

STATE OF LOYALTY
REWARDS REPORT

Now Is The Time To Reboot Your Loyalty Rewards

May 2023



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Background and methodology

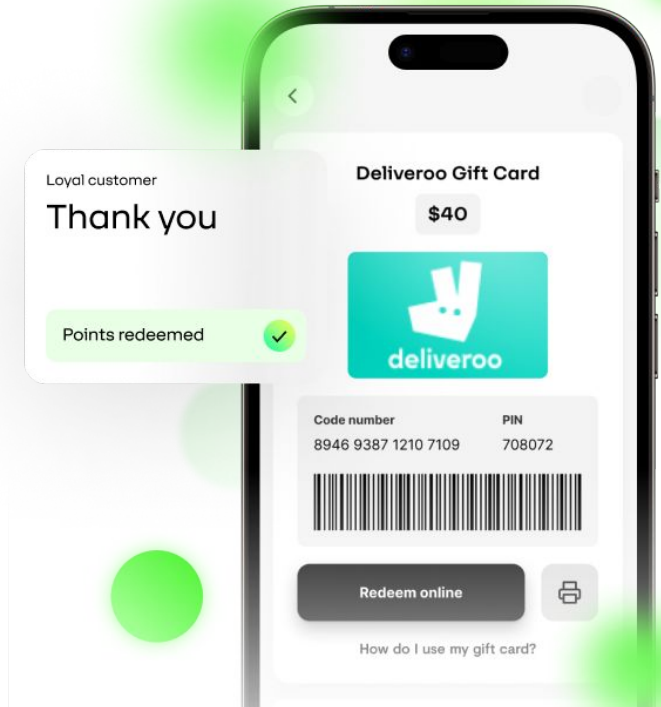
In March 2023 Runa conducted a research study to understand loyalty program participation, preferences, and to learn about what motivates participants to join or leave a program. The study was conducted among 900 loyalty program participants in Germany, UK and US. Participants had to be a member of at least one loyalty program to take part in the study.



Consumer expectations of Loyalty Programs are outpacing program evolution

The global loyalty management industry was worth \$5.6 billion in 2022 and is expected to surpass \$24 billion by the end of 2029, growing at CAGR of 23.5% in this period.

Loyalty programs need a reboot and retailers and marketers need to think of how to fulfill evolving consumer expectations. This study reveals key insights on what consumers want and care about the most when it comes to loyalty programs and rewards.



Key findings



Members actively participate in programs and earn rewards from places they frequent the most

Grocery stores/supermarkets (69%), Cashback/rewards apps (46%), Restaurants/coffee shops (42%) are the top programs.



There is a mismatch in rewards earned versus what is preferred. Many programs offer rewards that members are not excited about.

61% of loyalty participants prefer gift cards; whereas most retail programs offer special promotions and discounts on their products.



Redemption flexibility is important for members

55% of loyalty program participants prefer rewards that give them the flexibility to redeem when they want.



Loyalty members will switch to another program if they are offered better redemption choices

Participants would consider switching to another program if it offered an expanded gift card catalog with more retail brands (40%) and more local and small business gift cards (39%) among other choices.



Members do not want to jump through hoops to earn or redeem rewards

Over half (55%) mention ease of earning rewards as an important feature of a loyalty program.

What does this mean?

Optimizing your Loyalty Rewards Program will help to drive growth

Leaders in loyalty need to be more creative in delivering better, faster and more integrated rewards experiences to their members.



Offer branded digital gift cards as a reward instead of discounts and promotions

Over 6 in 10 respondents

mention some type of gift card as their reward preference.

Merchants running their own program can offer their branded gift card instead of just discounts. Industry research shows that this increases profitability, lifts spend-back and increases customer retention and loyalty while reducing interchange fees.



Optimize and diversify reward options to retain and engage members

40% of respondents

would switch programs for a better rewards catalog.

Now is the time to differentiate your program by building out a rewards catalog with a wider selection of retailers, experiences, local businesses and even digital assets.



Simplify your rewards redemption process while offering flexibility

48% of respondents

said that the ease of redeeming rewards is important for users.

If it's difficult to redeem rewards, programs will lose members to competitors. Loyalty members want choice and flexibility when redeeming rewards. Preferences differ vastly across demographics and geographies so it's critical to ensure you have something for everyone.

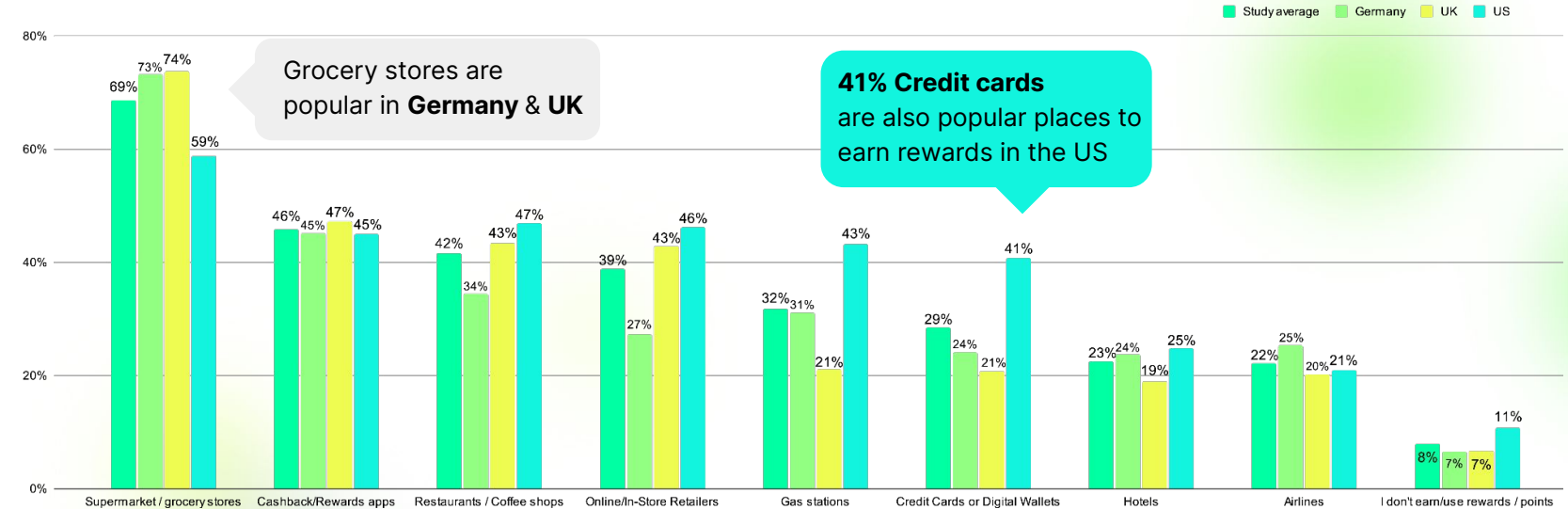
Top loyalty programs members participate in and earn rewards from places they would typically shop

The top four categories where consumers earn rewards are:



Loyalty programs members seek rewards from the places where they most frequently spend money

Consumers prefer to earn rewards from grocery stores or dedicated cashback apps



Grocery stores are popular in **Germany & UK**

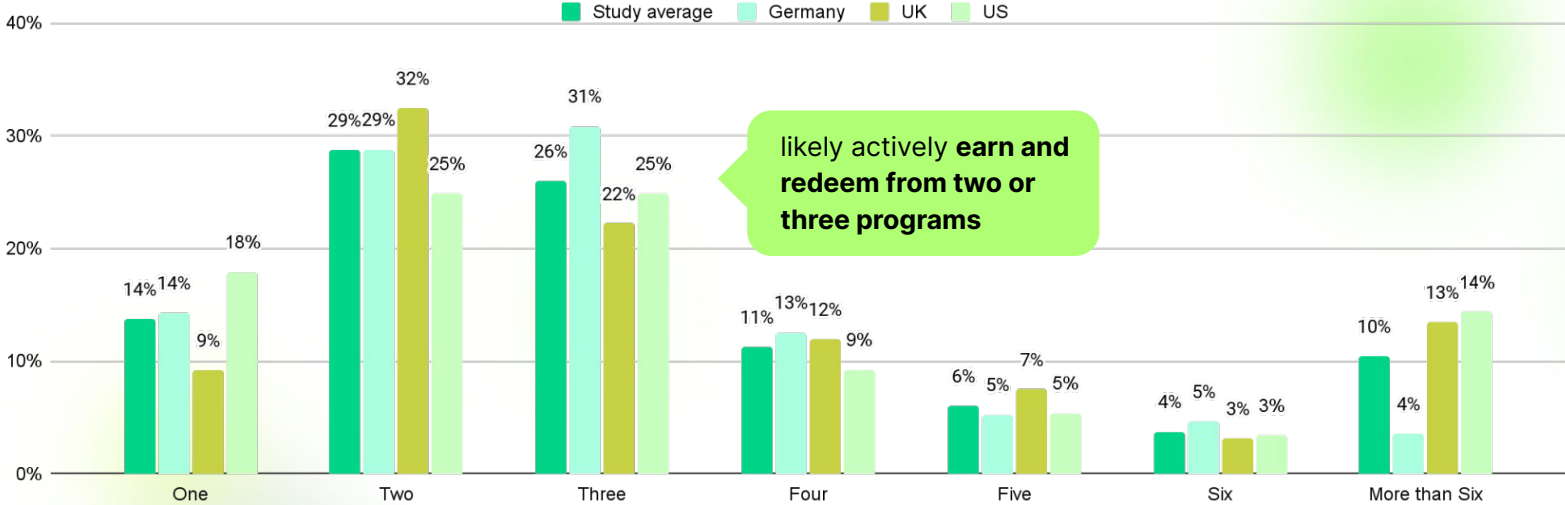
41% Credit cards are also popular places to earn rewards in the US

Supermarket rewards/loyalty programs are especially popular in Germany and the UK, where nearly three-quarters are members of a grocery store loyalty program.

In the US, Gas stations (43%) and Credit cards (41%) are also popular places to earn rewards.

If they participate in one, members are likely to actively participate in multiple rewards programs

Members participate in 2-3 rewards programs



The number of loyalty programs members participate in varies but on **average they are members of 2 to 3 programs.**

They may be members of more programs, but likely actively **earn and redeem from two or three programs.** The programs they participate in are likely to be the ones where they shop regularly such as groceries, gas, or coffee shops and are also able to redeem rewards frequently.

There is a mismatch in rewards currently offered versus what consumers prefer

Most loyalty programs are offering rewards that members don't care about.

Loyalty programs are offering special discounts on products and services (49%) as the most common form of reward to consumers.

When asked, only 15% said they prefer special discounts on products and services.

21% said they prefer a gift card from Visa or Mastercard

17% gift card from a specific retailer

10% gift card to restaurants

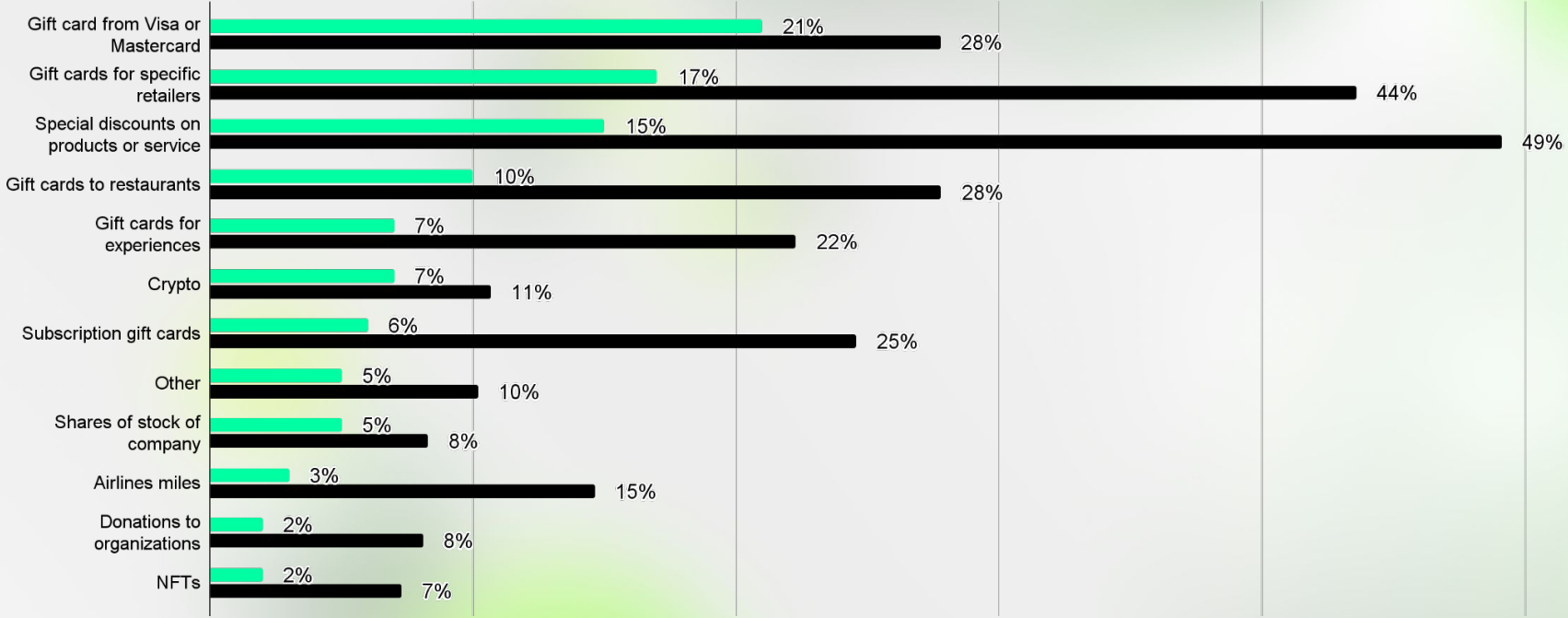
7% gift card to experiences

6% subscription gift cards

Consumers often earn discounts, but prefer gift cards

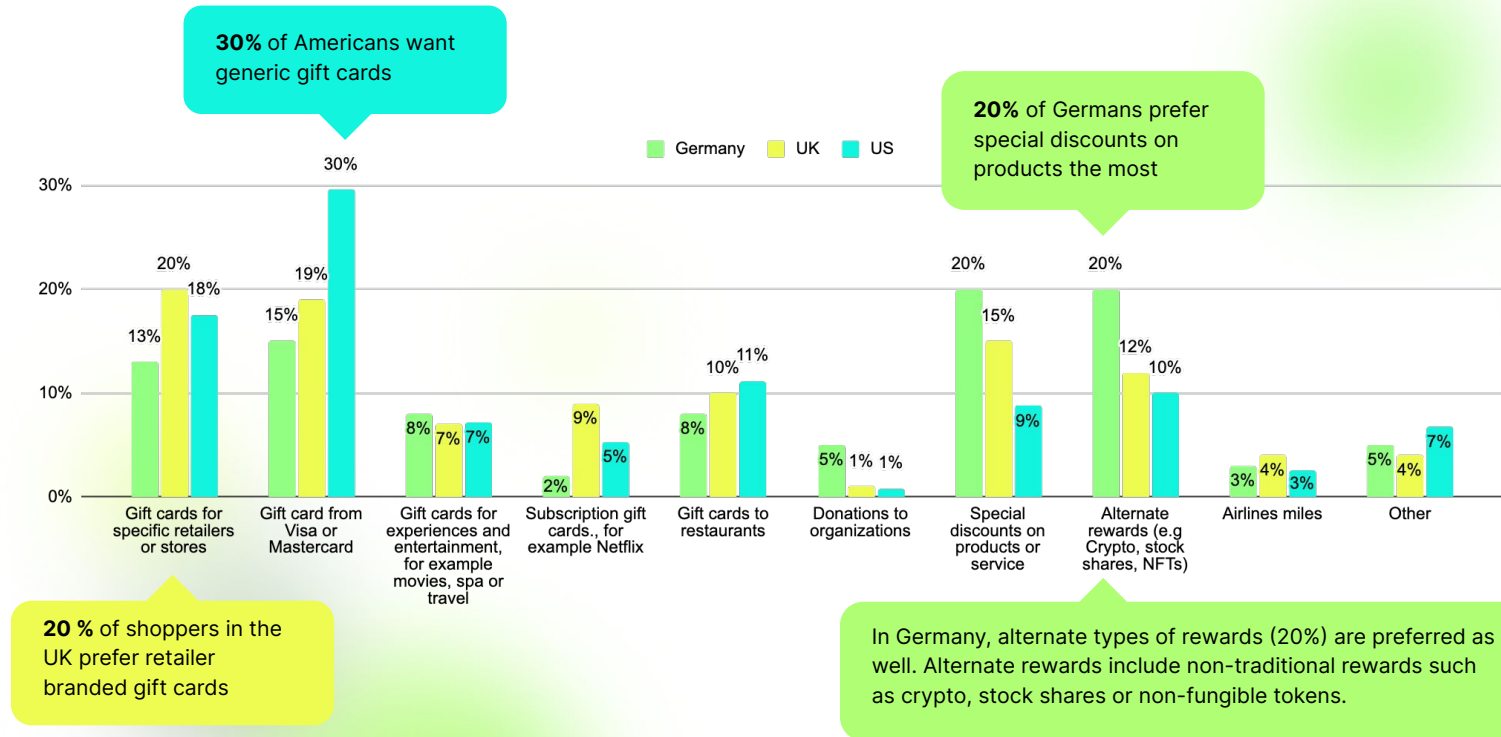
Consumers show a strong preference for gift or prepaid cards although they are not receiving them

Preferred Earned



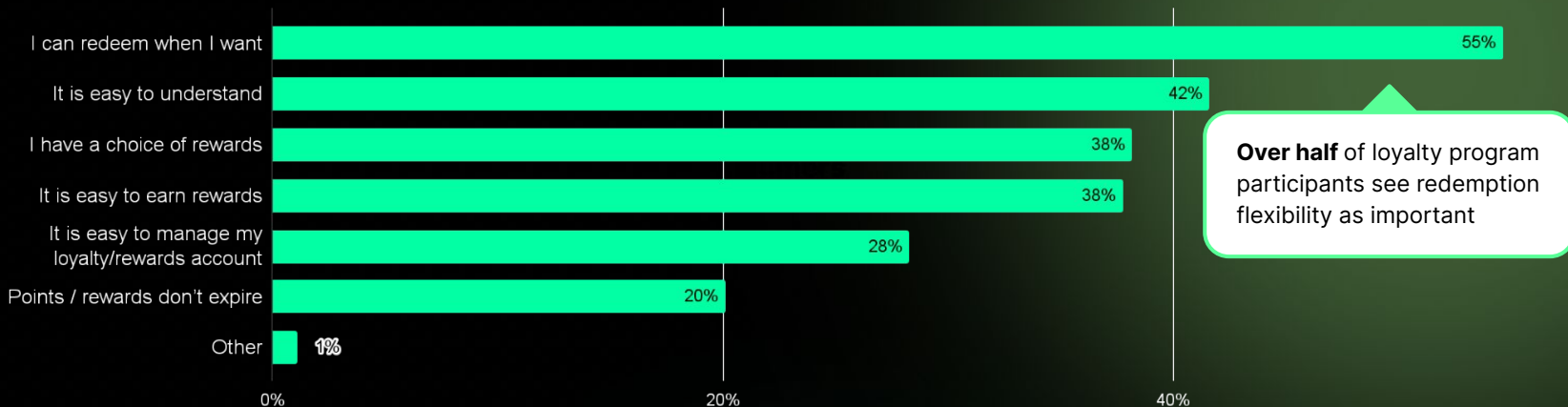
US consumers prefer open-loop cards, while discounts and alternative rewards are preferred in UK and Germany

Preferred reward types vary between audiences in different regions



Redemption flexibility is extremely important for users

Consumers strongly prefer rewards they can redeem whenever they want



Over half (55%) of loyalty program participants prefer a certain reward type because it gives them flexibility of redeeming the reward when they want.

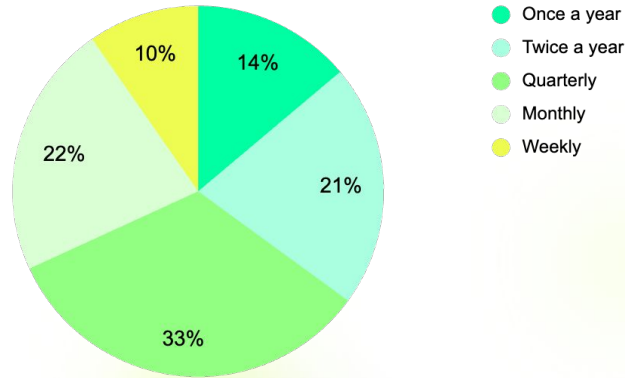
This is why consumers prefer gift cards as they can redeem whenever they want, rather than discounts and promotions that typically have a limited redemption window.

Four in ten consumers mention that ease of understanding how redemption works is also important.

A loyalty program that is difficult to understand and hence difficult to use or redeem is not attractive. It can create a negative image in consumers' minds about the brand.

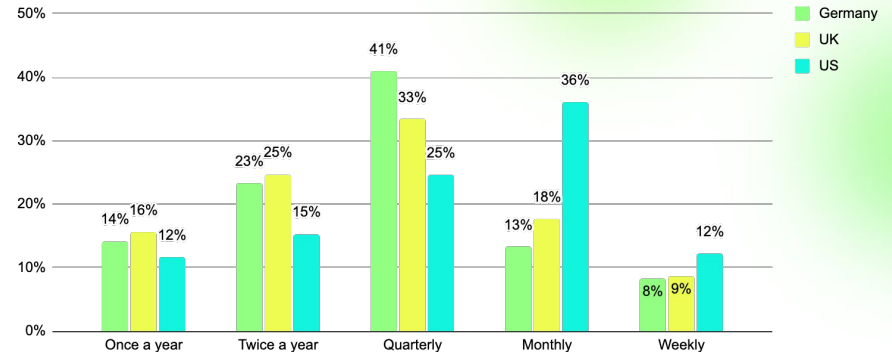
How often members redeem rewards varies significantly; flexibility to redeem when they want is critical

Participants redeem rewards quarterly



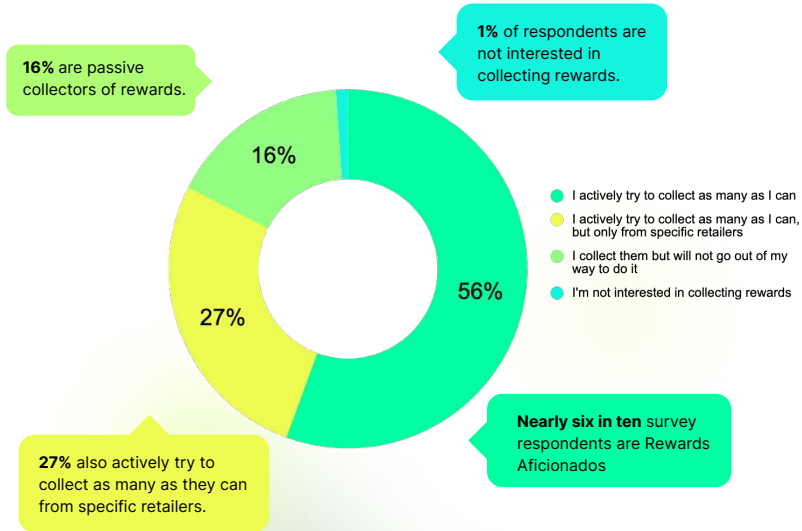
While a third of the respondents redeem rewards quarterly, it is clear that participants redeem rewards at all times. Therefore having the flexibility to redeem when they want is a critical component when building a loyalty program.

Participants in the US are likely to redeem rewards on a monthly basis



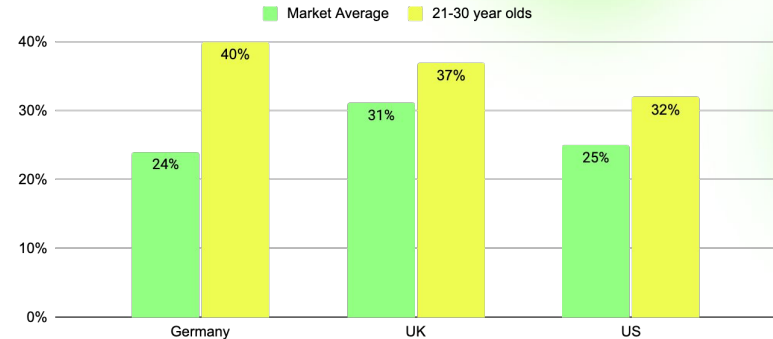
Over 8 in 10 members are active in collecting rewards and younger people are more likely to join loyalty programs

Participants seek out and actively participate in rewards programs



Rewards Aficionados (56%) collect as many rewards as they can. Participants look to maximize their rewards to get more value for their money, gain savings, and be able to buy things they wouldn't typically spend on using rewards.

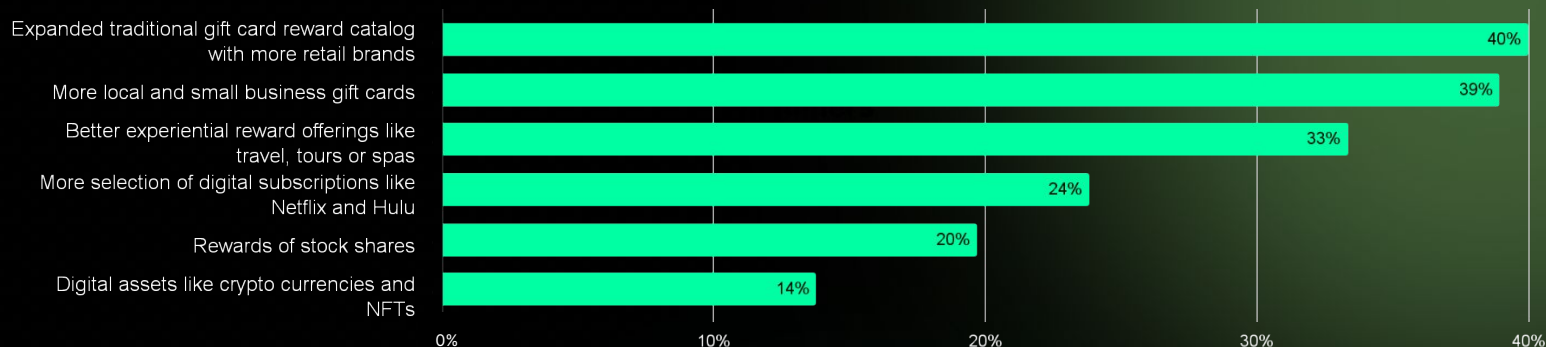
Younger participants are more likely to actively engage with rewards programs



Younger loyalty program participants (21-30 years old) tend to actively collect specific loyalty rewards.

Members will consider switching to another loyalty program if they are offered wider gift card selection

Consumers will switch programs to get better gift card options



Participants were asked what reward redemption features would make them consider switching to another program

- **40% said expanded gift card catalog** with more retail brands
- 39% mention more **local and small business** gift cards
- 33% also mention better **experiential rewards** as a reason to consider switching

This demonstrates how important **gift cards** have become for shoppers. Shoppers value the flexibility of gift cards and consider switching to another program to get them.

Reward preferences differ greatly so it is critical to ensure you have something for everyone

	Germany	UK	US
21-30 years old	More local and small business gift cards (41%)	Better experiential reward offerings like travel, tours or spas, More local and small business gift cards (45%)	More selection of digital subscriptions like Netflix and Hulu (52%)
31-40 years old	More local and small business gift cards (55%)	Expanded traditional gift card reward catalog with more retail brands (50%)	Expanded traditional gift card reward catalog with more retail brands (42%)
41-50 years old	More local and small business gift cards (49%)	Expanded traditional gift card reward catalog with more retail brands (53%)	Expanded traditional gift card reward catalog with more retail brands (53%)
51 and over	More local and small business gift cards (36%)	More local and small business gift cards (41%)	More local and small business gift cards (50%)

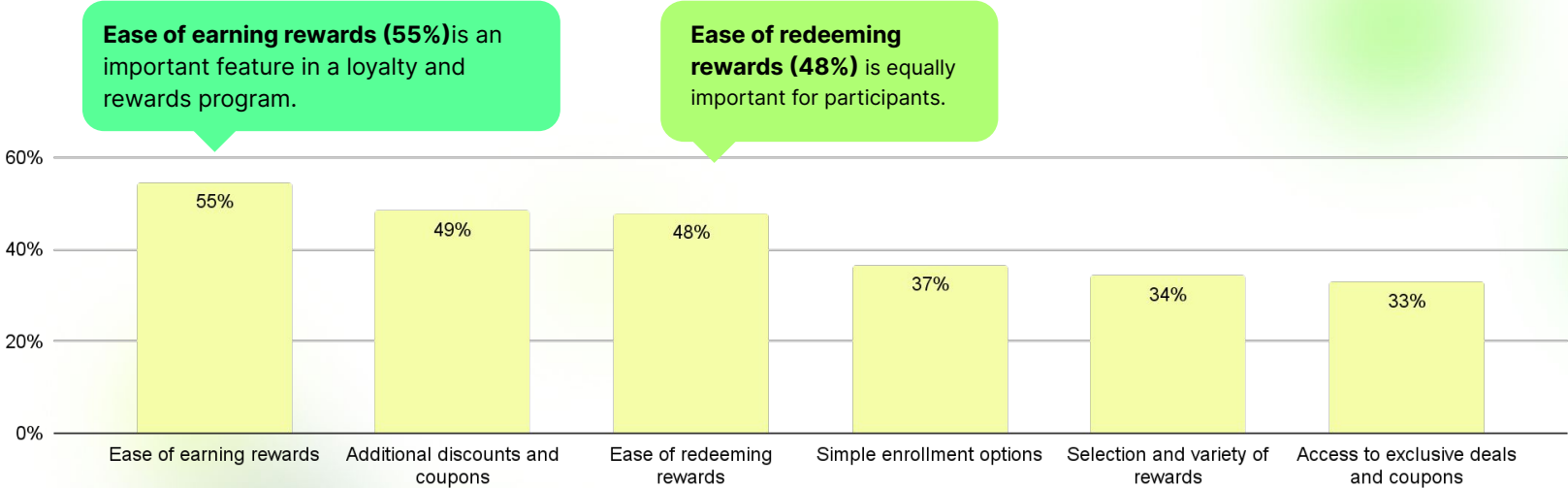
In Germany, across all age groups, loyalty program members will switch if they are offered more local and small business gift cards.

In the UK, 21-30 year olds will switch for better experiential rewards or for local/small business gift cards. Ages 31-50 want an expanded traditional gift card catalog.

In the US, younger participants looks for digital subscriptions. Ages 31-50 prefer an expanded traditional gift card catalog and older audiences prefer local/small business gift cards.

Consumers want simplicity whether they are earning or redeeming rewards

Ease of earning and redeeming are extremely important to program members



Ease of earning rewards (55%) is an important feature in a loyalty and rewards program.

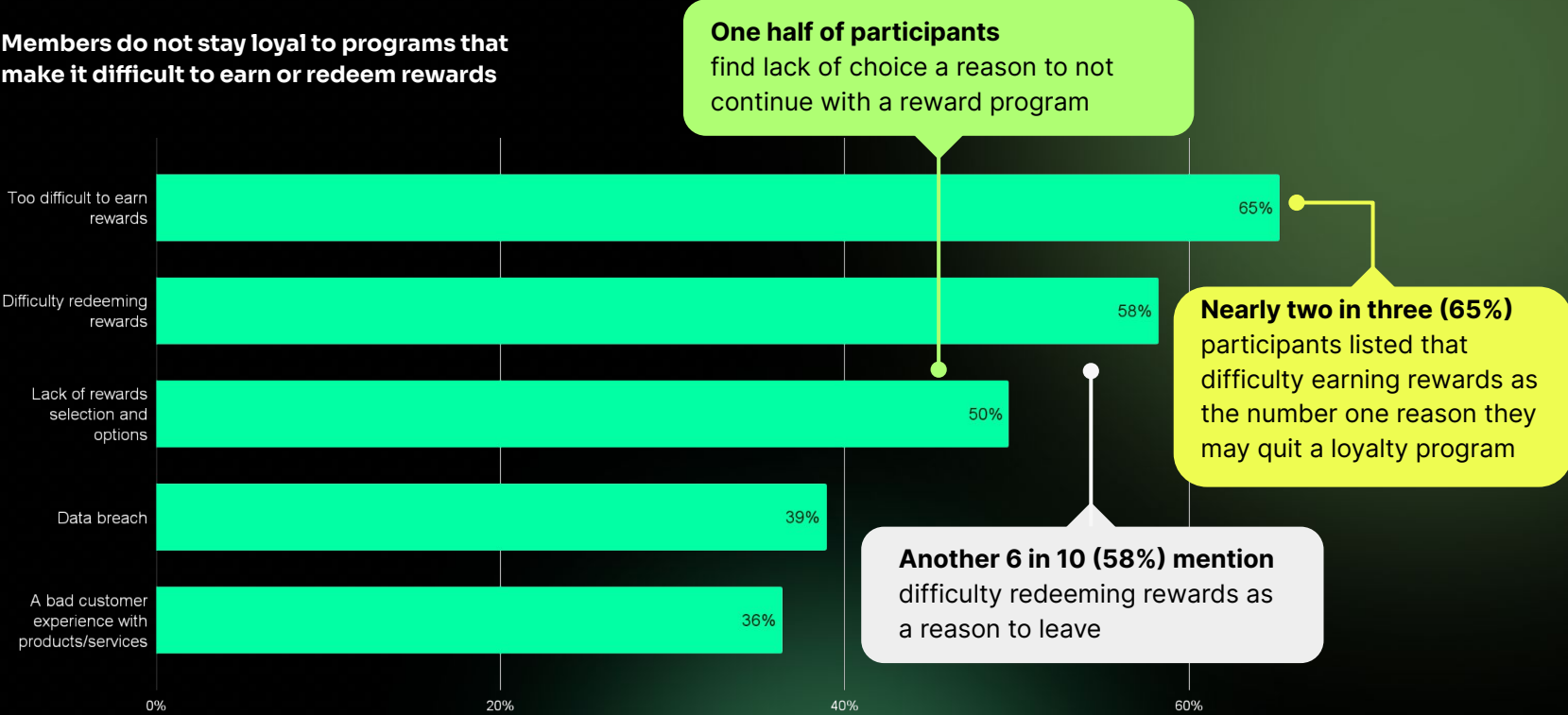
Ease of redeeming rewards (48%) is equally important for participants.

Many members look to earn rewards in places they already shop, such as grocery stores. They want to earn rewards while doing the things they normally and regularly do.

If the loyalty program makes it difficult or complicated to redeem rewards, participants will switch to another program.

65% of consumers will leave a program if it is difficult to earn rewards

Members do not stay loyal to programs that make it difficult to earn or redeem rewards



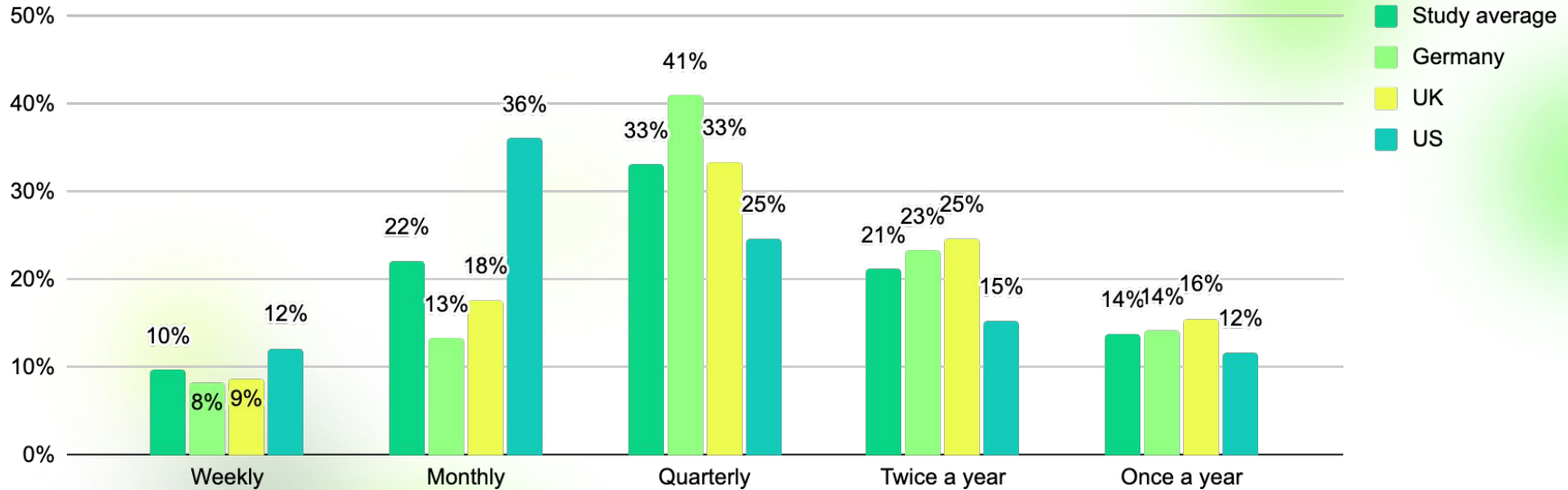
It is important to members to be able to redeem rewards whenever they want

Participants across all regions agree that flexibility of redemption is important



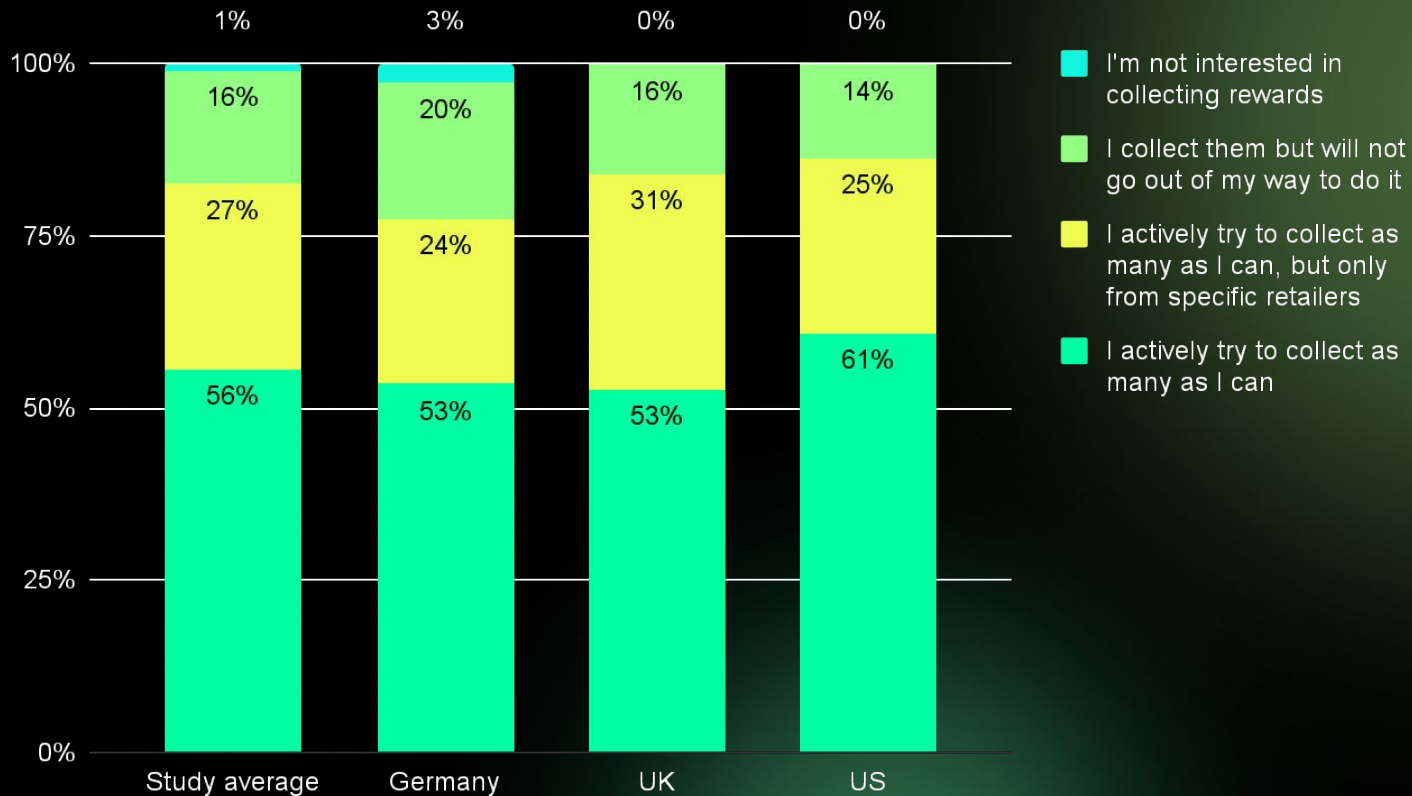
In the US, consumers redeem rewards monthly, more frequently than in Germany and the UK who redeem quarterly

Most participants redeem rewards quarterly



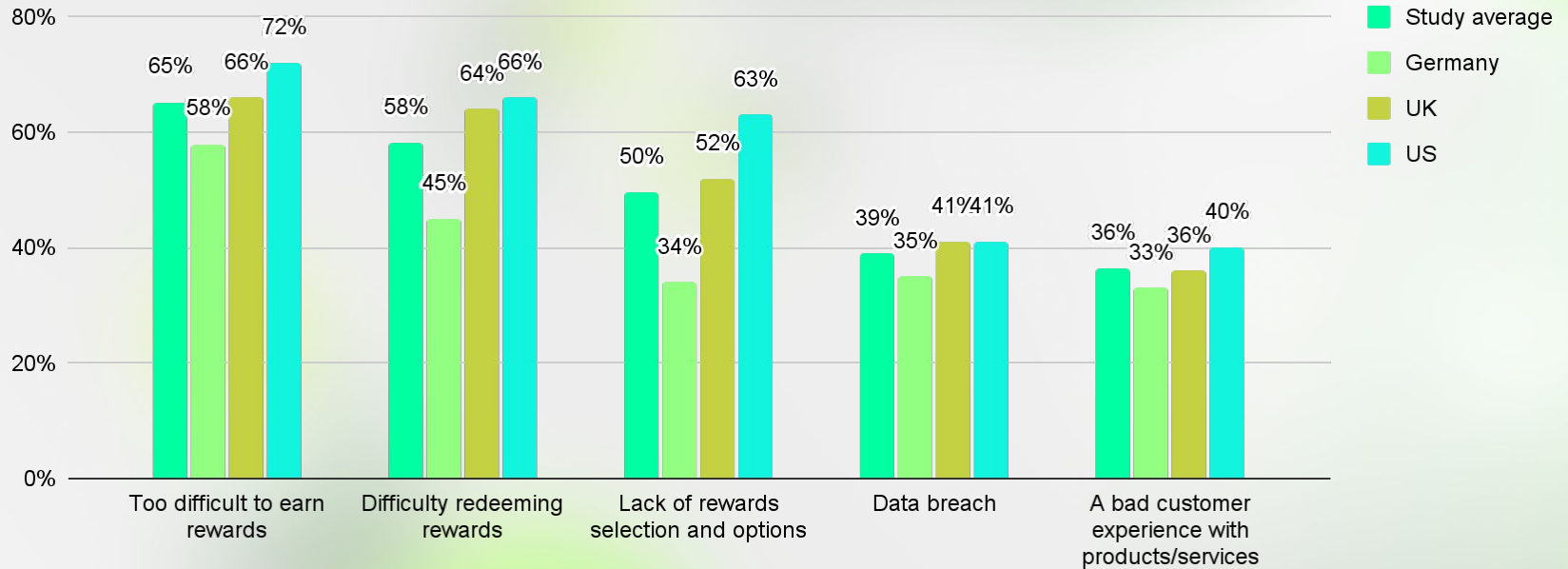
Loyalty program members actively collect as many points as they can

Participants prefer to collect points from specific retailers



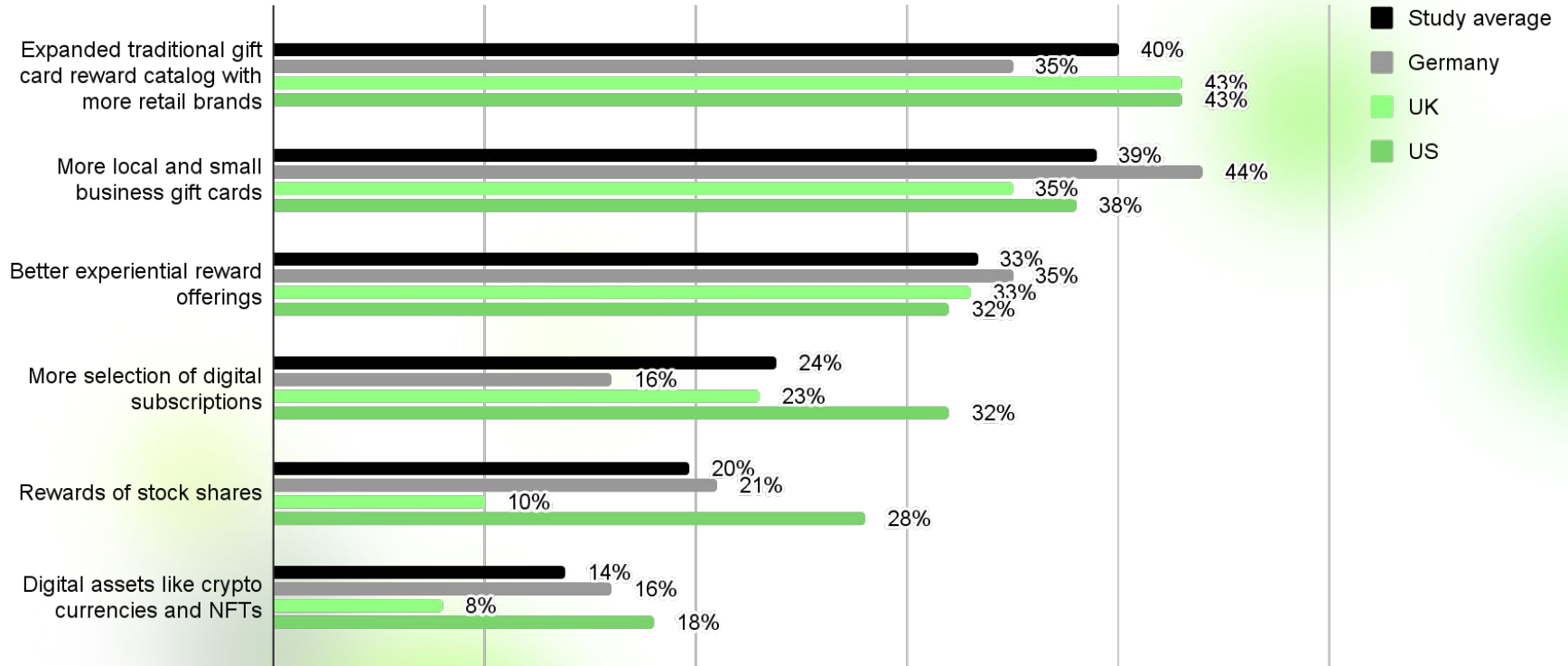
Consumers will not jump through hoops to earn or redeem rewards

Consumers will leave a loyalty program if it is too difficult to earn and redeem rewards



Consumers will switch programs for a better gift card catalog

Consumers seek expanded gift card catalogs including local and small business options



Want to learn more?

Runa works with leading HR platforms to elevate and optimize their Rewards & Recognition programs.

[Get in touch](#) to talk to an expert or [get started](#) for free today.

About Runa

Runa is a digital value infrastructure and network that enables people to pay and get paid by anyone, anywhere, instantly. The Runa network reaches more than 1 billion people and instantly connects merchants, organizations, and individuals for fast, affordable, effortless, and data-rich payouts in more than 30 countries and 20 currencies.

Organizations of all types rely on Runa's infrastructure to power the movement of digital value and better serve their constituents. Runa provides direct connections to its network partners, enabling value to move more efficiently and economically than legacy solutions. Thousands of the world's top brands use Runa to reward, incentivize, and disburse funds.

Runa is headquartered in London with a globally distributed team. Our investors include Element Ventures, CommerzVentures, Clocktower Ventures, Volution Capital, AlbionVC, and SAP

Merchants:
Issue & Accept
Merchants issue and accept any Digital Value



Businesses:
Send
Businesses send any Digital Value

Consumers:
Store, Spend, Send
Recipients can store, send or spend any Digital Value