

CASHING OUT: WHAT CONSUMERS EXPECT FROM LOYALTY PROGRAMS

WISER RESEARCH





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This report, a collaboration between Engage People and Wise Marketer Group (WMG), examines US consumer attitudes and preferences toward loyalty and rewards programs in 2024. We are building upon *Paying with Points - 'Tomorrow' Is Too Late*, the survey Engage People commissioned in 2023 in partnership with The Wise Marketer™, as well as prior research collaborations in 2022 and 2021. Reviewed as a whole, the research is a reliable multi-year study that identifies consumer preferences driving loyalty program engagement through the availability of specific benefits and reward redemption options.

Last year's report explored consumer perspectives on using loyalty currency for online and in-store redemption to realize immediate value. Key findings included:

- 37% of respondents reported using pay with points one or more times
- 43% were unfamiliar with Pay with Points as a payment option
- 84% reported they would use pay with points in the future if offered
- 76% expressed a willingness to change credit cards to access pay with points benefits

This year's report provides new insights into the specific benefits that drive program engagement today. Report findings reconfirms that the option to “pay with points” continues to influence the behaviors and shopping preferences of loyalty program members. Tangible rewards, whether cash promotions and equivalencies or loyalty-driven currencies, continue to be a significant motivator for loyalty program members.

Pay with Points satisfies consumer needs for flexibility and choice in selecting reward redemption options in the loyalty programs where they participate. The feature also helps to suppress disengagement from loyalty programs, a prevalent trend that constitutes a threat to the effectiveness of loyalty program operations.

Loyalty is Stuck and Disengagement is Rampant

Loyalty program disengagement continues to be a major challenge for brands sponsoring customer loyalty programs. In the last year, nearly half (47%) of American consumers report disengaging from at least one loyalty program they've joined. U.S. consumers are reported to be enrolled in approximately 20 loyalty programs, though they actively participate in fewer than half. While some program detachment should be expected, the level of disengagement reported by respondents in this survey indicated a broader trend than expected.

The study revealed two principal causes of program disengagement:

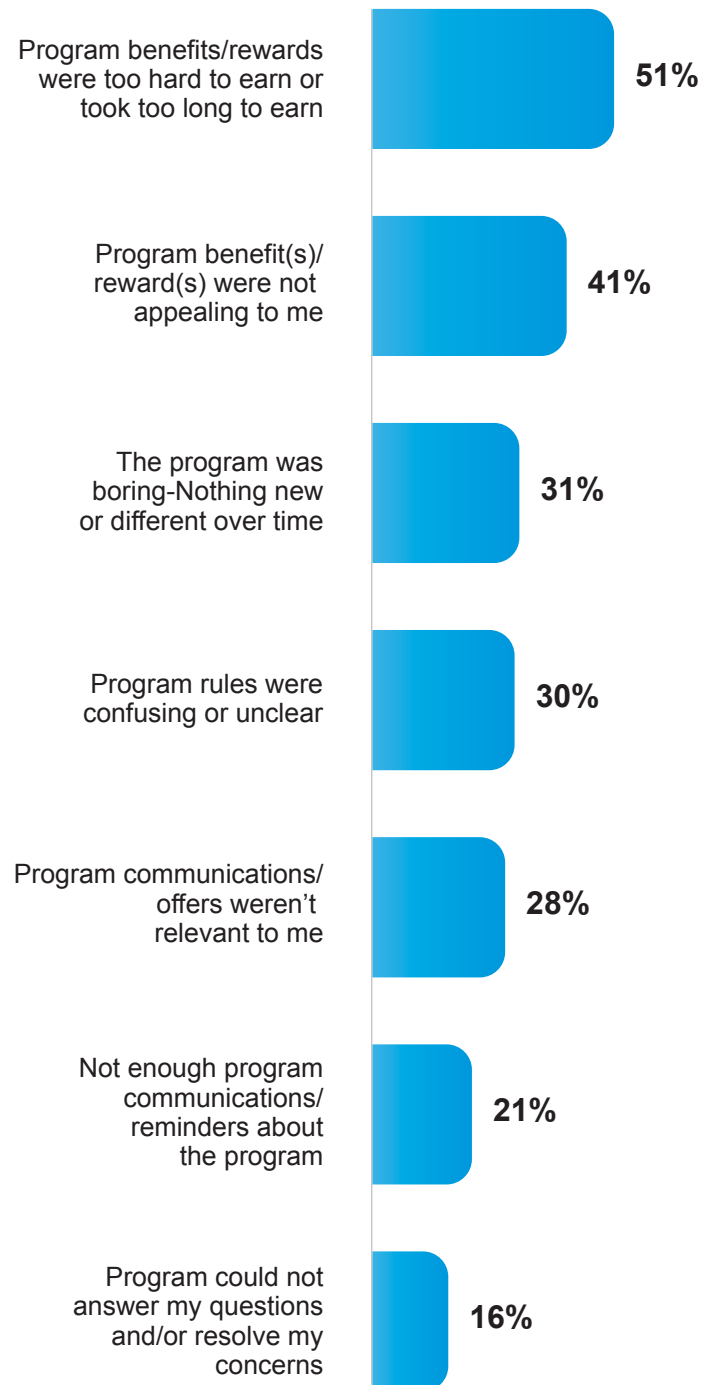
- 51% of respondents cited difficulty in earning rewards as a key reason for churn.
- 41% of respondents indicated that program benefits and rewards lacked relevancy and appeal.

The inability of program members to earn rewards at a pace sufficient to satisfy their needs is a historically documented loyalty program weakness. The reported perception of unappealing rewards is a demotivating factor for loyalty program participation.

Taken together, there is an obvious gap that needs to be addressed. Fortunately, the gap can be closed if brands take action to adjust value propositions and communicate with program members to identify desired reward redemption options.

Why did you stop participating?

Mark all that apply.





The report found additional reasons significantly impacting why individuals stopped participating in the loyalty program:

- **Stagnation:** 31% of respondents stopped participating because the program offered nothing new or different over time, leading to boredom.
- **Confusing Rules:** 30% cited unclear or confusing program rules.
- **Irrelevant Communications or Offers:** 28% felt that communications and offers were not relevant to them.

“The two reasons this study found led to program disengagement were driven by earn velocity and lack of relevancy challenges.”

A Call to Action for Marketers

Brands must address these key issues to sustain engagement and reduce member churn. Even in cases where enrollment rates are meeting objectives, marketers adopt a proactive approach to member satisfaction. In doing so, marketers can also protect the efficacy of their loyalty marketing budgets.

Member disengagement has a negative impact on marketing budgets. Members making a conscious choice to not return to your brand due to loyalty program churn continue to be included in marketing outreach - and that marketing spend is likely going to waste.

Closing this budget gap can be accomplished through program communications to enable the brand to quickly become aware when customers have switched to other brand(s). Marketing spend can then be more effectively allocated to win back campaigns.

In addition, brands should focus on enhancing program relevance and making rewards more accessible to maintain member interest, improve engagement, and reduce attrition.

Who is Making the Switch and Why?

We found that consumers' openness to brand switching is remarkably higher than expected. The report showed that 90% of U.S. consumers are willing to switch brands, with 23% switching frequently and 65% motivated by the "right incentive."

Dilution of brand loyalty is a key factor influencing this switching behavior. Only 12% of respondents identify as truly brand loyal, a statistic that should be disconcerting for marketers. The ability of loyalty programs to inhibit switching rates is in question and the bar is moved higher for loyalty programs to have a measurable impact to meet this challenge. This is another shift that should

concern marketers and draw their attention to continual program improvement.

Among the generations:

- 88% of Gen Z (18–27 years) were the group most likely to switch. Gen Z demonstrated less brand attachment, as well as stronger preference for more valuable and relevant benefits.
- The Silver Gen (70+ years) demonstrated more tendency to remain more loyal, with 54% likely to switch..

“Only one in ten respondents (12%) consider themselves truly brand loyal, which should be somewhat disconcerting for marketers.”





The top three factors found to be influential in limiting switching were:

- **Price:** The most influential factor, cited by 69% of respondents.
- **Loyalty Program and Benefits:** A strong driver for 53% of respondents.
- **Special Promotions or Discounts:** Influences 51% of respondents.

These three factors outweigh other considerations including product quality, product availability, customer service, referrals, or unique competitor experiences.

As results showed, even consumers engaged in loyalty programs remain highly sensitive to price. This rise of a "savvy consumer mindset" has created a highly competitive environment for brands. As the second most influential factor in this list, Loyalty Program benefits are a powerful tool marketers can use to limit brand switching, pointing out the need to maintain a sharp eye on the loyalty program value proposition.

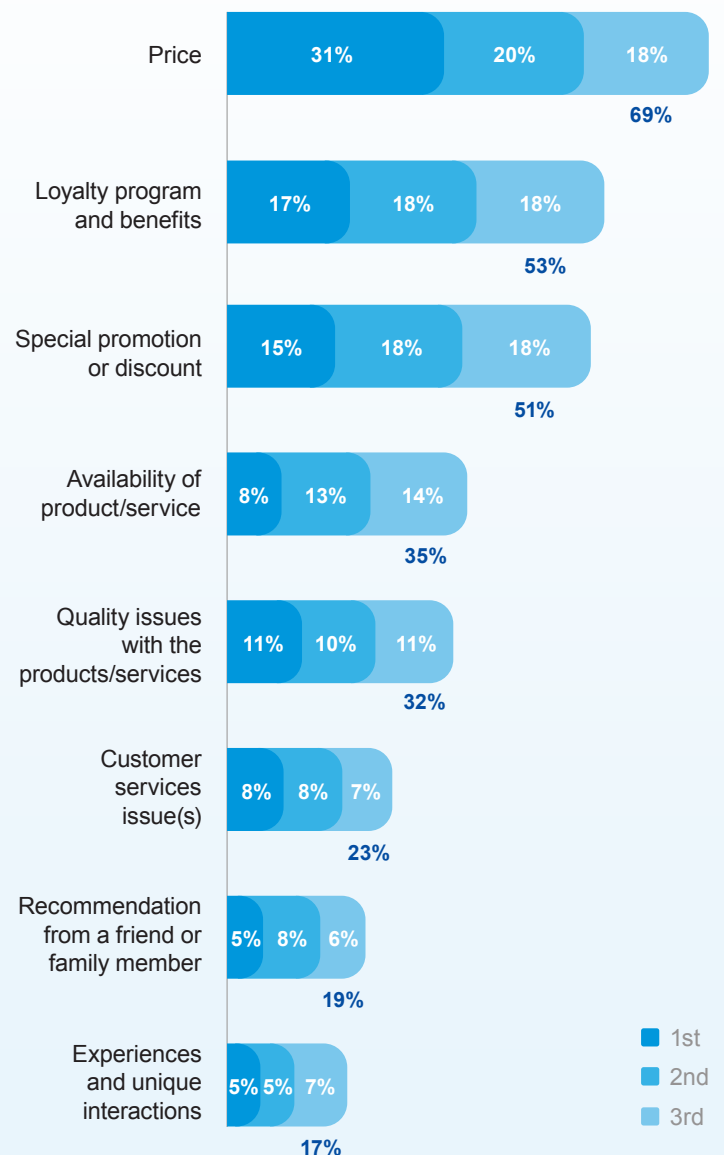
To retain loyalty, brands must ensure a meaningful and well-rounded value proposition that addresses consumer expectations across pricing, promotions, and loyalty benefits.

The conclusion is that brands must provide value across both:

- **Brand Attributes:** Quality, price, availability, etc.
- **Loyalty Program Attributes:** Attainable rewards, clear rules, relevant communications, and responsive customer service.

When you have switched brands from those that you usually purchase from, what generally drives that?

Rank your top 3, where '1' is most influential on switching.



How do Favorite Brands Drive Loyalty?

We asked American consumers to think about their favorite brands and then prioritize the top three preferred benefits that a brand could offer to attract their loyalty. The top three factors that led to program engagement and retention were:

- **Price-Oriented Incentives:** Discounts, promotions, and rebates were preferred by 86% of consumers.
- **Loyalty-Driven Incentives:** Earning points for rewards appealed to 81%.
- **Product Quality:** Offering great products was the third most significant factor in attracting loyalty at 73%.

Consumers are in a “rational state of mind”, most likely related to current economic conditions. Respondents in this survey are focused on discounts and cash equivalent incentives as well as tangible loyalty currency. Brands must accept the challenge that tangible rewards are important to consumers today and there is a demand

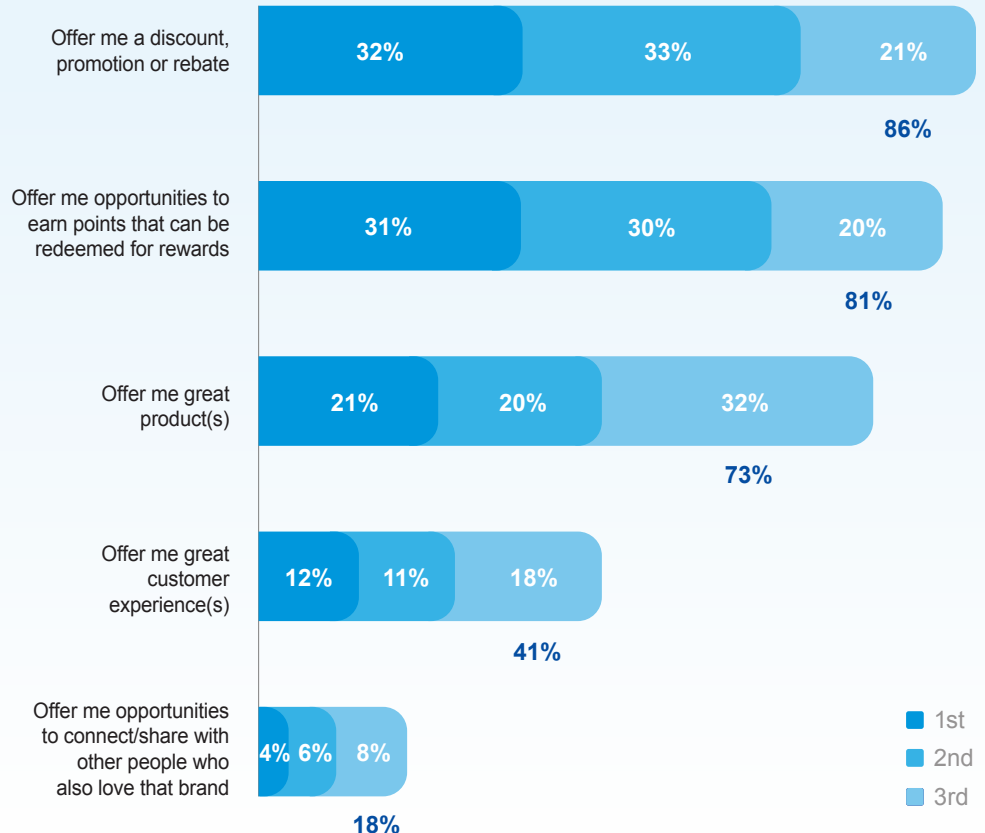
to innovate in how tangible rewards are delivered to loyalty program members if they are to maintain their continued patronage and loyalty.

The results varied across demographic groups:

- The Silver Gen age cohort (70+ years of age) is significantly more likely to prioritize discounts and promotions (43%).
- Men are statistically more likely to prioritize loyalty (36% vs. 33% ranked it first), while women ranked great products slightly higher than men (35% vs. 32% ranked it first), suggesting a potential difference in product-driven purchasing patterns.
- Gen Z (18-27 years of age) showed a stronger preference for great products (21% ranked it first) compared to all older age cohorts. This may reflect a greater emphasis on product quality and innovation among younger consumers.

When thinking about your favorite brands, which of these three benefits would you prefer a brand offer to attract your loyalty?

Please rank your top 3 reasons, where '1' would have the most influence



Financial Benefits vs. Customer Experiences

Overall, respondents ranked “Great customer experiences” significantly lower (1.8–2.1x less) than price, loyalty rewards, and product quality as key drivers of loyalty. This finding highlights the dominance of tangible, financial benefits over “softer” experiential elements in driving consumer loyalty.

However, differences by age cohort emerged as older Consumers reported placing less value on experiences, focusing more on immediate financial benefits while younger consumers showed a stronger preference for experiential rewards and novel customer experiences.

For example: 59% of younger consumers report purchasing more frequently when loyalty programs offer experiential rewards and 48% said they are less likely to switch to competitors when these options are available in the redemption portfolio.

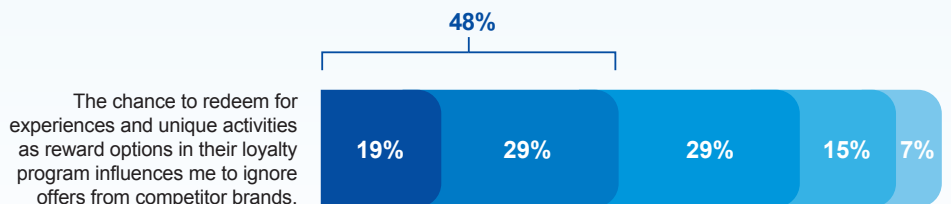
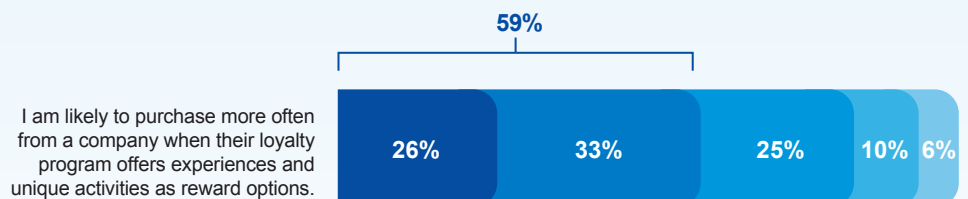
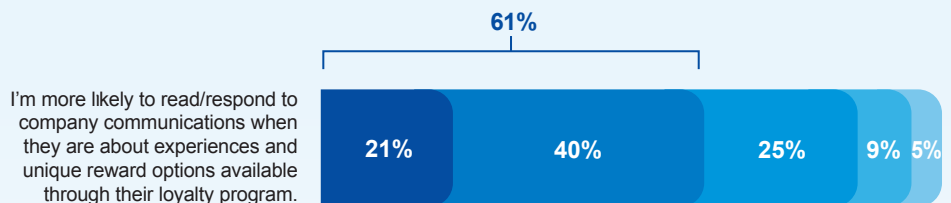
Strategic Insights for Brands:

While customer experiences can influence loyalty, the report found experiences to be secondary in influence to immediate financial benefits and rewards. Consideration should also be given to the likelihood for Consumers to obtain experiential rewards thresholds and emphasize pragmatic attainability. Brands should prioritize the availability and delivery options for financial incentives, while leveraging experiential options as a more complementary loyalty strategy for targeted demographics.

“[Customer experiences hold] less influence when compared to immediate financial benefits and rewards, which further reinforces a rise in a savvy consumer mindset.”

Thinking of the loyalty programs that you actively participate in, and that offer experiences and unique activities as reward options, please rate your agreement with each of the following statements:

Mark one per row.



Strongly Agree
Tend to Agree
Neither Agree nor Disagree
Tend to Disagree
Strongly Disagree

‘Cash is King’ Mindset is Infiltrating Loyalty

The report findings showed a dominance of tangible, financial benefits over "softer" experiential elements in driving consumer loyalty, also that flexible redemption options appeal broadly to loyalty program members. In our experience, we know that not all tangible benefits are the created equally. So, what do consumers want in this area?

- 86% of consumers responding preferred receiving cash back or credit as loyalty program benefits, significantly higher than other reward options.
- Merchandise or gift card rewards were preferred by 66%
- The ability to pay with points at the point of sale was preferred by 64%

Cash back is preferable to discounts for several reasons. A loyalty strategy centered on price discounts risks can erode the perceived value of products sold as well as profits.

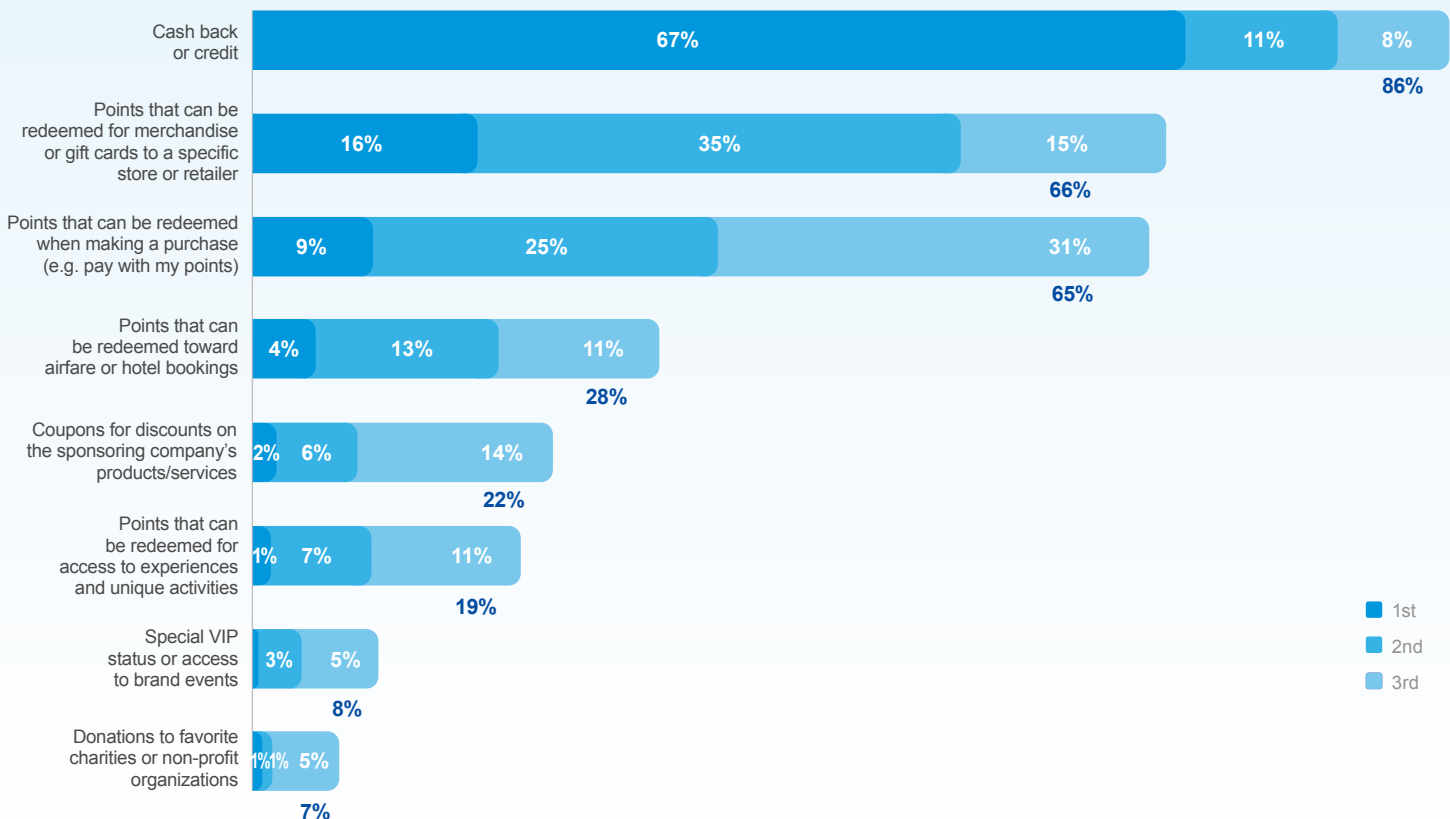
Establishing a discounted price as the norm can make it difficult to return to higher, profitable price points in the future. The trend reflects a desire for more immediate and practical rewards, highlighting gaps in differentiated value within current loyalty programs.

- Gen Z (18–27 years) and older consumers (60+ years) show the strongest preference for cash back or credit (62% and 67%, respectively).
- Gen X (44–59 years) favors merchandise, gift cards, and paying with points over other age groups.

To deliver each of these benefits successfully and effectively, brands need to make cash and price-oriented rewards simple, clear, and immediately valuable to consumers. Brands must balance immediate, pragmatic rewards with differentiated value propositions to avoid over-reliance on price-focused strategies.

Of the below, which benefits would you most prefer to receive from the points-based loyalty programs that you actively participate in?

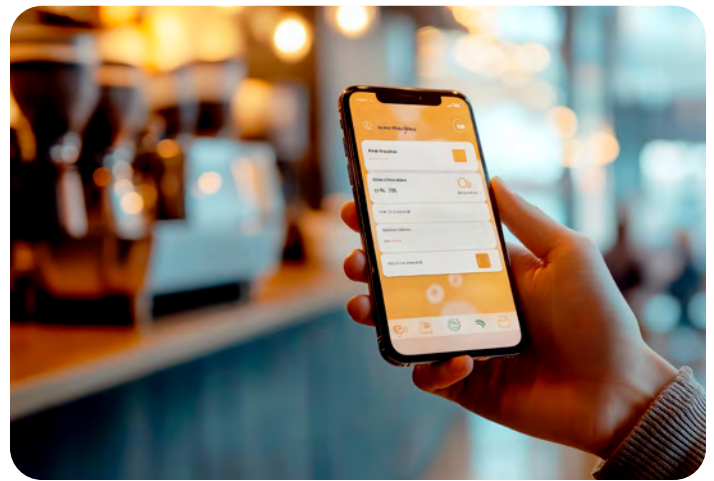
Please rank your top 3, where '1' is most preferred.



We then asked consumers how they most often redeemed the points, miles or cash back that they earned in loyalty programs where they are most active.

- Applying earnings to reduce the price of their purchases (38%) had a 1.8-2.2x greater impact over the next two leading options to utilizing cash
- Applying earnings as a credit against a credit or debit card statement (21%) and redeeming for “free” merchandise or services (17%) followed

A consistent theme emerged from the data showing that consumers prefer to apply loyalty program earnings directly to purchases to reduce their costs. The preference for cost reduction using loyalty currency is a trend that was established post-pandemic as a consumer response to manage stretched budgets. It is now an embedded behavior for many consumers. Brands are wise to go beyond short-term incentives to build long-term value propositions that align with their identity and maintain customer engagement as economic conditions evolve in the future.



For example, some brands have positioning that allows them to compete on price and the momentary stimulation it provides. But many brand promises do not have “discounter” positioning that aligns with what their brands embody. Therefore, they need to differentiate and leverage the features of their loyalty program to drive sustained and consistent perceived value to members in a manner that influences long-term customer loyalty.

How do you most often currently redeem the points, miles or cash back that you earn in the loyalty programs you’re active in:

38%

I apply my earnings to reduce the price of a purchase

21%

I apply my earnings as a credit against my credit or debit card statement

17%

I redeem my earnings from my account for free merchandise or a service

13%

I use reward certificates that I receive via email or text

*Four responses with less than 5% each are not shown.

Then and Now: Why They Join Your Loyalty Program

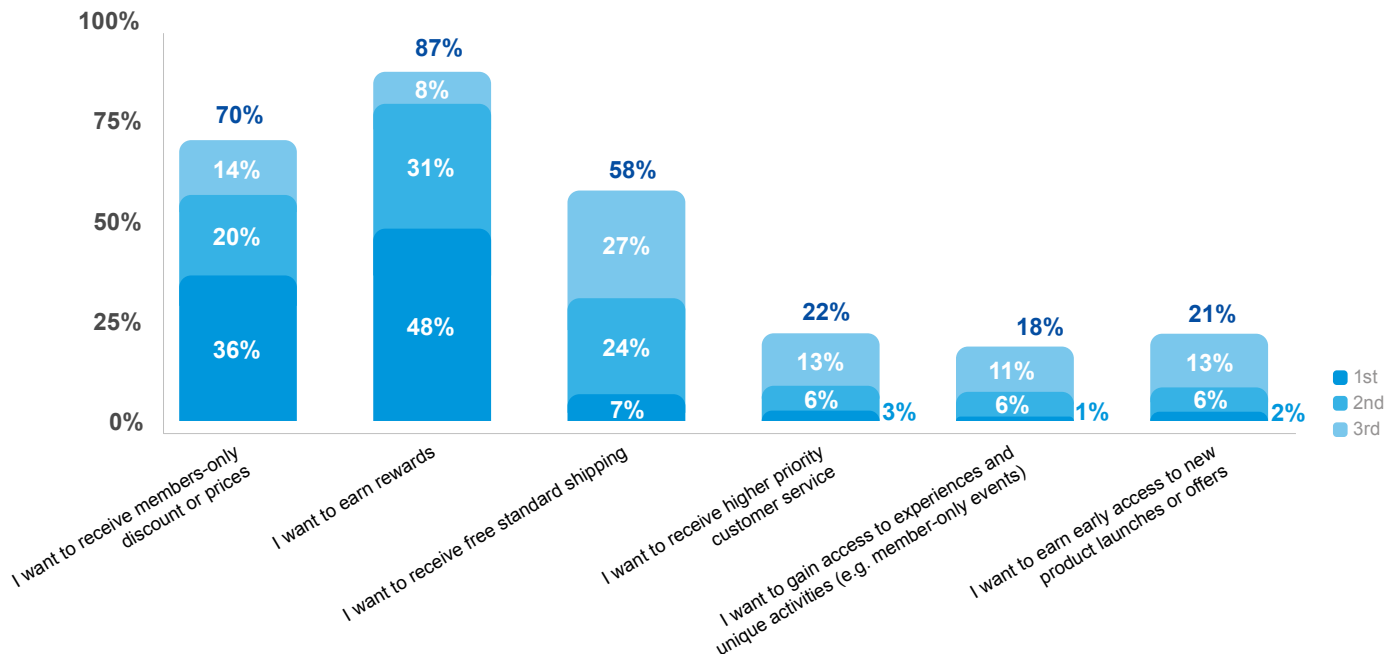
In our 2022 study, *Wise Marketer Research: Rewards Redemption Survey*, we asked why respondents joined the rewards programs where they were most active. “To earn rewards” led all responses (78%), with members-only discounts or special prices (55%) and free standard shipping (37%) as the next two reasons in a ‘select all that apply’ question format.

In this year’s study we utilized a ‘rank the top three’ question format to explore the key factors influencing consumers’ decision to join a points-based program and to identify the primary drivers for joining a points-based program. We learned:

1. The desire to earn rewards remains the most significant motivator for joining a loyalty program (87%), including a disproportionate number of Gen Z (18-27 years of age) and Silver Gen (70+ years of age) age cohorts indicating this as their top priority – 46% and 48%, respectively;
2. The importance of member-only discounts remains (80%) strong and is increasing in influence, particularly amongst consumers with lower incomes (37% ranked it first); and
3. Free standard shipping emerged again as the third key reason for joining a loyalty program (58%) and was a particularly strong secondary choice for Gen X (35-49 years of age) and those of more affluence and higher household incomes.

In general, which of the below would most influence your decision on whether to join a points-based program?

Please rank your top 3 reasons, where ‘1’ would have the most influence.



*Five responses with less than 3% each are not shown.

The dominant influences of earning tangible rewards and exclusive member-only discounts are reinforced again with many “softer” benefits, such as higher customer service priority, access to new products, and access to experiences and unique events were deemed less of a priority to tangible value and cost savings benefits when considering a points-based program.

Program Features to be a Favorite Brand Today and Tomorrow

Yes, the loyalty landscape in 2024 was dynamic and nuanced, but in 2024 consumers continued to prioritize tangible rewards, such as cash and discounts. The solution is to not compete directly with price-oriented inducements, but instead to tailor your loyalty program designs to reflect the diverse needs and preferences of specific customer segments while also addressing the savvy consumer mindset that has placed cash on a pedestal.

Offering the ability to exchange points for cash-like value ("paying with points") is the most impactful feature for increasing member engagement (78% of consumers would engage more). While this feature shows broad appeal across all demographic groups, it has a notably strong impact among 'older' consumers (60+ years of age), a group which consistently show sensitivities to price. Brands should consider incorporating a points-to-cash exchange option to

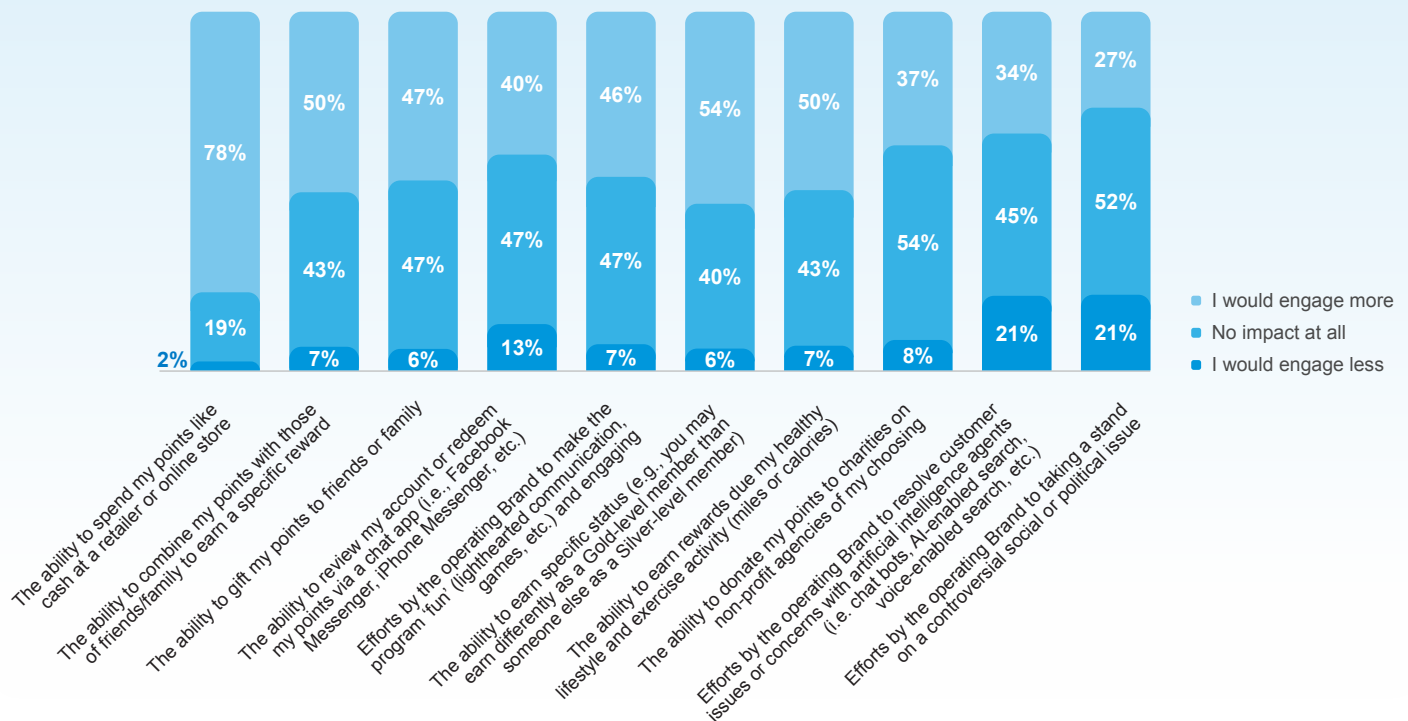
strengthen their loyalty program's value proposition and boost engagement.

A clear call to action is to ensure your loyalty program value proposition includes a points-to-cash exchange option. There are also 'softer' program features that marketers can also consider creating a differentiated experience for their members, including:

- Enabling points-sharing with friends and family, which Gen Z (18-27 years of age) demonstrated nearly 2x higher interest in relative to other age cohorts,
- Offering chat-based and AI-driven customer service support, which is increasingly becoming table stakes and an expectations of program member care, particularly among younger consumers such as Gen Z and Millennials who are technology savvy, and
- Creating engaging and fun interactions by incorporating deep engagement (i.e. gamification) mechanics into your members' journeys with the brand, which resonated strongly with younger generations and those that held a positive outlook on life.

Based on the brief descriptions below, how would each of these items impact your experience with a given customer loyalty program?

Mark one per row.





Which of these items would you be most inclined to use if included in a loyalty program?

(Please rank the 3 most appealing, where 1 has the most appeal).

A surprise earning opportunity or benefit

19% 14% 12%
45%

Updates/reminders on how much I have personally earned so far

11% 11% 9%
31%

Updates/reminders on how much I personally have left to achieve before my next reward/benefit.

9% 9% 9%
27%

A better way to track my progress and goals

8% 9% 8%
25%

Special status for members who spend more

8% 8% 9%
25%

A way to help me to have a healthy lifestyle and to incentive me to practice exercise

7% 7% 7%
21%

Delivery of products to your home on a scheduled basis (a subscription service)

7% 6% 7%
20%

Limited-time opportunities that expire in a specified timeline (e.g., this month only...)

6% 6% 7%
19%

Surveys to gain customer feedback and suggestions

6% 6% 6%
18%

Invitation-only events for program members

4% 5% 7%
16%

A way to connect with friends and family (e.g. share benefits, compete in games, etc.)

5% 5% 5%
15%

Limited-quantity opportunities (e.g., first 50 people win, only 20 available...)

3% 5% 5%
13%

A way to track the positive impact I'm making within my community and/or at a globally

4% 4% 5%
13%

A benefit that can be lost if specific hurdles aren't achieved

4% 3% 3%
10%

1st
2nd
3rd

The study also found consumers are drawn to unexpected earning opportunities (45%) and features that track personal progress (31%) and achievements (27%). This highlights the importance of surprise rewards and clear program structures with visible earn velocity. This suggests the significance of both unexpected rewards and ensuring clarity in the program's structure and earn velocity mechanics.

We can infer from this that loyalty marketers need, for both today and tomorrow, to ensure that their brand interactions and loyalty program mechanics:

- **Combat High Brand Promiscuity** – Consumers are exhibiting a high willingness to switch brands due to importance placed on price and value, making loyalty retention a challenge in a highly competitive environment
- **Transparency and Simplicity** – Clear and straightforward program rules are critical, as confusion and difficulty in earning rewards lead to disengagement.
- **Strategic Redemption Habits** – Consumers are strategically using loyalty programs to maximize cost savings or and are showing preference to redeem rewards with clear, immediate benefits
- **Tangible Rewards Drive Loyalty** – While experiences are valued, tangible rewards like discounts, cashback, and points redeemable for goods or services are the most important loyalty drivers.

Methodology

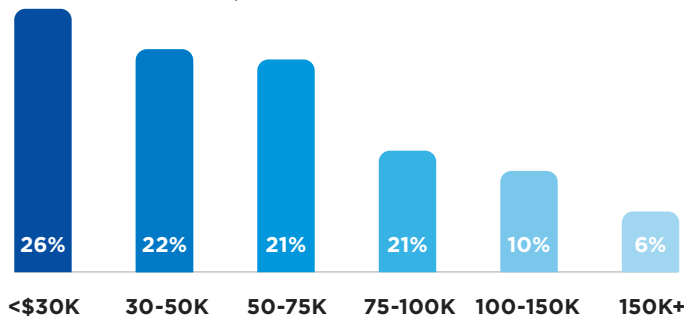
An online survey, conducted in November 7-17, 2024, included 1,001 US consumers selected from a balanced panel representing diverse demographics: gender, age, income, household size and geographic region.

More than ninety percent (90%) of respondents were 'active' members of at least one loyalty program in the prior twelve-month period (i.e. made at least one earning purchase or redemption in a program) and more than ninety-eight percent (98%) of respondents have earned points in a program to-date. Survey question responses for active members compared to any identifiable non-active members showed no statistically significant variances.

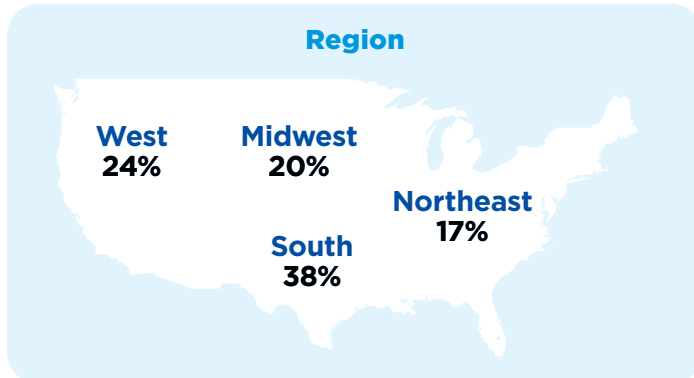
The survey timing coincided with a period of ongoing political and economic uncertainty in the US and respondents were asked about their personal outlook on life. Nearly seventy-nine percent (79%) of respondents indicated they were either very happy or somewhat happy with their life with a further twelve (12%) indicating their life is fine (i.e. neither happy nor unhappy). Very few statistically significant variances were identified across responses to the survey questions, but we have noted instances in this report where this has impact.

Last year, that is in 2023, what was your total family income from all sources, before taxes?

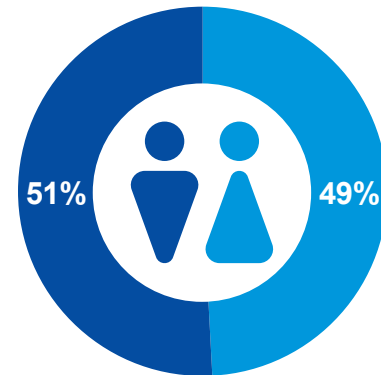
*2% preferred not to answer



Region



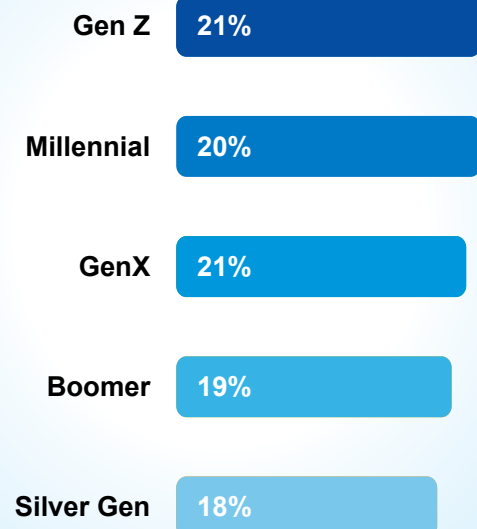
Gender



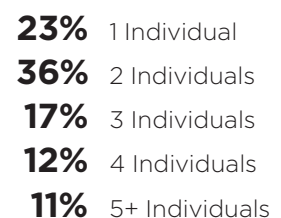
51% and 49%

*Less than 0.5% preferred to self-describe

Age



How many individuals reside permanently in your household:



*1% preferred not to answer

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.

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For more information visit: www.engagepeople.com.

About the Wise Marketer Group

Wise Marketer Group (WMG) is an education, advisory, and media company serving as the trusted steward and advocate for growing the global customer loyalty marketing industry. We publish up to date, authoritative and well-informed content and have developed a practitioner-based loyalty marketing education curriculum that is globally recognized.

Our core lines of business are:

- WMG Advisory & Research services take a trusted advisor approach to supporting companies operating in the loyalty industry through executive and operational business consultation, market research and insights, partnership and vendor evaluation, employee recruitment, and M&A discovery.
- Loyalty Academy™ (www.loyaltyacademy.org) is the first global source of independently produced professional level training in the industry and is the issuing organization of the Certified Loyalty Marketing Professional™ (CLMP™) designation.
- The Wise Marketer™ (www.thewisemarketer.com) is a 25+ year old media brand that has maintained its status as the premier publication focusing on global loyalty marketing, customer experience, and customer centric marketing.

