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The Evolution of Loyalty and Rewards

04 June 2020 By: Rachel Huber, Krista Tedder

Rewards programs have needed to be revamped for years. The historical focus on cashback and travel rewards largely limited programs to those using credit cards and those who were high spenders. The recent economic upheaval related to COVID-19 has only served to underscore the limits of the traditional model of rewards and loyalty, where increased spending is the only way to earn rewards. Frankly, this model can come across as tone-deaf to a struggling consumer. Regardless of the economy's health as a whole, there will always be struggling consumers. Programs that reward only spending will always exclude people and limit the possibilities of what rewards and loyalty can accomplish. Especially in today's pandemic environment, where payments volume and revenue will be limited more than usual, providers of reward and loyalty programs must expand the purpose of programs beyond spending if they are to remain relevant to consumers. This approach will offer consumers not only a compelling reason to focus their limited spending with a provider but also offer other revenue and savings opportunities in different business areas. Most importantly, it is a model that can—and should—be utilized in all economic environments. To accomplish this, reward and loyalty providers need to transition to a multichannel, partner-based approach to fully realize the potential for influencing consumer behavior. This report will review the ways to evolve rewards and loyalty programs to help consumers make better decisions and meet their evolving needs. This can be done by offering programs that are: multi-channel, by offering rewards on all channels consumers use; dynamic, by rapidly pivoting to more relevant rewards based on differing situations; and consumer-first, by encouraging behavior that makes the consumer safer and more financially responsible.

Key questions discussed in this report:

- What are the shortcomings of rewards and loyalty programs and how do these create opportunities?
- How can rewards and loyalty be used beyond providing an incentive for increased spending?
- How is a successful rewards and loyalty program built?
- What needs to be considered in the business case for a revamped rewards program?

A random-sample survey of 3,000 respondents conducted online in March 2019. Respondents are selected to be demographically representative of the U.S. population over the age of 18. The overall margin of error is +/-2% at the 95% confidence level for questions answered by all respondents.

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