

2023

# PwC's Loyalty Centre of Excellence

## Our point of view on Loyalty strategy



Customer  
Transformation



## INTRODUCTION

# PwC's recent research on Loyalty

Within PwC's Loyalty Centre of Excellence, two major studies were carried out in 2022 on consumer loyalty and how executives are working with the Loyalty lever to drive business growth.

This double perspective help us to give the right recommendations on how to change strategies in order to serve customers' and companies' needs.

Although the research was conducted in the United States, the results can be applied to the Italian & European context, even if they have to be contextualised in the local market.

The main insights of what came out of the 2 researches will follow on the next pages.



**PwC Customer Loyalty Survey**  
Based on a representative panel of 4.036 respondents in the US (May 2022)



**PwC Customer Loyalty Executive Survey**  
Based on a panel of 410 executives in the US (October 2022)





# 01. Creating loyalty in volatile times - PwC Customer Loyalty Survey

# What wins — and can lose — a customer's loyalty

## Key Insights from a **customer** perspective



### Experience

**More than one-fourth** of survey respondents told us they **stopped using** or **buying** from a business in the past year, and **bad experiences** were the **overwhelming reasons** why.



### Human interaction

In an increasingly automated world, the human touch still matters. At least **one-third** of respondents said **human interaction** is **important** to **their loyalty**, and for many types of businesses it was more than 50%.



### Value for money

As inflation persists, **more than half** of respondents said **getting good value** for the price of a product or service is a **top reason** why they **keep using** or **buying** from a business.



### Omnichannel

Ignore the digital dimension at your peril. More than half of respondents said they're **less likely** to **be loyal** to a brand if its online **shopping experience** is **not** as **easy** or enjoyable as shopping in person.



### Personalisation

Personalization is a priority, too. **Four out of five consumers** would **share** some type of **personal data** for a better experience, with such information as email address, birthday and age, and sex/gender identity topping the list.



### Different preferences by age

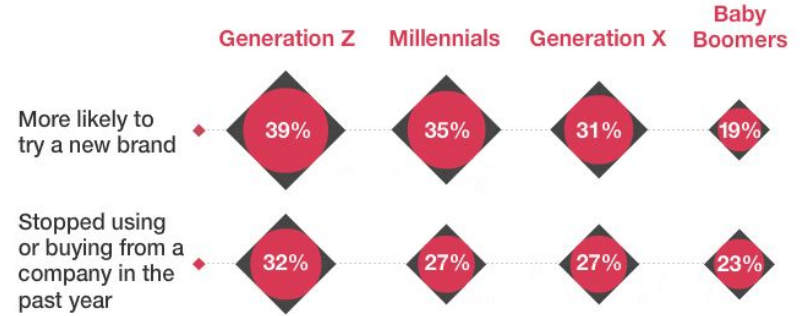
As you might expect, generations differ significantly when it comes to loyalty. **Generation Z** (ages 18-25) and **Millennials** (26-41) are generally **more mobile** than Generation X (42-57) and Baby Boomers (58 and older), but they're also **more open** to **personalization** and perks that can build loyalty.

## Changing context makes consumers change

Volatility in consumer behavior is at an all-time high. The **COVID-19** pandemic fundamentally changed many needs and preferences. **Inflation** and a turbulent economy are influencing buying decisions. **Technology** creates **unprecedented connectivity** and access to goods and services. Consumers know more about where companies stand on environmental, social and governance (**ESG**) issues and expect businesses to share their beliefs. And let's be honest: Consumers as a whole are more discerning than ever.

This all leaves companies wondering how they can better shape consumer demand and drive engagement with their brands. Unlocking what drives consumer loyalty has companies asking, "How do I attract and retain my customers?" Along with providing new insights from more than **4,000** consumers in the **US**, our PwC Customer Loyalty Survey 2022 reveals **several opportunities** for businesses to **strengthen relationships, increase customer lifetime value** and **reduce** the likelihood that **they'll leave**.

## Customers are up for grabs and would try — and have tried — new brands



Q: How likely are you to try a new brand for each of the following business types? Base: 4,036  
 Q: Think of a company that you stopped using or buying from in the past year. Base: 1,065  
 Source: PwC Customer Loyalty Survey 2022



## Customer experience is critical to loyalty

Bad experiences, even just one — can cost you customers. More than half (55%) of respondents said they would **stop buying from a company** that they otherwise liked **after several bad experiences**, and 8% said they would stop after just one bad experience. While 8% may not seem like much, it is when you're talking about a market-leading company with millions of customers. Are you willing to lose that many customers because of one bad experience? And it doesn't just have to be "bad" experiences for some to leave: 32% said they'd drop a company if it **provided inconsistent experiences**.

### What could improve those experiences and help retain customers?

More **humanity** would help. In this automated age, consumers still want to talk to a real person. Respondents said human interaction is important or very important for their loyalty especially to restaurants (58%), financial services (55%), pharmacies (53%) and hotels (52%). Companies also should determine how to balance investments in human interaction with offering an **engaging digital experience**. More than half (51%) of consumers said they're less likely to be loyal to a brand if its online shopping experience isn't as easy or enjoyable as shopping in person. That number jumped to 69% for Generation Z and 57% for Millennials.

## Led by bad experiences, many reasons were cited for leaving a brand



Q: Think of a company that you stopped using or buying from in the past year. Why did you stop using/buying from this company/brand? (Select up to three)  
Source: PwC Customer Loyalty Survey 2022: base of 1,065

## Get personal or get lost

When asked about getting a personalized experience from a business, 87% of survey respondents named at least one part of that experience that's most important to them. In addition, **82% are willing to share some type of personal data for more personalized service.**

Comfort levels were strongest with personal identifiers, with 48% willing to share their birthday and age, 45% their sex/gender identity and 37% their race/ethnicity. Many consumers also are OK with contact information such as an email address (61%), mailing address (40%) and phone number (35%). Specifics about usage and biometrics are a harder sell. Only 22% said they're willing to share product usage data, 15% their current location (via mobile phone), 5% facial recognition and 3% a fingerprint.

Consumers also prize **flexibility in personalization**, with one of the top preferences being “**rewards my way**” in a loyalty program. That priority offers businesses an opportunity to experiment more with **experiential loyalty** to improve customer retention. Among age groups, Generation Z is more likely than older generations to want **easy or fast access to products or services**, brands to **remember their preferences** and to be able to **seamlessly switch between mobile, online and in-store experiences.**

## Discounts and rewards are preferred when it comes to personalization

All businesses

All businesses

Discounts/rebates on products I regularly use

48%

Loyalty program that has flexibility in rewards

43%

Easy or fast access to products/services

22%

Special access to things I like

17%

Remembering my preferences

14%

Offers based on my customer information

13%

Remembering personal details about me

12%

Employees know me and respond to my needs

12%

Products picked just for me

11%

Seamlessly switch between mobile/online/in-store

8%

Relationships/partnerships with other brands I like

7%

## Expression of loyalty varies across generations

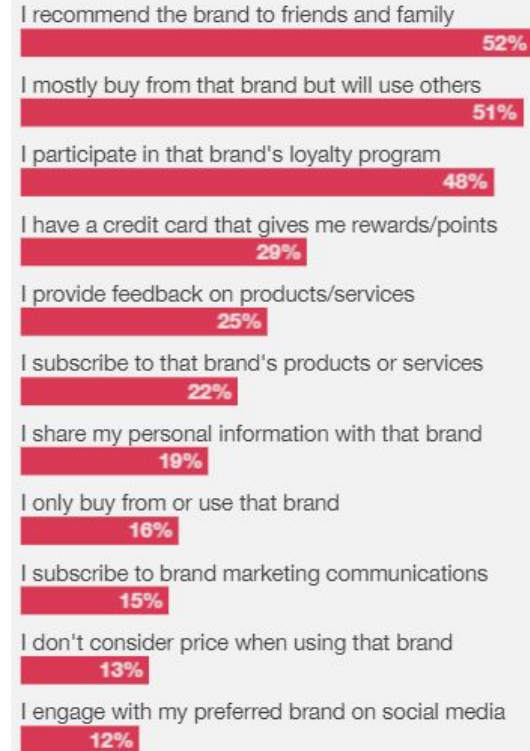
Between longer lifespans and people interacting with brands at younger ages, businesses have more opportunities to connect with consumers and win their loyalty. Our survey found that Millennials and Generation Z show loyalty in more ways than Generation X and especially Baby Boomers.

While getting **good value for price** and the **quality/consistency of products or services** are top reasons why younger people keep using a business, those consumers overall don't feel as strongly as older ones about those factors. By comparison, more Millennials and members of Generation Z value fast service, feeling like they are **part of a community** and **having a personalized experience**. To that end, more Generation Z members (41%) and Millennials (37%) were willing to share their personal interests, preferences or habits with a business to get a more personalized experience.

Generations also differed in why they stopped buying from a business in the past year. Generation Z and Millennials were more likely to cite more than one reason for leaving compared to older generations. But larger percentages of Generation X and Baby Boomers said they left a brand to **support or boycott issues they feel are important in society**, such as the environment, diversity and charitable giving.

## Younger generations show loyalty in more ways

■ All generations ■ Generation Z ■ Millennials ■ Generation X ■ Baby Boomers



Q: Which of the following, if any, are ways you show loyalty to a company or brand? (Select all that apply)  
Source: PwC Customer Loyalty Survey 2022: base of 4,036





# 02. Converting disconnects into loyalty opportunities

## PwC Customer Loyalty Executive Survey

# Unlocking the customer loyalty mindset

## Key Insights from **executives** perspective



**Companies** often **define loyalty differently** than **consumers** do. While **businesses** may consider a **wide range of customer actions** as evidence of loyalty, **consumers** have a **narrower view** of what it means to be loyal to a brand. **Understanding this discrepancy** can **help** you better **focus loyalty efforts** and investments.



Bridging the gap in why customers leave can be critical as your company invests more in loyalty efforts. Nearly **two-thirds** (63%) of **executives** say their company's **loyalty program budget increased** in the **latest planning cycle**, and businesses think of loyalty as a growth engine just as much as a retention tool.



Executives and consumers differ on when brand loyalty is won. More than **twice** as many **executives** (25%) **as consumers** (11%) believe that good **customer service** is the **key** to winning **loyalty**, while only **half** as many **executives** (23%) **as consumers** (46%) believe that **high-quality products** are **key**.



**Retention** and **growth** can be **crucial** in light of the contrasting views on COVID-19's impact on customer loyalty. While **61%** of **executives** believe **customers** are **more loyal** now **than before** the **pandemic**, only 20% of consumers agree.



There is a **big difference** between executives and consumers on **why customers leave a brand**. Executives **blame price changes** or competition, but **many consumers** cite **bad experiences** with products or customer service. This "price-experience gap" reveals a disconnect on what can drive loyalty. To **keep customers**, **focus** on providing **great experiences**, not just low prices.



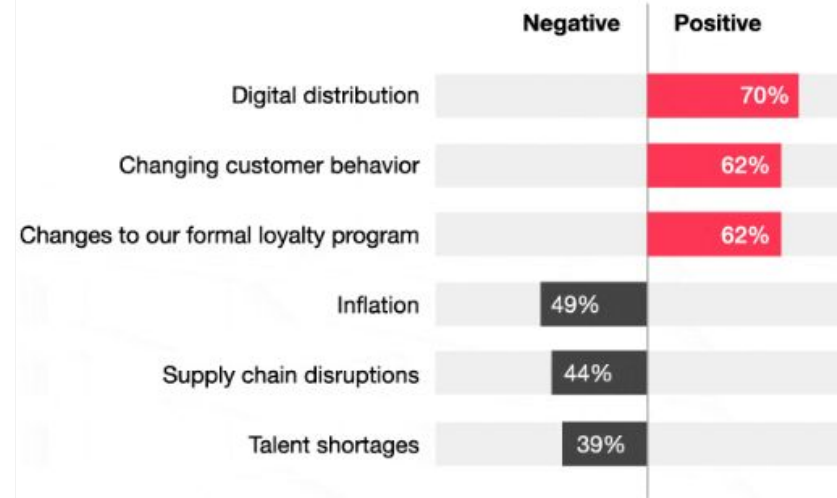
Personalized experiences can help drive loyalty, but **some companies** may not be **delivering the right experiences in moments that matter**. For instance, easy or fast access to products or services topped the list of what businesses provide to customers at 47%, but only 22% of consumers said that was most important in a personalized experience.

## What's helping and hurting customer loyalty?

**Executives and consumers largely agree on why a person will likely keep using or buying from a brand.** The **quality, reliability and consistency of products or services** (executives 46%, consumers 48%) and good value for the price (executives 42%, consumers 53%) are the top two reasons by far on each list.

But when it comes to the effects of the pandemic, **some businesses are overconfident about loyalty and may be taking customer relationships for granted.** Among executives, 61% say their customers are more loyal today; that number was higher in media and entertainment (79%), technology (75%) and consumer products (69%). But only 20% of consumers told us they're more loyal to brands they bought from or used before the pandemic. By comparison, 75% of consumers said there's been no change in their loyalty, while only 26% of executives say there's been no change.

### What executives think is boosting and hampering loyalty



Q: How have each of the following affected customer loyalty over the past two years? (Very positive and very negative/negative)  
Base: 410

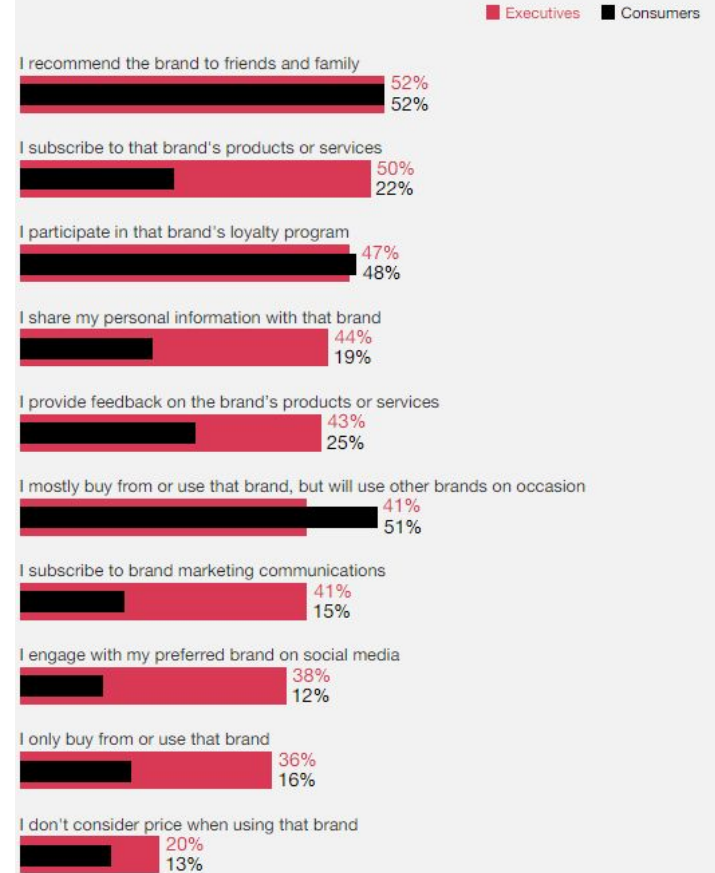
## Loyalty budgets are up, but long-term engagement is elusive

On average, executives told us their current **annual budget** for loyalty is about **5% of company revenue**, with higher percentages in media and entertainment and consumer markets and lower percentages in consumer products. Loyalty efforts include a formal loyalty program at 70% of businesses, with retail (82%), tech (81%) and consumer products (80%) most common. In addition, 63% of executives say **budgets for those formal programs increased** in the most recent planning cycle.

Those investments make sense when you consider that an overwhelming majority of respondents — 91% — say they agree that their formal loyalty program should provide more rewards or benefits for members. Differentiation also may be a goal. Even as many executives touted their loyalty program's unique benefits compared to competitors, **80% said their program is similar to others in their industry**.

**Stronger bonds** with customers can help drive longer and deeper relationships. While frequency of engagement can vary by industry, seven out of ten executives say they define an active customer as one who has been active for 30, 60 or 90 days. Only 11% say 12-month active, and only 2% say 24-month active. With customer lifetime value becoming a more critical metric at many — and many types of — companies, expanding engagement and creating long-term loyalty beyond a few months of activity can be critical.

## Consumers show loyalty in fewer ways than executives think



Q: When you think about customers buying from your company, how do you define customer loyalty? Customers who ... (Select all that apply)

Source: PwC Customer Loyalty Executive Survey 2023; base of 410

Q: Which of the following, if any, are ways you show loyalty to a company or brand? (Select all that apply)

Source: PwC Customer Loyalty Survey 2022; base of 4,036

## Customer service alone can't save you

So how are companies approaching loyalty-building opportunities and challenges?

**Customer service** is by far the **most common department responsible** for **shaping customer loyalty goals** (39%), more than twice as much as marketing (17%). No other department topped 10%. The **top executive priorities** for activating loyalty are enhancing **customer service** (61% say it's a high priority) and **personalizing the customer experience** (61%).

There's no question that customer service is important, especially in sectors where that interaction can go beyond customer retention to help win a bigger share of their wallets. In many cases, customer service can help handle immediate issues, but that's often too far downstream in the customer relationship to solely drive loyalty.

**Loyalty efforts** should **focus on several different points** in a **customer's journey**, including when you can win loyalty. But executives' top response to when customer loyalty is won or lost was again centered around good customer service, while consumers — by a huge margin — said when they used a product or service and liked the quality was the key point when deciding to stick with a brand.

### Consumers and executives differ on when loyalty is won



Q: At what stage of the customer journey do you think customer loyalty is either won or lost? (Select one)

Source: PwC Customer Loyalty Executive Survey 2023; base of 410

Q: When did you decide you would keep using or buying from that brand? (Select one)

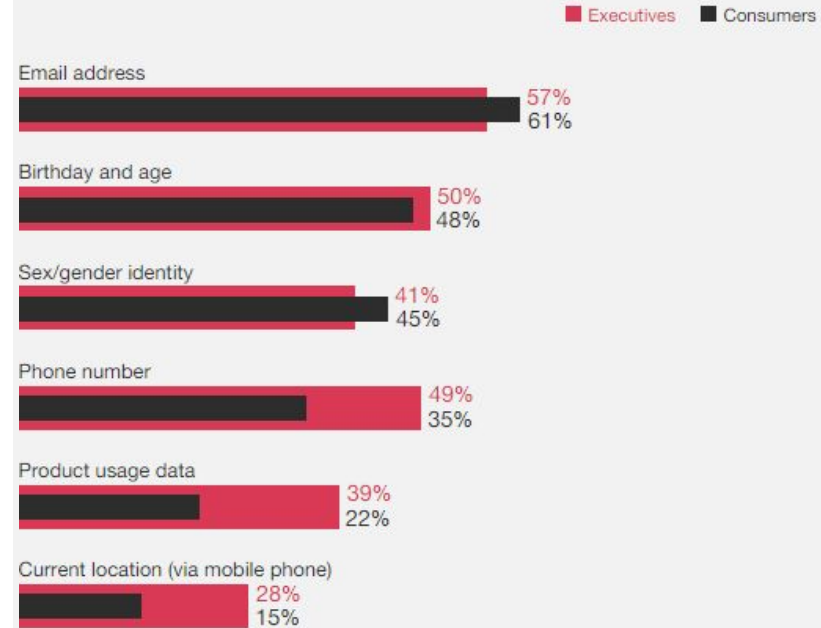
Source: PwC Customer Loyalty Survey 2022; base of 3,378

## Striking the right balance with personalization

**Personalization** can **help** you **maintain** and **grow customer loyalty**, but **many businesses are still searching** for the **most effective mix**. Consider what each group says about personal data. First, companies we surveyed said they generally collect more types of data to create personalized experiences than what consumers tell us they're willing to share. Second, while there's alignment on basic contact info and personal identifiers — email, birthday and sex — consumers are less open to more direct contact and sharing usage and location data.

A bigger **disparity** exists in **personalized experiences** themselves — namely number versus relevance. Companies in our executive survey on average provide four types of personalized experiences, led by easy or fast access to products or services (47%), loyalty programs with flexible rewards (43%) and discounts or rebates on products customers regularly use (40%). Consumers also said discounts and rebates (48%) and flexible loyalty programs (43%) were among the most important parts of a personalized experience, but nothing else came close.

### Companies want to personalize, but consumers have some limits



Q: What personal data does your company collect in order to create personalized experiences for customers? (Select all that apply)  
Source: PwC Customer Loyalty Executive Survey 2023; base of 410

Q: What personal data would you be willing to share with a business if it meant a service or experience was more personalized to you? (Select all that apply)  
Source: PwC Customer Loyalty Survey 2022; base of 4,035

# 03. Key recommendations

## Make segmentation analysis and use data to get to know your customers better

1. **Invest in customer segmentation.** As behaviors and preferences have changed, you should update analytic models that aim to help you better understand your customers.
2. **Activate a data-driven personalization strategy** to drive effective engagement and stronger individual connections with customers.
3. **Prioritize efforts to better understand younger and more racially and economically diverse groups**, as recognizing their needs and preferences can provide opportunities to grow their loyalty.
4. **Realign and refocus.** Customers are telling you exactly what matters most to them. Consider using customer research panels to help you prioritize customer wants, needs and preferences — and to validate your strategic approach.
5. **Know your customers.** How do you provide a personalized customer experience? Make sure your benefit offerings and the personal data you're collecting align with what your key demographics value. Leverage your uniqueness to stand out in the market.
6. **Lean into first-party data capture and activation.** Your customers are telling you directly who they are and what they want. Use the depth and breadth of that data to personalize customer engagement for a better experience, more relevancy and continued growth.





## Distinguish yourself from your competitors by exploring new ways of retention beyond classic point collection and creating a strong customer relationship and customisation

1. **Recognize the rise of emotional loyalty.** Experience is all about how an individual feels when interacting with your brand before, during and after a transaction. The better you understand that, the more ways you can engage with customers — and the more likely they'll continue engaging with your business.
2. **Keep the foundation in mind.** Rewards points and a personalized experience are nice, but one of the best ways to draw in and retain customers is still by offering a rock-solid product or service.
3. **Dig into what makes your loyalty program truly unique** versus keeping up with the competition. Great rewards and benefits are still a powerful lever, but not if they're indistinguishable from the rest of the pack.
4. **Experience can extend beyond employee interactions with customers.** Reassess your core customer offerings to see where you can build deeper relationships and strengthen loyalty.



# Make the customer experience optimal across all touchpoints by adopting an omnichannel strategy

1. **Develop a balanced approach to physical and digital customer engagement**, including creating a consistent omnichannel experience for customers.
2. **Go beyond your formal loyalty program and consider a customer's end-to-end experience with your brand.** With customer engagement in mind, focus on employee experience as well as customer experience and determine which model of customer centricity can be the most effective for your business.
3. For loyalty to be a growth engine, **define your customer relationship and the moments that matter.** Consider the various touchpoints with customers as loyalty opportunities and understand what can help drive customer attraction, not just retention.
4. **Think about your ROI.** You can't be everything to everyone, but with a little resource reallocation you can offer a wide range of benefits to all your customers. Prioritize your most popular rewards, but maintain a healthy balance of secondary perks depending on what interests your customers.



# Thank you.



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