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Capgemini Consulting global report reveals that loyalty programs are failing to engage digital consumers

Paris, 26 March 2015 – A global report *“Fixing the Cracks: Reinventing Loyalty Programs for the Digital Age”* by [Capgemini Consulting](#), the global strategy and transformation consulting arm of the Capgemini Group, reveals that loyalty programs have not evolved with the digital age and are failing to engage consumers. The report lifts the lid on why active participation rates in loyalty programs are often low and why 89% of social media opinions on loyalty programs are negative¹.

Capgemini researched the loyalty programs of 160 global companies across 7 sectors including Retail, Banking, Consumer Products, Telecom, Airlines, Hotel Chains and Consumer Electronics. In addition, Capgemini also conducted a scan of 40,000 consumer conversations on social media to gauge customer sentiment towards loyalty programs.

The research revealed that most loyalty programs follow a basic transactional philosophy where rewards are based on purchase. Only a small minority of programs recognize and reward consumers for engaging and interacting with the brand in other meaningful ways. Furthermore, most loyalty programs lack personalization and fail to offer cross-channel redemption services. The negative social media sentiment on loyalty programs stemmed mainly from the lack of reward relevance, rigid reward structures, user experience issues with online channels, and poor customer service quality levels.

Key findings of the study reveal that loyalty programs are not evolving at the same pace as the digital age:

- Just 11% of loyalty programs offer personalized rewards based on a customer’s purchase history or location data
- 79% of loyalty programs use the mobile channel, and yet only 24% allow redemption through it
- 97% of loyalty programs are based primarily on purchases made by consumers

Only 16% of loyalty programs reward customers for activities, such as taking online surveys, rating and reviewing establishments or referring friends to the program. Only 14% employ gamification mechanisms to reward customers.

¹ Capgemini social media scan research which reviewed 40,000 consumer conversations on social media to gauge customer sentiment towards loyalty programs, December 2014

Loyalty programs need to focus on driving customer engagement

The report recommends that loyalty programs be seen within the larger context of a marketing strategy that is focused on driving customer engagement. Organizations need to look at each step of the loyalty program, from design to evolution, through the prism of engagement.

Mark Taylor, Global Lead for Customer Experience Transformation at Capgemini Consulting said *“Brands need to revisit their approach to loyalty. For us, the key is to integrate the loyalty program into the overarching customer experience and to reward engagement as well as the simple transaction. Additionally, since relevance is the highest form of customer intimacy, offering advanced levels of customization and tailored experiences will enrich loyalty programs and further encourage customer engagement.”*

According to the research, fewer than one in ten loyalty programs (9%) offer point redemption across all channels. To be commercially successful, programs must engage customers across every customer touch point.

Seamless purchase experience at Sephora

The study cites Sephora's “Beauty Insider” loyalty program² which matches loyalty accounts with Sephora's mobile app, as well as the Apple Passbook mobile wallet. This allows Sephora to provide a seamless purchase experience, where customers can track their purchases, view offers, and redeem reward points on the go via their mobile devices. The strategy has worked, with Sephora's Passbook users purchasing twice as much and twice as frequently as the average Sephora customer.

To deploy successful, customer-engagement focused loyalty programs, Capgemini believes the following strategies should be employed:

- Integrate loyalty programs with the overall customer experience
- Deliver personalized customer experiences
- Conduct “Social Listening” to understand customer needs
- Reward members for social media engagement and advocacy
- Use gamification techniques to drive deeper participation
- Provide value beyond traditional rewards

For the **“Fixing the Cracks: Reinventing Loyalty Programs for the Digital Age”** report, through web-based research made in November and December 2014, Capgemini analyzed current loyalty programs of 160 global companies around the world across seven business sectors (Hotels, Airlines, Telecoms, Banking, Consumer Electronics, Consumer Products and Retail). In December 2014, it also conducted a scan of 40,000 consumer conversations on social media to gauge sentiment towards loyalty programs. Customer sentiment was analyzed using sophisticated sentiment analytics tools. In order to get an accurate view of the sentiment, the scan looked at opinions expressed by users, and not at questions and neutral comments.

To download a copy of the report visit – [Fixing the Cracks: Reinventing Loyalty Programs for the Digital Age](#)

² InternetRetailer.com, “Apple Passbook users are among Sephora's best customers”, April 2013



About Capgemini Consulting

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