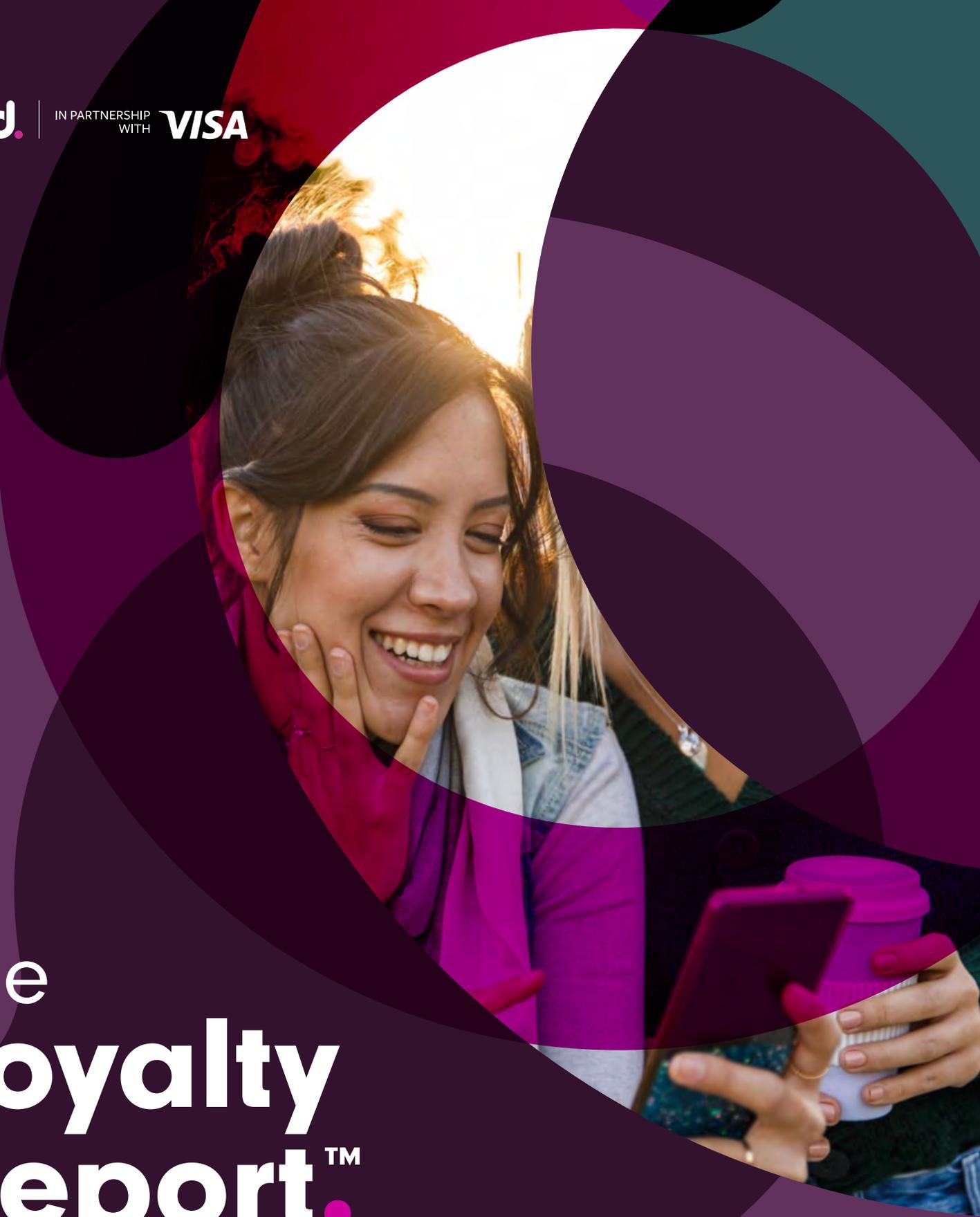




IN PARTNERSHIP
WITH



The Loyalty Report.™

2023 Connecting to Growth

Executive
Summary



Everything, Everywhere, All at once.

Global insights reveal the common needs of members while also outlining regional nuance. With more and more global programs, global consistency and local relevancy can be understood and unpacked.

Everyone + their Sister has a program.

The loyalty sector has never been more competitive and cluttered than it is today, with more programs than ever pushing for active membership across a growing number of sectors.

In the US, consumers are on average members of 18 programs and actively participate with 50% of the programs they are enrolled in, surpassing pre-pandemic enrollment and activity rates. Similarly, Canada also experienced an increase in enrollments jumping to approximately 15 program memberships on average per person and an even higher active participation rate within those programs of 57%.

Programs are running too hot.

Many brands underlying economics have changed. Despite bandaid solutions, many programs are operating at too high an expense—having over-emphasized the financial dividend of the program.

What's causing this program prevalence? The pandemic increased both the expectations of consumers for more personalized and relevant brand experiences and the pace of innovation in the loyalty space. Everyone and their sister has a loyalty program today, the competition for

an active spot is fierce and is won by programs continuing to evolve to meet new expectations.

What's a brand to do in this complex-post pandemic landscape and economic uncertainty? When used responsibly, first-party data can help brands build direct relationships with their customers, create value, and boost their advertising performance. As a result, brands are turning their focus to the data gathered—with explicit permission as part of the program membership; in exchange for value propositions that grow relationships rather than simply compete on momentary engagement.

We're seeing several partnerships between programs like Starbucks Rewards and Delta SkyMiles, tap into a shared consumer profile understanding their purchase behaviours and promiscuity. Programs like Nike+, are offering informal loyalty benefits in the form of *memberships* that have proven to rival traditional loyalty design through the experience of personalization. Similarly, Lululemon has taken the approach that building consumer relationship with its brand over time through content, experiences and access will surpass the traditional earn-burn value proposition.

Conversely, some programs in the travel loyalty space have finally reset their portfolios that ended grandfathering and required downgrading member status. As a result, programs in this space have a lot of work to re-establish habits and confidence of their members. Lastly, the pace of play and changes in offerings has accelerated. McDonald's My Rewards is changing the game in the way it permissions geotargeting in-app to provide relevant offers forcing established legacy programs to keep pace in an innovative marketplace.

A tale of two loyalties.

The data is clear, there are two main paths to achieving sustained customer loyalty and increase share of wallet.

PATH 1 – FINANCIAL.

This path focuses on the earn & burn value of the program and optimized through the ability for members to have choice on the rewards earned with a strong focus on savings. This is the most expensive path to customer loyalty for the brand and is easy for competitors to replicate.

PATH 2 – RELATIONSHIP.

This path focuses on personalization and access, injecting relationship and values into the loyalty experience. This path enables differentiation, unique experiences, and utilization of alternate currencies, and has stronger influence on loyalty to program resulting in share of wallet.

Which path will you take?

The Bond Loyalty Report.™

IN PARTNERSHIP
WITH **VISA**

The Most Comprehensive and Longest-standing Data Set of its kind delivering proven direction on future outcomes of Loyalty, Engagement and Known-Customer Experience.



The Loyalty Report™ provides insights and actionable recommendations on your brand's and program's performance across key business outcomes. As an offering from Bond, The Loyalty Report™ can help identify areas to enhance program performance by applying our findings to your business objectives to deliver a 'strengths' and 'areas of opportunity' program assessment.

As a research-driven global report in partnership with Visa™ for over 10 years, this year, the 2023 report contains data derived from a sample of 60,000 customers across 26 different markets, examining over 1,000 programs in over 15 industry sectors.

Globally, the 2023 report reaches over 60K consumers across 26 markets, with insights into 1000+ programs.

Sample of
60K
Consumers

Across
26
Markets

Examining
1000+
Programs

In
15+
Sectors

~18K consumers in the **USA** for feedback on ~340 loyalty programs

~10K consumers in **Canada** for feedback on ~180 loyalty programs

~17K consumers in **Europe** for feedback on ~330 loyalty programs

~7K consumers in **Asia Pacific** for feedback on ~150 loyalty programs

~5K consumers in **Latin America** for feedback on ~90 loyalty programs

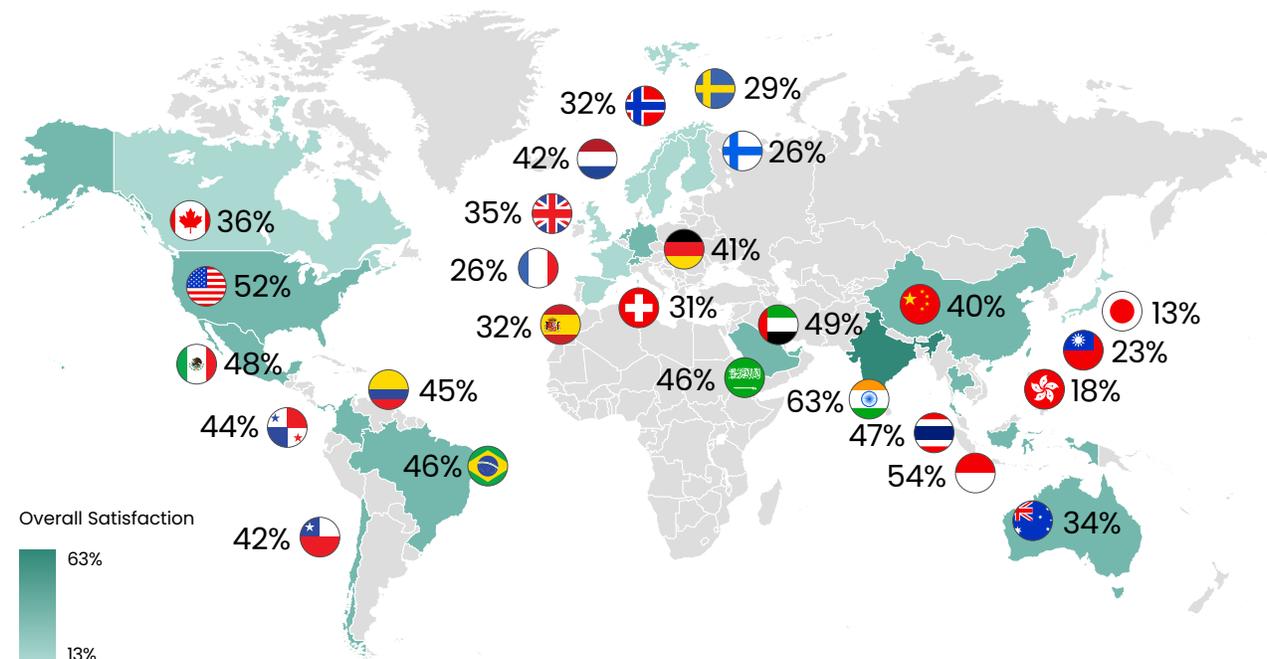
~2K consumers in **The Middle East** for feedback on ~50 loyalty programs

The state of consumer program satisfaction and share of wallet.

When we look at global overall satisfaction with loyalty programs, and it's influence on wallet, we see significant differences across regions. This is tied to the maturity of loyalty programs in individual markets, differences in regional experiences of delivery and the unique influences of macro-economic trends in regions. Data shows that there's room for improvement in most regions, with only 52% of Americans and 36% of Canadians reporting that they're 'very satisfied' with their programs.

Top countries leading in program satisfaction:

India takes the lead with 63% program satisfaction. Followed by Indonesia (54%).



Source: Data from Bond Brand Loyalty, being published in The Loyalty Report™, 2023, USA, in partnership with Visa.

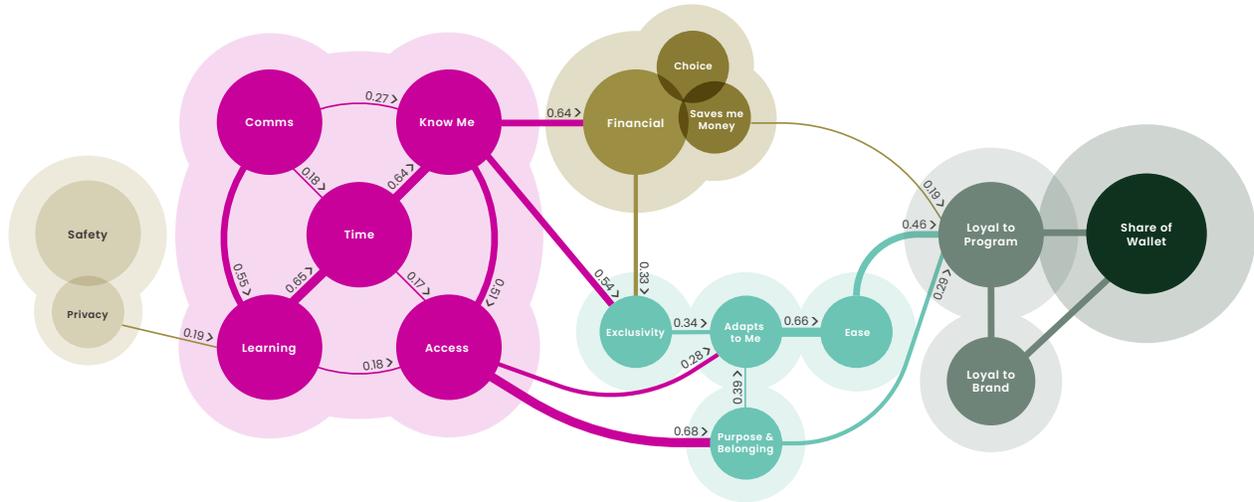
How to enhance the member experience, improve program satisfaction and sustain customer loyalty.

It starts with *safety* and *privacy*. Done well, these two driver territories won't offer much in the way of extra credit to the brand. Done poorly, it can erode brand reputation. Consider them as table stakes for sustaining loyalty. We've

uncovered other drivers that work together to enhance your program's value proposition. *Time*—considered a super enabler—sits at the center as it has influence over all aspects of the member and program relationship. The five driver territories include *communications*, *know me*, *learning*, *access*, and *time*.

Next, there are two distinct ways in which a brand may attempt to achieve sustained loyalty. The first path is rooted in financially rewarding

The Path to Sustained Loyalty:



Source: Data from Bond Brand Loyalty, being published in *The Loyalty Report™*, 2023, USA, in partnership with Visa.

customer loyalty by emphasizing the traditional earn-and-burn value proposition of a program. It includes elements that focus on offering discounts and the choice to redeem in exchange for their loyalty. This is a costly path and the most challenging for a brand to achieve competitive differentiation.

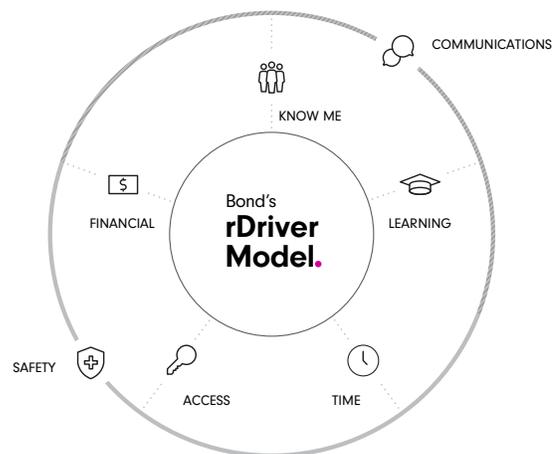
In the second path, brands show they know and value their members, enhance experiences, and save their members time with ease and convenience. Providing personalized product recommendations, exceptional in-store services, and easy returns are some examples of these experiences. This path enables unique value propositions that competitors cannot replicate which have greater influence on that loyal to program experience and therefore share of wallet.

How should brands determine which path is best for their program?

Evaluating and optimizing the programs value proposition and identifying opportunities for improvement is key. The Loyalty Report™ measures 36 drivers of loyalty that make up Bond's rDriver Model and are categorized into 7 relevant drivers that directly correlate to increased satisfaction,

advocacy, retention and spend. This framework is based on over a dozen years of refinement by survey responses of more than a quarter million wallet consumers. Program operators must consider these 7 rDrivers when looking to improve program performance:

- Know Me (personalization)
- Financial (value proposition)
- Safety (personal data utilization)
- Access (unique to members)
- Communications
- Learning (maximizing benefits)
- Time (ease & convenience)



Source: Data from Bond Brand Loyalty, being published in *The Loyalty Report™*, 2023, USA, in partnership with Visa.

The importance of a seamless customer journey

The drivers that fuel seamless experiences across touchpoints are increasing in importance across all global regions. While financial drivers such as ‘Value for Money’ and ‘Benefits appealing’ are important, a program’s ability to deliver on human connection and interaction—‘Makes me feel valued/important’, ‘Reps make me feel special/recognized’, ‘Reps proactively address my needs’—highlight the significance of frontline delivery of program experience.

The challenge many brands face is establishing a cohesive customer journey that connects the digital online experience to the physical in-store customer experience. Delivering on a seamless customer journey requires the customer data and knowledge that only a loyalty program can gather. It equips front line workers with the information needed to bring the digital experience, in-store. The opportunity lies within the programs ability to help a member navigate the instore experience like finding product inspiration, navigating the physical store or influence decisions on a product. It is the moments we look to others for inspiration.

Creating an exceptional customer journey can help deliver a customer experience that sets a brand apart while simultaneously building loyalty. When we look at the moments that matter most in a customer journey, we see an increased focused on moments that occur both

before and after a purchase is even made. This reinforces the notion that the customer journey doesn’t end with the purchase, and brands should focus on the entirety of the customer journey to promote loyalty.

Top Ten Drivers with YOY Shifts.

US Overall

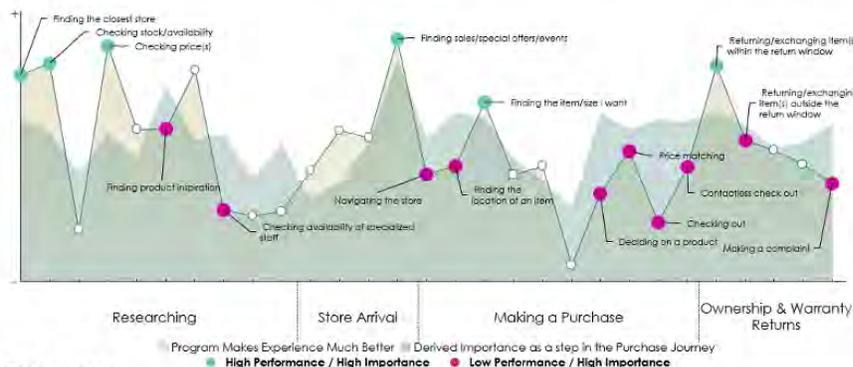
-	●	Makes me feel valued/important
▲ 2	●	Value for money
▼ 1	●	Reps make me feel special/recognized
*	●	Benefits appealing
▼ 2	●	Reps proactively address my needs
-	●	Tailored to personal preferences
*	●	Easier to do business with brand
*	●	Experience seamless across touchpoints
▼ 2	●	Interacts with right messages
*	●	Kept informed of how to maximize membership

● Financial ● Communication ● Time ● Access ● Know Me
 ● Learning ● Safety ▲ Increase from 2022 ▼ Decrease from 2022
 * New on top this year

Source: Data from Bond Brand Loyalty, being published in The Loyalty Report™, 2023, USA, in partnership with Visa.

Low-Frequency Retail Journey (In-Store): The Moments that Matter Most.

The experience of a member doesn't differ from a non-member, the key question is how could it?



bond | VISA

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Source: Data from Bond Brand Loyalty, being published in The Loyalty Report™, 2023, USA, in partnership with Visa.

The rise of BNPL and neobanks

New ways for consumers to save and spend are requiring us to expand our view of the wallet for payment and loyalty. Neobanks and buy-now-pay-later (BNPL) services are two innovations that offer embedded loyalty mechanics and value propositions that we have to consider as a part of the complex nature of the loyalty wallet. We encourage program operators to take a broader view of the wallet.

BNPL is an alternate payment plan that allow customers to enjoy a larger purchase immediately while paying the balance in smaller installments over time without interest. In order to do this, the user must create an account with the BNPL service provider, which grants both the provider and the retailer with valuable consumer insights.

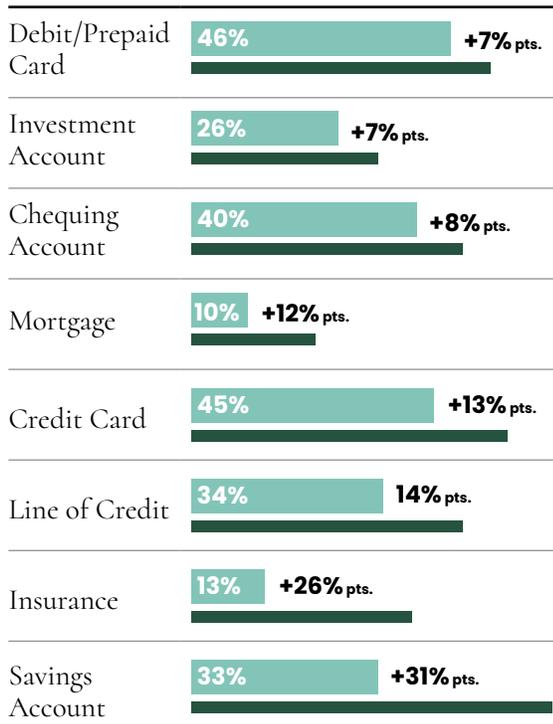
One region where we're seeing a strong greatest increase in the use of BNPL options is Europe, with up to 7% of discretionary spend utilizing the BNPL payment tool.

Neobanks, sometimes referred to as "challenger banks," are fintech firms that offer apps, software and other technologies to streamline mobile and online banking. They tend to be nimbler and more transparent than their larger bank counterparts, although many of them partner with these larger institutions to insure their products and services. We are seeing strong adoption in the Latin American market that can provide insights to other regions on the potential influence of Neobanks. In Brazil and Columbia, for example, the average person uses 3.1 and 2.2 Neobanks, respectively.

In Leading Markets Neobanks Continue to Disrupt Traditional Banking Categories and Grow Quickly in Adoption.

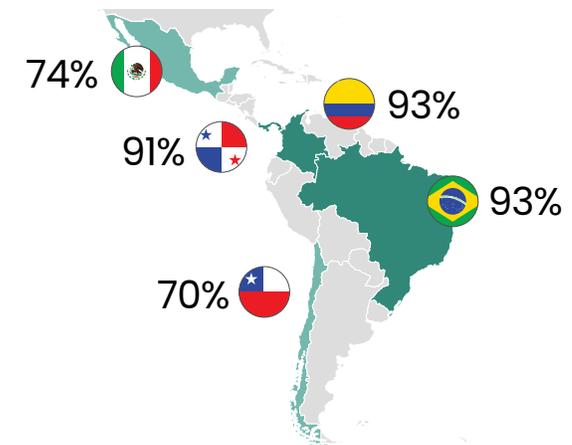
TYPES OF PRODUCTS: NEOBANKS VS. TRADITIONAL BANKS.

Payment options are driving the highest engagement and utility.



(Ordered by gap between Neobanks vs. Traditional Banks)
 • Have with a Neobank • Have with a Traditional Bank

NEOBANK USERS:

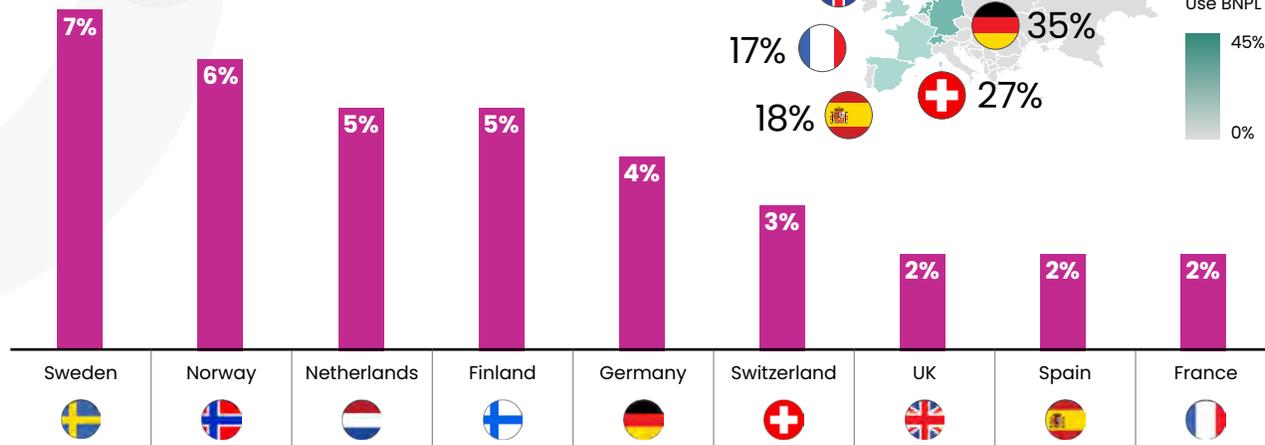


	NEOBANKS USED PER PERSON	TENURE (AVG.)
Brazil	3.1	1.6 yrs.
Colombia	2.2	1.4 yrs.
Panama	1.4	1.7 yrs.
Mexico	1.6	1.1 yrs.
Chile	1.1	1.2 yrs.

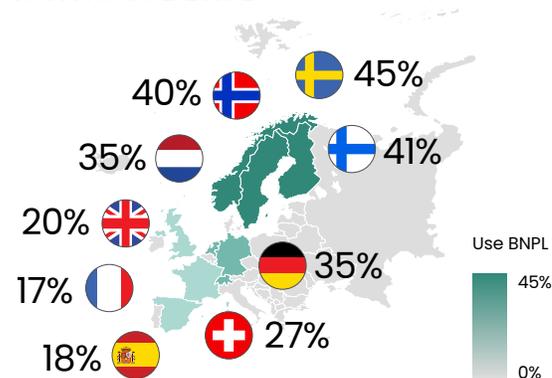
Source: Data from Bond Brand Loyalty, being published in The Loyalty Report™, 2023, USA, in partnership with Visa.

Buy Now, Pay Later Services Use:

% OF DISCRETIONARY
SPEND PAID BY BNPL



% WHO USE BNPL



Source: Data from Bond Brand Loyalty, being published in The Loyalty Report™, 2023, USA, in partnership with Visa.

Optimizing Loyalty Currency: Understanding customer needs in a time of economic pressure.

A key insight we were looking to uncover in this year's study was understanding if the importance of financial components of the loyalty value proposition had increase due to economic pressure. The outcome of our investigation is that financial factors have remained stable and in balance with the other drivers of program performance. While 'Saves me money' is still important, drivers such as 'Provides great customer service', 'Saves me time' and 'Makes it easy to do business' have increased in their importance to Loyalty to Program outcomes.

This means brands can look beyond earn/burn mechanics to what we call 'Alternate Currencies' of loyalty to add value through experience that contributes to Loyal to Program and Share of Wallet outcomes. Understanding ways in which the program can deliver better experience and ease adds perception of value from the member without negatively impacting the loyalty P&L.

The optimization of earn/burn offering is also unpacked in this year's study, where brands can understand which financial levers drive reach vs. positive lift in Loyal to Program scores.

Values as a Loyalty Currency.

Customers are more likely to align and build relationships with brands that they share similar values with. Many loyalty programs have yet to build values-based mechanics into their experience, but the desire for programs that demonstrate alignment between member and brand value is an opportunity for business outcomes.

Surveyed customers in the U.S report that only 21% 'strongly agree' that their brand's purpose aligns with their values, and only 19% believe that their brand supports causes they care about.

These figures highlight the unfulfilled demand for brands to incorporate values into their loyalty

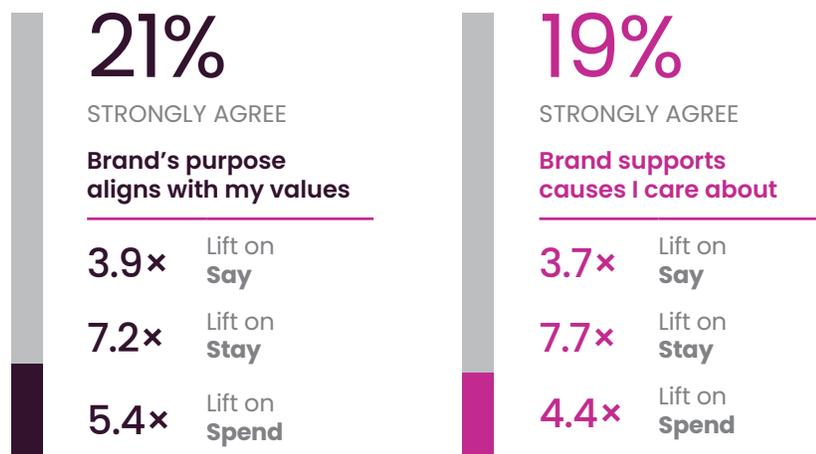
programs. Some of these values can include rewards or initiatives that focus on reducing environmental impact, contributing to community initiatives, or improving conditions for the environment or communities where the brand operates.

Generating awareness of these values poses a challenge for brands; in the U.S, 63% are unaware or don't know about program rewards for ESG behaviors. Of the 37% who are, however, 60% have engaged in socially conscious actions to earn rewards.

This indicates that there are many more experiential components of loyalty program design that continue to have equal influence over engagement and satisfaction.



There is a Premium and Payoff that Occurs when the Brand Exhibits a Greater Purpose and Supports It.



Source: Data from Bond Brand Loyalty, being published in The Loyalty Report™, 2023, USA, in partnership with Visa.

The Power of Linked Partnerships.

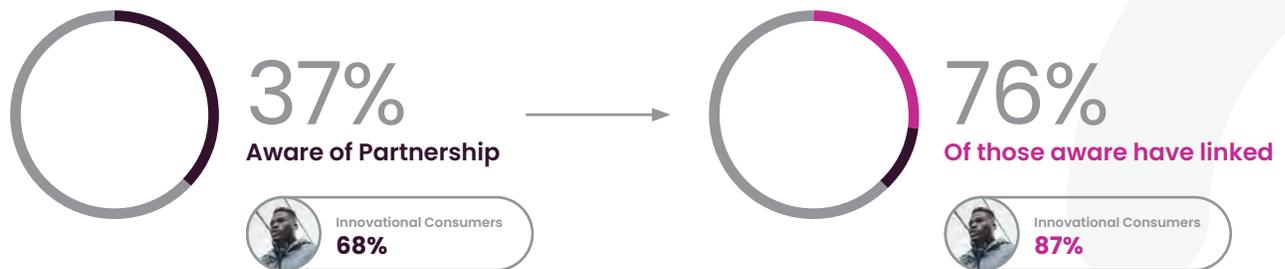
Linked partnerships are mutually beneficial arrangements where two or more businesses offer rewards or incentives to each other's customers or members, providing additional value to members.

Partnerships provide more value to members through flexibility and more choice on when

and how to interact with brand. In the U.S, 76% of members say they have a better program experience because of the partnership, and 73% say they are purchasing from the brand more often.

Brands should evaluate opportunities where linked partnerships are both appropriate and beneficial for both their customer and partners.

High % Linkage when Aware.



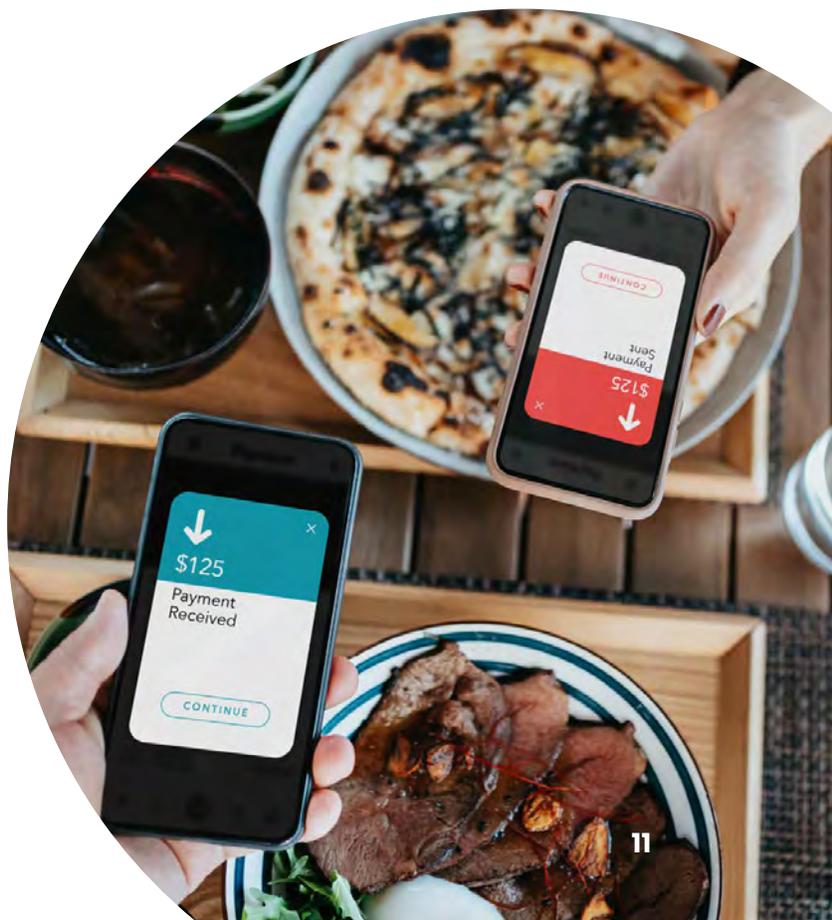
Benefits of a Partnership.

76%

Say they have a better program experience as a result of the partnership.

73%

Say they are purchasing with the brand more often as a result of the partnership.



Source: Data from Bond Brand Loyalty, being published in The Loyalty Report™, 2023, USA, in partnership with Visa.

The Return to Travel.

After nearly two years of global travel restrictions, customers are eager to explore the world again, and we're seeing a surge in demand for travel and experiences.

We have looked at the influences of the pandemic on the perception of airline loyalty and cobrands by age cohort and found that younger consumers more critical of multi-tender programs. These customers are looking for more personalized and nuanced experiences, while co-brand experiences have maintained stability in their delivery on satisfaction and likelihood to recommend.

Gen Z and younger millennials (18-33) in the U.S have an average of 2.9 flights planned over the next 12 months, compared to 2.4 flights for those 34 and up.

These younger consumers are planning more trips to up for lost time during the pandemic. We have done a cohort-based assessment to understand how their needs might differ when it comes to the experiences they are looking for from airline co-brand programs, which focus on access and personalization.

Our findings show that this group is looking for strong mobile app capabilities and programs with a range of benefits and ways to earn, but they're also very financially-focused – this may be due to the high cost of travel relative to income levels.

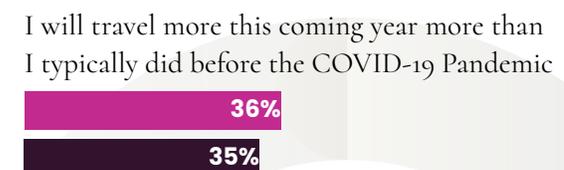
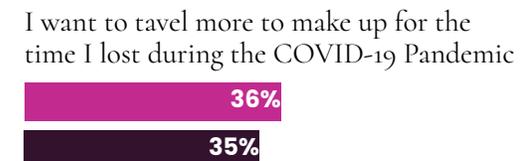
Future Travel Plans.

Young Consumers likely to increase their travel over the next 12 months.

AVERAGE # OF FLIGHTS PLANNED IN NEXT 12 MONTHS



TRAVEL SENTIMENT: % STRONGLY AGREE



- Gen Z & Younger Millennials (18-33)
- Older Consumers (34+)

Conclusion:

In conclusion, we're seeing an increase in competition amongst loyalty programs vying for their customer's time, attention, and wallet. The path to sustained loyalty requires a focus on more than simply financial benefits for customers; a holistic approach with emphasis on alternate currencies is necessary to stand out.

Bond operates as a one-stop-shop for everything loyalty, from customer experience design to program and platform engineering.

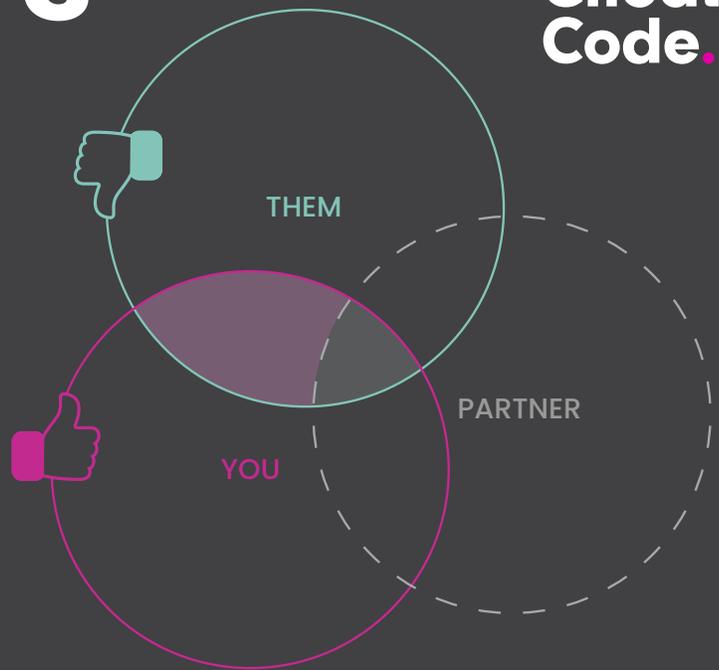
The Loyalty Report, containing multiyear insights in key business outcomes and customer loyalty measures works to serve brands with insights they can implement here and now while providing an eye towards emerging considerations brands need to understand today for implementation tomorrow.

To access your loyalty report or for more information, visit us at bondbl.com/theloyaltyreport



Customers are cheating on you.

Bond's
**Cheat
Code.**



We know which ones, how much, with who, and why.

We can help you swipe right on the right relationship, and not bait with 2-timers you're wasting your time and money with!

Relationship Real-Talk:

As with any relationship, it can be complicated. Historically, marketers have focused on simpler engagement signals—like active rates—to judge the health of where they stand with customers. But how humans behave doesn't always line up to the way they feel, or what they might say. There's more nuance than that, and assumptions can be problematic—even misleading. Taking all the feelz into account, you might recognize some of these customer relationships:

🔥 GASLIGHTERS.

NPS is like 🔥 But some customers spend 📄.

💬 2-TIMERS & CATFISH.

They look great online 😊
Tell you UR their everything 🗣️
But you're the side-piece 🙄

😞 EMOTIONALLY UNAVAILABLE.

Showing them ❤️🎁!!
But all you get is 🏖️🏖️



info.bondbrandloyalty.com/cheatcode

Bond's Loyalty Benchmarks.

Bond's Loyalty Benchmarks.

A combination of our codified experience, operational norms, and the decade of proprietary customer data—for brands to understand how they stack up on typical loyalty KPIs.



Bring our intelligence to your data. Our powerful processing engine is built on Snowpark[®] technology and features an intuitive UI built in Streamlit[®]. This integration helps marketers build intelligent customer records and optimize personal offers—without having to share or expose your data.

- ✓ Marketplace Listing
- ✓ Native App



Bond's Wallet IQ.

Bond's Synapse XI Wallet IQ.

We've explored and tested practical use cases with several partners that can provide a spectrum of data on the share of participation, promiscuity, and spend—that can determine the denominator your members are engaging with.



TAP INTO A UNIQUE CUSTOMER SHARE OF:



Promo



Engagement



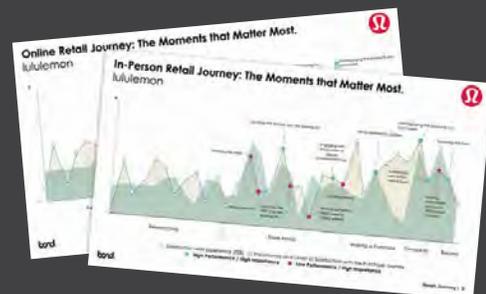
Spend



Bond's Moments that Matter.

Bond's Moments that Matter.

We've collected statistically-significant data about the performance and importance of many of the moments members experience in loyalty and engagement programs.



Fueling Business Growth with Insights.

Offerings with Intelligent Connections

The Loyalty Report™ provides insights and actionable recommendations on your brand and program's performance across key business outcomes. Bond provides relevant insights by right-fitting our suite of insights and offerings to your business objectives. We deliver program assessments on strengths and areas of opportunity, measured against key drivers of loyalty, that enable you to identify, prioritize, and develop plans for performance improvement, leading to meaningful growth.



The Bond
Mkt Intel.™
Trend Report

Contact us...

...to explore how consumer sentiment has shifted over this past year, with refreshed data reorienting us and providing focal points for brands looking to survive, contend, and lead the pack.

Phone: 1.844.277.2663

Email: info@bondbl.com

Attitudinal Data



BASE

A baseline directional diagnostic on the performance of your program, specific to your category.



BENCHMARKING

A comparative performance of your program against a custom competitive set, and best in class benchmarks.



BOOST

Field our survey instrument to priority pockets of your customers at stat-sig levels for greater confidence in conclusion.

Behavioral Data and Market Insights



+BEHAVIORAL

Join our attitudinal, stated behavioral and key attributes with your transaction data, interaction data, etc. to unlock immediate actionability.



About Bond

WE BUILD BONDS. BONDS BUILD GROWTH.

Bond generates growth for clients by creating enduring relationships between people and brands based on intelligent connections and engaging experiences. Guided by insights from advanced research and practical commercial application through the Bond Behavioral Institute and enabled by technology through its proprietary cloud Synapze platform, Bond serves clients globally with customer experience and loyalty solutions—enabling brands, customers, employees, partners, and the communities they serve to experience the benefits of growth. Headquartered in Toronto, Bond has more than 800 people and eight offices across North America and Europe.

Contact us at 1.844.277.2663
info@bondbl.com

bondbl.com
[@createabond](https://twitter.com/createabond)