In our 2021 Delphi Panel Research Report – *Paying with Points* – *Removing the Friction in Loyalty Redemptions* – we examined the attitudes and behaviors of both consumers and credit card issuers with regard to this emerging loyalty redemption option.

Conducted in collaboration with Engage People, the global leader in pay with points solutions for the loyalty industry, the Delphi Report™ revealed that although usage for pay with points was relatively low, interest was high and gaining momentum among both members and issuers.

Furthermore, traditional reward redemption options like travel, merchandise, gift cards, cash back and experiences were fighting to hold onto their share of redemptions vis-a-vis “new age” options which offered far less friction and greater convenience.

Value, convenience and flexibility were the three main themes expressed by consumers when it came to reward options.

*Research from the Wise Marketer Group completed in conjunction with Engage People*
We wanted to know more. This report, once again conducted in collaboration with Engage, takes a deeper look at ALL redemption options available today. The loyalty redemption landscape is currently being influenced by macro-economic trends associated with inflation and is changing on multiple fronts. Innovative “new age” redemption choices like Crypto and NFTs have suddenly emerged.

This report offers quantitative evidence about the current thinking and attitudes of reward program members, indicating how decisions are made about selecting available reward options.

**METHODOLOGY**

This survey was conducted in August 2022 among 500 US consumers via an online research panel. Respondents were carefully balanced between gender, age, income and geographic region. All respondents were members of at least one loyalty program, and all had experienced a redemption event within the past 2 years. It is important to note that these redemption experiences occurred during the pandemic/post pandemic period and the timing of the survey coincided with the height of the inflation crisis in the US.

**REASONS FOR JOINING A REWARDS PROGRAM**

Survey data reveals that nearly 8 out of 10 members join programs to “earn rewards.” What is noteworthy about this result is that the question was phrased simply “to earn rewards” without specifying actual reward options.

Hence, unspecified rewards were more motivating than the more specific response options about what the rewards could be – members only discounts or prices (55%) or free shipping (37%).

The power of earning a reward of any kind should not be underestimated as a loyalty motivator.

The tangible value rewards of discounted member pricing and free shipping ranked higher than the pure soft benefits of early access, special member events and priority service. We consistently find that benefits perceived as economic (rational) always outrank benefits perceived to be special privilege (emotional).

However, each of these traditional soft benefits resonate with a significant percentage of members (20%) and need to be made a part of a balanced value proposition.

Among recommendations that drove enrollment, friends, family or store associates were cited by about 1 out of 5 while social media was important for only 1 out of 10 – and as might be expected, social media was an important factor mostly for those under 45. Respondents under 45 were also more likely to say that receiving higher priority service was important.
COLLECTING AND EARNING REWARDS – POINTS-BASED

We asked respondents to rank their top 3 choices for earning rewards in a points-based reward program. Just as the reason to join centered on the ability to earn unspecified rewards, the preference for collecting and earning also favored “rewards” in general (Top 3 = 79%). Respondents are familiar with this approach as it is still the dominant model in the US loyalty marketplace. But once again, we see that consumers are extremely comfortable with the notion of earning “some kind of reward” in return for their patronage with nearly half of all members surveyed ranking it in the #1 position of importance.

Earning points that could be used in a pay with points program was a strong second choice (72% top 3; 31% most important). These values are considerably higher than what was reported in our 2021 Delphi Report – Paying With Points. This method of redemption is becoming more pronounced – greater adoption among issuers, retailers and consumers. Greater familiarity has been a result.

Set against the macro-economic inflationary trends present in the 2nd half of 2022 and pay with points is certainly gaining momentum in the loyalty industry. Pay with points meets the triumvirate criteria of consumer loyalty expectations – value, convenience and flexibility and will continue to rise in importance.

Preferences drop off rapidly after the top 2 choices. Sweepstakes received 38% (top 3) preference, earning Cryptocurrency 29% (top 3), NFTs only 19% (top 3) and earning carbon offsets only 12% (top 3). Each had less than 10% of members ranking them as most preferred and each had at least 40% who expressed that they were not at all interested.

While crypto rewards, NFTs and carbon offsets represent new age loyalty redemption options, they are not yet resonating with consumers. Predictably, the respondents ranking cryptocurrency, NFTs and Carbon Offsets in their top 3 were more likely to be <45 and make over $100k.

“Loyalty program Members covet choice – not what you want to offer but what they want to redeem.”

Why did you join those rewards programs? Please check all that apply.

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>To earn rewards</td>
<td>78%</td>
</tr>
<tr>
<td>To receive members-only discounts or prices</td>
<td>55%</td>
</tr>
<tr>
<td>To receive free standard shipping</td>
<td>37%</td>
</tr>
<tr>
<td>Recommended by friends or family</td>
<td>21%</td>
</tr>
<tr>
<td>To receive early access to new product launches or offers</td>
<td>20%</td>
</tr>
<tr>
<td>To receive higher priority customer service</td>
<td>20%</td>
</tr>
<tr>
<td>To gain access to members-only events</td>
<td>20%</td>
</tr>
<tr>
<td>Store associate invited me to join</td>
<td>18%</td>
</tr>
<tr>
<td>Recommended by social media</td>
<td>12%</td>
</tr>
<tr>
<td>Other reason</td>
<td>3%</td>
</tr>
</tbody>
</table>

n=500
Thinking of the ways you could collect and earn benefits in a reward program in the future, please rank your top 3 choices among the following options, with 1 as the most important. If only 1 applies, then rank only 1.

![Figure](image.png)

REWARD TYPES
We wanted to dive deeper on reward categories and asked respondents to rank their top 3 preferences among a broad group of redemption options.

Here are some reward redemption options that any loyalty program could offer. Please rank your top 3, with 1 as the most important. (If only 1 applies, then rank only 1.)

![Figure](image.png)
While it is no surprise that gift cards came first (Top 3 = 54%) and discounts second (Top 3 = 49%) – cash or cash equivalents have always ranked at the top of the redemption options list in loyalty research – both record preference scores that are higher than normal. Our research team believes that cash/cash equivalents both received a boost from the survey timing amidst the inflationary environment. Cash-like rewards are easy to see and understand among consumers, especially when prices are rising for many goods and services. Familiarity has also increased as many programs have adopted one or both as lead or solo redemption options in the recent past.

Merchandise (42% top 3) was ranked better than expected. Long a mainstay in the redemption “catalog” merchandise has lost some luster in recent years as points value has diminished and actual retail prices for the typical catalog merchandise being offered have dropped. Enter the inflationary backdrop and members may perceive that free merchandise redeemable from loyalty programs is still an attractive option vis-à-vis rising retail prices.

Flexibility to choose the reward (41% top 3) is growing in importance and should signal a warning to program operators. Members covet choice – not want you want to offer but what they want to redeem. The difficulties in executing this redemption strategy are immense for the program – costs rise, individual preference is all over the map and the easy way out is to give them cash for their own use. Pay with points can help in these cases as can redemption partnerships with online marketplaces offering a wide variety of goods and services.

Discounted gas rewards (39% top 3), an extremely specific redemption option, received higher response than expected given the spike in prices at the pump during the survey. However, it should be noted that there are more options for this approach than ever before and tie-ins to grocery loyalty programs are often popular.

Travel has resumed post-pandemic, but the experience quality still suffers from major disruptions and perceived chaos which could be driving the lower appeal of travel rewards. Travel related redemption options have lost share since 2020 to the choices ranked above (only 31% top 3). While still the most aspirational reward type available to program operators, travel redemptions suffer when airlines impose inventory restrictions, inflated point charts and frequent business travel is cut-back.

Crypto rewards (14% top 3) and NFTs (9%) appear for the first time. While still emerging, these new age redemption options maybe growing in significance as program experimentation and constant media coverage generate increased awareness and members perceive both reward types as potential “investments” which could increase in value. The younger the demographic, the higher the preference ranking for both. It is interesting to note that nearly 50% of members rank these choices as “not at all important.”

Donations (8% top 3) usually score higher in survey but extremely low in practice. Programs that offer donations typically see well under 5% of members using the donation option. Members prefer to spend their rewards on themselves, especially when challenging economic conditions prevail.

“One final thought is supported by the findings. Give the spread of preferences, or lack thereof, among the redemption options it should be clear to program operators that one size does not fit all and rewards preferences continue to become much more personal and individualized than in the past.”

“A note for program operators: one size does not fit all and rewards preferences continue to become much more personal and individualized than in the past.”
Credit and debit card methods for payment of transactions still dominate the landscape (65% preferred). Card preference increases with age but even among 18–24-year old’s, 49% listed credit or debit as their 1st choice over cash (only 15%).

Mobile wallets (10%) do not appear to be gaining much momentum as a payment preference despite the enormous hype and investments being made. Paying with points (9%), a much newer option than the wallet, already has achieved the same level of preference.

“We found extremely high interest among loyalty program members for pay with points with approximately 80% of respondents saying they would be highly (36-44%) or somewhat likely (37-42%) to use pay with points if available to them.”
Zeroing in on pay with points as a payment option we found extremely high interest among loyalty program members. Approximately 80% of respondents said they would be highly (36-44%) or somewhat likely (37-42%) to use the method if available to them. Both transactions in physical stores and e-commerce purchases reveal similar likelihood to use scores; points plus cash also resonates with the members. The technique also appears to be attractive when combined with a digital payment option – despite the low reported usage of digital wallets referenced above.

While “likelihood” to use doesn’t always equate with actual usage it is noticeably clear that pay with points has caught the attention of loyalty program members. Preferences are easily understood in the context of value, convenience, and flexibility. Inflationary times may help boost the technique at the expense of other redemption options, but the long-term impact of this rewards approach is likely to be significant.

“New age redemption options like pay with points may provide the best of both worlds: 1) the advantages of points accrual remain intact yet, 2) the points can be monetized for a cash-like redemption without friction.”
How likely would you be to use each of the following redemption methods if they were available?

<table>
<thead>
<tr>
<th>Method</th>
<th>Highly Likely</th>
<th>Somewhat Likely</th>
<th>Somewhat Unlikely</th>
<th>Highly Unlikely</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay with points in any amount during online (e-commerce) checkout</td>
<td>44%</td>
<td>37%</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>Pay with points plus cash to complete the full transaction</td>
<td>43%</td>
<td>37%</td>
<td>13%</td>
<td>7%</td>
</tr>
<tr>
<td>Pay with points in any amount in a physical store or place of service using a card</td>
<td>41%</td>
<td>42%</td>
<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td>Pay with points in any amount in a physical store using a digital payment option</td>
<td>36%</td>
<td>41%</td>
<td>15%</td>
<td>9%</td>
</tr>
</tbody>
</table>

One of the methods which can further boost a pay with points redemption option is communication directly to the member at the point of transaction. We asked members to provide their intent to use such an option and found 49% expressing definite intent with another 47% indicating potential use depending upon the value of the transaction.

Thinking of the ways you could collect and earn benefits in a reward program in the future, please rank your top 3 choices among the following options, with 1 as the most important. If only 1 applies, then rank only 1.

| Choice                                                                 | Total | 18-24 | 25-34 | 35-44 | 45-54 | 55-64 | 65 | Income
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>I would definitely use</td>
<td>49%</td>
<td>64%</td>
<td>53%</td>
<td>61%</td>
<td>54%</td>
<td>45%</td>
<td>30%</td>
<td>less than $50k</td>
</tr>
<tr>
<td>I may use depending upon the value of the transaction</td>
<td>47%</td>
<td>46%</td>
<td>45%</td>
<td>36%</td>
<td>47%</td>
<td>49%</td>
<td>64%</td>
<td>$50k to less than $100k</td>
</tr>
<tr>
<td>I would definitely not use</td>
<td>4%</td>
<td>0%</td>
<td>3%</td>
<td>3%</td>
<td>8%</td>
<td>7%</td>
<td>2%</td>
<td>$100k to less than $150k and up</td>
</tr>
</tbody>
</table>

n=500
Those that said they would DEFINITELY use were more likely to be under 45 and/or in households making over $100k. Both online and brick and mortar merchants will need to enable this technology, provide appropriate training to their associates, and integrate with points engines and settlement systems to fulfill the promise. But the technology already exists and the consumer response is likely to be a differentiator.

**DISCOUNTS and CASH BACK**
Understandably this is always the #1 answer in a loyalty program “preferred reward” survey. Program members totally understand cash, discounts, and cash-like gift cards. They can see, touch and appreciate the value. It is simple and straightforward.

Many members, especially younger generations, gravitate to discounts and cash back. They are leery of points or miles-based value propositions where they believe they will never accrue enough currency to make it rewarding. They avoid the friction-based mechanics associated with these currency-based programs. They espouse the mantra “Just give me the money and give it to me now.”

Although the rewards environment is changing, and will always evolve, we maintain that discounts and cash back are not necessarily the best strategy even during inflationary times:

- Discounts marginalize price points and profits. Once the discounted price becomes the perceived true price, there is never a way back.
- Discounts are often not consistent with the brand’s persona. Unless you are a brand who has fortified its positioning on a discount strategy, it makes little sense to the brand persona to suddenly adopt a discount strategy as your primary rewards value prop.
- Discounts do not differentiate. Everybody can do it, including all competition in your space. A 10% discount can be trumped by a 15% offer. As the cycle continues, profit margins erode.
- There is no financial leverage using Discounts. Points and miles experience breakage but discounts are forever.
- Discounts do not stimulate emotional connections. The benefit to the member is fleeting and often does not lead to incremental engagement. Points or miles programs lead to redemption of a special visit, trip, customer experience, etc. and the memory of those experiences have more staying power for members than discounts.
New age redemption options like pay with points may provide the best of both worlds. The advantages of points accrual remain intact yet the points can be monetized for a cash-like redemption without friction. Crypto rewards and NFTs also carry cash-like characteristics and can be redeemed via points. Additionally, both have the perceived advantage of potentially increasing in value over time.

In 2018 we published a series on the history of rewards redemption and where we thought it might be going. We correctly predicted that the landscape was changing but the new age options were not yet visible. Fast forward to today and we believe that every program out there should be investing time and money to re-calibrate their rewards portfolio, technology and redemption perspective based on the changing preferences of members and the triumvirate of value, convenience and flexibility.
ABOUT ENGAGE PEOPLE

Engage People is the only loyalty network that enables program members to pay with points directly at checkout. The global technology provider connects loyalty programs with global payment systems and online retailers and covers 100% of the top purchase categories in North America. Leading banks and retailers around the world rely on Engage People for its pay-with-points capabilities and first-of-its-kind loyalty network, which has facilitated the redemption of more than 34 billion points to date. The Company is headquartered in Toronto, Ontario, Canada and has offices in the U.S., Canada and Italy. For more information visit: www.engagepeople.com.

ABOUT THE WISE MARKETER GROUP

Wise Marketer Group (WMG) is a global customer engagement and loyalty media company that delivers timely and unbiased publishing, research, and educational products to a world-wide audience of marketing professionals. The Wise Marketer on-line publication is the most widely read news source for customer engagement and loyalty marketers. The Loyalty Academy is the only source for marketers to earn the Certified Loyalty Marketing Professional™ (CLMP) designation through comprehensive education and corporate training programs. WMG has two decades of experience covering, commenting on, and educating loyalty practitioners with a readership-base and network of CLMPs in 130 countries. For more information visit: www.thewisemarketer.com

Wise Marketer Research Services (WMRS) provide custom qualitative and quantitative primary research studies covering the loyalty marketing industry. These studies investigate both consumer and B2B issues affecting the industry and are executed in collaboration with partners, academia and the media. Partnership opportunities are available.

Inquiries invited at: https://thewisemarketer.com/loyalty-research/

Reader response is invited.