



EXCENTUS™

The Road to Rewards 2017

Loyalty in the Fast Lane





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The Starting Line

For brands and retailers eager to embark on a rewarding journey with their customers, it's important to survey the landscape ahead. Understanding what consumers want and value in a rewards program is crucial to knowing how to fine-tune a loyalty strategy.

“U.S. consumers ranked fuel savings as their #1 preferred type of rewards currency for the third year in a row.”

Our latest report, *The Road to Rewards 2017*, looks at what types of rewards programs consumers engage with the most, what currencies they value, which approaches can influence their behavior, and what motivates their loyalty. Some of our findings, frankly, were surprising.

What's not surprising is that U.S. consumers ranked fuel savings as their #1 preferred type of rewards currency for the third year in a row. With a 5% year-over-year increase since 2015, 64% of Americans now belong to a rewards program that enables them to earn rewards they can redeem to save on fuel.

For American consumers, cents-per-gallon fuel savings is such an attractive rewards currency, that in 2017 fuel savings overtook cash-back as the rewards currency with the highest level of engagement, with consumers actively earning and redeeming their fuel savings at least monthly.

Our survey also finds that loyalty programs' ability to influence customer behavior is on the rise, with 36% of consumers (compared to 26% in 2016) shopping more frequently at stores where they can earn rewards. And with 20% reporting that they shop specifically at stores where they can earn rewards that help them save on the cost of fuel, that currency may be the “supercharger” retailers need to accelerate their revenues.

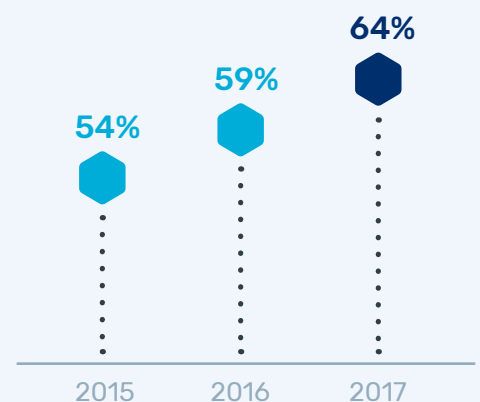
New data focusing on the convenience retail environment revealed an even higher incidence of loyalty. **After location (44%), a loyalty program is the main reason customers choose a specific c-store (43%), even ahead of gas prices (31%).** Most c-store customers shop more frequently or exclusively at a convenience store if they belong to that store's loyalty program, and 21% cite the ability to save on fuel as their primary motivation to joining a rewards

program. With a surplus of surprising data on the convenience retail sector, we are releasing a companion report, *The C-Store Shopper*, which includes these findings as well as insights into the traits and profiles of convenience retail shoppers.

This report is the third annual study of consumer attitudes and behaviors towards loyalty programs and rewards, and is based on an independent survey of 1,086 U.S. consumers by Excentus and Ipsos conducted in November 2017.

2017 Membership Growth

Membership in fuel savings loyalty programs continues to grow, a significant 10% increase over 2 years.



Membership Programs Hit the Gas, Driven by Fuel Savings

Fuel savings rank #1 preferred U.S. consumer rewards program for the third year in a row.

Loyalty is as important as it's ever been, and not just to brands and retailers seeking to retain and attract high-value customers. Consumers also continue to embrace loyalty and rewards programs at ever-higher rates, particularly in the U.S., where participation in loyalty programs (as measured by individual loyalty memberships) climbed 15% since 2014 to 3.8 billion, according to Colloquy research. Whether that is due to the proliferation and availability of program options or a more general evolution of consumer sentiment, the data doesn't necessarily reveal. What is beyond question, though, is the fact that consumers have a significant appetite for loyalty programs, and as our data reveals they have mostly been hungry for fuel discounts.

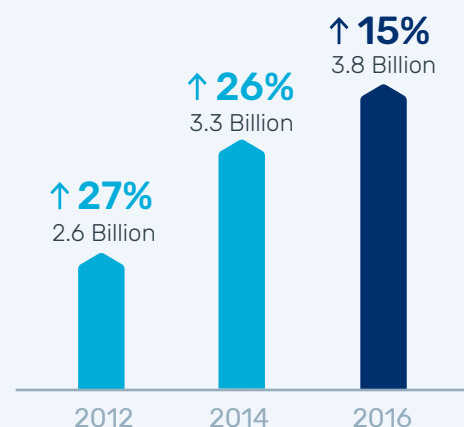
Memberships in fuel loyalty programs have risen by 10% in the past two years, according to our survey data. A full 64% of respondents indicated that they

belong to a program that helps them save on the cost of gas, up from 59% in 2016 and 54% in 2015. In the U.S., no other specialty loyalty program or reward type has enjoyed such comparable growth in this time span. The popularity of cents-per-gallon fuel savings also indicates that consumers find this currency extremely valuable when it comes to everyday spend. This is supported by two other survey findings: the fact that value and the ability to save continue to be major factors in the decision making around rewards program participation, and the outsized prominence of gas prices in the minds of consumers.

The top two reasons consumers cited for joining a rewards program were, "I like saving money any way I can" (36%) and "I can earn rewards on purchases I make every day (19%)."

These two reasons were also the top responses in 2016, hinting at the durability of perceived value when it comes to loyalty program participation.

Individual loyalty program memberships climbed 15% since 2014 to 3.8 billion.



2017 Membership Growth

Which type of rewards do you currently earn?

Fuel-saving rewards



2016 (37%), 2015 (37%)

Cash-back on credit cards



2016 (34%), 2015 (32%)

Rewards I can redeem among several retailers or brands (coalition program)



Rewards I can redeem at a specific c-store (loyalty program)



This sentiment is compounded by consumers' perpetual awareness of fuel cost. Throughout 2017, consumers were watching gas prices more carefully (69%) compared to 2016, even as fuel prices were largely stable (and actually dropped slightly)

Fuel-saving rewards (39%) and cash-back on credit cards (35%) are clearly the most preferred types of consumer rewards.

over that two-year span. Fittingly, consumers are looking to save on fuel whether gas prices happen to be rising or falling – 73% of respondents said it was important to them to earn rewards to save on fuel when the price of gas rises, and a similar percentage (58%) echoed the identical sentiment when the price of gas falls.

Taken together, these two findings – that consumers look to their loyalty programs to save money and deliver everyday value, and that gas prices remain top-of-mind even in a relatively stable environment – make it clear that fuel savings are a highly-valued and enduring reward currency.

This is reinforced by our survey data: fuel savings (39%) and cash-back on credit cards (35%) are clearly the most preferred types of consumer rewards, and have been every year this survey was conducted (fuel savings: 37% in 2016 & 2015; cash back: 34% in 2016 and 32% in 2015).

And brands and retailers are taking note of this trend. According to our survey, all of the reasons respondents gave for declining to participate in a fuel savings-related loyalty program remained steady from year to year, except lack of availability, which indicates an expansion of participating retailers in surveyed regions and/or an increase in fuel

loyalty programs overall. With the popularity and high perceived value of this kind of rewards program, we may expect to see both in the coming years.

Even when prices drop, 58% of consumers find it important to save on fuel.

73% of consumers find it important to be able to earn rewards to save on fuel.

Fuel Savings Overtake Cash-Back

Fuel-savings rewards have again overtaken cash-back as the rewards currency with the highest customer engagement

Of course, participation in a loyalty program is only one metric by which to measure the popularity of a program or the rewards currency it employs. The raw number of memberships in a given loyalty program, while important, doesn't really paint the whole picture, as many memberships may be dormant or infrequently used.

Engagement, on the other hand, is a more accurate reflection of consumer activity and sentiment, and in terms of engagement, cash-back has always been king. In some ways, this makes sense; cash-back has exceedingly straightforward value – cash is cash, no points conversion required, no discount-percentage fluctuation based on pricing. It is also generally passive, often linked to spending on a credit card so earning takes place on every purchase and redemption is contained within the card environment. Cash-back is simple for the consumer, so it's no surprise that it topped the responses as the most actively-earning reward in 2015 and 2016.

But an interesting shift happened this year. While many U.S. membership programs are facing a decline in program activity – Colloquy states that over 54% of members in U.S. programs are inactive – **rewards programs with a fuel savings currency have been seeing a steady incline**, with respondents stating they are redeeming every few weeks or months. And this year, fuel savings have again overtaken cash-back as the rewards currency with the highest level of engagement.

According to our survey, the percentage of consumers that reported actively earning fuel savings as a reward increased by one point over 2016, to 30%. Cash-back on credit cards (29%) remained a strong second place, declining by only one point from 2016. These two currencies remained far and away the most popular kinds of rewards in terms of engagement, nearly double the third-most-cited rewards that accumulate on a credit card (17%).

These findings hint at a fairly significant development in consumers' attitudes toward rewards programs: that discounts at the pump are at least equivalent to actual cash in the perception of the consumer. With fuel being a predictable, consistent and repeated expense, any savings realized on fuel purchases are more tangible than "points," and more immediately viable than longer-accruing currencies.

2017 Program Engagement

Fuel-savings rewards surpass cash-back as the rewards currency with the highest consumer engagement.



Fuel savings

2016 (29%), 2015 (29%)



Cash-back on credit cards

2016 (30%), 2015 (24%)



Redeem rewards with a specific retailer

2016 (17%), 2015 (15%)



Instant discounts at the cash register

2016 (15%), 2015 (16%)



Additionally, cents-per-gallon fuel savings is a currency that provides regular redemption experiences, which positively differentiate it from cash-back rewards. The psychological benefit of an actual redemption interaction, rather than a gradual point accrual or an invisible cash-back credit to a consumer's bank account, is well-established. Because the price of gas effectively saturates the consumer's day-to-day experience — signs on every street corner, price updates on the local news, the frequency of having to fill up — the value of a fuel discount remains very much top-of-mind.

Cash-back has been, and continues to be, a comparatively “active” rewards currency because it can be used toward any future purchase, and purchases are going to happen. There is no ambiguity or uncertainty;

Savers vs. Spenders

While programs with fuel savings enjoy the highest level of engagement among our survey respondents, there is a segment of consumers who, while maintaining an active rate of earning, prefer to delay redemption of their rewards until they accumulate enough to redeem them for something of value. These “savers” represent 35% of consumers who participate in a rewards program. Program members with fuel savings, however, earn rewards on every-day purchases and redeem them regularly at the pump; 16% of respondents describe their earning and redemption habits this way.

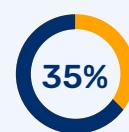
Another 16% claim to “redeem rewards as soon as they earn them,” consistent with 2016 findings.

This disparity between savers and spenders — not an uncommon divide among loyalty programs in general — underscores the daily utility of rewards like fuel savings, and speaks to the value of currencies with active earning and redemption cycles. Consumers' diverging attitudes toward different kinds of rewards currencies can give brands strategic options in terms of which loyalty approaches to pursue.

consumers, by definition, will make purchases, and a consumer who has earned cash-back rewards will be able to apply those rewards to their next purchase. Likewise, for many consumers, fuel purchases are going to happen, and so fuel savings are effectively as good as cash, if not better; a discount on a commodity a consumer is compelled to buy is more valuable than a token amount of cash-back that dissolves into the budget. What this survey data makes clear is that consumers are waking up to this fact, in greater numbers than ever before.

2017 Rewards Tracking & Redemption

Which one best describes your personal experience to earning and redeeming your rewards?



Accumulate rewards until they're valuable to redeem on something I need or want

2016 (27%)



Earn rewards on purchases and redeem at them regularly on fuel

2016 (16%)

Taking Loyalty on the Road: The Future Is Mobile

The biggest jump in preferred tracking and redemption channels? You guessed it: mobile.

Regardless of whether loyalty program members choose to redeem their rewards immediately or let them accrue toward a goal, all participants want to easily monitor, manage and interact with their loyalty programs. How they do so is evolving, and our survey data shows some profound changes in this area between 2016 and 2017, as well as some predictable – and some surprising – distinctions among demographics.

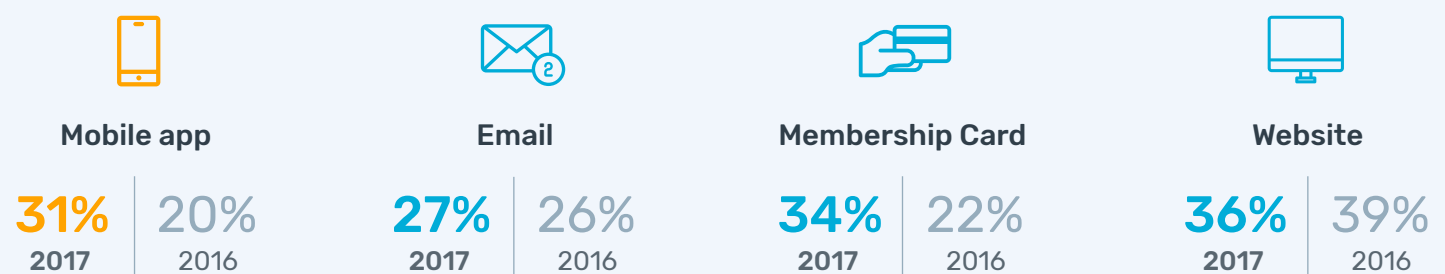
Of course, old habits are hard to break. The largest segments of consumers in our survey still rely on a brand's website (36%) and their physical membership card (34%) to track and redeem their rewards. Another 27% rely on email updates from the brand to monitor their rewards balance. **But an increasing percentage (31%) are using their loyalty program's mobile app to manage their rewards, including redemption. This was the third-most popular response, up from 20% a year ago, by far the largest jump of any channel.**

This behavior is even more prominent among younger consumers, with 18–34-year-olds leading the way in mobile tracking and redemption. 60% of this demographic use their loyalty program's mobile app to monitor their rewards accrual, redeem points, and manage their participation, up 22% from last year. For comparison, among consumers 35–54 years of age, 29% use a mobile app for these purposes, and just 7% of consumers aged 55 and older do.

“Sixty percent of 18–34-year-olds use their loyalty program's mobile app to manage their rewards, up 22% from 2016.”

Reward Tracking & Redemption

Which of the following methods of tracking and redeeming your rewards do you find most important?





The fact that millennial consumers are familiar with and prefer the mobile channel is not necessarily news, but it does dictate the approach loyalty programs must take if they are to capture this sizable and influential segment through their prime purchasing years. New customer channels, including mobile, also provide the opportunity to gather additional customer data and give brands the ability to engage with customers with relevant messaging when and where they want to be reached. Mobile also provides brands and retailers with the opportunity to leverage geo-location and real-time offers.

Our data shows that the mobile channel is not exclusively for the young. People with children also rely heavily on mobile apps – 50% of them, in fact – versus just 23% of consumers without children. Needless to say, this is not the typical portrayal of a millennial mobile user, and the increases in mobile adoption across demographics indicate a trend that cannot be ignored. And according to Colloquy, 26% of all U.S. consumers – not just the 18–34 demographic – abandoned a loyalty program because it didn't offer a smartphone app.

“12% of c-store loyalty members cited that they visit a specific c-store because of the ease of use of its mobile app.”

Mobile is Putting the Convenience in C-store Loyalty

As part of our study's special emphasis on convenience retail this year – results and analysis are available in our separate C-Store Shopper Report – we surveyed U.S. consumers about their shopping behavior at convenience stores as well as their relationships to c-store loyalty programs. Our findings in this sector largely echoed those for the wider retail sector as it relates to channel preference and mobile adoption, with one notable exception: **12% of c-store loyalty members cited that they visit a specific c-store because of the ease of use of its mobile app.** This indicates that for those c-store loyalty members, the quality of the mobile app determined whether or not they would choose that store over a competitor.

Accelerating Foot Traffic and Revenue: Rewards Currencies

Loyalty programs are a major driver in convenience retail, even surpassing price.

Optimizing the earning, redemption and tracking channels for members is important to building a successful loyalty program, but the loyalty program itself is increasingly crucial to overall business success for retailers. Nowhere is this more evident than in the convenience retail sector, where according to our data, customers will choose a store based on whether they belong to a loyalty program over all but one factor: location.

A Rewards Program is the Key Driver for Foot Traffic in Convenience Retail

There is a conventional perception that convenience retail is driven by either impulse or necessity – hence the “convenience.” Our data, more of which is available in our The C-Store Shopper Report, tells a different story.

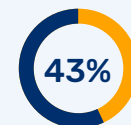
After location (44%), a loyalty program is the main reason customers choose a specific c-store (43%), ahead of gas prices (31%) and food and beverage offerings (24%). This directly contradicts the assumption that convenience retail is fueled exclusively by price and availability factors, and indicates that a well-executed loyalty program can drive significant foot traffic to c-stores.

Importantly, this represents a significant mind-shift among c-store consumers, and indicates that they are now perceiving value beyond the shelf or the roadside sign. The fact that loyalty has become an integral part of the decision-making process for c-store customers (convenience + loyalty + price = value) is a remarkable development, and a major revelation for convenience retailers across the nation.

More to that point, our survey finds that **a cumulative 73% of c-store shoppers will shop more frequently (51%) or even exclusively (22%) at the convenience store where they are a loyalty program member.** C-store rewards programs therefore show a 15% higher incidence of loyalty than non-c-store rewards programs (51% vs. 36%), and only 10% of c-store customers state that a loyalty program does *not* influence their shopping behavior, compared with 22% overall.

The influence of loyalty program membership on c-store shopping behavior

C-store rewards programs drive customer loyalty



Visit a particular convenience store (or chain) because of its rewards or loyalty programs rewards, savings and offers



Shop at that store more frequently than other convenience stores



Shop only at that store or chain

C-Store Loyalty Drives Ancillary Revenue

The surprising influence of loyalty programs on convenience retail doesn't stop with getting customers in the door. Of our survey respondents, 3% state that they would buy additional items that they wouldn't usually buy because of the rewards they will get on that particular item at that time. This data point, while a single digit, nonetheless represents the potential for loyalty programs to drive incremental revenue growth per visit with the right incentive scheme.

Our survey also found that when filling up with gas, 51% of customers will also visit the store to make a purchase – mostly men (60%) and people with children (59%). While they're in the c-store, 60% of customers will spend between \$1 and \$10, 28% spend between \$11 and \$20 and 12% will spend more than \$20. This makes any effort a convenience retailer can make to get consumers into the store worthwhile; one of the most effective means of doing so is to have a strong loyalty program in place.

Consumers who shop exclusively at the c-store where they are a loyalty member tend to be male (32%), young (30% are aged 18–34) and have children. For a more complete profile of the c-store shopper and insights into their traits and behaviors, please download our latest report, “The C-Store Shopper.”

Loyalty Programs Drive Customer Loyalty

Choosing the right loyalty currency can be the difference between a loyalty program that drives revenues, and one that is a cost center. As retailers fight for increased foot traffic, sales and market share in their highly competitive landscape, loyalty programs that leverage a fuel savings currency could be the key ingredient to success.

“16% of respondents said they will shop exclusively at stores where they can earn rewards, up from 14% in 2016.”



In an environment rife with rewards schemes and fluid enough that consumers can hop from retailer to retailer in search of the best deal of the moment, loyalty programs need to do more than encourage brand affinity. They need to create deep, long lasting relationships, but most importantly, they need to influence customer behavior.

The good news is, according to our data, they do just that. **“I tend to shop more frequently at stores where I can earn rewards” was our survey’s top answer (36%) to the question “How does your membership in a rewards program influence your shopping behavior or your decisions about where to shop?”**

This represents a 10% increase over 2016 (26%), and indicates that an engaging loyalty program can indeed influence shopper behavior. Moreover, this response was even more pronounced among female (41%) and younger (43%) customers. In terms of creating lasting relationships and true loyalty, 16% of respondents said they will shop exclusively at stores where they can earn rewards, up from 14% in 2016.



“20% of customers tend to shop at stores where they can earn retailer rewards and rewards that help them save on fuel.”

These responses speak to the ability of an existing loyalty program to influence its current members' shopping habits, the retention aspect of the loyalty equation. But our data goes further to say that rewards programs can modify behavior and attract new customers based on their perceived value. Almost a quarter (21%) of consumers will schedule their shopping accordingly to take advantage of rewards-related specials and promotions, up from 17% in 2016. 16% will switch stores or brands to earn more valuable rewards, up 3% from 2016.

Our survey also indicates that 21% of respondents belong to a coalition or multi-merchant loyalty program and are actively engaging with multiple retail partners, showing that a program with an attractive consumer currency – such as fuel savings – can not only increase the motivation to earn but will ultimately drive consumers to spend.

Fuel Savings Could Be the Supercharger

Across all retail sectors, our data reveals that 20% of customers tend to shop at stores where they can earn retailer rewards that help them save on fuel. This is even more pronounced among convenience retail loyalty program members, where **21% of respondents state that they redeem their rewards to save on the cost of fuel and 18% state that they redeem on a combination of fuel and food and beverage products within the store.**

The combination of c-store loyalty with a fuel discount reward component is a powerful one. Convenience retail is the retail sector that, according to our data, features a customer base that responds most strongly to loyalty initiatives. Cents-per-gallon fuel savings, as this report has indicated, is one of the most effective loyalty currencies at influencing customer behavior and maintaining member engagement. The union of these two loyalty strategies can well deliver significant benefits to those retailers that pursue them.

The Checkered Flag

The popularity and durability of fuel discounts as rewards are well established, with U.S. consumers ranking them as their #1 preferred type of rewards currency for the third year in a row. But few could have predicted that fuel discounts would overtake cash-back as the rewards currency with the highest level of engagement.

This development, along with the revelation that loyalty programs can influence consumer behavior in such significant ways, particularly in the convenience retail sector, provides a detailed roadmap for brands and retailers looking to fine-tune their loyalty strategies.

Meanwhile, the mobile channel continues to redefine loyalty interactions for customers, and value continues to inform rewards program participation.

These findings are crucial considerations for keeping up with emerging consumer trends and specifically the ability to capture younger customers, but also provide the opportunity to gather additional customer data and the ability to engage with customers with relevant messaging through their preferred channel, in real-time.

The road to sustained customer loyalty is sometimes a winding one for brands and retailers, but having a roadmap to consumers' needs and desires makes for a much smoother ride.



Contacts and Media Requests



About Ipsos

Ipsos is the world's third largest survey research firm with offices in 56 countries. In North America, Ipsos consists of 1,500 research professionals across 30 locations in the U.S. and Canada. Both the Ipsos survey invitation list and the returned data are weighted to reflect the demographic composition of the U.S. adult population. www.ipsos-na.com



About Excentus

Excentus Corporation, a leader in loyalty marketing and technology solutions, specializes in the design, development and implementation of loyalty programs. Since 2012, Excentus has operated its own nationwide loyalty program, the Fuel Rewards® program, which has grown to more than 13 million members and \$1 billion in fuel savings. Excentus offers a full suite of loyalty products and solutions for national and regional brands, consumer packaged goods manufacturers, grocery chains, convenience retailers and their customers. With more than 20 years of experience practicing loyalty, Excentus' mission is simple: help clients align loyalty strategies, rewards, and marketing campaigns with business objectives and customers' needs. For more information about Excentus' loyalty marketing and technology solutions, visit www.excentus.com.



About the Road to Rewards Survey

The 2017 Road to Rewards survey is the third consecutive independent consumer loyalty survey by Excentus and Ipsos. The majority of questions asked in the survey have been consistent over the last three waves in order to compare consumer behavior trends emerging over the three-year period like-for-like. In the last two years, additional questions have been added to extract insights specifically pertaining to the impact of loyalty programs on shopper behavior and the c-store shopper profile. All new findings will be covered in this report, but will also be featured in individual stand-alone reports.

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