



N20 INSIGHT: **Generation Series**

VOLUME FIVE



Loyalty and Reward Schemes in 2024.

An exploration into generational differences in engagement, preferences, and behaviours towards brand loyalty programs

Loyalty and Reward Scheme Engagement.

Key Insights.



Gen Z

Shows a strong preference for passive engagement with loyalty schemes, indicating that while they join, they may not fully utilise or interact with the rewards actively. This reflects a need for brands to simplify engagement processes and make rewards easily accessible and appealing.



Millennials

This generation shows a mixed approach, with notable segments both actively participating and previously engaged but now disengaged. Brands need to focus on renewing interest and providing clear value propositions to bring back this group into loyalty programs.



Baby Boomers & Gen X

These generations are highly engaged with loyalty schemes, often actively managing their points and rewards. Brands should continue to offer structured and clear loyalty benefits that appeal to their value-driven shopping habits.



Loyalty and Reward Scheme Engagement. Implications for Brand Engagement.

Gen Z

Brands need to create loyalty programs that are simple, digital-first, and integrated into the shopping experience without requiring active management. Gamification, easy-to-redeem points, and automatic benefits can help engage this audience.



Millennials

To re-engage Millennials, brands should emphasise flexibility, exclusivity, and personalised offers. Highlighting how loyalty can enhance their shopping experience, without being intrusive, can help win back this audience.



Baby Boomers & Gen X

These groups value the benefits of loyalty programs, so maintaining clear communication, personalised rewards, and exclusive perks will keep them engaged. Brands should leverage their preference for structured programs by offering tiered rewards and recognition.



Loyalty and Reward Scheme Engagement. Broader Insights.

Digital Transformation of Loyalty Programs:

As more consumers, particularly younger generations, lean toward passive or digital engagement, brands should focus on app-based or integrated loyalty schemes that reduce friction in participation. The shift towards mobile-friendly, automatic reward accumulation reflects broader digital trends in consumer behaviour.

Need for Personalised and Relevant Rewards:

For loyalty schemes to be effective across generations, personalisation is key. Consumers expect rewards that are tailored to their preferences and shopping habits, indicating that brands must use data-driven insights to offer compelling, customised incentives.

Importance of Clear Value Proposition:

The higher non-participation among younger generations highlights the importance of demonstrating clear and tangible value in loyalty programs. Brands need to articulate the benefits clearly and ensure that participating in the scheme feels worthwhile and engaging.

Reasons for Not Using Loyalty Schemes.

Key Insights.



Gen Z

Finds loyalty schemes unnecessary or not valuable, and dislikes related marketing communications. They may view loyalty programs as outdated or not tailored enough to their needs, highlighting the need for more innovative approaches.



Millennials

Dislike inflexible rewards, such as those with expiration dates, and have notable concerns about privacy. They value flexibility and control over their loyalty scheme benefits.



Gen X

Prefers straightforward, low-commitment loyalty schemes. They are slightly less concerned about privacy compared to Baby Boomers but still find schemes somewhat unnecessary, indicating that programs need to clearly communicate their value.



Baby Boomers

Show significant concerns about data privacy and security, suggesting that transparency about data use and stringent privacy measures are crucial when targeting this demographic.



Reasons for Not Using Loyalty Schemes. Implications for Brand Engagement.



Gen Z

Brands should focus on creating dynamic, flexible loyalty schemes that feel relevant and engaging. Transparency in marketing communications and avoiding excessive promotional messaging will help keep Gen Z engaged without overwhelming them.



Millennials

Offer flexibility in reward redemption, such as no expiration dates or extended grace periods for using points. Highlighting customisable options and exclusive, personalised offers can also appeal to this group.



Gen X

Simplify loyalty schemes and focus on clear, easy-to-understand benefits. Avoid over-complicating reward structures, and ensure the value of participating is immediately apparent.



Baby Boomers

Address privacy concerns directly by clearly explaining data policies and reinforcing the security of personal information. Brands should emphasise how loyalty schemes offer tangible, value-driven rewards without compromising security.



Reasons for Not Using Loyalty Schemes. Broader Insights.

Growing Privacy Concerns:

Across all generations, data privacy remains a key concern, especially among older consumers. In an era where data breaches and privacy issues are common, loyalty programs must build trust by being transparent about data use and offering opt-in options for marketing communications.

Need for Value and Relevance:

Consumers are increasingly discerning about the value of their engagement with brands. Loyalty schemes that are perceived as unnecessary or that require too much effort will struggle to attract active participation. Brands need to ensure their programs are not only easy to join but also provide clear, immediate value.

Flexibility is Key:

Modern consumers, especially Millennials, demand flexibility in how they interact with brands. This includes flexible redemption options, lack of expiration dates, and the ability to control how their rewards are used. Programs that impose strict rules or inflexible terms are likely to deter participation.

Innovative Approaches to Loyalty:

The findings suggest a need for innovation in loyalty programs. Brands can explore new ways to engage customers, such as through gamified experiences, personalised rewards, and integrated digital platforms that reduce the friction of participation and redemption.

Loyalty and Reward Scheme Attitudes. Key Insights.



Gen Z

Values digital access to rewards and feels a connection to brands through loyalty schemes. They are less inclined toward physical cards, reflecting their digital-first lifestyle. Brands should focus on seamless app experiences and digital rewards that align with Gen Z's tech-savvy nature.



Millennials

Prefer digital access and feel emotionally connected to brands through loyalty programs. Their engagement can be deepened through personalised digital experiences and exclusive app-based offers that make them feel valued and recognised.



Gen X

Shows a balanced preference for both digital and physical access to rewards. This generation appreciates the flexibility of accessing rewards in various formats, indicating that a hybrid approach can effectively engage them.



Baby Boomers

Prefer physical cards and are less engaged with digital loyalty programs, highlighting a need for brands to maintain traditional, card-based loyalty options to cater to this group. Despite their lower engagement with digital rewards, they still value loyalty programs overall.



Loyalty and Reward Scheme Attitudes. Implications for Brand Engagement.



Gen Z

Brands should invest in mobile apps and digital platforms that make accessing rewards effortless. Features like push notifications, personalised offers, and gamification can enhance engagement and foster a sense of connection.



Millennials

Focus on creating digital-first loyalty programs with robust app features, including personalised recommendations, early access to sales, and exclusive deals. Enhancing the emotional connection through tailored experiences can deepen loyalty.



Gen X

Offering multiple ways to access rewards—both digitally and physically—will appeal to Gen X's preference for flexibility. Highlighting the benefits of each method can help drive engagement and participation.



Baby Boomers

Maintaining physical card options for loyalty schemes is crucial for engaging Baby Boomers. Simple, straightforward rewards that can be easily tracked and redeemed through traditional means will appeal to this group.



Loyalty and Reward Scheme Attitudes. Broader Insights.

Rise of Digital-First Loyalty Programs:

As digital access to loyalty schemes becomes more popular, especially among younger generations, brands need to prioritise app-based experiences. This shift reflects broader digital transformation trends where convenience, speed, and personalisation are key.

Balancing Tradition and Innovation:

While younger generations embrace digital access, Baby Boomers' preference for physical cards highlights the need for a balanced approach. Brands that can cater to both traditional and digital preferences will have the broadest appeal.

Emotional Connection Through Loyalty:

The sense of connection that loyalty schemes foster is a powerful driver of consumer behaviour, especially for Gen Z and Millennials. Brands should explore ways to deepen this emotional bond, such as through personalised messages, exclusive member content, and recognition of loyalty milestones.

Future of Loyalty Schemes:

The future of loyalty schemes lies in personalisation and integration with digital lifestyles. As consumers increasingly expect seamless and rewarding experiences, brands must continuously innovate their loyalty offerings to stay relevant and engaging.

Loyalty and Reward Scheme Types Preferred.

Key Insights.



Gen Z

Prefers dynamic, engaging reward schemes that offer free gifts, referral benefits, and exclusive deals. They value personalisation and schemes that provide immediate gratification, reflecting their desire for unique and shareable experiences.



Millennials

Prefer schemes that combine points accumulation with unique benefits like exclusive access and personalised offers. They are open to both traditional and more modern reward types, reflecting their diverse shopping habits and digital engagement.



Gen X

Appreciates a mix of cashback, points-based, and discount-oriented schemes. They are attracted to loyalty programs that offer flexibility and value in different forms, showing a balanced approach to loyalty scheme preferences.



Baby Boomers

Favour points-based and cashback rewards, indicating a preference for structured and easily understandable benefits. They are less interested in tiered programs or exclusive deals but highly value straightforward discounts and tangible returns.



Loyalty and Reward Scheme Types Preferred.

Implications for Brand Engagement.



Gen Z

Brands should focus on creating dynamic, interactive loyalty programs that include free gifts, referral bonuses, and personalised deals. Gamification elements that make the reward experience engaging and shareable will resonate strongly with this group.



Millennials

Focus on exclusive deals, early access, and personalised offers to create a sense of exclusivity and recognition. Integrate loyalty programs into digital platforms with easy tracking and redemption features to cater to their tech-savvy nature.



Gen X

Offer a hybrid approach with multiple ways to earn and redeem rewards. Highlight the value of cashback and discount programs, while also offering personalised and exclusive deals to keep this group engaged.



Baby Boomers

Emphasise simplicity and value-driven rewards, such as points accumulation and cashback. Programs should focus on clear communication of benefits and easy redemption processes to cater to their preference for straightforward, predictable rewards.



Loyalty and Reward Scheme Types Preferred. Broader Insights.

Rise of Personalised Loyalty Programs:

As personalisation becomes a cornerstone of consumer engagement, loyalty programs that can tailor rewards to individual preferences will stand out. Data-driven insights will be crucial for brands to understand and anticipate consumer needs.

Preference for Immediate Gratification:

The popularity of cashback and discounts highlights a growing consumer desire for immediate value. Brands should explore ways to offer instant rewards that reduce the delay between earning and redemption, aligning with consumer expectations for quick benefits.

Social and Shareable Loyalty Schemes:

Gen Z's preference for referral-based rewards underscores the importance of social sharing in modern loyalty programs. Brands can leverage social media integrations to enhance the visibility and appeal of their loyalty schemes.

Balancing Traditional and Modern Rewards:

While points-based schemes remain popular, the evolving preferences for personalised and exclusive deals show that brands need to balance traditional reward structures with innovative, experience-driven elements.

Rewards Collected by Industry.

Key Insights.



Rewards Collected by Industry.

Implications for Brand Engagement.



Gen Z

Brands targeting Gen Z should focus on everyday rewards that are easy to earn and redeem. Partnerships with coffee shops, fashion retailers, and grocery stores can drive frequent engagement and build loyalty among this group.



Millennials

To appeal to Millennials, brands should focus on rewards that align with convenience and lifestyle, such as fast food, coffee, and personal care. Highlighting exclusive deals, personalised offers, and easy access via mobile platforms can enhance their loyalty.



Gen X

A broad approach that includes grocery, gas, and dining rewards will resonate with Gen X. Offering flexible redemption options and clear value propositions in these categories will keep this group engaged.



Baby Boomers

Emphasise structured rewards through essential categories like grocery stores and credit cards. Brands can appeal to Baby Boomers by offering clear, reliable benefits that provide tangible value for their everyday spending.



Rewards Collected by Industry. Broader Insights.

Everyday Rewards Drive Loyalty:

The dominance of grocery, coffee, and credit card rewards across generations underscores the importance of everyday spending in loyalty programs. Brands that integrate loyalty schemes into these daily routines will capture consistent engagement.

Convenience as a Key Driver:

The popularity of rewards in coffee shops, fast food, and grocery stores reflects a broader consumer trend towards convenience-driven shopping. Brands should prioritise seamless, quick-to-earn, and easy-to-redeem rewards to match this preference.

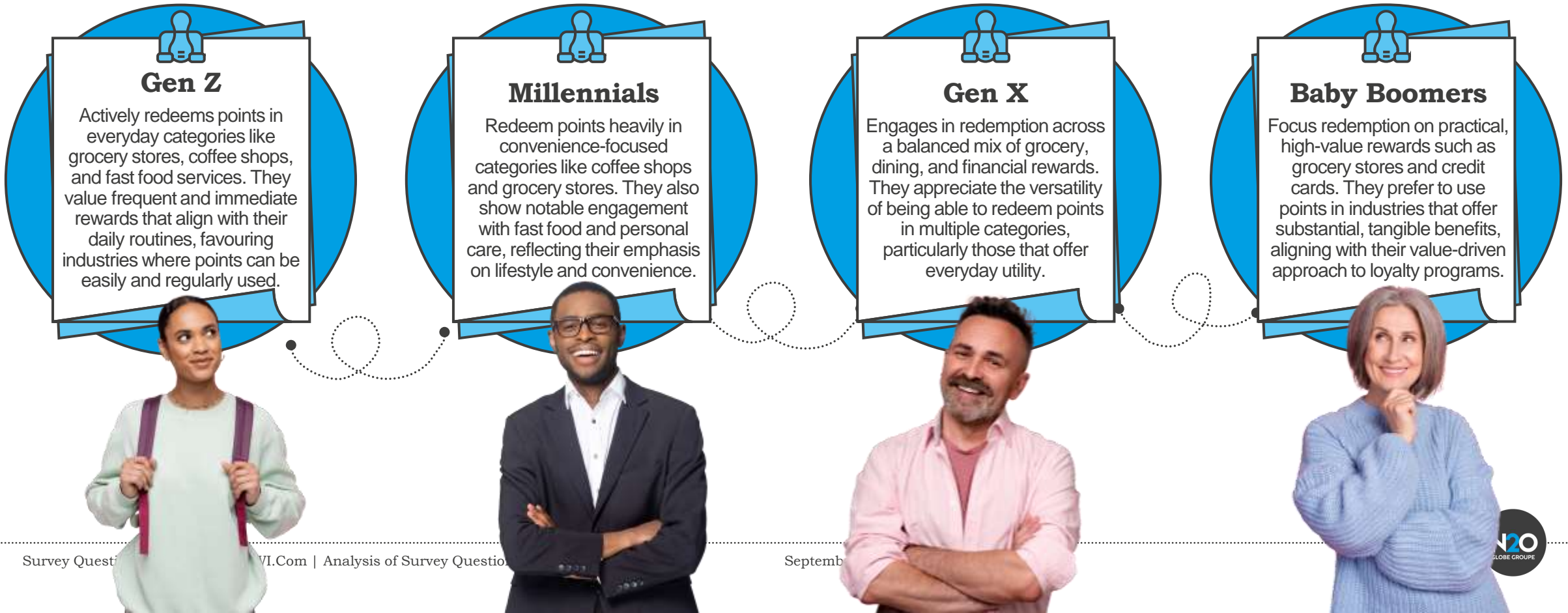
Opportunities in Underdeveloped Categories:

Low engagement in fitness and wellness rewards highlights a potential growth area for brands. Creating compelling, easy-to-use loyalty programs in these sectors could unlock new engagement opportunities, particularly as health and wellness continue to gain traction.

The Role of Financial Rewards:

Credit card rewards remain significant, particularly among older generations. As consumers increasingly seek value from their financial products, brands can leverage partnerships with financial institutions to offer co-branded rewards that enhance the value proposition.

Rewards Usage by Industry. Key Insights.



Rewards Usage by Industry.

Implications for Brand Engagement.



Gen Z

Brands should focus on low-threshold redemption options that allow Gen Z to frequently use their points in everyday spending categories. Offering flexible, easy-to-access rewards will keep this group engaged.



Millennials

Focus on providing redemption options that align with Millennials' on-the-go lifestyle. Coffee shops, fast food, and personal care services are key areas where brands can drive redemption activity.



Gen X

Providing a variety of redemption options will resonate with Gen X. Brands should emphasise the flexibility of their loyalty programs, offering opportunities to redeem points across everyday, dining, and travel-related categories.



Baby Boomers

Highlight the practical benefits of point redemption in essential categories like groceries and financial services. Clear communication of the value and savings potential of rewards will appeal to this generation.



Rewards Usage by Industry. Broader Insights.

Everyday Categories Drive Loyalty Engagement:

The strong focus on grocery, coffee, and dining rewards reflects broader consumer behaviour trends toward convenience and frequent, everyday spending. Brands that integrate loyalty schemes into these routines will capture consistent engagement.

Challenges in Niche Categories:

Low redemption in fitness, wellness, and other niche categories suggests that loyalty programs in these sectors may need to offer more compelling or accessible rewards. Creating targeted offers or lowering redemption thresholds could encourage greater participation.

Growth Potential in Travel-Related Rewards:

The moderate engagement with airlines and accommodation services points to growth opportunities. As travel rebounds, brands in these sectors can capitalise on consumers' desire for higher-value redemptions by offering more flexible and appealing reward options.

Leveraging Financial Rewards:

Credit card rewards continue to play a crucial role, especially among older generations. Brands can leverage partnerships with financial institutions to enhance the value of their loyalty programs, particularly through co-branded offers and cashback incentives.

Rewards Usage Behaviours.

Key Insights.



Gen Z

Prefers to save points for significant redemptions but also shows a social aspect in their behaviour by gifting points. Brands can engage Gen Z by offering saving bonuses and encouraging social sharing of rewards, making the loyalty experience feel communal and valuable.



Millennials

Display a mix of saving for special items and spending when prompted by expiration. Brands can enhance engagement by offering timely reminders and emphasising the unique, special nature of redeemable items to encourage point usage.



Gen X

Balances saving with spending, highlighting their strategic approach to loyalty schemes. Offering flexible redemption options that cater to both immediate and long-term rewards will resonate with this group, encouraging sustained engagement.



Baby Boomers

Tend to use points quickly, reflecting a preference for immediate benefits. Programs that offer instant rewards or easy redemption will be particularly appealing to this group. Brands should avoid complex saving structures and instead focus on simple, quick wins.



Rewards Usage Behaviours.

Implications for Brand Engagement.



Gen Z

Brands should consider implementing gamification features that reward users for saving points and achieving higher redemption goals. Highlighting social aspects, such as gifting options, can also boost engagement.



Millennials

Timely reminders, personalised offers, and exclusive redemption opportunities can drive engagement. Emphasise the special nature of saved rewards and provide regular prompts to spend points before they expire.



Gen X

Providing flexible redemption options, including the ability to save points for larger rewards, will cater to their balanced approach. Brands should emphasise both instant and long-term value propositions within their loyalty programs.



Baby Boomers

Focus on providing immediate, easy-to-access rewards with minimal barriers to redemption. Offering clear, valuable rewards that can be used quickly will align with their preference for immediate gratification.



Rewards Usage Behaviours. Broader Insights.

Shift Towards Strategic Loyalty Behaviours:

The preference for saving points among younger generations indicates a shift towards more strategic loyalty behaviours, where consumers seek to maximise value rather than just seeking immediate rewards.

Social and Relational Value:

The inclination of Gen Z to gift rewards points to friends and family highlights the growing importance of social value in loyalty programs. Brands can tap into this by creating loyalty experiences that foster social connections and shared benefits.

Reducing Expiry-Driven Redemption:

The tendency to spend points only when they're about to expire suggests a need for brands to better manage point expiration communication. Implementing proactive reminders and creating urgency can help reduce the risk of points expiring unused.

Immediate Rewards Still Hold Strong Appeal:

The appeal of instant rewards, especially among Baby Boomers, emphasises the ongoing need for loyalty programs to offer immediate, tangible benefits. Brands should continue to balance long-term saving options with quick, accessible rewards.

Loyalty and Reward Scheme Behaviours.

Key Insights.

Gen Z
Primarily motivated by the opportunity to gain more rewards and engage in personalised, interactive loyalty experiences. Social engagement and sharing play key roles in their loyalty behaviours.

Millennials
Highly engaged with behaviours that promote brands, such as recommendations and reviews. They are more likely to use loyalty schemes to enhance their social interactions with brands.

Gen X
Engages broadly with loyalty schemes, valuing both traditional loyalty and proactive behaviours like recommending and returning for rewards.

Baby Boomers
Exhibit traditional loyalty behaviours, focusing on staying loyal to known brands and choosing them over alternatives. Engagement is steady but not dynamic.



Loyalty and Reward Scheme Behaviours.

Implications for Brand Engagement.



Gen Z

Brands should create loyalty schemes that are interactive, personalized, and reward social behaviours. Focus on incentives that encourage repeat engagement and sharing on social platforms.



Millennials

Encourage advocacy through loyalty rewards that recognise recommendations, social media engagement, and positive reviews. Loyalty programs that make Millennials feel valued as brand promoters will drive deeper connections.



Gen X

Offer a broad range of rewards that cater to both practical and social aspects of loyalty. Gen X values loyalty schemes that provide varied ways to engage and benefit.



Baby Boomers

Keep loyalty programs straightforward, focusing on trust and consistent rewards that reinforce brand loyalty without requiring frequent or complex interactions.



Loyalty and Reward Scheme Behaviours. Broader Insights.

Loyalty schemes are increasingly influencing consumer behaviours across all generations, with younger groups, particularly Gen Z and Millennials, embracing social and interactive elements that turn them into active brand promoters. The challenge for brands is to create loyalty experiences that are not just transactional but also foster emotional connections, encouraging consumers to advocate for the brand through various platforms and interactions.



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Thanks!

For a deeper dive into these insights and ideas on how they can help you create exceptional brand experiences, give us a call. We'd love to share more.

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