



# Unconditional love: How to make customers faithful with loyalty

Thought leadership on 6 key loyalty trends  
KPMG



# First things first, introductions

In the ever-evolving landscape of business, one constant remains pivotal — the value of customer loyalty. As we stand at the intersection of innovation and customer behaviour, understanding and adapting to the latest trends in loyalty has never been more crucial.

This whitepaper embarks on a journey to unravel the complexities of loyalty trends that shape the modern business ecosystem. Serving as a compass, it can guide organisations through the dynamic currents of customer expectations, technological advancements, and engagement principles.

Furthermore, we delve into the realms of personalised experiences, data-driven strategies, and the symbiotic

relationship between brands and their audience. In this digital age of limitless choices and short attention spans, building and sustaining customer loyalty has become an intricate dance between tradition and innovation.

As we explore the nuances of loyalty, it is imperative to recognise that loyalty is not a one-size-fits-all concept. It morphs, adapts, and transcends traditional boundaries. This whitepaper endeavours to be more than a snapshot of current trends; it serves as a guide for organisations seeking to cultivate enduring connections with their audience.

The contributors to this whitepaper bring a wealth of experience and insights, offering diverse perspectives

that mirror the multifaceted nature of loyalty in today's global marketplace. From the rise of loyalty programs to the role of emotional intelligence — each chapter unveils a new trend of the loyalty landscape.

As we peer into the future, we recognise that the road ahead is both challenging and exhilarating. The fusion of digital innovation and human-centric values is redefining the very fabric of loyalty. We invite you to explore, question, and ultimately apply the knowledge within these pages to fortify your organisation's journey through the ever-shifting current of customer allegiances.

Welcome to the future of loyalty!



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# Loyal customers are worth their weight in gold

In today's competitive business landscape, customer loyalty is experiencing a profound transformation. As organisations strive to build lasting connections with their customers, they are designing new disruptive end-to-end engagement strategies that incorporate innovative methods<sup>1</sup> to remain relevant, shaping the loyalty programs of tomorrow.

Customer loyalty and loyalty programs are frequently confused, but it's essential to recognize that the factors influencing loyalty extend far beyond mere membership and have evolved significantly over time.

Loyalty programs were initially transactional tools to improve customer retention. Today, they have become powerful vehicles to support the customer engagement strategy, acting as a dynamic bridge between businesses and their customers. In fact, in today's world, customers crave meaningful and personalised experiences that resonate from brands, with loyalty programs being one of the key approaches to support this endeavor. As a result, businesses are innovating more than ever, to engage customers and offer unique and disruptive experiences to drive engagement across all customer interactions.

If implemented effectively, these loyalty programs promote positive and emotional connections with customers, playing a pivotal role in maximising Customer Lifetime Value (CLV). They are most effective when incorporated into an overarching customer experience designed to eliminate points of friction and promote ease of doing business.

**52%** of customers will buy from their favourite brand even if it is cheaper and more convenient to buy a rival product<sup>2</sup>

Generation	Current Age (2024)
▶ Silent	79 - 99
▶ Boomers	60 - 78
▶ Gen X	44 - 59
▶ Millennials / Gen Y	28 - 43
▶ Gen Z	12 - 27
▶ Alpha	0 - 11

**Customer Loyalty**  
An ongoing emotional relationship between you and your customers, represented by how willing a customer is to engage with and repeatedly purchase from you versus your competitors

**VS**

**Loyalty Programs**  
A structured approach to rewarding existing customers for their loyalty through some kind of incentive

1. a) Global CEE report, KPMG, 2022, b) The Connected Customer, KPMG, 2019  
2. The truth about customer loyalty, KPMG, 2019



Research shows customer loyalty is not won through benefits or discounts alone - **consistent, quality products offering value for money matter most<sup>1</sup>**



7 loyalty drivers: KPMG's Loyalty Study of 18,000 people in 20 markets

1. The truth about customer loyalty, KPMG, 2019

That said, how can brands use loyalty programs to remain competitive or even best-in-class in their respective industry landscape?

This paper delves into the pivotal trends shaping loyalty programs, demonstrating how they can symbiotically create and contribute to experiential customer journeys. We'll explore the captivating realm of gamification and delve into the psychology that drives deeper customer engagement in loyalty programs. The evolution of tokenised and coalition loyalty will also be dissected, alongside the role of data-driven hyper-personalisation and sustainability in loyalty initiatives.

Furthermore, we'll reveal how these strategies not only foster emotional connections but also drive CLV, ensuring sustained revenue growth for brands.

**Leverage our KPMG trends to launch, boost, or revolutionise your loyalty program to deliver more value to your customers and your business!**



# 6 marketplace trends that impact loyalty programs

-  **1** Boosting experiential customer journeys
-  **2** Immersing in a world of gamified experiences
-  **3** Unleashing the potential of tokenised and coalition loyalty
-  **4** Fuelling customer centricity through data-driven personalisation
-  **5** Nurturing impact through sustainability and corporate social responsibility
-  **6** Unlocking business value



TREND 01

# Boosting experiential customer journeys





# Revolutionising customer engagement with loyalty

KPMG's global research has brought to light 6 Pillars<sup>1</sup> of customer experience that are the key drivers of both loyalty and advocacy. Therefore, to bring customer acquisition and retention to new heights, marketers must craft end-to-end journeys that focus on moving the needle on these pillars of personalization, time and effort, integrity, resolution, empathy and expectations. They must do so across innovation, new product development and service design, while leveraging data and technology.

Skilfully intertwining loyalty with such processes and systems can foster profound emotional bonds between customers and a brand.

## Foundation for experiential journeys

In fostering connections that transcend loyalty, businesses ought to identify and understand generational nuances to adapt their strategy accordingly across the 6 Pillars.

1. a) [Customer Experience Excellence Report](#), KPMG, 2023, b) [The six pillars](#), KPMG, 2022

2. a) [The truth about customer loyalty](#), KPMG, 2019, b) [Me, My life, My Wallet \(3<sup>rd</sup> edition\)](#), KPMG, 2021

Each generation,<sup>2</sup> spanning Baby Boomers to Generation Z, exhibits unique values and preferences. For example, Generation X often seek personalised promotions while Millennials, the largest online shopper group, are willing to pay for their favourite brands yet are frustrated with generalised and non personalised marketing recommendations. In a more global and connected world, with less boundaries between markets, cultural differences are also a key driver for differentiation or even within a single market, based on local communities. As a result, loyalty strategies cannot be standardised, it is vital to learn from customer habits and needs to boost loyalty program outcomes.

Thus, marketers need to innovate and find the sweet spot for each customer segment. This includes regularly adjusting them over time to stay relevant, and redefining customer journeys.







### Power of subscription models

Membership models are a compelling element to onboard customers into loyalty programs, but how should companies design them in the right way? Looking at their industry, customer engagement and visitorship, businesses need to carefully define and implement their subscription models and evolve them through

time. In doing so, subscription models can be a competitive advantage. With paid subscription models, for example, brands can reduce churn rate by avoiding a one-time purchase model. This is a strategy often applied in e-commerce services (see below).

### 3 Types of Subscription Models

#### Point-based subscription model

An effective and largely used strategy that incentivises customer engagement through points, levelling up tiers and reward redemption. Businesses prioritise this approach for lasting customer relationships.

##### Industries

E-commerce, retail, hospitality, airlines, food delivery, and entertainment

#### Paid subscription model

This model fosters a strong brand connection through exclusive deals and premium services. Industries valuing exclusivity and premium experiences or high-end services are drawn to the paid subscription model for loyalty programs.

##### Industries

Luxury, e-commerce, fitness, streaming services, subscription boxes, financial services

#### Hybrid subscription model

Hybrid subscription models blend point-based and paid approaches for versatility. They cater to diverse preferences, enhancing loyalty and customer satisfaction in industries like e-commerce, travel, and entertainment.

##### Industries

Gaming, food and beverage, automotive, hospitality



# Unlocking new customer journeys to boost engagement

## Unifying experiences through omni-channel loyalty

How often do customers need to adapt to different customer journeys? In a world where customers interact through a myriad of channels, an omni-channel strategy has become vital for loyalty programs. It is critical to bridge the gap between digital and physical touchpoints, unifying the customer journey and often positively impacting the time and effort required by users. This extends to the mobile-first approach, where smartphones play a pivotal role in enhancing engagement and driving the success of loyalty programs.

The ubiquity of smartphones has empowered businesses to connect with customers anytime and anywhere. Loyalty programs and rewards are easily accessible, eliminating the need for physical cards. This convenience, combined with real-time updates, encourages regular engagement, and simplifies loyalty interactions. Additionally, the seamless scanning of QR codes for payments and engagement enriches the experience across the loyalty network.

Loyal customers can receive a personalised promotion (supporting a key pillar of customer experience excellence) on their mobile app and continue their journey in physical stores to redeem without any interference. Their data is seamlessly synchronised across all touchpoints, creating a consistent journey that boosts customer engagement and retention. This synchronisation needs to be extended to partner networks, fostering a cohesive experience that strengthens customer-brand relationships.

The omni-channel approach reaches its full potential when combined with a cohesive user experience (UX) and user interface (UI), for a seamless and consistent journey for customers, strengthening brand connections across channels. In essence, brand experiences need to remain persistent and consistent.



### Building end-to-end emotional journeys for higher outcomes

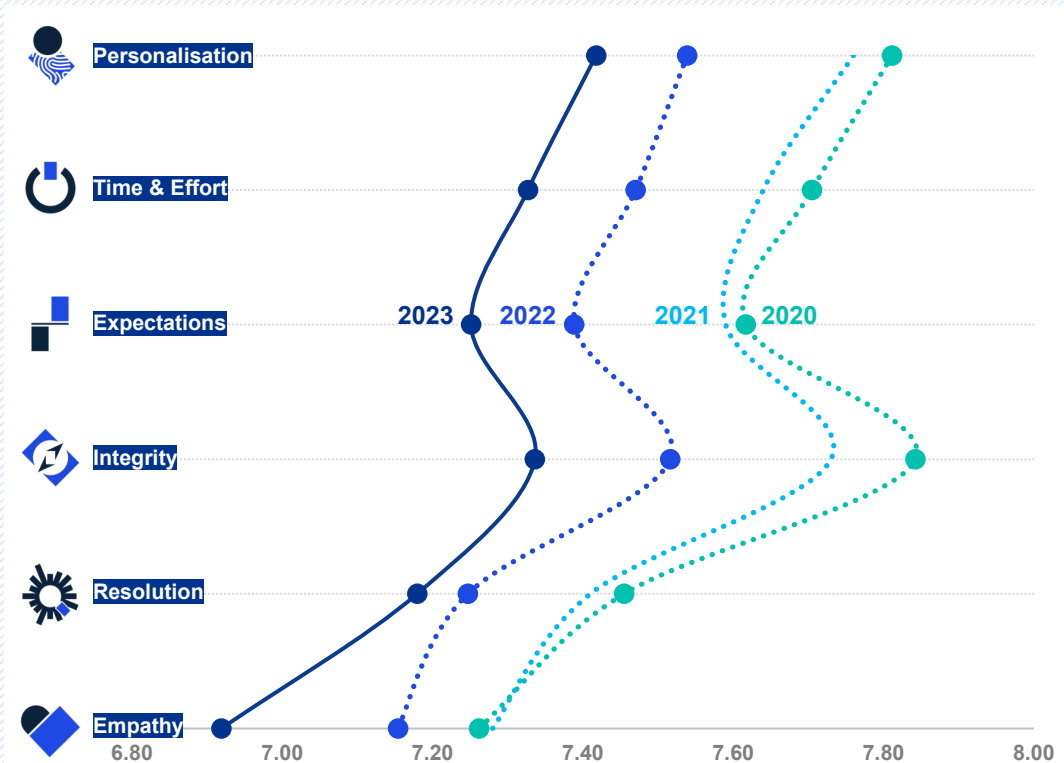
One aspect of customer engagement that often escapes accurate measurement pertains to its impact on sales and the specific return on investment (ROI) of various campaigns leading to successful loyalty programs.

The implementation of interconnected data-driven strategies between loyalty and marketing teams can significantly enhance customer engagement. This is particularly achievable through real-time triggers, facilitated by the omni-channel approach. This extends from marketing emails aimed at enrolling new members, to social-media activities, to promoting new products, to in-app notifications encouraging visitors to explore new offerings. In addition, an in-store strategy designed to boost expenditure or even encourage preferred payment options during check-out can complement these end-to-end journeys.

With the augmentation of Artificial Intelligence (AI) powered hyper-personalisation to support these endeavours for customer profiles and segments, brands are now empowered to not only define and predict forthcoming actions (e.g. online vs in-store pick-up), but also determine the optimal timing and manner for triggering them.

Ultimately, constructing these exceptional customer journeys should inevitably drive revenue generation with increasing profitability.

### 6 Pillars performance [Score 0 to 10] 2020 to 2023







# Transcending emotions to achieve advocacy

## Measuring success: Metrics and KPIs

Why do loyalty programs fail? How can the success of customer engagement and loyalty initiatives be effectively measured? Addressing these two questions is pivotal in charting a course towards a successful future loyalty program.

Traditional 'earn and burn' points-based loyalty programs are typically the default mechanic but are often costly and do not leverage the power of data driven personalisation to drive ongoing engagement and loyalty towards organisations and their brands.

In light of escalating Customer Acquisition Costs (CAC), brands must definitively pinpoint the proper metrics for discerning the ever-evolving customer needs. Assessing the CLV against CAC remains a crucial Key Performance Indicator (KPI); this must be done while delving deeper through meticulous analysis of the datasets amassed throughout the tailored customer journeys curated by loyalty teams. Therefore, in tandem with hyper-personalisation, the utilisation of segmented performance stands as an emerging trend, enabling brands to implement actionable strategies.



**Point-loyalty is transactional, true loyalty is emotional. If you're trying to build brand loyalty today, an emotional connection and real value exchange is no longer a nice-to-have, it's a need-to-have.**

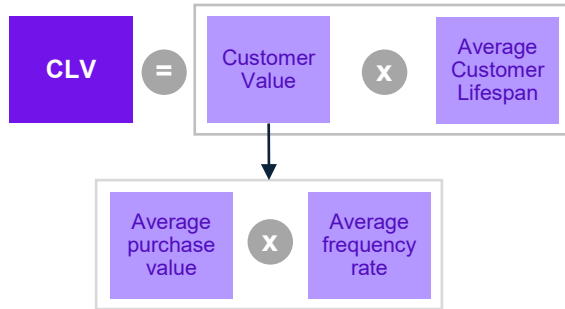


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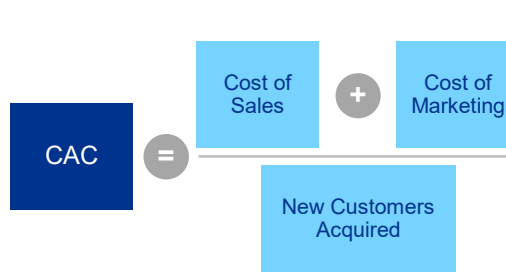


### CLV vs CAC

#### Measuring CLV



#### Measuring CAC



#### Unsuccessful model



#### Successful model



Harnessing customer advocacy is equally paramount, requiring vigilant monitoring, typically through the Net Promoter Score (NPS). Furthermore, evaluating the emotional bond with the brand assumes significance in gauging the success of customer engagement and loyalty. This can be accomplished using the Customer Experience Excellence (CEE) score through scoring against each of the 6 Pillars. An alternative is through the Brand Intimacy Quotient (BIQ), which takes into account dimensions like fulfilment, identity, enhancement, ritual, nostalgia, and indulgence. This helps to identify and quantify key motivators.

Marketing and loyalty managers can no longer develop loyalty programs without leveraging accurate and advanced insights about their customers and their motivations. By understanding the behavioural drivers of each target segment, customer value can be tailored and delivered in different forms, minimising discounting and margin erosion to drive incremental CLV.

**CEE score:**  
An alternative metric to track customers' emotional experience

#### 2023 CEE SCORE

# 7.26

Δ YoY -0.14

Majority of Pillars noted a YoY decrease with the biggest YoY decline in Empathy Pillar

TREND 02

# Immersing in a world of gamified experiences







# The psychological power of gamification in loyalty

**Imagine the thrill of earning points with every interaction, weaving a tapestry of engagement and transforming loyalty into an inclusive experience for all generations. Gamification isn't just a feature; it's a modern loyalty imperative, resonating across ages by tapping into the fundamental human desire for challenge, achievement, and enjoyment. In today's era of interactive engagement, gamification is not an option — it's the pathway to sustained customer loyalty.**

## **Gamification, a must-have in modern loyalty**

In the age of interactive customer engagement, gamification is vital for loyalty programs. To succeed, businesses must align strategies with their models and user preferences. Capitalising on universal desires of challenges, progress, rewards, socialisation, and accomplishment, gamification creates an immersive experience that transcends generational boundaries and resonates with the quest for excitement, achievement and fun.

To enhance sustained engagement, brands can consider implementing leaderboards in long-term programs or introducing

group challenges to foster a sense of community among customers. Time-limited games can provoke instant reactions, such as by awarding points for reaching milestones or having activities like a daily dance challenge can encourage active lifestyles.

Loyalty programs are also a platform for self-expression through gamification. Badges become declarations of dedication, allowing users to showcase achievements, like completing a cooking course challenge.

Gamification has become a necessity across various sectors, with each employing tailored strategies for effective engagement. In the retail and e-commerce sectors, point-based loyalty programs with limited-time offers thrive. Meanwhile, the fitness and wellness industries leverage activity challenges and progress tracking, and the education sector integrates badges and quizzes for enhanced user participation.





### Beyond generational boundaries

Notably, gamification is reaching diverse demographics and tailoring strategies is key for effective engagement across generations. With Baby Boomers, achievements and challenges emphasizing family and recognition work well. Generation X value diverse rewards and quick quizzes. Millennials thrive on instant rewards and social challenges, frequently expressing interest in rewards for both purchases and engagement. Generation Z prefer challenges with diverse representation. The Silent Generation appreciate nostalgia and straightforward rewards, while Generation Alpha engage with innovative games and short interactive challenges. Additionally, features like "child mode" in various apps, offering specially designed games, enhance household engagement, catering to the preferences of younger users.

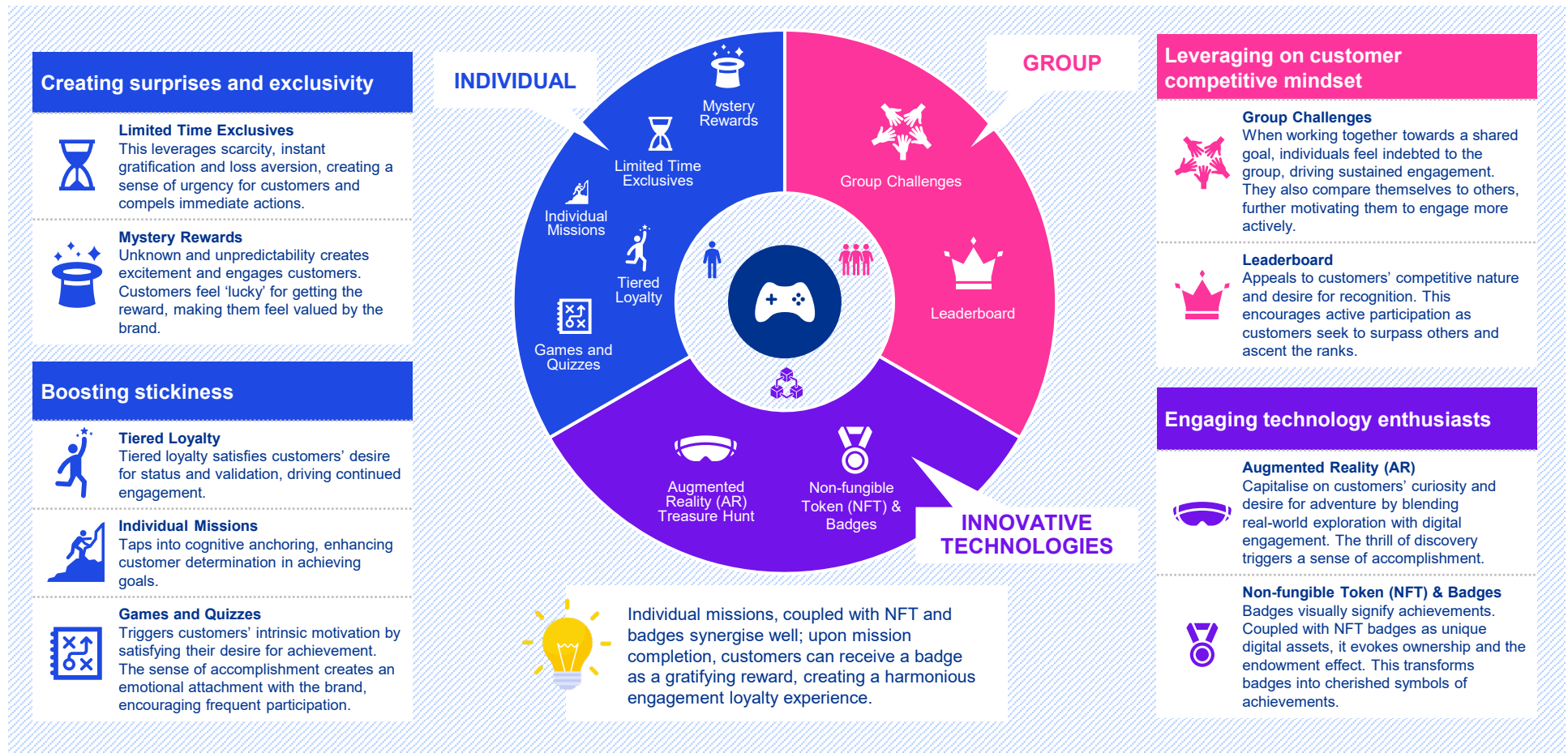
Varied gamification strategies not only meet generational preferences but also enhance loyalty program inclusivity and effectiveness. By speaking the unique language of each

generation, businesses can ensure that their gamification initiatives resonate deeply, forming lasting connections with a diverse audience across all age groups. This tailored approach transforms gamification into a powerful bridge, connecting brands to consumers, fostering broad engagement and loyalty.

Integrating gamification into loyalty strategies is not only beneficial but crucial. Regularly introducing new concepts ensures sustained interest, preventing customer disappointment. The universal allure of gamification makes it the go-to strategy for cultivating lasting customer relationships across all generations. The gamification arsenal (see next page) offers diverse options to align games with brand strategy and customer values. Embrace the psychology, foster generational inclusivity, and unlock the boundless potential of gamification in your loyalty journey.



# Gamification toolkit: Choose a perfect set of tools for your psychological strategy







# Crafting unique loyalty experiences through gamification in every industry

## Gamification opportunities, per type of industry

Individual			Group			Innovative technologies		
		Type of game			Type of game			Type of game
	▶ Retail			▶ Insurances			▶ Luxury	
	▶ Hospitality & tourism			▶ Outdoor recreation			▶ Automotive	
	▶ Food delivery			▶ Wellness			▶ Fashion	
	▶ Airlines			▶ Video games			▶ Beauty	
	▶ F&B			▶ Amusements & Family Leisure (AFL)			▶ Real Estate	



# Transforming a leisure program into an interactive and rewarding family experience

## FUNPass: Nex-gen gamification strategy

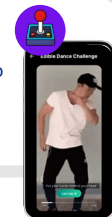
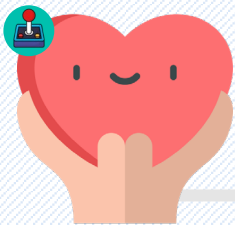


Mobile-first!!



Mark, 37

- ▶ Lives in Kuala Lumpur, Malaysia
- ▶ Married, 1 son
- ▶ Just joined FUN Pass program
- ▶ Hobbies: Family time, video games



### Onboarding

Mark registers for the loyalty program **FUNPass** at his family's favourite arcade. He downloads the app.

1

### Family accounts

Mark sets up family accounts, including a child profile for his son, ensuring a safe and enjoyable gaming environment for the entire family.

2

### Arcade master challenge

Mark receives his first bonus **FUNpoints** challenge notification, setting a family goal to complete 5 arcade games.

3

### Redemption

Mark snags the limited-time deal and uses some of his **FUNpoints** to redeem his son's favourite banana split and drinks for both of them before they leave.

6

### Time limited exclusives

At the arcade, the app uses geolocation to send a timely notification offering a time-limited reward at the arcade cafe.

5

### Family fun night

Mark brings his son to the arcade. Together, they play 5 games and complete the challenge. They receive bonus points and a badge.

4

### Leaderboard

Mark occasionally checks the **FUNPass** leaderboard, engaging in friendly competition and aiming to improve the family's ranking.

7

### Birthday reward

Mark's son receives a special birthday award - free 3 games. Mark thought this was a nice personalised touch.

8

### Cross-industry rewards

Mark discovers diverse options for utilising **FUNpoints**, including exclusive merchandise, early access to new games, and even a family-friendly movie night.

9

### Redemption

Finally, Mark has earned enough **FUNpoints** to redeem the family bundle to the Water Park. He realises that he had extra points to make charitable donations as well.

12

### Mystery rewards

Occasionally, the app would unveil Mystery Rewards. The thrill of the unknown adds an extra layer of excitement to the program. You get an extra reward by referring a friend!

11

### Dance mission

In an effort to earn more **FUNpoints** to redeem a family trip to a water park, Mark participated in a dance mission with his son. What a healthy habit!

10

● Individual games ● Group games ● Games involving innovative technologies (AR, VR, NFT, AI, etc.)

TREND 03

# Unleashing the potential of tokenised and coalition loyalty







# More than a partner network, harnessing a lifestyle ecosystem to boost profitability

Having your points balance updated only after two days or managing different points systems due to varying partners within the program – both are undesirable. To retain customers, brands today can no longer offer such journeys that are disparate or simply not (near) real-time.

These challenges frequently stem from intricate technical foundations or complex integrations required to accommodate diverse program contributions. To serve members more effectively, modern-day and scalable cloud-based technology must cater to both business-to-consumer (B2C) and business-to-business-to-consumer (B2B2C) loyalty propositions, avoiding disjointed datasets and their consequences.

## Leveraging tokenised loyalty ecosystems

Tokenisation emerges as a solution to ensure seamless, real-time experience throughout the entire loyalty ecosystem. This encompasses B2C entities, as well as partners (B2B2C) and their respective components. The outcome is a consolidated point

system with instantaneous point management and immediate updates to user point balances. As illustrated in the subsequent pages, lifestyle ecosystems can include different layers to support different types of businesses and partners. Typically, a multi-brand fashion retailer has the inherent capability to enhance the customer experience for all members across its diverse outlets, simultaneously unlocking myriad opportunities for collaborative contributions from partners.

From a security standpoint, this approach reinforces a robust fraud management protocol with on-chain loyalty points. Unlike traditional approaches, users no longer need to wait for batch reviews of transactions by the supporting engine, eliminating prolonged processing times for transaction validation. Operational efficiencies will also witness a boost with Application Programming Interface (API) abstraction and metadata management. Indeed, the intricacies of batch management are eliminated, the onboarding process for new entities or partners is expedited, along with the burden of managing numerous integrations being reduced.





### Real-time enriched datasets

A significant benefit of a tokenised ecosystem lies in its capability to aggregate data points in real-time, facilitating the development of comprehensive datasets across various dimensions of loyalty, including behaviour, motivation, context, and transactions. The intricacy of this data, such as utilising geolocation to see where users move and interact, enables the meticulous and holistic evaluation of loyalty performance.

Furthermore, the diverse entities that contribute to the loyalty program can leverage such data to capitalise on upselling and cross-selling opportunities, through effective management of bundle rewards or co-branded campaigns. Moreover, transactions are promptly recorded, thereby serving as triggers for instantaneous, real-time actions (*refer to Trend 4*). The tourism and hospitality industries often harness such data to seamlessly link hotels and attractions, creating novel visitor experiences that unite various sites and tourist landmarks, whilst ensuring a unified experience with real-time triggers.

### Business impact of the partnership model

Expansive lifestyle ecosystems can cultivate substantial customer bases, while fostering emotional connections to the program. Having a dedicated customer foundation to entice and integrate new participating partners into the loyalty ecosystem, coupled with varying fee structures (such as fees per loyalty transaction or the buying/selling of points) can be strategic in helping brands gain new revenue through alternative avenues. In addition, the implementation of tokenisation can effectively streamline the intricate settlement procedures involved.

As an example, a luxury brand focusing on a customer segment with high-net worth individual (HNWI) can onboard partners focusing on the same type of profiles, offering them direct access to relevant customers while enriching the loyalty value proposition to the members. As a result, through careful partner selection, a brand can monetise its customer base while boosting offerings leading to a win-win situation for all participating parties.



# Think big: Expanding a partner network to support an ecosystem-centric loyalty proposition

## Couture Carousel Group: Multi-brand fashion retailer

## One currency, no more disjointed datasets!

By using a single currency, real-time enriched datasets are available across the entire ecosystem



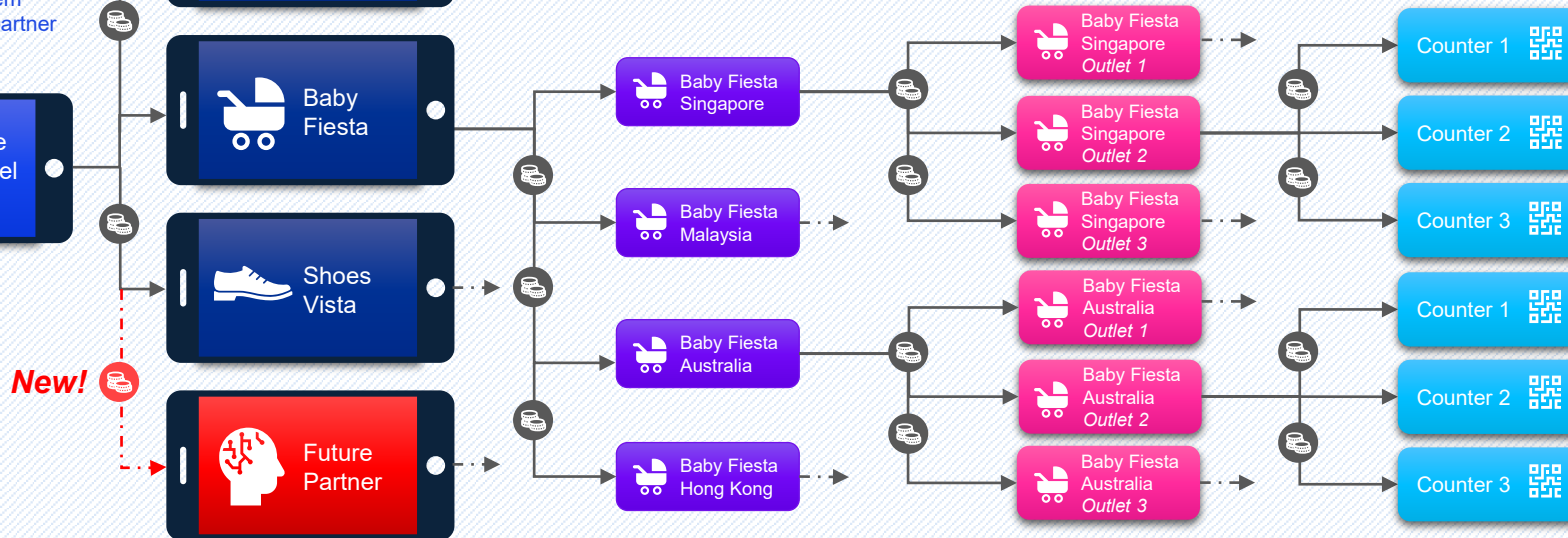
### Corporate Loyalty Portal (B2C)

Perform loyalty with your customers, while managing your partner ecosystem seamlessly with the partner tree!



### Partner (B2B2C) - Self-service Portal

After self-onboarding, each partner organisation is equipped with its individual portal to manage its own tree, perform reward management, follow up on transactions, manage campaigns, etc.





# Readiness for Web3 and beyond

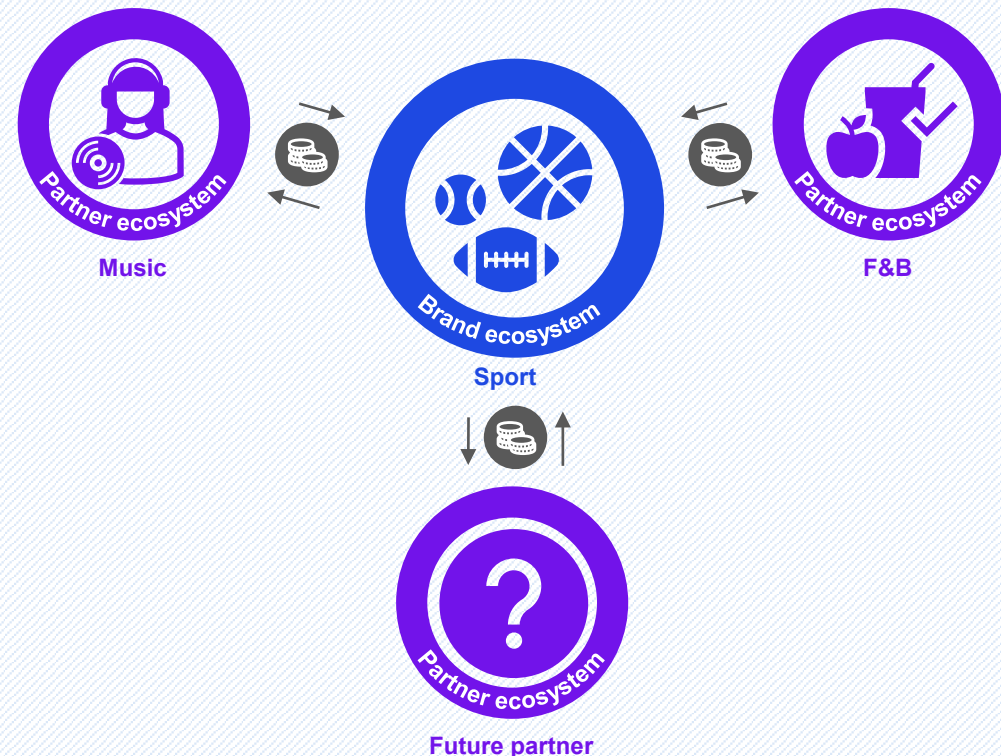
## Coalition programmes to boost customer engagement

To enhance members' experience within the customer ecosystem, loyalty teams have broadened engagement through coalition (or alliance) programs. This entails a reciprocal exchange of points between different programs, governed by a predefined exchange rate. Points from program A can seamlessly convert into points within program B, and vice versa.

Tokenised ecosystems possess seamless capabilities to execute real-time token exchanges (e.g., utilising the Ethereum Request for Comment 20 [ERC-20] standard), elevating customer loyalty across diverse loyalty initiatives. Noteworthy successes in this realm are emerging, particularly within expansive multi-brand conglomerates. This strategy enhances customer retention and expenditure, all while placing the customer at the heart of this technology-driven approach.

Today, brands focusing on the same customer segments or wishing to expand to new ones can create alliances: think about a sports brand partnering with a music corporation to build up a new lifestyle for music-loving athletes. Or perhaps even partnering and expanding with a food and beverage (F&B) brand offering healthy food products and diets to support athletes in other dimensions of their trainings.

## Building expansive lifestyle ecosystem with alliance partners



## Token-exchange to bridge ecosystems





The transformative power of Web3 will unlock captivating customer journeys, where loyalty takes center stage in shaping the future of customer engagement.



**Antony Ruddenklau**  
Partner, Global Head of Innovation,  
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KPMG International

As a result, having a cross-platform single data view is another key driver in improving customer journeys for all contributing brands.

#### **Readiness for Web3 enthusiasts**

Underpinned by secure and versatile blockchain-based technology, the concept of tokenisation not only paves the way for future-readiness in the realm of hybrid payments, but also strategically positions companies to embrace the realm of cryptocurrencies. This allows brands to proactively engage Web3 enthusiasts at an early stage, ushering in a more appealing and innovative mode of interaction with users who will become an important and pivotal target audience.

Beyond simply enhancing a contemporary brand image, the adoption of Web3 brings a host of benefits. This can include token gating features that introduce new types of rewards, based on cutting-edge tech like NFTs (or badges) or the metaverse. It also signals the emergence of a significant trend: the advent of purpose bond tokens, such as bolstering initiatives centred around carbon credits (*refer to Trend 5*).

Ultimately, adopting Web3 will help to align with Single-Currency Stablecoins (SCS) frameworks that some governments are working on today, to modernize and secure business payment methods which could support engagement in loyalty programs.

TREND 04

# Fuelling customer centricity through data-driven personalisation





# The nexus of customer centricity and data-driven hyper-personalisation

**In this digital age, customer expectations have soared to unprecedented heights. Generic one-size-fits-all approaches to customer engagement no longer cut it. Customers crave for hyper-personalisation, even on loyalty platforms, and expect every interaction to tailor to their unique preferences and behaviours.**

## What is hyper-personalisation?

Hyper-personalisation goes beyond traditional personalisation by harnessing the power of AI and machine learning (ML) to provide more granular and relevant interactions, thereby fostering stronger customer relationships and driving business growth.

It is vital to gain a view of the entire ecosystem, capturing all types of data (Zero, First, Second and Third Party) from multiple sources, to generate segments and develop personalised engagement strategies to enhance platform loyalty. This will become even more critical in a cookie-less era to analyse customer behaviours.

1. Me, My life, My Wallet (3<sup>rd</sup> edition), KPMG, 2021

The first step to enabling hyper-personalisation is building a holistic understanding of customers through multiple data points. Data points should not only include loyalty data (who is spending on what and when) but also more modern data points such as capturing customer sentiment and/or their movement via geolocation technology. Then, incorporating AI and ML to your Customer Data Platform (CDP) is key to unveiling the correlations and connections in customer loyalty that might otherwise remain obscured in the vast expanse of data gathered.

**31%**

of millennials find the idea that a company knows more about them than they do themselves as 'cool'.<sup>1</sup>



### Type of party data

Data that customers intentionally and proactively share with an organisation

Data from sources other than your own collection efforts

0

E.g. survey, feedback, conversations

E.g. purchases, customer service, geolocation

1

Data collected directly from your customers e.g. impressions

2

E.g. Partners and collaborations

E.g. External and 3<sup>rd</sup> party sources

3

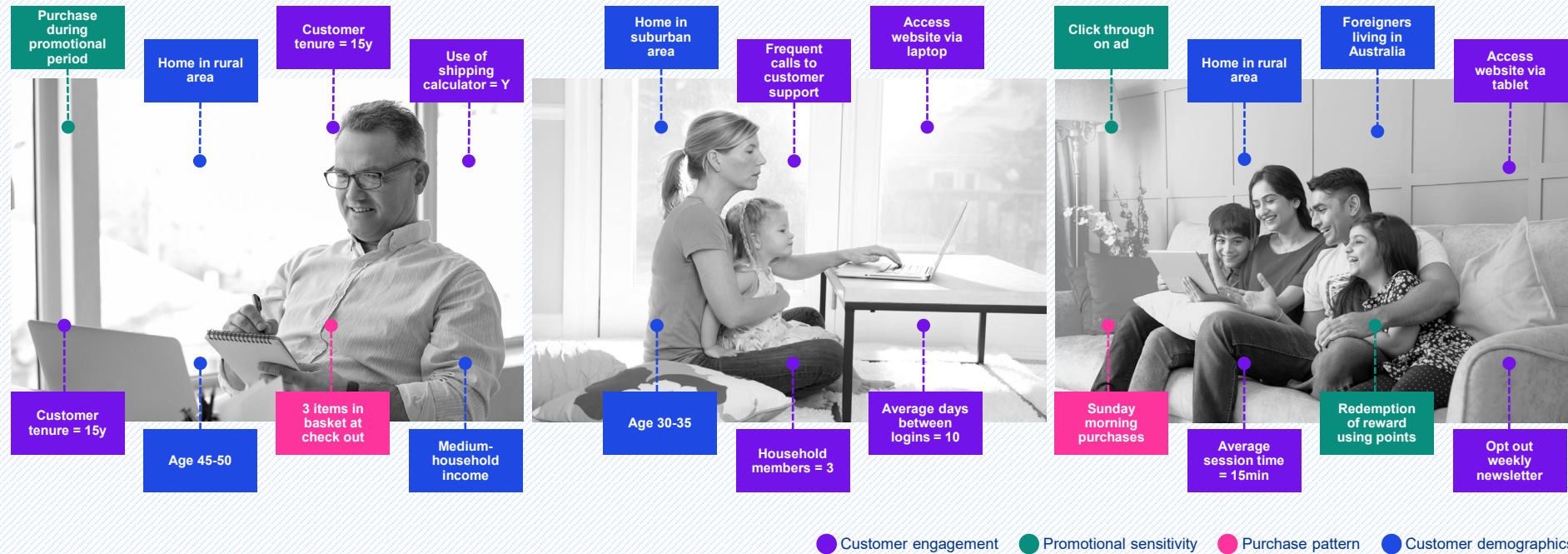
Data to enrich customer profiles with additional dimensions





# Variety is the spice of life: Building data profiles from multiple different sources

## Collecting data from all spheres of life



## Engagement channels





# From data-driven to data-smart: Bringing customer segmentations to the next level

Data visualisation is critical in ensuring that processed data and identified segments are accessible to colleagues in your business. Clear, user friendly dashboards ensure that the right data can be accessed by the right people at the right time to make informed decisions to deliver hyper-personalised loyalty platforms. With the support of a CDP, the customer segments will need to be fully integrated with all the different technology platforms of your customer engagement ecosystem to define journeys and create adequate triggers so as to deliver full performance for loyalty programs.

These customer segments provide a compass to guide brands toward personalised omni-channel engagement strategies that resonate with each group's unique essence and keep them returning to your platform for more. Today, these segments can be narrowed down to as little as 30 users to adopt targeted segment-based performance strategies around loyalty and CLV.

For example, in order to enable customers to receive real-time, contextually relevant rewards, notifications, games and promotions that align with their specific current needs and desires, each company needs to define specific customer engagement strategy in terms of channels, frequency and generation to consolidate what is at the core of loyalty: the emotional connection.

## Examples of hyper-personalisation



### Retailers

Geolocation is utilised to trigger promotions nearby based on real-time location data.



### Hospitality

Loyal members receive exclusive rates and experiences based off their travel behaviour and preferences.



### Automobile

Tailored service packages, vehicle customisation options, and early access to new models based on customers' driving habits and preferences.



### Outcomes of hyper-personalisation

By tailoring interactions to individual preferences, this strategy forges a deeper bond between customers and brands, amplifying their faithfulness over time. Could hyper-personalisation bring more? Going beyond, this faithfulness can turn into customer advocacy for your brands amplifying even more the benefits of your customer engagement strategy with a ripple effect that can deliver a major impact to the loyalty program growth.

The feedback loops are also becoming more integral to the loyalty program design (Zero-party data) to help analyse the performance, support hyper-personalisation and act on it. Hyper-personalisation is more than a mere word. Enhancing cross-selling and upselling by suggesting tailored products based on user preferences, leading to increased revenue streams has demonstrated its full potential. The data-driven insights derived from this strategy not only refine marketing tactics but also guide product innovation, drive operational efficiency and even, partner selection (*refer to Trend 3*). Thus, hyper-personalisation creates a symbiotic relationship where customers benefit from customised value, while brands optimise engagement, loyalty, and CLV, ensuring a thriving and enduring brand-customer emotional connection.



**Data-driven insights will play a pivotal role in the future success of loyalty programmes, with its significance in shaping successful customer loyalty strategies set to grow.**



**Paul Kent**  
Partner, Advisory  
KPMG in Singapore

TREND 05

# Nurturing impact through sustainability and corporate social responsibility







# The move towards purposeful customer loyalty

Customers are becoming increasingly conscious of environmental sustainability and ethical business practices. Thus, it is key that loyalty programs evolve to embrace a purpose-driven approach, fostering meaningful customer relationships whilst making a positive impact on the world.

## Aligning to customer expectations and values: the rise of green loyalty

Integrating sustainably and socially responsible practices into loyalty programs enables brands to extend their values beyond transactions, forging a more meaningful connection with customers that mirrors their own beliefs.

This alignment not only enhances customer loyalty but transforms the act of engagement into a shared journey towards a more sustainable and compassionate future, solidifying the brands position as a companion on the path of conscious consumption.

**90%** of customers are willing to pay more to an ethical retailer or brand that gives back to society.<sup>1</sup>

## Paying attention to generational differences

Crafting a sustainable and socially responsible loyalty program is essential to capturing the allegiance of Generation Z users. With their heightened awareness of global issues and strong dedication to social and environmental causes, Generation Z customers often seek purpose-driven engagement.

Aligning a loyalty program with sustainability and social impact resonates deeply with customers, as it reflects their values and fosters an authentic connection. By offering rewards tied to eco-conscious choices and supporting charitable endeavours, businesses can demonstrate their commitment to meaningful change, which is pivotal in retaining Generation Z's loyalty. In a landscape where purpose-driven brands prevail, a sustainable and socially responsible loyalty program becomes not just an option but a vital strategy to engage and cultivate lasting loyalty among this influential generation.

**80%** of customers prefer buying from the brands whose actions align with their beliefs and values.<sup>1</sup>



1. Me, My life, My Wallet (3<sup>rd</sup> edition), KPMG, 2021



# Innovative strategies to embed purpose-driven loyalty

There are a number of innovative strategies to seamlessly integrate sustainable and socially responsible practices to propel loyalty programs into the realm of purpose-driven engagement. The psychological effect of “reciprocity” is key to the success of these strategies, encouraging individuals to respond to a positive action (e.g. receiving points) with another positive action (e.g. donating points for a greater cause).

## Using loyalty to foster eco-friendly behaviour and purchases

Customers engaging with ethically responsible practices, such as using a reusable cup or purchasing from sustainable local suppliers and partners can be rewarded with points. For example, specially selected eco-friendly partners can be given a unique status that rewards customers with double points for purchases to encourage sustainable retail behaviour.

## Carbon offsetting and redeeming carbon credits

Incorporating carbon offsetting initiatives into loyalty programs is a novel and exciting way to appeal to environmentally conscious

customers. Customers can choose to donate points to these carbon offsetting initiatives, such as reforestation or methane capture, which are designed to balance out personal or corporate carbon footprints, thus helping to counteract the environmental impact of activities and fulfilling the human desire for a sense of fulfilment and moral satisfaction. Or what about supporting a low-income Fiji landowner who could use its land to plant mangrove generating a win-win scenario for a brand, a partner and a customer?

Some carbon offset programs may also offer certificates or acknowledgments of contributions, which can serve as a tangible record of consumers’ and brands’ commitment to sustainability.

Furthermore, users can redeem their points or rewards for carbon credits within the tokenised ecosystem. Users can use these credits to offset their own carbon footprint, effectively making their loyalty program participation environmentally friendly.



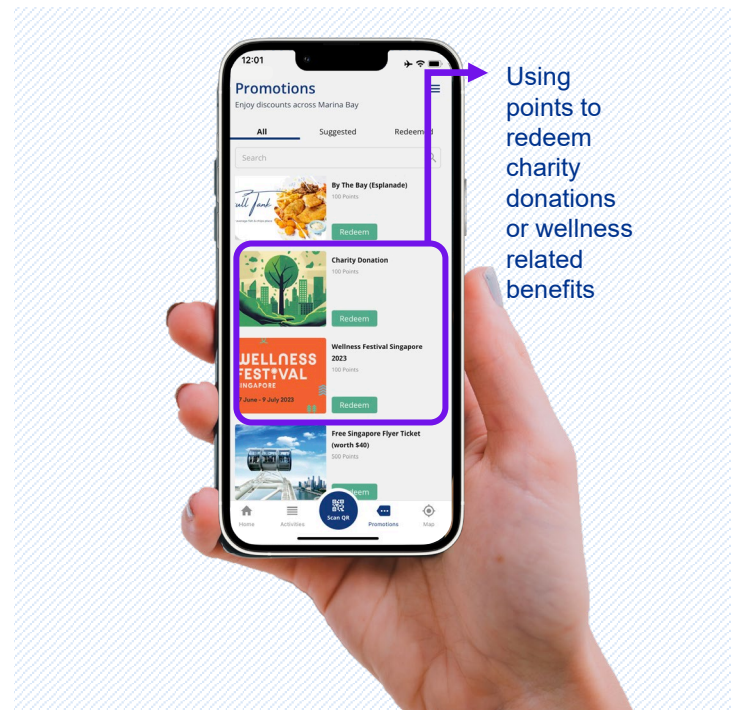
### Using points to redeem charity donations

Brands can leverage customer empathy by enabling customers to redeem points they have earned by donating to a variety of not-for-profit initiatives, such as charities. This is being trialled in the market (see image) and is supported by 61% users, who prefer to donate their rewards to a good cause rather than redeem them personally. Despite this strong research, limited loyalty programs are offering these types of rewards in their catalogue and therefore there is an opportunity to do so to get an edge and win the loyalty of more socially and environmentally conscious customers.

### Purposeful partnerships

Sustainable and socially responsible loyalty programs can influence criteria for partner selection, to ensure that partner values align and reinforce a commitment to Environmental, Social and Governance (ESG). This way businesses can demonstrate their adherence to ethical governance practices and responsible business conduct, avoiding greenwashing and fostering trust and goodwill among their customer base. This can also enable more attractive partners to be selected for user needs. For example, the inclusion of wellness-related partners and activities can appeal to more health-orientated Millennial users.

1. [The truth about customer loyalty](#), KPMG, 2019



# 61%

of users prefer to donate their rewards to a good cause rather than redeeming them personally<sup>1</sup>



TREND 06

# Unlocking business value







# Covering multiple dimensions of loyalty strategy

**A loyalty program has the power to significantly impact a business and play a crucial role in retaining customers and enhancing branding efforts. Nevertheless, the ultimate gauge of its success rests in its capacity to drive revenue and profitability, thus positively impacting sales.**

## Loyalty strategy and profitability

Frequent high-volume purchases, remarkable campaign outcomes, and enhanced CLV are the coveted outcomes of loyalty program endeavours. However, companies often encounter challenges in aligning these aspirations with profitability and sales while optimising program costs. The question therefore arises: why do companies occasionally fall short of achieving these targets?

We will explore several potential factors. This may include a restricted array of rewards, underutilisation of available data,

inconsistencies in delivering a seamless customer experience, a dearth of evident value, a lack of understanding on customer loyalty or simply not being able to identify why customers are loyal.

These issues may be the symptom of a lack of a cohesive strategy. While a short-term strategy is indispensable, it must be complemented by a well-defined long-term vision. Also, brands should not just replicate what their competitors are doing to remain relevant.

In addition, a lack of rigorous financial analysis to critically analyse program ROI is often visible. It is critical to benchmark loyalty programs and detangle loyalty costs and benefits from marketing programs to deliver a true picture of costs, benefits and where future value lies. Is the program generating incremental revenue or margin dilutive?

**65%**

of APAC businesses do not understand why their customers are loyal to their organisations.<sup>1</sup>

1. [Two thirds of businesses fail in measuring the right data to effectively gauge customer loyalty | Mirage News](#)



### Driving revenue with loyalty

What are the game changers to reach success? Typically, questions on scaling up a loyalty program to achieve significant impact are frequently posed to professional services firms like KPMG

To drive revenue, the reward strategy will need to first resonate with customers. Shifting from rewards-based on tiers to value-based system is essential, and sustainability and charity in loyalty are new areas to explore. Experience rewards are also an option depending on the type of loyalty program.

Secondly, brands with a lack of granularity in customer segments and treatment (e.g. rewards based on age category) is also a common issue that can now be tackled efficiently with CDP to trigger hyper-personalisation and unique customer journeys supported by an omni-channel strategy. Brands will also need to choose their membership model wisely.

**7 out of 10 businesses in APAC do not have a proper framework in place to measure loyalty in the context of overall business performance.<sup>1</sup>**

1. [Two thirds of businesses fail in measuring the right data to effectively gauge customer loyalty | Mirage News](#)  
2. a) [Global Leisure Perspectives, KPMG, 2023](#), b) [Making the connection: Rethinking the role of loyalty management, KPMG, 2015](#)

**60%** of brands do not have all sources of customer data into a single customer view.<sup>1</sup>

#### Typical issues faced by local programs<sup>2</sup>

**88%** of organisations run an “earn & burn” loyalty program

**56%** see this program for contact capture for promotions

**40%** collect data but don’t perform regular analysis

**12%** integrate results from loyalty programmes into their marketing channels and go-to-market strategies.

**6%** actively leverage program to drive sales objectives



# Start small, think big

That said, other strategy elements to help with revenue generation will need to be developed gradually with up-selling and cross-selling opportunities with partners. The B2B2C strategy with adequate data utilisation can drive such strategy and increase conversion rates.

Leveraging innovation to remain relevant to customers is also critical, such as including tier-based gamification to collect zero-party data. These game mechanics can be applied to missions, challenges, badges and leaderboards to drive brand growth and engagement.

Finally, loyalty strategy is one part of the customer engagement and will need to work hand-in-hand with the rest of the pillars in supporting these strategies, which ultimately aim to boost sales by promoting connection with the brand.

## **Monetisation: Turning your customer base into a financial asset by expanding partner network**

As previously discussed, a tokenised ecosystem has the potential to create a connected loyalty value proposition with the support of partners. This growth-enhancing ecosystem exemplifies collaborative value creation, which is crucial for effectively managing engagement. A sole, branded loyalty approach is often insufficient in today's landscape. That said, how can companies derive financial benefits from their own loyalty programs?

The strategy of granting access to a customer base can be tailored to different onboarding and pricing models, contingent on factors such as the ecosystem's nature, partner characteristics (size, products, locations, etc.) and activity levels in terms of loyalty contributions. Generally, pricing models revolve around mechanisms such as token buy/sell rates, charges per volume of loyalty transactions, Monthly Active User (MAU) fees, fixed costs, and more. The aim is to ensure the program's sustainability and profitability for all parties involved.



**Harnessing your customer base as a financial asset will be a strategic imperative in opening new revenue streams and driving exceptional profitability and growth.**



**Guillaume Sachet**  
Partner, Advisory  
KPMG in Singapore



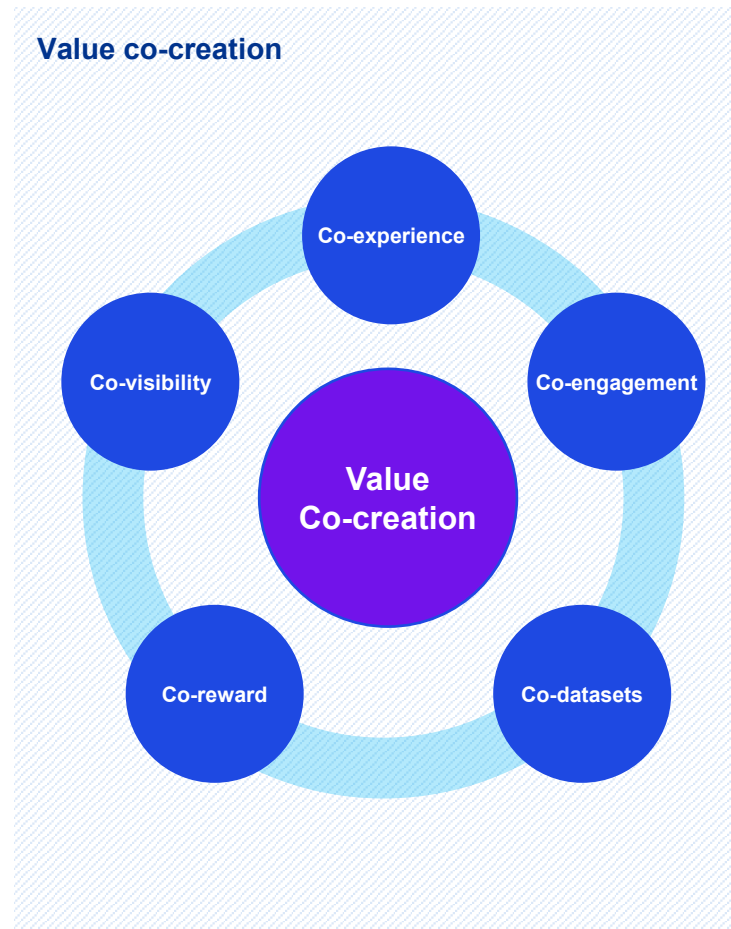
### Co-creation of value with partner network

An aspect that is often overlooked by brands is collaboration with partners to co-create value, potentially through initiatives like bundled rewards, co-branded campaigns, and so on. Partners can strategically provide the right incentives to less frequent customers, thereby fostering loyalty and increasing spends across the network. This co-creation model, which unlocks value, is particularly critical for industries characterised by low visit frequencies, such as airlines, car rentals, and more. This could support customer retention and establish a stronger connection between users and the brand. In other industries, it can offer specialised access, such as targeting:

- HNWI in the luxury sector
- Parents with newborns
- Frequent flyers for airlines
- Technology enthusiasts looking for innovative journeys

There is no one-size-fits-all. The process of selecting partners is pivotal in maintaining alignment with the brand's values. This remains valid for any coalition programs a company partners with to deliver the greatest customer identification and satisfaction as well as supporting the go-to market strategy for new offerings.

### Value co-creation







# Conclusion: What is next for loyalty?

As explored, trends in the loyalty space have proven to be pivotal in driving customer engagement, aiding brands in their efforts to enhance revenue and profitability.

From KPMG's point of view, four major trends are on the horizon in the near future, promising innovation and expansion opportunities.

## Where is the future of loyalty heading?

### *Cashback rewards will become more popular*

Adopting cashback in a loyalty program can be a win-win for businesses and customers. Indeed, on top of the instant gratification, cashback rewards incentivise customers to make repeat purchases, driving higher engagement with brands. In a crowded market, it can help to differentiate a brand from its competitors with less appealing reward catalogue. It can also help to build customer-centricity, as rewards are going directly in customer's pockets, while reducing discount dependency impacting pricing structure or devaluing business's products.

### *The Role of Voice and Conversational AI*

Generative AI (GenAI) is an emerging technology that is increasingly garnering investments from various companies.<sup>1</sup> With the growing prevalence of voice assistants and chatbots, there is potential for loyalty programs to evolve by incorporating voice-activated features. This would enable customers to conveniently access their rewards, redeem them, and receive personalised offers through voice commands. Such an advancement would revolutionise customer engagement strategies and reshape the current paradigm we consider for fostering emotional connections. Essentially, brands could capture customer reactions to rewards, with virtual agents playing a significant role in enhancing brand engagement.

### *Technological advancement as a major driver*

AR, Virtual Reality (VR), and the Internet of Things (IoT) are poised to significantly influence the future landscape of loyalty programs. The incorporation of loyalty programs into the metaverse stands out as a prominent trend that brands should actively pursue, particularly considering the substantial role that Millennials play within the loyalty sector.

1. [Generative AI: From buzz to business value, KPMG, 2023](#)



### ***Globalisation and cross-border loyalty will emerge***

In an increasingly globalised world, another prospective development involves the emergence of multi-country loyalty programs, with tokenisation poised to provide substantial support for this initiative. Loyalty programs are set to become more inclusive and diverse, designed to accommodate a wider spectrum of customer demographics. This could encompass the provision of culturally relevant rewards and active engagement with underrepresented communities. While adherence to data privacy laws and compliance with token regulations across different markets will necessitate process adjustments, global brands can anticipate substantial advantages in embracing this strategic approach.

### **Conclusion**

Loyalty is currently advancing at a rapid pace. It has evolved into a domain where an increasing number of brands are investing to maintain their competitiveness and drive profits. The competitive environment within the loyalty program sector, marked by the entry of new players and the expansion of their offerings, will compel brands to consistently enhance their offerings. In conjunction with the mobile-first strategy, we can anticipate the

eventual emergence of an era characterised by super apps and expansive loyalty programs, all driven by a central focus on innovation to constantly engage customers. Lifestyle ecosystems with emotional connections will become more predominant in the near future.

As innovation takes centre stage in the realms of loyalty and customer engagement, brands are faced with a pivotal question they must address before embarking on or redefining their customer-centric loyalty initiatives. This question pertains to whether they should buy existing solutions or build their own, while recognizing that the choice they make can significantly influence their capabilities and competitive advantage in the future.

**The technology landscape is teeming with opportunities to boost your loyalty programs. Our KPMG experts can help you be at the forefront of innovation in loyalty and customer engagement, bringing their wealth of expertise in capitalising on this ever-evolving space and help to deliver success for you. Reach out to us now!**



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