

What's driving loyalty in 2019?





Introduction

2019 is here which means the annual round-up of loyalty trends is upon us. The truth is, what will be important in loyalty is what it takes to win the hearts and minds of customers – and that doesn't happen in a vacuum that brands can control.

Megatrends are forces that drive sweeping change in economies, society and culture that affect businesses and our personal lives. They provide the context in which loyalty strategies must function and succeed. This is not an exhaustive list by any means, but we think these megatrends are ones that loyalty marketers should keep in mind this year when fine-tuning their loyalty strategy.

Economic concerns

Economists differ widely in their predictions for a recession – or not – in 2019 (or 2020) as well as the severity or breadth of a recession. Complicating factors include uncertainty over Brexit, tariffs and trade wars, the still-unfolding investigation in the U.S. affecting the presidency there, and political unrest in many parts of the world. Many of these factors are changing day by day making predictions difficult. However, IMF¹ reduced its global economic growth forecast for 2019 in October, dropping predictions from 3.9% growth to 3.7%.

When economic concerns grab headlines, consumers begin to pull back on spending. This means that discounts to consumers aren't waning in importance any time soon and loyalty strategies need to continue recognising the importance of price.

There has been increased interest and rollout of paid loyalty programmes over the last year. In an increasingly subscription-oriented economy, many customers are willing to sign on with for-free programmes with bundled benefits that meet specific needs – such as former top tier frequent flyers willing to pay an annual fee for access to similar benefits. For companies working in a tough economy, members paying into a membership not only drives additional revenue, but increases sales as those actively paying for a membership are far more likely to make your brand their first point of call.

Our prediction is that these programmes will remain popular, but consumers will evaluate budget items like subscription memberships carefully. Communications with your loyalty customers should continue to reinforce the value of your programmes and benefits and you should review your memberships to ensure that they stay competitive. Likewise, fee-free loyalty programmes that clearly provide clear advantages for members will become more essential as consumers tighten their belts.

Investing in emotional loyalty is another strong strategy to help brands weather economic turmoil. A startling statistic from CapGemini suggests that 80% of executives feel that their brand understands the emotional needs of customers, but only 15% of customers reported that brands do a good job emotionally bonding with them². This enormous delta reveals both a huge gap in understanding on the part of brands, but also a huge opportunity: emotionally engaged consumers spend at least twice as much as other customers enrolled in a loyalty programme. Reviewing your programme's KPIs and measurement tools to make sure that you have a true view of your customers' emotional engagement will be critical.

1. [IMF prediction](#)

2. CapGemini, Loyalty Deciphered, 2017.Nov 8, 2018



Shifting demographics



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Countries globally are experiencing significant shifts in population demographics. Lower birth rates in combination with increased life expectancies are shifting many countries' age distribution upward. This creates greater concerns and focus on pensions and healthcare. Populations are also becoming more concentrated in urban areas, workplace demographics are shifting, and millennials and Generation Z are moving into management and will comprise the majority of the workforce.

Most brands already understand that multinational loyalty strategies need to avoid the "one size fits all" syndrome. Understanding general demographic trends can help marketers develop loyalty tactics that appeal to customers in different countries, regions, and cities.

For example, in China, increases in discretionary income, shifts to urban centres, and a newly empowered millennial generation are creating significant change, particularly in the retail sector. Consumers in China are also technologically sophisticated and seek experiences and products that enhance their individuality. Some Western brands that failed to understand the importance of individuality and technology-enabled shopping experiences have failed when they import a discount mentality and traditional checkout experiences to sophisticated urban Chinese consumers.

The lesson here for loyalty marketers is to ensure that their loyalty strategy is not only true to the brand, but broad enough to create motivating and compelling experiences in individual markets.

Climate changes

The science is clear: greenhouse gas emissions and global temperatures continue to rise. With reports and predictions urging immediate action, governments and businesses will be challenged to meet goals to avert the direst prognostications. Climate change will amplify weather extremes and challenge countries globally to respond to impacts on agriculture, availability of clean drinking water, secure cities, biodiversity preservation, promoting economic development, and delivering healthy conditions for citizens.

Growing public awareness of the speed and effects of climate change has individuals looking for ways to have a positive impact on the environment. Loyalty programmes can include environmental options for customers that help a brand demonstrate the importance of environmental concerns beyond a standard Corporate Social Responsibility statement and plan. For example, provide opportunities for loyal customers to redeem points to plant a tree or purchase carbon offset credits.

Environmentally aware and friendly options within your loyalty programme not only help customers engage in meaningful behaviours, but reassure them that your brand shares some of their personal values, deepening the emotional relationship you have with customers. Forward-thinking local governments are even beginning to leverage loyalty strategies and rewards to foster civic responsibility and pride, rewarding citizens who engage in environmentally friendly behaviours like conserving water, traveling via mass transport, or participating in community volunteer activities like river and park clean-ups.





New technologies

Technology is not only creating social change, but it is also helping countries adapt to pressures created by new demographics and climate change. From artificial intelligence and autonomous vehicles, to blockchain, connected homes and connected cities, technology allows governments, cities, and individuals to maximize and manage limited resources in challenging times. In an increasingly digital world, technology is widely accepted for its ability to improve lives and the pace of new technologies and their adoption is not likely to slow any time in the near future.

Some of these technologies can lift loyalty programmes to new heights. Artificial intelligence, augmented reality, machine learning, and predictive analytics help brands utilise data in ways to benefit customers. In a constantly evolving world, consumer expectations are always shifting and technology can make delivery of smarter, more customer driven experiences quicker and easier than ever.

There is a darker side to technology; in 2017 and 2018 data breaches affected almost all industries including the financial sector, travel industry, social media, and retail. Consumers are left to deal with long-lasting results of a breach of sensitive information and are consequently becoming more selective about what data they share and with whom.

Data is the lifeblood of a loyalty strategy and brands must work actively to win and retain customer trust. It is incumbent upon brands to ensure that customers understand how the sharing of their data will result in a better customer experience - and then to deliver that experience. Being a trusted guardian of data also drives more emotional engagement - a win-win.



Empowered identity

Each person has an identity grounded in many factors: age, gender, nationality, politics, financial status, family, education, language(s), hobbies and interests, etc. Technology, especially social media, has given a new voice and sense of empowerment to individuals to express their own personal identity – rooted in unique combination rubric of influences.

Identity sits at the confluence of many megatrends, including demographic changes and a growing commitment to social causes (like mitigating the effects of climate change). For example, while they appreciate being recognised as individuals, 60% of Generation Z (born 1995-2009) is also keenly interested in social causes and supporting brands that share values on a range of topics from racism and gender inequality to climate change.³

Loyalty marketers are well aware that *personalisation* is integral to any loyalty programme today and segmentation has long been a trusted tool to help define key trends and needs, but with consumers in the driver's seat, every marketer needs to consider their approach. Will traditional methods be robust enough to deliver truly personalised experiences that consumers crave, especially when they use so many ways to describe their identity? Brands need to recognise this dynamic and remain proactive in controlling their brand image and how they engage with customers.

³ Millennial Marketing., quoted in ; "Gen Z: Step aside Millennials" Nov 8, 2018

Loyalty in 2019

Are you ready to win your customers' devotion in 2019? What all of these megatrends add up to is that brands need to embrace loyalty as a strategy that is baked into everything they do with customers. The days of shoehorning "loyalty" into a single rewards programme are done. Loyalty must be baked into the entire experience a customer has with your company.

From the customer perspective, loyalty is not so much an "add on" benefit of purchasing products or services from a brand. Instead, they are interested in buying from brands that care about them as an individual, that share their values, and that they feel comfortable having in their lives because it makes their life better.



About Collinson

Collinson is a leading global loyalty and benefits company. We craft customer experiences that enable some of the world's best-known brands to acquire, engage and retain the most demanding, choice-rich customers.

Our loyalty experts differentiate our clients' propositions using our unique combination of loyalty strategy, award-winning solutions and loyalty services. We drive long-term engagement by creating deeper, more meaningful connections.

We have 30 years' experience working with the world's leading payment networks, over 600 banks, 90 airlines and 20 hotel groups in over 170 countries. Our clients include Visa, Air France KLM, Mastercard, British Airways, Qatar Airways, Alpha Bank, Mandiri, IKEA, American Express, Intercontinental Hotel Group, Hilton and Radisson Hotel Group.



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