



◊ The Lacek Group

2023 Trends:

Let the Loyalty and CRM Experts
Help You Get Ahead of Consumer
Expectations

December 2022

2023 TRENDS

Looking ahead to the new year, we've identified five big-picture marketplace trends that will impact loyalty and customer relationship management (CRM) strategies in the coming year.

Read on for our reflections—and salient examples—as we help you understand the trends, plan, and then invest in the areas most likely to enhance and grow your customer relationships.



CONSUMERS WILL BE LASER-FOCUSED ON VALUE



BRANDS WILL DELIGHT CONSUMERS WITH PHYGITAL EXPERIENCES



CONSUMERS WILL KEEP DEMANDING SOCIAL RESPONSIBILITY



EMPLOYEE ENGAGEMENT WILL YIELD RESULTS



DATA PRIVACY WILL GET REAL



CONSUMERS WILL BE LASER-FOCUSED ON VALUE

WHAT'S DRIVING THIS TREND:

69%

of Americans are **worried about a possible recession** by the end of 2023.

87%

of shoppers surveyed say **knowing they got a good deal** is important to them when deciding which brand or retailer to buy from.

- As signs point toward a recession, inflation is driving prices higher, and consumers are seeking value on their own terms.
- Here's the good news: Loyalty programs have a proven track record of helping brands succeed despite economic challenges.
- In lean times especially, your company can bolster emotional bonds with your customers by providing value-centered rewards and experiences and by engaging members beyond purchases.

Sources: "Survey: 69% of Americans Are Worried about a Possible Recession by the End of 2023. Bankrate, Aug. 24, 2022. <https://www.bankrate.com/banking/federal-reserve/recession-preparedness-survey-august-2022/>; and Google/Ipsos, Global Retail Study (n = 14,206), online 18+ who shopped in the last week, Feb. 2019. <https://www.thinkwithgoogle.com/consumer-insights/consumer-trends/retail-deal-preference-statistics/>.





- The XPLR Pass program allows members to earn points through nontransactional activities, e.g., checking in at national parks and monuments. When members are spending less, strategies like that keep them connected and earning in brand-related ways.
- The XPLR Pass program also offers benefits that fuel a sense of exclusivity and foster members' sense of belonging—both of which help cement emotional connections. Members get early access to limited-edition collections and the opportunity to “field test” products before they're available to the general public.

These strategies highlight the ongoing value of maintaining strong, lasting bonds between member and brand.





Panera BREAD®

- Panera Rewards members can access a drink subscription for \$11.99 per month that offers unlimited self-serve beverages at any Panera.
- The strategy, which started as a coffee-only subscription, attracted more than 600,000 subscribers—43% of whom were new loyalty members—in its first two years. In addition, the subscription offering prompted an eight times higher visit frequency among subscribers.

A subscription strategy like this has the potential to deliver appealing value to your members while generating an immediate and predictable revenue stream to your brand.

Source: Gary Stern. "Panera's Opens Another Subscription Club." Forbes, May 4, 2022. <https://www.forbes.com/sites/garystern/2022/05/04/paneras-opens-another-subscription-club-moving-from-coffee-to-including-beverages/?sh=645be068119b>.

UNLIMITED SIP CLUB

First Month FREE

Join & enjoy endless Charged Lemonades, coffees, teas, and fountain drinks. Sign up by 11/9, new subscribers only.*

Claim Offer





THOUGHT STARTERS



Incorporate messaging around how **loyalty makes member dollars go further**. Offer helpful tips to that, e.g., redeeming program currency for rewards or using cash + currency reward options. Encourage email and SMS opt-in to receive promotional offers.

Engage customers through a mix of loyalty drivers (emotional, social, and structural) to broaden value beyond financial. **Consider ways to deliver recognition, surprise & delight, conveniences, and connections.**

Create and reward engagement opportunities in-between transactions, understanding that customers may purchase less frequently during downtimes. Incorporate meaningful, everyday activities into the app to keep the brand top of mind.

Does a subscription or paid membership play make sense for your business? If you already have a loyalty program, consider offering exclusive savings, access, or experiences that are only feasible for a smaller membership base. Offer a "cancel anytime" option for a higher take rate.

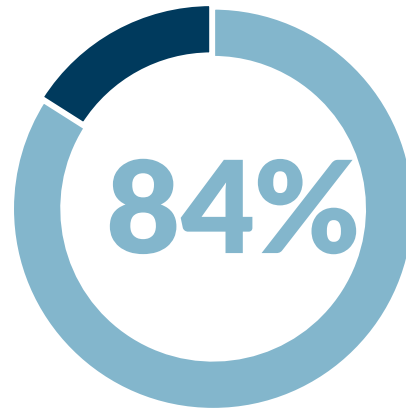


BRANDS WILL DELIGHT CONSUMERS WITH PHYGITAL EXPERIENCES

WHAT'S DRIVING THIS TREND:

61%

of online shoppers **consider** their smartphone “very important” to in-store shopping.



of Americans are shopping at any **given** time and in up to **6 different categories**.

- **“Phygital” retail experiences**—in which elements of technology and reality coexist—offer opportunities to fold your customers closer to your brand.
- Digitally enhanced in-store shopping provides frictionless transitions across channels, allowing customers to interact with and purchase from your brand when, where, and how they prefer.
- Consumers want seamless omnichannel brand experiences—and robust apps with deep functionality can deliver.

Sources: “Smartphones Are Most Popular Devices for Online Shopping, Survey Says,” Marketing Dive, 10/18/19. <https://www.marketingdive.com/news/smartphones-are-most-popular-devices-for-online-shopping-survey-says/565321/>; and Google/Ipsos, U.S., “Shopping Tracker,” Online survey (n = 3,613) of online Americans 13+ who shopped in the past two days, Oct.–Dec. 2017.





NETFLIX

- Streaming entertainment leader Netflix opened a 10,000-square-foot pop-up store at The Grove shopping complex in Los Angeles. Admission is free, and the pop-up will only be open for three months.
- Netflix at the Grove features exclusive merchandise from Netflix original programming—including *Bridgerton*, *Stranger Things*, and *Squid Game*, and kids' favorites *Gabby's Dollhouse* and *Cocomelon*—that isn't available elsewhere.
- It also offers **immersive, interactive experiences** for shoppers. For example, photo-ready vignettes reminiscent of various shows' settings, creating opportunities for shoppers to create selfies for their social feeds, further promoting the brand's content.

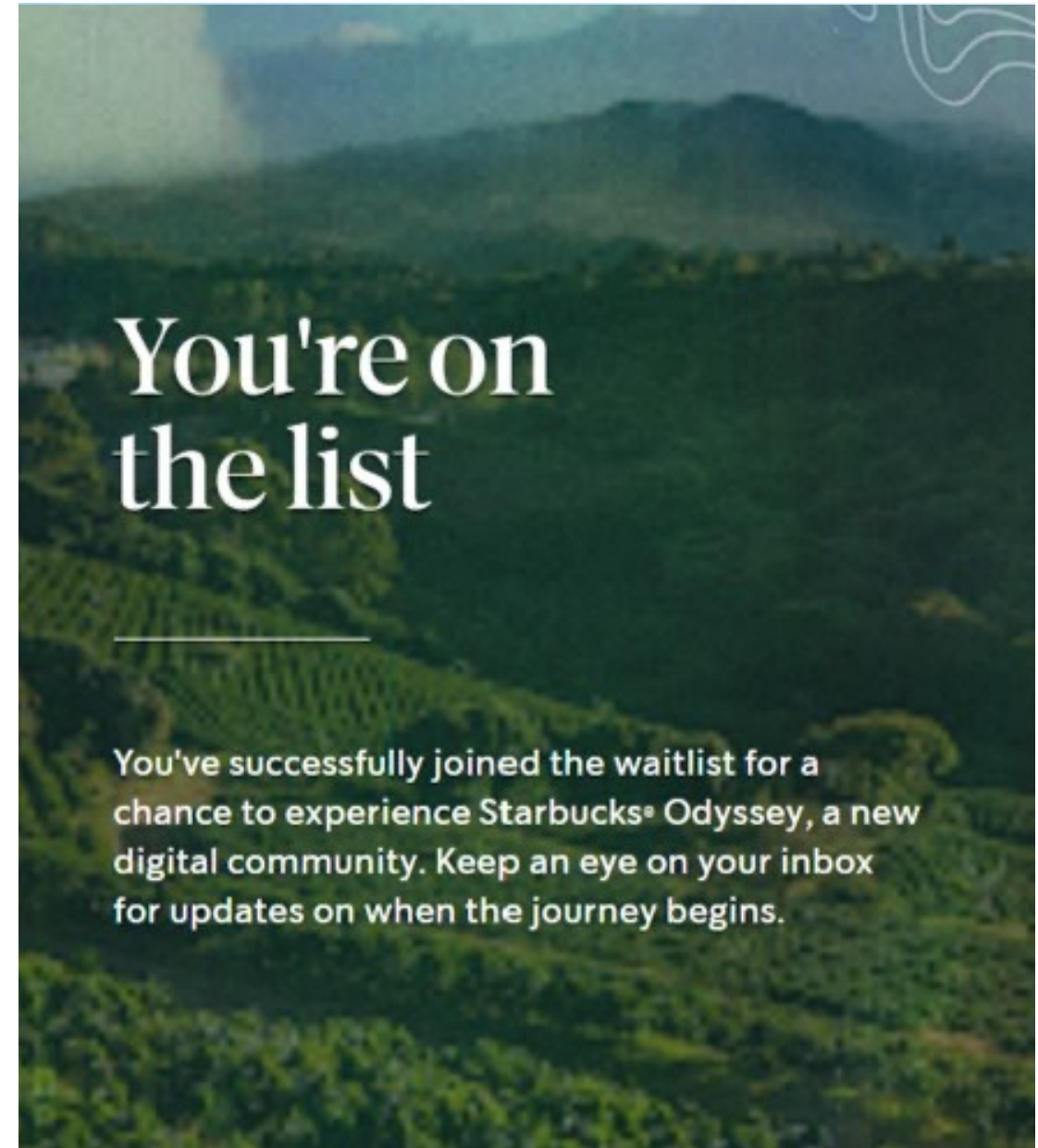
This limited-time convergence of digital content and a physical destination creates excitement with a dollop of FOMO, just the kind of immersive experience brands will be aiming to achieve.





- Starbucks Odyssey, a Web3 initiative, is a secure, blockchain-powered part of the company's loyalty program. Its goal is to deepen emotional bonds between members and the brand—while connecting members with one another.
- Embracing the metaverse trend, members enter Odyssey from the Starbucks app and complete "journeys," (interactive games) and collect "journey stamps" (NFTs) along the way. Members can also purchase limited-edition NFTs using a credit card—no crypto wallet or cryptocurrency necessary.
- The NFTs unlock special benefits and rewards, e.g., a virtual espresso martini-making class, exclusive merchandise, and a trip to one of Starbucks's coffee farms in Costa Rica.

The outlook for crypto and NFTs in CRM and loyalty remains uncertain—but big brands like Starbucks are testing the technology and its appeal. It's an area to monitor for its potential to augment your brand's loyalty strategies.





THOUGHT STARTERS



Integrate app capabilities into the store experience:

- check inventory
- access member pricing/offers
- scan and pay

Use the app to deliver **in-the-moment surprise & delight** to in-store customers.

Consider loyalty's role in product usage, e.g., unlock benefits after consistent use or deliver relevant content based on purchase patterns.

Leverage product usage data for insights into cross-sell, upsell and reactivation opportunities.

Is your brand already in the metaverse? If so, **consider integrating Web3 and loyalty strategies.**

- Use loyalty mechanisms, e.g., currency and tiers, to reward Web3 activity.
- Make the Web3 experience better for identified customers based on the first- and zero-party data you've collected on them.
- Recognize best customers with exclusive access to Web3 assets and experiences.





CONSUMERS WILL KEEP DEMANDING SOCIAL RESPONSIBILITY

WHAT'S DRIVING THIS TREND:

77%

of Gen Z consumers look for brands that align with their values.

50%

of respondents say the importance of brand values has increased in recent years.

When it comes to joining or remaining engaged in a brand loyalty program, **has the importance of a brand's reputation, values, and actions changed for you over the past few years?** Please select one.



■ Yes, much less important
 ■ Yes, somewhat less important
 ■ No, no change
 ■ Yes, somewhat more important
 ■ Yes, much more important

- Amid changing social views and political unrest, consumers take a dim view of brands that don't take a stand on significant social issues.
- This is particularly true among Gen Z consumers, who approach purchases with a values-first mindset and persuade others to do the same.
- Consumers are focused on diversity, equity, and inclusion; climate change and sustainability; controversial political issues; and fair employee policies.

Sources: The Lacey Group, "The Changing Look of Loyalty," 2022. <https://thinking.lacek.com/blog/2022/4/7/changing-look-of-loyalty>; Montanna Cervenka, "Generationally Speaking: Gen Z Transforms Loyalty." The Lacey Group, 2022. <https://thinking.lacek.com/blog/2022/10/25/generationally-speaking-gen-z-transforms-loyalty>; "Companion Brands: A New Way to Define and Measure Brand Relationships with Young People." Vice Media Group. https://www.vicemediagroup.com/wp-content/uploads/2021/06/VMG-Companion-Brands_FINAL-compressed.pdf



- IKEA US's Buy Back and Resell initiative boosts sustainability by inviting members of its IKEA Family loyalty program to return assembled and used furniture. The returned items, for which the members can receive up to half the original price, are then resold through the stores' as-is section.
- In combination with buy-back programs in the UK and Ireland, the efforts are part of its goal to become a "circular" business by 2030. IKEA hopes to produce products made entirely from recycled, remanufactured or reused materials.

For IKEA Family members who prioritize sustainability, the buy-back initiative demonstrates IKEA's active efforts to reduce waste.





- Automotive giant Ford is investing in the largest, most efficient auto production complex in the company's century-plus history. Called BlueOval City, the site will occupy nearly six square miles in west Tennessee.
- The historic investment is the company's largest ever, and the goal is delivery of electric vehicles at scale out of an ultra-efficient, carbon-neutral manufacturing process.
- Ford expects 40% to 50% of its global vehicles to be fully electric by 2030.

The investment puts the company in a leadership position in a massive sea change for the auto industry—shifting away from fossil fuel consumption. That should appeal in a big way to consumers concerned about climate change.





THOUGHT STARTERS



Integrate your company's philanthropic activities into your loyalty program—e.g., invite members to donate their time, program earnings, or money to the organizations and causes you support.

Partner with companies that share similar values to increase customer engagement and make a greater impact—e.g., incentivize members to participate in recycling, reselling or eco-friendly initiatives.

Ensure your company values are reflected in the images, products, and messages you deliver.

Share the results of corporate CSR efforts and employee initiatives. Invite customer feedback and offer ways for customers to contribute through their actions.

Focus on the areas of social responsibility that align with your brand and that will feel authentic to the customer.





EMPLOYEE ENGAGEMENT WILL YIELD RESULTS

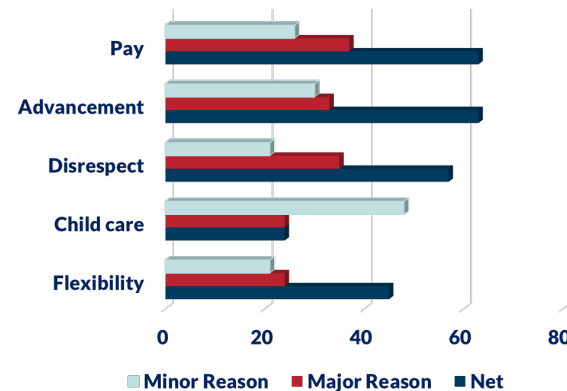
WHAT'S DRIVING THIS TREND:

"The Great Resignation"

47.8
million

resignations in 2021

Top Reasons U.S. Workers Quit in 2021 (%)



- In today's ultra-competitive labor market, apply loyalty strategies to workforce engagement to nurture and reward employees.
- Retaining high-performing, valued employees can result in measurable savings on recruitment and training.
- In the tumult of the pandemic, companies demonstrated their potential to be nimble and flexible. Leverage that proven agility to rethink employee engagement.
- One important way to keep employees feeling appreciated is to invite them to participate in your brand's loyalty program.

Sources: Tess MacGibbon, "Employee Loyalty Deserves Its Own Strategy," The Lacek Group, 2022. <https://thinking.lacek.com/blog/2022/6/2/employee-loyalty-deserves-its-own-strategy>; and Kim Parker and Juliana Menasce Horowitz, "Majority of Workers Who Quit a Job in 2021 Cite Low Pay, No Opportunities for Advancement, Feeling Disrespected." Pew Research Center, March 9, 2022. <https://www.pewresearch.org/fact-tank/2022/03/09/majority-of-workers-who-quit-a-job-in-2021-cite-low-pay-no-opportunities-for-advancement-feeling-disrespected/>.





- Duchess Convenience Stores, owner of 120 gas stations and convenience stores in Ohio and West Virginia, enrolled all its 1,300 employees in Crown Card Rewards, the company's loyalty program.
- The Employee level of the program offers staff members free products and rewards every day, even when they're not working.
- They're asked to provide feedback on new items, providing sales-influencing insights about how customers are likely to respond.

Folding employees into its loyalty program creates goodwill and a proven impact on sales, especially of new items.



Source: "Loyalty Programs, Employee Perks Help Two Convenience Chains Grow." Winsight, Oct. 23, 2020.
<https://www.cspdailynews.com/technologyservices/loyalty-programs-employee-perks-programs-help-two-convenience-chains-grow>.





Wegmans

- Wegmans is a leader in employee culture and engagement and in experience design. In 2021, the supermarket chain spent \$50 million on employee development, and it's been recognized as one of *Fortune's* best places to work for more than 20 years.
- They excel at making sure employees are experts in their area—sending deli workers on trips to France, Italy, and Wisconsin to learn about cheese and butchers to Colorado and South America to learn about beef. This gives employees expertise and a memorable experience.

Wegmans approach nurtures impressive in-house brand advocates: An eye-popping majority (90%) of their employees report they're proud to tell others they work at Wegmans. That well exceeds the national average of 57%.

Sources: Danielle Fernandes. "15 Companies Taking Employee Engagement to the Next Level." Nudge, May 9, 2022. <https://nudge.co/blog/brands-taking-the-employee-experience-to-the-next-level/>; and "Wegman's." Great Place to Work, Aug. 2022. <https://www.greatplacetowork.com/certified-company/1000459>.





THOUGHT STARTERS



TO RETAIN AND ENGAGE EMPLOYEES:

- Share loyalty and customer engagement best practices with HR partners.
- Motivate employees through the 4 drivers of loyalty: **financial**, **emotional** (recognition and surprise & delight), **social** (community, charity), and **structural** (reasons to stay).
- Conduct **employee focus groups** to test new concepts and gather input.
- **Invite employees to participate** in the best components of the consumer loyalty program, e.g., elite status for a short duration of time.

TO DELIVER THE LOYALTY PROGRAM SUCCESSFULLY:

- Engage and train employees using a **“head, heart, hands” approach**, focusing on logic, emotion and behavior.
- Develop and **implement a change management plan** for loyalty or CRM relaunch efforts.
- **Celebrate employee brand ambassadors.**
- Double down on customer service to **build unbreakable loyalty and leapfrog the competition** (many companies are cutting costs in this area or shifting to tech-only solutions).





DATA PRIVACY WILL GET REAL

WHAT'S DRIVING THIS TREND:

By 2023, modern privacy regulations will cover the personal data of

65%

of the global population—up from just 10% in 2020.

As of October 2022, 29 U.S. states were considering new data-privacy laws. Among the laws that have passed so far:

- California Privacy Rights Act (CPRA)
- Virginia Consumer Data Protection Act (VCDPA)
- Colorado Privacy Act (CPA)
- Utah Consumer Privacy Act (UCPA)
- Connecticut SB6 (CTPA)

Passage of additional privacy laws is expected in 2023.

- With new regulations going into effect in 2023, data privacy will take on a new urgency.
- That gives brands that are prepared an opening to build emotional connections with consumers by following through on their privacy pledges.
- Transparency and clarity on how brands are protecting data can open opportunities for meaningful engagement.

Source: Laurence Goasduff. "Gartner Says by 2023, 65% of the World's Population Will Have Its Personal Data Covered Under Modern Privacy Regulations." Gartner, 2020. <https://www.gartner.com/en/newsroom/press-releases/2020-09-14-gartner-says-by-2023-65-of-the-world-s-population-w>.



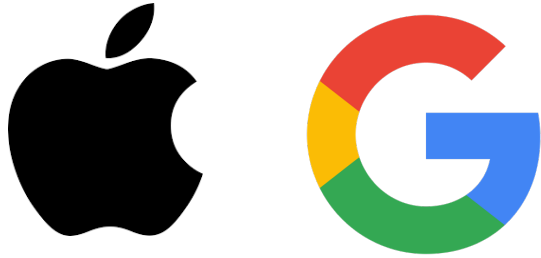


DISCOVER[®]

- Online Privacy Protection is a feature available to Discover Bank customers through its mobile app.
- Approximately every 90 days, Discover will scan for customers' online personal information at 10 select people-search sites and submit opt-out requests on their behalf. Each removal can help reduce online privacy risk.
- This service is offered by Discover Bank at no cost to customers.

Recognizing how much consumers value data privacy, Discover Bank found an active way to reassure its customers, building goodwill and loyalty.





- Even Big Tech companies—including Apple and Google—are cheerleading new data-privacy laws and changing their policies.
- Protecting data privacy is "the most essential battle of our time," says Apple CEO Tim Cook. Since 2021, Apple's devices have included App Tracking Transparency in its mobile software.

Staying ahead of the trend—and the expectations and legislation driving it—will help the tech giants' credibility with consumers.

Source: Sharon Goldman. "Marketing in the Era of Data Growth and Privacy." VentureBeat, Oct. 18, 2022. <https://venturebeat.com/data-infrastructure/marketing-in-the-era-of-data-growth-and-privacy/>.





THOUGHT STARTERS



Know your obligations. Understand legal requirements and comply with privacy regulations. Get legal help if you need it.

Establish and track metrics for brand trust—analyzing customer reviews, customer feedback, net promoter score, referrals, and social listening.

Make data privacy a positive message for your customers. Share how you are protecting and using their data to provide a better experience. Give customers the ability to control their data.

Develop a zero-party data strategy that leverages moments of high brand trust to collect customer information to deliver a more personalized and relevant experience.



IN SUMMARY

With the slowing of the market overall, your company will likely be tightening its budget.

That means getting even more selective about priorities, including loyalty and CRM initiatives.

Seize the strategic advantage: Leverage these trends to plan ahead, grow your brand, and achieve a healthy bottom line in 2023.



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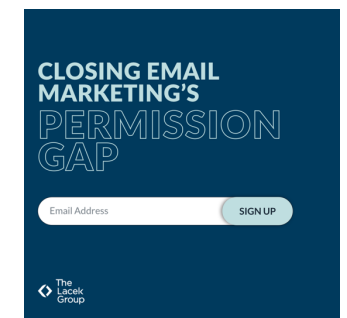
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TAKE A DEEPER DIVE

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WISHING YOU ALL THE BEST FOR 2023

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