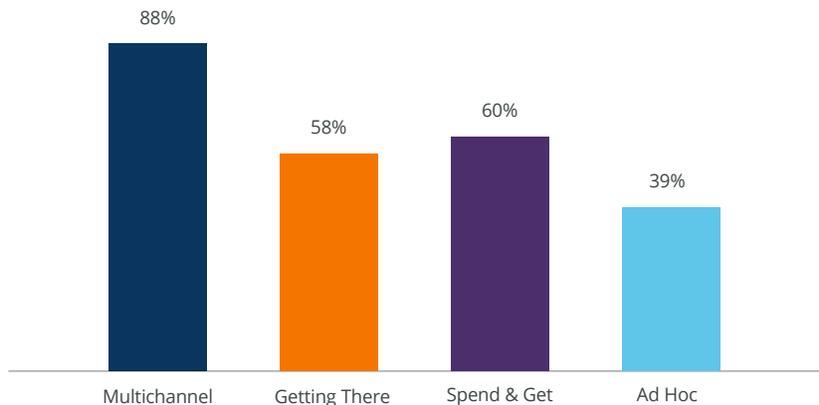
Overall, Return On Investment (ROI) measurement (52 percent), data integration (51 percent), and internal issues (50 percent) formed a tightly grouped set of top drivers.

# THE SWEET SMELL OF SUCCESS

When it comes to success, slightly over half (57 percent) of responding companies view their own customer loyalty efforts as extremely to somewhat successful. Interestingly, 38 percent of brands would not classify their efforts as successful or failed, indicating that a significant chunk of the market is still trying to find their A-game in growing customer loyalty. Finally, a miniscule number—four in 100—rate their efforts to date as unsuccessful. But respondents’ view of their own success is very much tied to their segment, with Multichannel (88 percent) and Spend & Get (60 percent) brands rating themselves more successful than average, and Getting There (54 percent) and Ad Hoc (39 percent) brands finding themselves below average (32 percent).

## Multichannel Program Operators Are More Successful Than Spend & Get

Using a 5-point scale, please rate the success of your own customer loyalty effort to date:  
Extremely to Somewhat Successful



When adding a sophistication level segmentation with program type segmentation, the research identified additional insights into how participants view their own success:

- The majority (58 percent) of respondents with Ad Hoc programs feel that they are doing the bare minimum in their loyalty efforts.
- Slightly more than half (51 percent) of Multichannel program respondents feel they are Ahead or Trailblazers in their efforts.
- A significant percentage of all types of programs view their efforts as on par—almost half of all Spend & Get (50 percent), Multichannel (48 percent), and Getting There (46 percent) programs.

# KEY FINDINGS

## Winners, Losers, and Those in Between

In addition to the sophistication segmentation, findings from the research revealed key groupings based on the success of current efforts. Here are the findings:

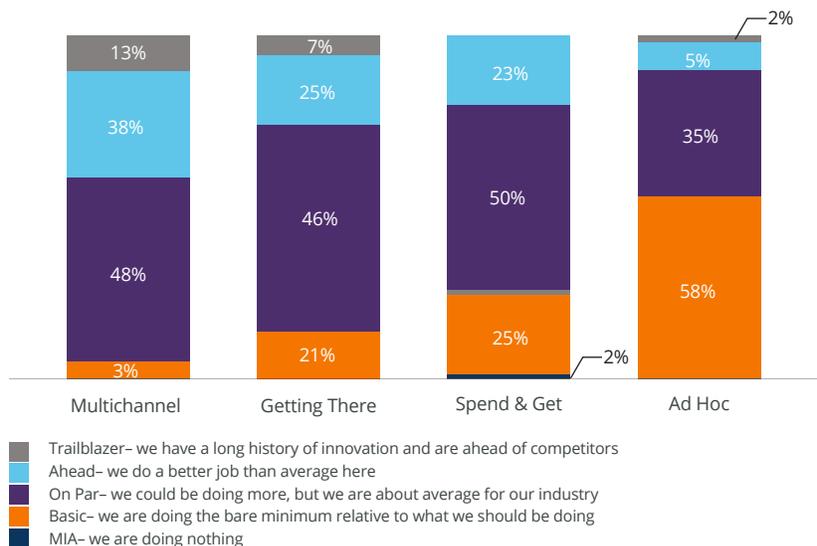
- The largest chunk of respondents (44 percent) view their efforts to date as the classic “gentlemen’s C” or about average.
- 30 percent rate their efforts as basic, meeting the minimum requirement relative to what they should be doing.
- A mere 21 percent claim to be just ahead of the curve.
- Less than one in 20 believe they are Trailblazers, vastly outpacing their competition.

Overlaying this segmentation with the sophistication grouping uncovered the following:

- Spend & Get programs have the largest percentage of companies (50 percent) that feel that their efforts are adequate.
- The majority (58 percent) of Ad Hoc program operators feel they are doing the bare minimum in their loyalty efforts.
- Slightly over half (51 percent) of Multichannel program respondents feel they are Ahead or Trailblazers.
- Approximately one in three Getting There program operators view themselves as above average.

## More Than Half of Multichannel Program Respondents Are Ahead or Trailblazers

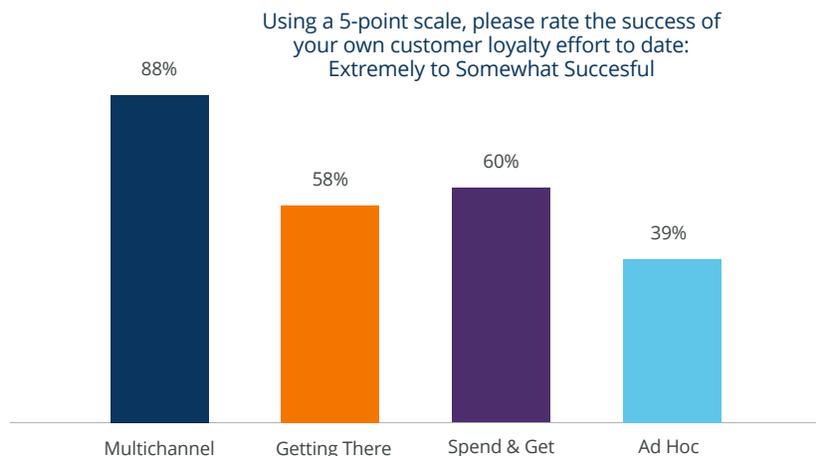
Using a 5-point scale, please rate the success of your own customer loyalty effort to date:



# FINDING SUCCESS WITH MULTICHANNEL LOYALTY

Of all strategies, multichannel integration of consumer data is increasingly a “must,” not a “nice to have” as consumer journeys have become more and more fragmented across devices and channels. In an industry where understanding customers is critical to achieving success and earning ongoing loyalty, brands are increasingly realizing the value that multichannel loyalty programs offer. While still growing in adoption, multichannel loyalty is proving itself: 88 percent of respondents listed executing coordinated campaigns across channels as an important activity relevant to loyalty efforts.

A whopping 88 percent of respondents with Multichannel loyalty programs rate themselves as successful. Yet fewer than one in five respondents (17 percent) polled have Multichannel programs. Additionally, just over half (51 percent) of Multichannel program operators rate themselves as more advanced than their peers (Trailblazers or Ahead of competitors).



## THE BOTTOM LINE

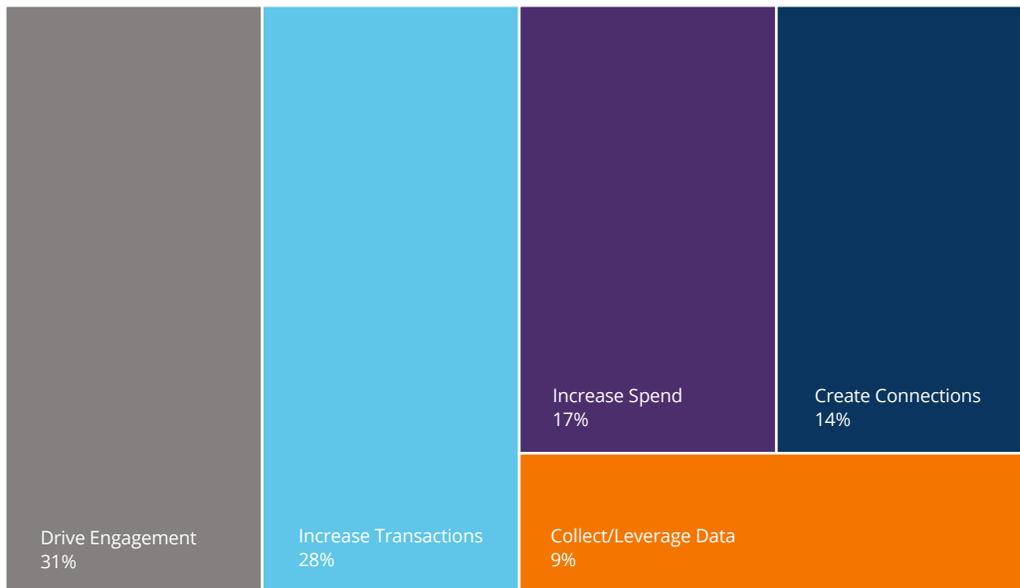
What should brands do to anticipate this important trend? To help brands navigate more sophisticated loyalty strategies beyond spend and get, companies should consider various external resources, such as working with third-party loyalty vendors. Vendors or partners can help brands navigate through the process to overcome technology challenges and integrate multichannel loyalty data solutions. This strategy can help brands with the foundational work of integrating disparate data to form a holistic, data-centric view of their customers.

# DRIVING ENGAGEMENT AND TRANSACTIONS IS KEY

To identify the main driver of brands' customer loyalty efforts, participants ranked a set of choices that "best" describe their own loyalty efforts. The top-ranked response was driving engagement (31 percent), followed closely by increasing transactions (28 percent). Far less popular were increasing spend (17 percent), creating connections (14 percent) and collecting/leveraging data (9 percent).

## Engagement, Increased Transactions Fuel Loyalty Program Goals

Which of the following statements BEST describes the main focus of your customer loyalty efforts today:



The research identified that striking a balance between a focus on engagement and increasing transactions is a hallmark of more successful programs such as Multichannel and Spend & Get.

## THE BOTTOM LINE

While transactions are crucial to brands, developing loyal relationships can't be just about dollars, but rather about forming stronger relationships with customers who want to interact with brands beyond the store walls. By offering more engagement-based activities (tweeting and using a hashtag, submitting product reviews, etc.), consumers can grow their relationships with brands, and brands can learn more from consumers.

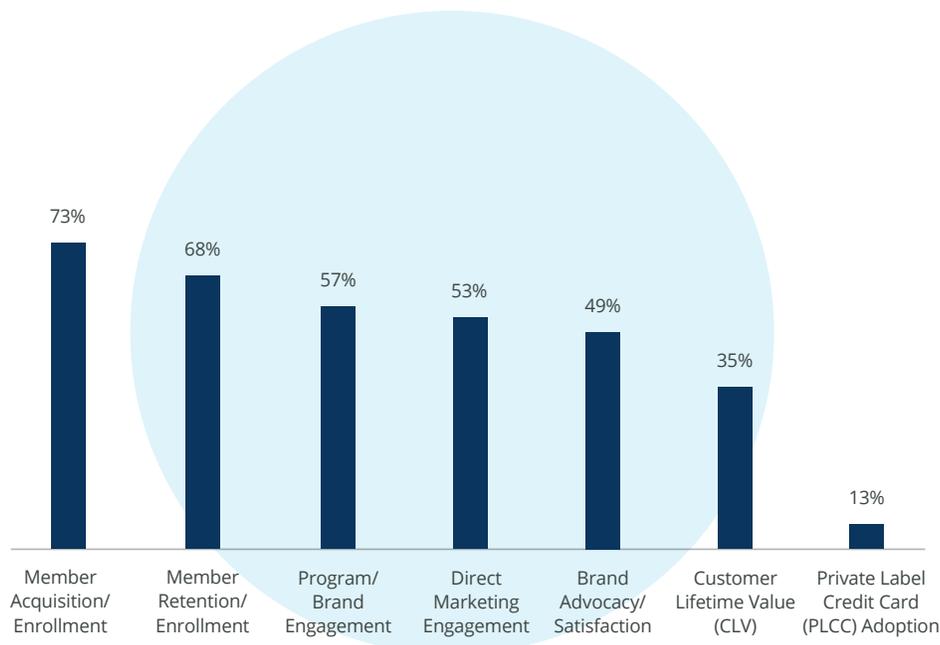
# ACQUISITION AND RETENTION REMAIN KING OF THE HILL

Another key area to explore was how brands measure their own customer loyalty, and how successfully they do so. Here are the findings:

- Member acquisition (No. 1 ranked with 73 percent) and member retention (No. 2 ranked with 68 percent) remain the most popular ways brands measure their customer loyalty programs.
- Less ubiquitous, but still popular measures are program/brand engagement (57 percent), direct marketing engagement (53 percent), and brand advocacy and satisfaction (49 percent).
- Most respondents with Multichannel loyalty programs track acquisition (+nine points vs. the average) and retention (+10 points vs. the average), and customer lifetime value (+four points vs. the average) closer than average.

## Member Acquisition, Retention Top Loyalty Program Measures

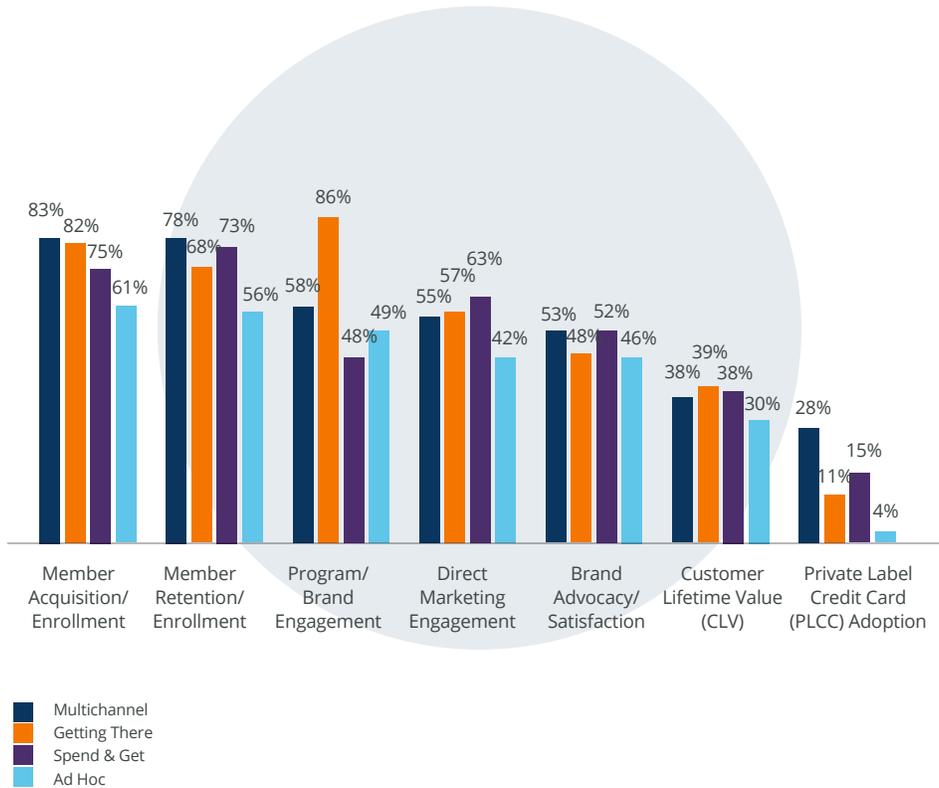
Please indicate which of the following measures you currently track as part of your ongoing customer loyalty efforts. (select all that apply)



# KEY FINDINGS

## Multichannel Loyalty Program Operators Track Acquisition, Retention Closely

Please indicate which of the following measures you currently track as part of your ongoing customer loyalty efforts. (select all that apply)

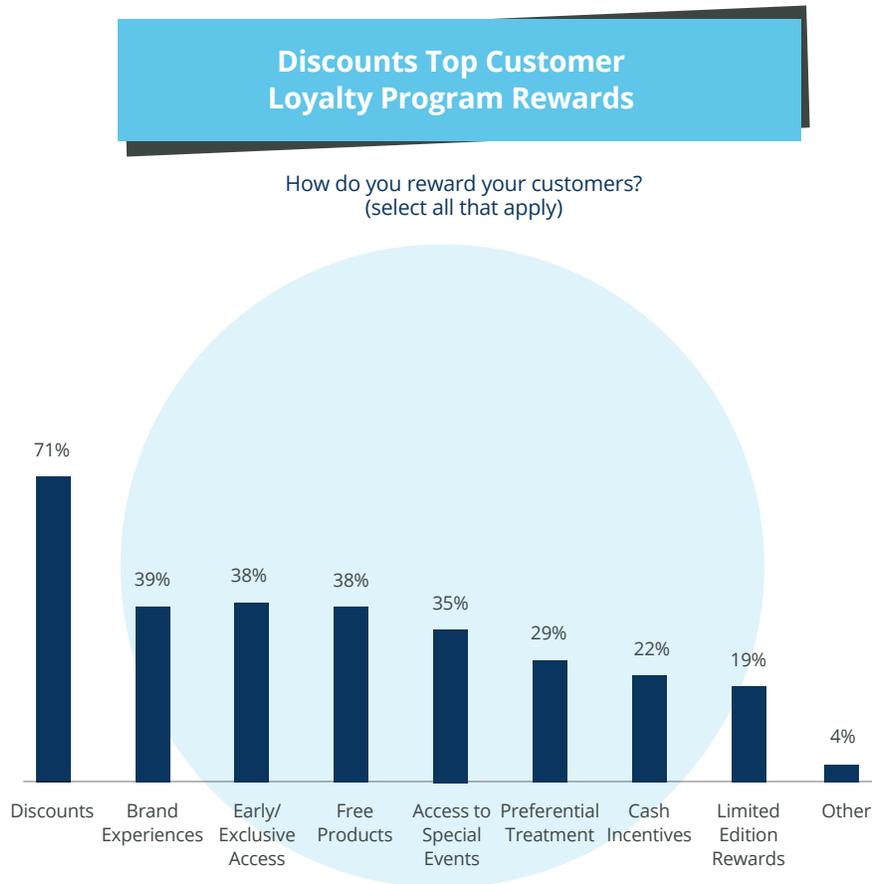


# THE BOTTOM LINE

The key to successful loyalty programs is to strike a balance between acquiring new customers while keeping existing program participants happy and engaged.

# THE CARROT AND THE STICK

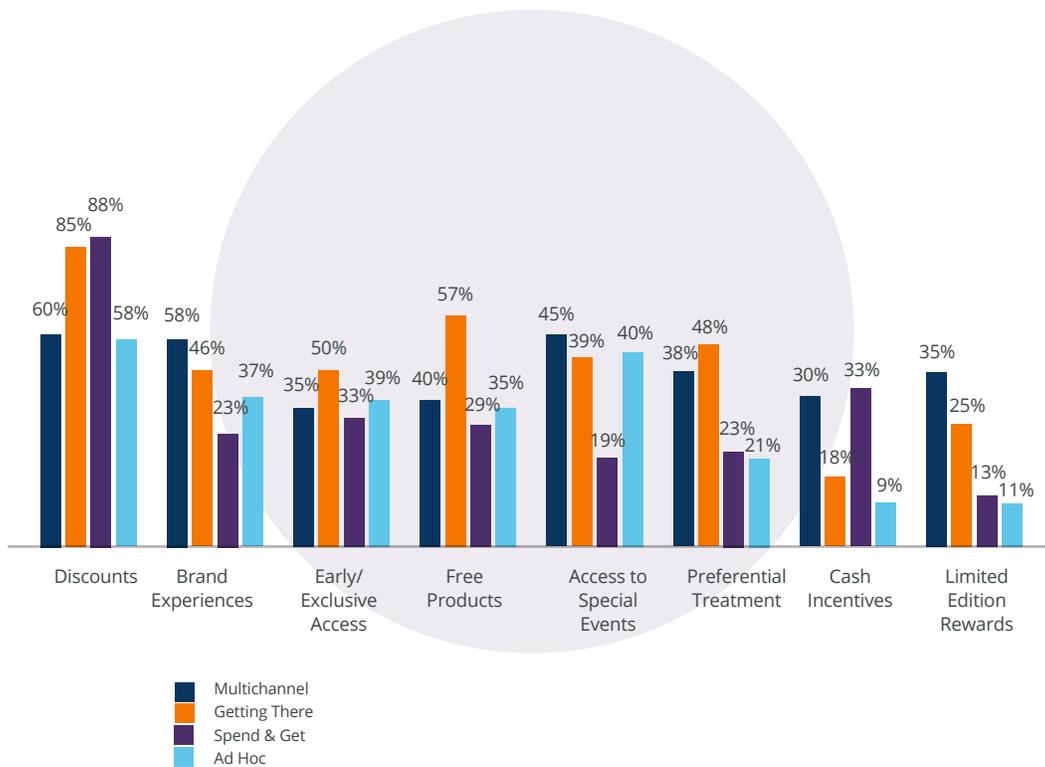
When it comes to rewards, brands still very much focus on the traditional tactic of offering discounts (71 percent)—the top response by a wide margin (+32 points over the No. 2 response). Four other tactics, including brand experiences (39 percent), early/exclusive access (38 percent), free products (38 percent), and access to special events (35 percent) form a solid second level of popularity, followed by increasingly less popular choices such as cash incentives (22 percent), limited edition rewards (19 percent), and other tactics (4 percent).



When looking at these responses through the lens of loyalty program segments, important variances exist between the different types of programs, with Multichannel and Ad Hoc programs focusing less on discounts on average, whereas Spend & Get and Getting There programs focused MORE on such tactics. In general, Multichannel programs seem to have the most well-rounded approach, incorporating discounts (60 percent), with brand experiences (58 percent), and a wide range of reward and reinforcement tactics such as access to special events (45 percent) and limited edition rewards (35 percent).

**Brand Experiences, Free Products Top Rewards for Multichannel Programs**

How do you reward your customers?  
(select all that apply)



**THE  
BOTTOM  
LINE**

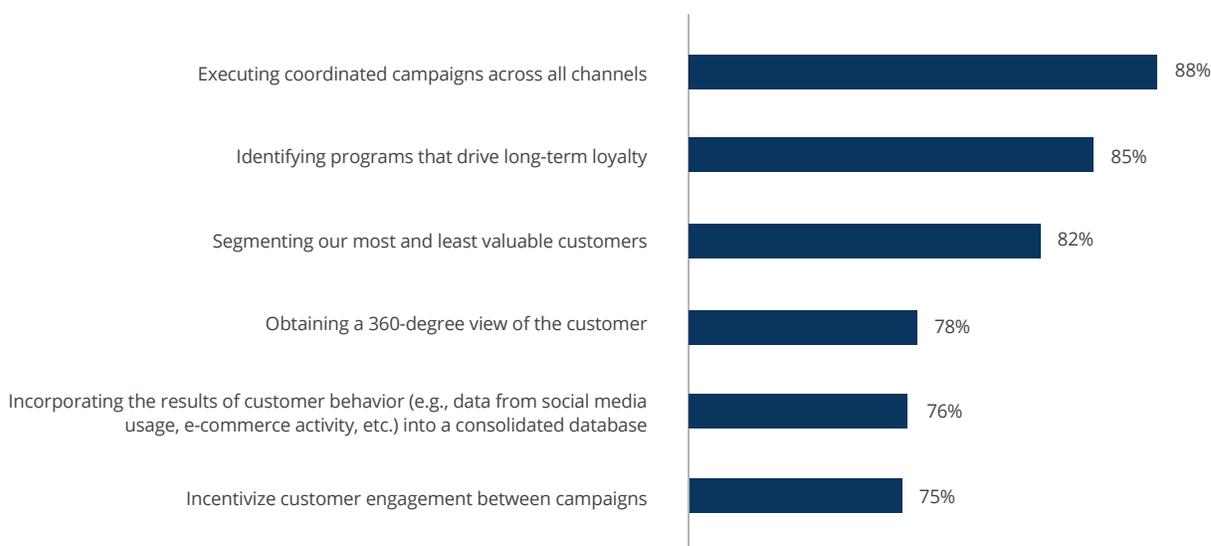
Rewarding loyalty via a diverse set of incentives to encourage and recognize consumers for their actions is the central feature of any successful loyalty program. A best practice is to understand customers' expectations and offer rewards accordingly.

# ESTABLISHING CLEAR LOYALTY PROGRAM GOALS

When asked to rank the relative importance of various activities that are key to drive customer loyalty, a clear hierarchy emerged.

### Cross Channel Campaign Execution is the Top Loyalty Program Goal

Using a 5-point scale please rank the importance of the following activities related to your current customer loyalty efforts.



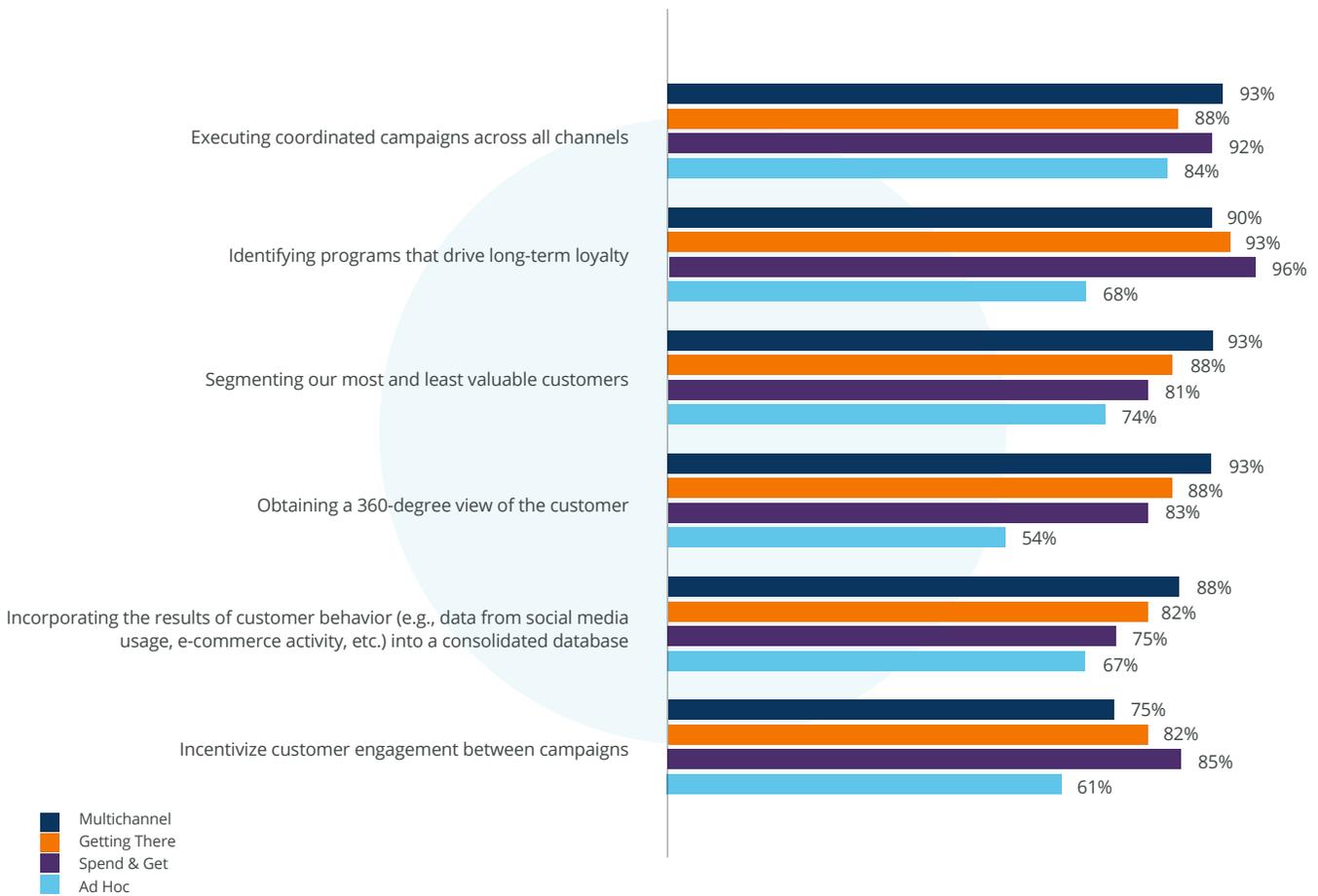
Almost nine in 10 respondents list executing coordinated campaigns across channels as an important activity relevant to loyalty efforts, with only a slight variance based on the brand's sophistication. Nearly as important is identifying programs that drive long-term loyalty (85 percent) and segmenting out most and least valuable customers (82 percent). Three nearly identically ranked items follow this top cluster of priorities: obtaining a 360-degree view of the customer (78 percent) creating a consolidated database of consumer activity (76 percent), and incentivizing customer engagement between campaigns (75 percent). Some key variances across the key segments included the following findings:

- Multichannel brands skew higher than average across all measures except for driving custom engagement between campaigns, where their scores are average.
- Respondents with Spend & Get programs rank incentivizing engagement between campaigns as the most important among the segments.
- Not surprisingly, Ad Hoc brands skew considerably under average across all measures by as many as 20 percentage points.

# KEY FINDINGS

## Driving Long-Term Loyalty a Key Goal for Multichannel Program Operators

Using a 5-point scale please rank the importance of following activities relative to your current customer loyalty efforts.



## THE BOTTOM LINE

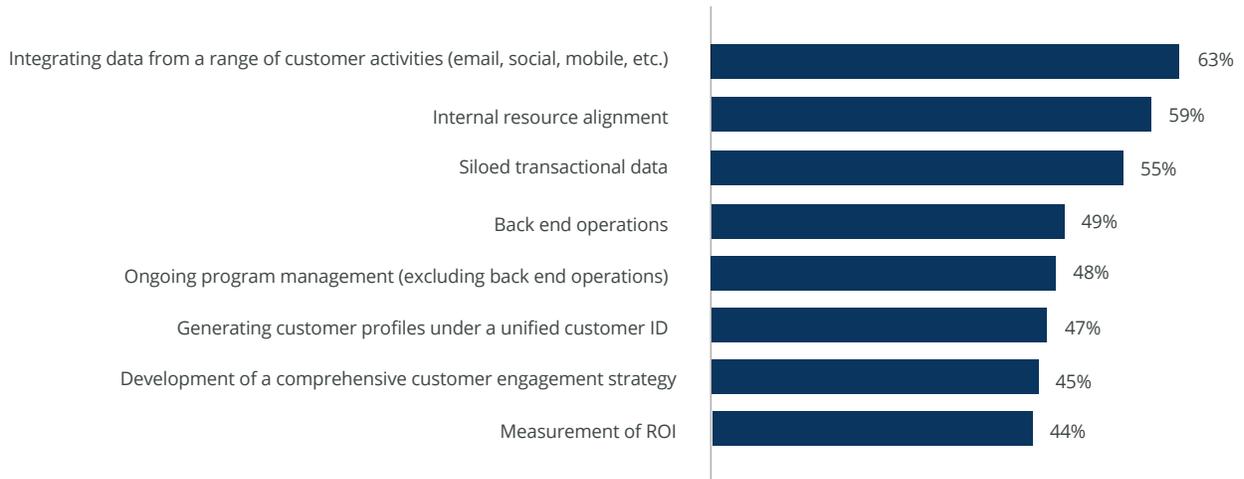
Establishing clearly defined goals is an important endeavor for any structured loyalty strategy. A best practice is to align goals with strategies that will help the organization grow its business. Lastly, it's essential to review all objectives often to ensure continued success.

# DRIVERS AND INHIBITORS OF ADOPTION

To determine the relative impact of several key challenges affecting the deployment of loyalty programs today, participants ranked the impact of a wide range of potential issues. Data integration from disparate sources emerged as the No. 1 inhibitor to loyalty program adoption by companies (63 percent), followed closely by the related issues of internal resource alignment (59 percent) and siloed transactional data (55 percent). Back-end operational challenges (49 percent), ongoing management (48 percent), and unifying customer data under a single ID (47 percent) formed the next tranche.

**Data Integration is the Biggest Inhibitor to Loyalty Program Adoption**

Using a 5-point scale please indicate the degree to which the following issues have inhibited your company's adoption of loyalty programs.

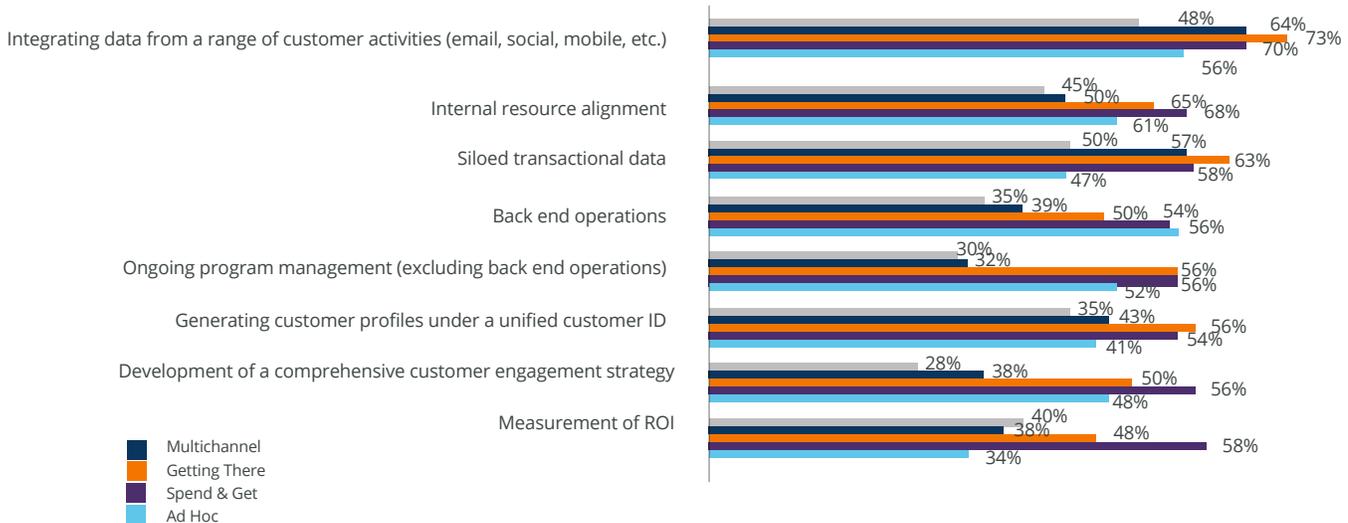


These results seem to confirm the notion that three things are holding brands back: the difficulty of executing comprehensive multichannel loyalty programs, not recognizing the importance of doing so, and not knowing how to measure success.

# KEY FINDINGS

## Resource Alignment, Siloed Transactional Data Also Inhibit Loyalty Program Adoption

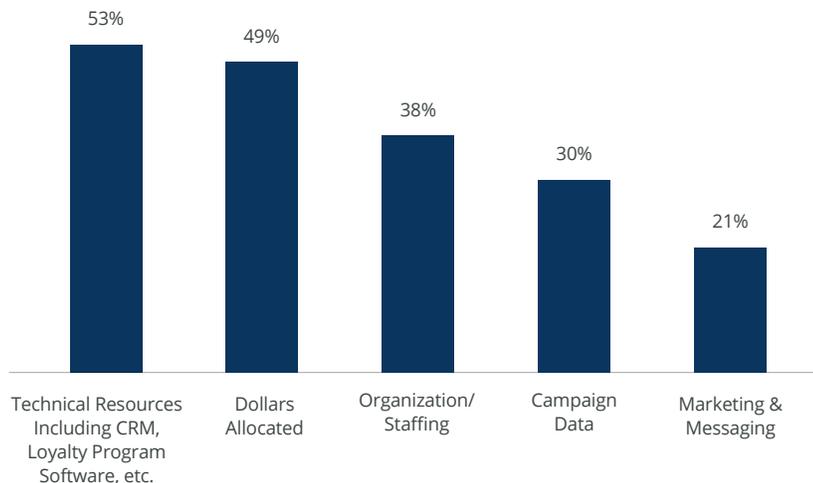
Using a 5-point scale please indicate the degree to which the following issues have inhibited your company's adoption of a loyalty program.



In a related question, 53 percent of respondents ranked technical resource alignment and deployment as bigger barriers to the success of current loyalty efforts than dollars allocated (49 percent).

## Technical Resources Pose Biggest Barrier to Securing Results From Loyalty Efforts

Please indicate the extent to which the following areas are currently a barrier to generating optimum results from your customer loyalty efforts: Moderate to Extreme

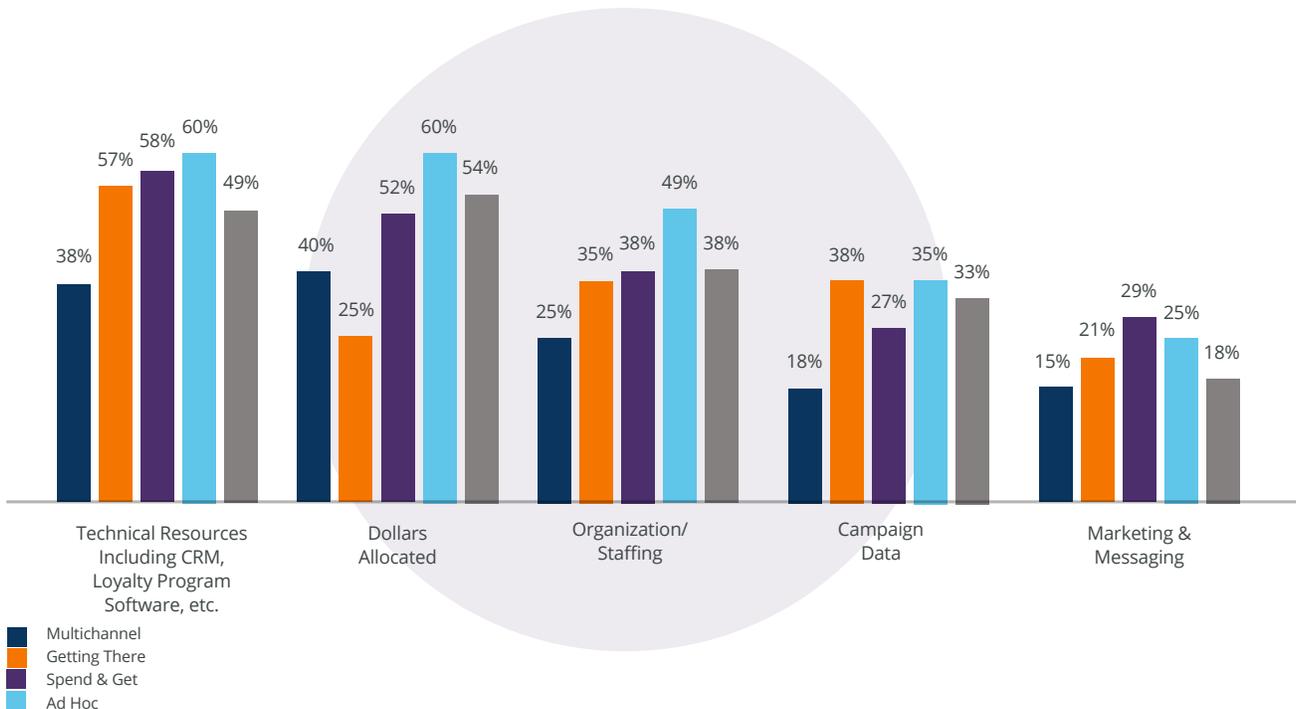


For those with Ad Hoc programs or none at all, the budget loomed somewhat larger than average, with over half of each group ranking dollars allocated as a barrier, making it their No. 1 issue. In fact, for Ad Hoc programs, dollars allocated to loyalty is just as much as a barrier as technical resources.

# KEY FINDINGS

## Dollars Allocated Pose Similar Barrier to Ad Hoc Program Operators

Please indicate the extent to which the following areas are currently a barrier to generating optimum results from your customer loyalty efforts: Moderate to Extreme Barrier



## THE BOTTOM LINE

When taken as a whole, the challenges to launching a new loyalty program can seem daunting. A best practice for brands is to not do all this heavy lifting on their own, but to seek help from relevant third parties, especially in the key areas of data integration and customer identity management, to help launch their efforts.

# CONCLUSION

What strategies will separate out the winners from the losers in the war for customer loyalty in the future? Certainly, putting more financial muscle behind loyalty programs is a good first step. Over half (57 percent) of respondents surveyed view their own customer loyalty efforts as successful to varying degrees, but there's still work to be done. Beyond that, a focus on multichannel loyalty will be a need- not a nice to have. In all, 88 percent of respondents categorized as having Multichannel programs—loyalty programs that ensure harmony across channels and data sets—rate themselves as successful.

In today's multichannel world, single channel loyalty programs limit a brand's potential to strengthen and develop long-term relationships with consumers, while multichannel loyalty programs help brands collect consumer data and insight from multiple sources, offering a 360-degree view of customers. If multichannel loyalty is the dream, brands must do what it takes to make that strategy a reality. Those that work with third-party vendors or find the right partners to help them overcome common inhibitors—such as technical hurdles and unifying customer data under a single ID—and implement these programs will win at the evolving loyalty game.



## About CrowdTwist

CrowdTwist is an industry-leading provider of comprehensive and patented multichannel loyalty and engagement solutions that drive incremental spend, leading to better customer data, stronger insight, and more personalized experiences. We are revolutionizing loyalty, helping top brands including Pepsi, Nestlé Purina, L'Oréal, and Zumiez develop a deeper understanding of customers. Forrester recognized CrowdTwist as a Leader in "The Forrester Wave™: Customer Loyalty Solutions For Midsize Organizations, Q1 2016" report. For more information, visit [www.crowdtwist.com](http://www.crowdtwist.com), or call 646.845.0646.

## About Brand Innovators

Founded in 2011, Brand Innovators is the largest professional organization of brand marketers, with a community of over 6,000 marketing professionals from Fortune 500 and other leading brands, throughout the United States and the UK. The goal of Brand Innovators is to accelerate the digital transformation of the marketing and media industries. The Brand Innovators Advisory Board includes some of the most innovative brand marketers and "change agents" in the marketing and media industries, today. Brand Innovators produces over 100 events annually, in Atlanta, Austin, Bentonville, Boston, Cannes, Chicago, Cincinnati, Columbus, Dallas, Denver, Detroit, Greenwich, Irvine, Las Vegas, London, Los Angeles, Miami, New York, Minneapolis, Portland, San Francisco, Seattle and Washington D.C., providing brand marketers with continuing digital education (CDE) and peer-to-peer networking, second to none. Our events are underwritten by over 100 "best-of-breed" growth stage and established digital media and advertising technology companies, including AOL, Twitter, and Yahoo!, to name a few.



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