



2021 PREMIUM LOYALTY DATA STUDY

MEETING RISING CONSUMER LOYALTY EXPECTATIONS POST-PANDEMIC



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INTRODUCTION:

NEW OPPORTUNITIES FOR LOYALTY

Over the past 12 months, we've seen unprecedented disruption in retail as stores closed or limited capacity, and shopping shifted online. Fostering loyalty is vital at a moment when many consumers are breaking old habits and forming new ones. At the same time, as more consumers discover the endless array of products and services available online, maintaining their loyalty is becoming more difficult.

To understand consumers' mindsets at this critical point in time, Clarus Commerce surveyed 2,500 U.S. consumers about their shopping habits and expectations for loyalty programs. Building on the results of our 2019 and [2020 Premium Loyalty Data Study](#), this report dives deep into the benefits customers expect and why, and how those expectations have changed throughout the COVID-19 pandemic.

Our findings reveal that traditional tactics like points programs alone are no longer enough. In the aftermath of the disruptions and lockdowns of 2020, customers are increasingly demanding the kind of personalized, instant benefits that premium loyalty programs provide. More than three-quarters (79%) of respondents say they don't want to accumulate points anymore, and retailers' loyalty programs should provide immediate benefits to maintain their loyalty. Read on for more insights about consumers' shifting views on loyalty.



PREMIUM VS. TRADITIONAL LOYALTY PROGRAMS

Premium loyalty programs offer immediate benefits that can be used at any time in exchange for a membership fee. Examples include Amazon Prime, Walmart+ and CVS CarePass.

Traditional loyalty programs offer free enrollment, but require members to make purchases over time to earn rewards that come later (e.g., by accumulating points).

KEY FINDINGS

68%

of consumers agree that their loyalty is more difficult to maintain than ever before.

76%

of consumers would pay for a premium loyalty program.

81%

of traditional loyalty members say they would join a premium loyalty program at their favorite retailer, assuming that the benefits were valuable.

79%

of consumers say they don't want to accumulate points anymore, and retailers' loyalty programs should provide immediate benefits to maintain their loyalty.

90%

of consumers say they're likely to choose a retailer where they're a premium loyalty member over another one offering a lower price.

73%

of premium loyalty members shopped more with their favorite retailers during the pandemic.



SECTION 01

RISING EXPECTATIONS ARE DRIVING PREMIUM LOYALTY DEMAND



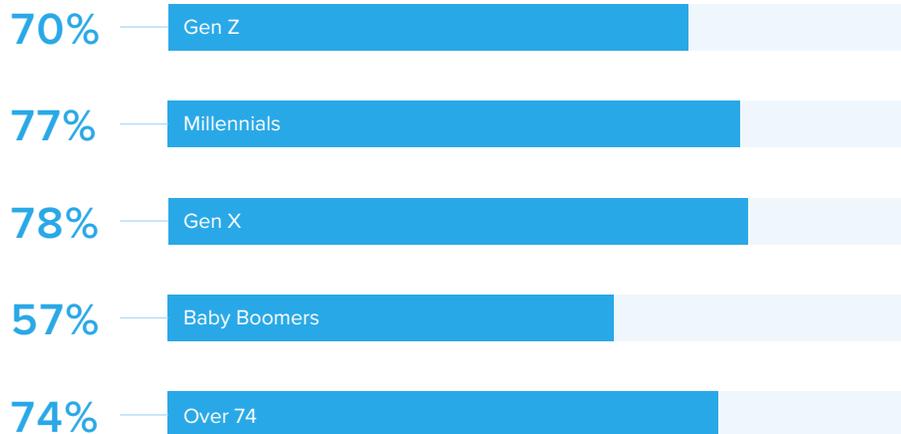
Customers are raising their standards for loyalty each year. More than two-thirds (68%) of customers agree their loyalty is more difficult to maintain than ever before, up from 64% in 2020. At the same time, consumers are increasingly willing to pay for the benefits they want from retailers. More than three-quarters (76%) would pay for a premium loyalty program.

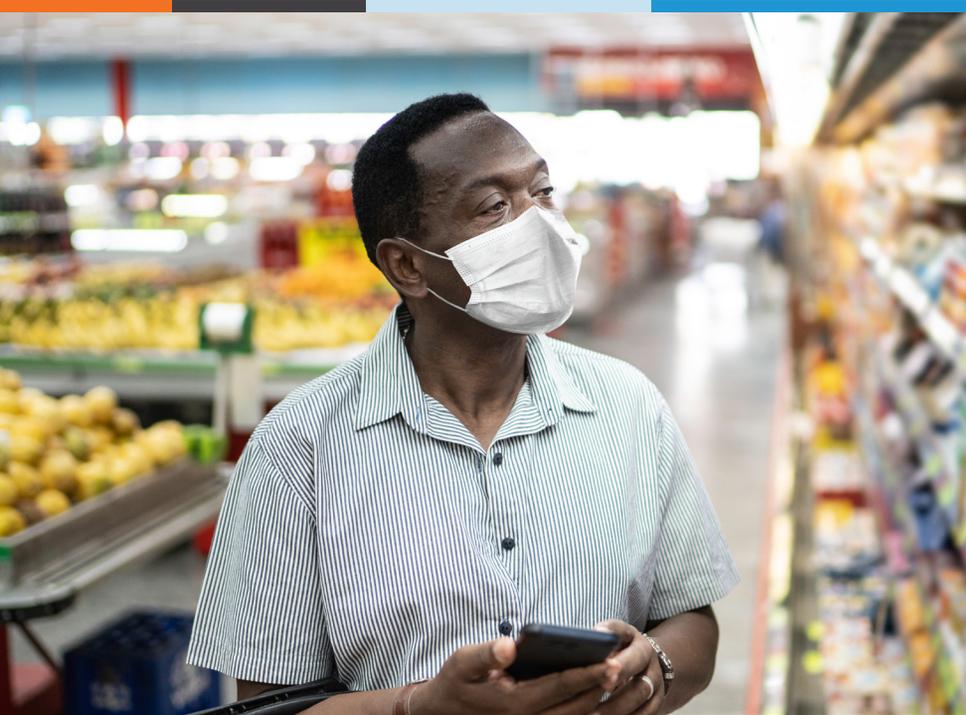
It's no surprise we've seen increased adoption of these programs in 2021. Seventy percent of 2021 respondents currently belong to a premium loyalty program, compared to 66% in 2020 and 58% in 2019. Over the remaining months of 2021, we're likely to see premium loyalty program adoption continue to grow.

GEN Z IS DIVING INTO PREMIUM LOYALTY

Premium loyalty is becoming the norm for young, up-and-coming customers. Gen Zers are actually more likely to have premium loyalty memberships (70%) than traditional loyalty memberships (63%). As Gen Z's earning power and disposable income grow, this gap may get even wider. If you want to cater to younger generations, a premium loyalty program is worth considering.

Percentage of consumers who belong to any premium loyalty program, by generation





PREMIUM LOYALTY MEMBERS KEEP COMING BACK FOR MORE

Consumers are willing to pay for premium loyalty programs for a wide variety of products and services. These programs offer great experiences — and the proof is in members’ willingness to come back for more.

Most current members are open to joining additional premium loyalty programs. Three-quarters (75%) of current premium loyalty program members are likely to join additional premium loyalty programs in the next 12 months, compared to 69% in 2020. And more than a third (37%) definitely would join an additional program.

For retailers looking to bolster consumers’ loyalty, there’s never been a better time to get started on a premium loyalty program or improve existing programs. Premium loyalty is on the rise.

Top 7 categories of products and services for which consumers will pay for a premium loyalty program

1	Groceries	58%
2	Clothes and accessories	49%
3	Health and beauty	36%
4	Gas	35%
5	Travel and hospitality	29%
6	Entertainment	28%
7	Furniture	22%

THE RISE OF WALMART+

Walmart’s premium loyalty program, Walmart+, has attracted a large number of members in a short amount of time. Though the program only launched in September 2020, 31% of our respondents had already joined.

Walmart+ isn’t just raising the profile of these programs among consumers — retailers are abuzz about the program, too. In our [2021 Loyalty Industry Data Study](#), 90% of retailers said the launch of Walmart+ influenced their decision to consider a premium loyalty program.

SECTION 02

PREMIUM LOYALTY DURING THE PANDEMIC



Premium loyalty members are highly loyal to their favorite retailers, functioning as brand ambassadors who spread positive sentiment by word of mouth. Ninety percent say they're likely to choose a retailer where they're a premium loyalty member over one offering a lower price. And 88% of premium loyalty members say they're likely to recommend a retailer with valuable premium loyalty benefits to a family member or friend.

These qualities became especially important during the pandemic, as maintaining loyalty continues to be a major challenge for retailers. Almost half (49%) of consumers tried shopping with a new brand since March 2020, as the shift to online shopping made it easy to order with a single click.

Amid this disruption, premium loyalty members stuck with their favorite brands. Nearly three-quarters (73%) shopped more with retailers whose premium loyalty programs they were part of during the pandemic, and 41% shopped *significantly* more with those retailers.

URBAN OUTFITTERS COURTS YOUNGER GENERATIONS WITH PREMIUM LOYALTY

Looking for ways to bolster loyalty after the loss of foot traffic to stores during the pandemic, URBN began testing a premium loyalty program across its apparel brands Urban Outfitters, Anthropologie and Free People in February 2021. The program, called UP, offers perks including free shipping, instant discounts and access to exclusive events.





PREMIUM LOYALTY MEMBERS SHOPPED EVEN MORE FREQUENTLY DURING THE PANDEMIC

This trend is also visible in year-over-year data. As in 2020, 94% of premium loyalty members in 2021 shop with their favorite retailers at least once a month. But the percentage of members who shopped even more often — once a week or more — actually grew from 58% in 2020 to 67% in 2021. Premium loyalty members' long-lasting loyalty to their favorite brands amid disruptions like a recession and pandemic are an important lesson for retailers looking ahead to weathering the next storm.

How often premium loyalty members shop	2020	2021
Every day	11%	13%
Every few days	25%	28%
Once a week	22%	26%
Every few weeks	25%	20%
Once a month	11%	7%
Once every few months or less	6%	6%

SECTION 03

WHAT CONSUMERS EXPECT FROM PREMIUM LOYALTY PROGRAMS



Every retailer that launches a premium loyalty program has to find the right mix of benefits for its members' specific needs. For example, CVS CarePass pairs free prescription delivery with a 24/7 pharmacist helpline, a powerful combination for its health-conscious target customers.

That said, there are a few benefits at the core of most of these programs. For example, as in 2020, free shipping remains the most popular perk in 2021. Almost two-thirds (64%) of consumers said it would entice them to invest in or renew a premium loyalty program. Other benefits are also important to the mix, including instant discounts that customers can conveniently use whenever they shop (53%) and free giveaways (47%) that cater to customers' needs for instant gratification.

In 2021, retailers designing loyalty programs can't fall back on the same old benefits. You have to get creative in designing the kind of unique experience your customers will want.

PREMIUM LOYALTY MEMBERS MAY HAVE DIFFERENT INCENTIVES TO RENEW

As you build a premium loyalty program, bear in mind that sometimes the benefits that will entice a consumer to join a program aren't the same as the benefits that will motivate them to renew. For example, fast, free shipping is a top reason for both joining and renewing Amazon Prime. But when renewing, other benefits — notably video streaming — are more important.

Monitoring which benefits your members use most after they join can help you anticipate the factors that will motivate renewal. For example, maybe customers join your program for access to instant discounts, but end up getting excited about in-store experiences once they join.





Top benefits that motivate consumers to invest in or renew a premium loyalty program

1	Free shipping	64%
2	Instant discounts	53%
3	Faster shipping	51%
4	Free giveaways	47%
5	Surprise rewards	35%
6	Exclusive deals	34%
7	Holiday discounts	29%
8	Personalized offers	21%
9	In-store experiences	16%

Top reasons for **joining** Amazon Prime

75%

Faster, free shipping

15%

Video streaming benefits

4%

Food delivery (e.g., Prime Pantry)

3%

Music streaming benefits

3%

Customer events (e.g., Prime Day)

Top reasons for **renewing** Amazon Prime

58%

Faster, free shipping

21%

Video streaming benefits

7%

Food delivery (e.g., Prime Pantry)

6%

Music streaming benefits

5%

Customer events (e.g., Prime Day)

LULULEMON BLENDS EXPERIENTIAL AND TRANSACTIONAL BENEFITS

Lululemon's brand is all about health and wellness, so it makes sense that its premium loyalty program would take a holistic approach, **blending transactional and experiential benefits**. Besides price-based perks like a free pair of pants and free shipping, members receive passes for monthly workout classes at the brand's experiential stores, as well as access to online personal development content. Since initial testing began in 2018, the program has rolled out to several more cities and it continues to deliver strong results to the company's bottom line.

Whichever benefits your program delivers, make sure you do it quickly. Premium loyalty members' desires for instant gratification are just as strong as they were last year. Nearly three-quarters (72%) expect to see benefits within the first week or immediately, compared to 70% in 2020.

How soon premium loyalty members expect to see benefits	2021
Immediately	38%
Within the first week	34%
Within the first month	21%
Within the first six months	6%
Within the first year	1%



SECTION 04

REACHING TRADITIONAL LOYALTY MEMBERS



Ideally, your traditional and premium loyalty programs should work together to keep customers engaged. Because they're free, traditional loyalty programs are a great entry point for consumers new to your brand, who may later decide to migrate to a more committed premium loyalty tier.

Seventy-one percent of consumers in 2021 belong to traditional loyalty programs, a similar percentage as previous years. Of consumers who belong to traditional loyalty programs, a majority (68%) belong to 1-4 programs, and almost a third (31%) belong to 5 or more programs.

However, quantity doesn't mean quality. Many of these consumers aren't using their traditional loyalty programs frequently enough to get much benefit out of them (i.e., by accumulating points). Almost three-quarters (73%) of respondents use 50% of those programs or less on a monthly basis, and 5% don't use any of those programs on a monthly basis.

Traditional loyalty members are increasingly willing to shift to premium loyalty for better benefits. Of respondents who belong to traditional loyalty programs, 81% say it's likely they would join a retailer's premium loyalty program if they were already part of its traditional loyalty program, assuming the benefits were valuable. This is an increase of 14 percentage points from 2020 (67%).

REACH YOUNGER TRADITIONAL LOYALTY MEMBERS WITH PREMIUM LOYALTY

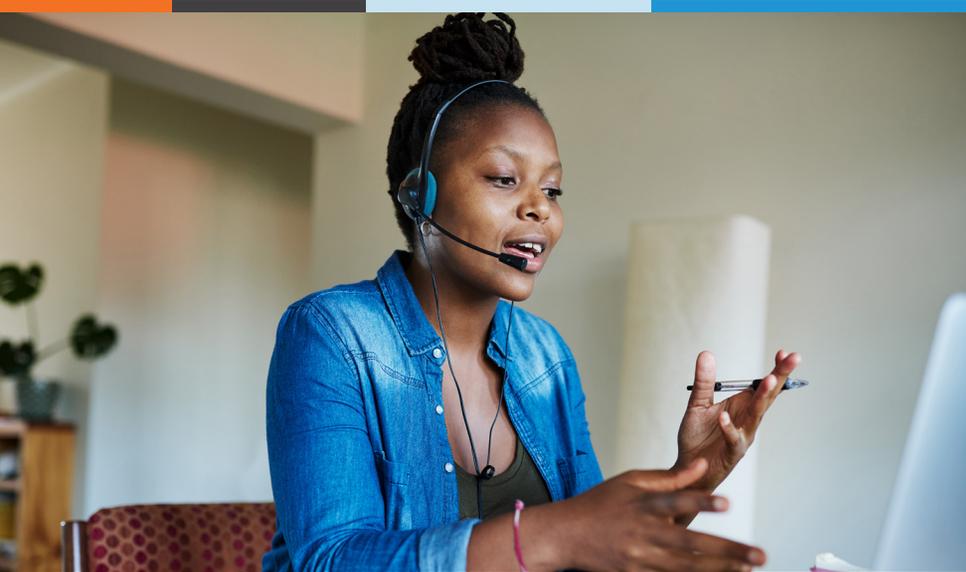
If you don't yet have a premium loyalty program, establishing one is a great way to build stronger relationships with customers who are already members of your traditional loyalty program. Younger shoppers — particularly millennials — are more likely than average shoppers to shift from traditional to premium loyalty programs, making this an excellent tactic for building connections with younger generations.

Number of traditional loyalty programs consumers belong to

1-2	28%
3-4	40%
5-6	20%
7-8	5%
9-10	2%
More than 10	4%

Percentage of consumers who say they are likely to invest in a retailer's premium loyalty program if they already belong to that retailer's traditional loyalty program, by generation





MIXING TRADITIONAL WITH PREMIUM LOYALTY PROGRAMS AT BEST BUY

In April 2021, Best Buy began piloting a new premium loyalty program, **Best Buy Beta**, that includes perks like a 24/7 concierge service and unlimited tech support from Geek Squad. Available at around 60 stores, the program could expand to many more if successful.

However, the retailer has no plans to eliminate its traditional loyalty program, My Best Buy, which caters to more casual customers by offering points on each purchase. In the long term, the two programs will work in tandem to serve the diverse needs of Best Buy's customer base.

PROVE THE VALUE OF PREMIUM LOYALTY BY OFFERING THE RIGHT BENEFITS

Retailers can boost membership by effectively communicating what the benefits are and why they're valuable. Of consumers who *don't* belong to a premium loyalty program, almost half (44%) said it was because they don't see the value — the most popular answer.

Value doesn't mean cost. Most customers will pay for loyalty programs with perks that cater to their needs. For retailers, providing value is a matter of picking the right benefits for their particular customers and making sure customers understand how those benefits will work for them.

Top 3 reasons for *not* belonging to a premium loyalty program

1	I don't see the value	44%
2	They're too expensive	37%
3	I'm open to them, but the retailers I shop with don't offer them	30%

Striking the right balance can be tricky, which is why many retailers turn to third-party vendors for help. In our **2021 Loyalty Industry Data Study**, we surveyed 300 marketing and loyalty professionals and found that 51% of respondents who work with a vendor experienced ROI within the first six months of starting their program, compared to only 41% of those that manage their programs in-house.

CONCLUSION:

IT'S TIME TO GET CREATIVE WITH PREMIUM LOYALTY

Premium loyalty is on the rise, and that's good news for retailers looking to build lasting relationships with customers. The past year has proven that premium loyalty members stick by their favorite brands through thick and thin — including during a recession and pandemic.

Now is a great time to engage your best customers with a premium loyalty program to build long-lasting relationships. That's especially true if you already have a traditional loyalty program in place: Members of your traditional loyalty program will likely be your first premium loyalty program recruits.

Just remember that customer expectations for loyalty are increasing. Don't assume that common benefits like free shipping alone will be enough to keep premium loyalty members coming back. Get creative to find the mix of benefits that works best for your brand and your customers.

METHODOLOGY

Clarus Commerce surveyed 2,500 U.S. consumers in late March 2021.





ABOUT CLARUS COMMERCE

Clarus Commerce — where customer loyalty meets subscription revenue — is the only company solely focused on building, managing and optimizing customizable premium loyalty programs for retailers. The company provides the full suite of services needed for a successful loyalty program, which includes the technology platform, client services, strategy, creative, marketing, analytics, IT and operations. Clarus Commerce was founded in 2001 and is headquartered in Rocky Hill, CT.

Interested in learning more about loyalty? Download and explore the following resources:

[2021 Loyalty Industry Data Study](#)

[Webinar: 5 Loyalty Lessons from Amazon Prime](#)

[The Definitive Guide to Premium Loyalty](#)

For even more visit us at claruscommerce.com.

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