

Retailer Loyalty Programs - US - July 2016

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"Consumers have more loyalty accounts than ever before, which means they're also starting to feel pressure from an overabundance of choice. Retailers are therefore challenged to streamline the shopping and loyalty experience without completely disrupting the core experiences that they've built their brands on."
- Bryant Harland, Senior Technology Analyst

This report looks at the following areas:

- Average number of loyalty accounts tops 10 memberships per consumer
- Loyalty programs still offering irrelevant rewards
- The relationship between the loyalty program and the brand

This report examines consumers' usage and attitudes regarding retailer loyalty programs. Loyalty programs in other sectors (eg, finance) are mentioned for context and examples of innovation, but are not the main focus of this Report.

For the purposes of this Report, Mintel has used the following definition:

A loyalty program – including store credit/debit card or a reward card – is defined as a customer reward program that is offered by a retailer as an incentive for continued patronage and frequent purchases. Rewards are generally in the form of points, discounts, special offers, rebates, or other prizes.

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This report is part of a series of reports, produced to provide you with a more holistic view of this market

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Greater focus on analytics to lead to more sophisticated personalization

Synchrony Financial boosts user control and experience for loyalty interactions Mintel toured Synchrony Financial's Innovation Station in Chicago in June 2016 to get a behind-the-scenes look at some of the innovations coming to loyalty program technology. Synchrony Financial manages branded private label credit cards for numerous retailers' loyalty programs, giving the brand a broad perspective on how loyalty program interactions are changing as well as how analytics can drive direct improvements to the retail and loyalty program experience. For both consumer-facing and internal tools, user experience is a central focus for Synchrony's software. Many of the tools Synchrony develops for its clients make data more accessible, such as by providing visualizations that users can click-through to drill down into more specific details (eg, a graph of total sales that can then be remade to sales in specific regions). Consumer-facing applications significantly streamline processes that are often cumbersome, like signing up for new accounts or managing existing ones. The brand's analytics office's focus on collaboration and use of the agile methodology allows Synchrony's team to execute on new ideas and enhance existing software rapidly; one of the apps Synchrony showcased was a sales team optimization app that emerged from a half-day brainstorming session. One example of a Synchrony-developed app that has already streamlined user experience is the CareCredit program, which offers a credit card for elective healthcare such as dental, vision or veterinary care. Traditional processes for managing payment accounts and making payments can be cumbersome, especially when consumers first sign up for credit. However, the Synchrony app allows customers to manage payment and account information can be managed using a mobile app. Synchrony is also working on a feature that will allow users to take pictures of state-issued ID cards to automatically input information, such as name and birth date, into application fields (see Mintel's Consumer Attitudes Toward FinTech – US, May 2016 for more information). Another example in development is the "Next Best Offer" app. The app shows users a selection of deals, which they can like or dislike. Deals they like are saved while deals that are disliked are removed from the user's view. This gives customers a larger degree of conscious control over the way promotional content is personalized. It also offers a considerable advantage to brands: By providing interest-based data instead of only transactional data, brands can tailor deals based on current interest rather than only purchase histories. The subsequent figure shows the way Synchrony can use data from the Next Best Offer app. Starting with mobile provides a tool for gathering valuable data which can be analyzed in real-time and then used in conjunction with existing customer data to seamlessly provide highly relevant offers at the shopping cart. Figure 13 How the next best offer app enables data-driven promotions, July 2016 Source: Synchrony Financial Chicago Innovation Station The future of successful personalization will involve a blend of interest-based and transactional data, as retailers will have a growing amount of data around customers' likes and dislikes that can be used in conjunction with actual purchase data. One example of this type of data already in the retail industry is the Mallzee shopping app, a mobile app that allows users to simply swipe left or right to like or dislike specific items of clothing. Mallzee CEO Cally Russell, who also presented at the 2016 Big Data & Analytics for Retail Summit, discussed how analytics plays into his company's monetization strategy. Mallzee partners with retailers to offer customer feedback on specific items. This feedback can then be used to redesign store websites to better showcase popular

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products. In one use case, a clothing item performed well on Mallzee but hadn't made any sales in the brand's online store. After Mallzee's team reviewed the site, they found that the only place this item was showcased was several pages into a product list page. This allowed the retailer to put higher priority on the product in its marketing and on the website to improve the sales performance of the product. The blending direct user feedback and interest data with other conventional information loyalty programs have access to (eg, sales, marketing response rates) will offer the ability to drastically improve the effectiveness of these programs by making targeting more relevant to consumers.

Figure 13: How the next best offer app enables data-driven promotions, July 2016

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