

RETAIL

86pc of affluent shoppers actively use loyalty programs

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Affluent consumers are more apt to take part in loyalty programs. Image credit: Nordstrom

By SARAH JONES

Consumers with higher incomes are more apt to be part of a loyalty program than their peers, pointing to the potential benefit of these membership clubs for luxury brands.

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According to a report from CrowdTwist, affluent consumers are some of the most active loyalty users, with these shoppers most frequently cashing in rewards. As consumers become more distrustful of data collection, luxury brands can leverage loyalty programs as an incentive for opting in.

"When we did a deeper dive into this data and compared answers against consumers' average household income, we found that the higher the income, the more likely the consumer is to participate in at least one loyalty program," said Emily Rudin, chief customer officer at CrowdTwist, New York. "We also found that the higher the income, the higher the reward redemption rate was.

"Luxury brands targeting affluent consumers have a real opportunity to leverage loyalty programs to provide additional value to consumers and gain rich insight into their customers," she said. "We advise that luxury brands maximize this opportunity by incentivizing customers not only for their spend, but for their engagement, too.

"The customer data captured in an omnichannel loyalty program provides brands with the opportunity to create meaningful experiences for customers that drive loyalty and retention."

CrowdTwist's "[Engaging Consumers in an Age of Increasing Brand Distrust](#)" report is based on a survey of 1,026 consumers in the U.S.

Opting in

Between credit card breaches and the Cambridge Analytica scandal, consumers have become more skeptical of brands collecting their information ([see story](#)).

Consumers today are less willing to give up their data in exchange for personalized experiences than they were a year ago.

A study that CrowdTwist conducted in 2017 found that 96 percent of consumers aged 18 to 34 were willing to share data for this purpose. Meanwhile this more recent survey found that only half of this age group is open to giving out data.

The reciprocity of data collection is that retailers will use a consumer's information to help customize their shopping experience. Most retailers are failing to effectively personalize, with only 34 percent of consumers having bought something a brand suggested to them in the last six months.

Consumers also appear wary of high-tech personalization solutions.

Some retailers, including Alibaba, have toyed with using facial recognition in bricks-and-mortar to personalize the shopping experience. However, 72 percent of consumers do not have an interest in this technology.



Alibaba's artificial intelligence-enabled concept store included optional facial recognition. Image Credit: Alibaba

Despite the rising sentiment against data collection, 78 percent of consumers use a loyalty program at least once a month. Among affluent consumers, this number rises to 86 percent.

About seven in 10 consumers use rewards once per quarter, with 24 percent redeeming every month.

When it comes to earning points, consumers are more open to taking a survey or playing a game than they are to sharing content on social media. They also want to be rewarded for every interaction they have with a brand, including paying a visit to a physical location or a Web site.

While consumers primarily join loyalty programs to save money, 63 percent are willing to pay for perks such as free shipping. Consumers are least interested in getting VIP treatment through loyalty programs, such as invites to private events.

Almost nine in 10 respondents said they want discounts or cash back for their points, compared to just 22 percent who want experiences.



Affluent consumers are interested in discounts, too. Image credit: Neiman Marcus

Consumers who have incomes greater than \$100,000 are more likely than average to seek discounts through loyalty programs. They are also more apt to quit a program if they feel they are not getting relevant rewards.

"Loyalty programs provide brands with the opportunity to capture rich customer data by incentivizing consumers to opt-in," Ms. Rudin said. "It's a win-win for brands and consumers."

"Consumers opt-in to share information with the brand in exchange for rewards and perks," she said. "The brands, with consumer permission, use this data to create more personalized experiences for the consumer while rewarding them for their loyalty.

"Companies can convince customers to opt in by designing a program that's easy to participate in, and includes creating a reward strategy that aligns with the needs and wants of their consumers."

Loyalty lessons

Consumers today are faced with a plethora of choices, making brand loyalty and trust even more important for retailers.

According to a new report from Euclid, four in 10 consumers would seek out a favorite retailer online or travel further to a physical store if their nearest location closed. Millennials are more apt than their predecessors to follow a preferred brand to ecommerce if necessary, with this generation not as concerned about the convenience of a brand's physical footprint ([see story](#)).

Consumers often make their choices about retailers based on values. Affluent consumers in particular seek out personalization, making this key in reaching and retaining them.

Rather than just focusing on transactional-based rewards, loyalty programs should work to develop personalized, relevant engagement with consumers.

According to a report from Bond Brand Loyalty, 78 percent of upper-affluent individuals say that loyalty programs are a significant part of their brand relationships, more than the average 71 percent among all consumers. Successful loyalty strategies today are integrated into the overall customer experience, taking the programs beyond points to drive positive brand sentiment ([see story](#)).

"There are a few opportunities that marketers are missing out on within loyalty," Ms. Rudin said. "Primarily, not having a loyalty program is an issue.

"Our research shows that having a loyalty program provides a competitive advantage for brands," she said. "Sixty-three percent of the consumers we surveyed responded that they are more likely to shop with a brand that offers a loyalty program.

"Furthermore, by not having a loyalty program, brands are missing quality customer data," she said. "This results in ineffective personalization, which is something our research tells us is a big challenge for brands today.

"Marketers are also missing out on collecting crucial data as part of their loyalty initiatives. For example, traditional spend and get programs that don't incentivize customer to engage with a brand. Engagement activities like surveys and friend referrals provide brands with better knowledge of customer preferences and even help promote the brand to a larger network."