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Disrupting loyalty:

## MEET GENERATION Z

Building loyalty with Gen Z starts with a better experience.



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# INTRODUCTION

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## ABOUT THIS WHITE PAPER

m—wise conducted a multi-generational quantitative research study to investigate attitudes to loyalty programs. We asked respondents aged 18+ questions related to loyalty program experiences and preferences.

## MOVE OVER MILLENNIALS. A NEW GENERATION OF CONSUMERS IS HERE. THIS IS GENERATION Z AND THEIR PURCHASING POWER IS INCREASING.

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The coming of age of Generation Z, born from the mid-1990s onwards, presents new opportunities and challenges for loyalty programs.

It's time for a fresh look at loyalty. Gen Z are the first generation of true digital natives. They have grown up with access to the internet at their fingertips, social media ingrained into their personal lives and technology deeply embedded into their lifestyle and consumer habits.

Brands need to work harder and smarter to earn customer loyalty. The old-fashioned stamp card just isn't going to cut it with this generation. Staying top-of-mind and creating the kind of customer experience that keeps them coming back is more important than ever.

***So how can you build lasting loyalty when your competitors are only ever a swipe away?***

# AGE BREAKDOWNS

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In this white paper, you will learn about Gen Z's preferences and expectations when it comes to loyalty programs. You will also discover how their attitude to loyalty differs from older generations.

## Gen Z

18 - 24



## Millennials

25 - 39



## Gen X

40 - 59



## Baby Boomers

60 - 74



## Silent Generation

75+







## WHY FOCUS ON GEN Z?

The coming of age of the first generation of true digital natives presents new opportunities and challenges for companies eager to increase customer loyalty.

Brands have focused on targeting Millennials to win the loyalty of young customers in recent years. However, older Millennials are now approaching 40. Meanwhile, older members of Gen Z are already in their mid-20s, entering the job market and increasing their purchasing power.

Understanding the preferences and expectations of Gen Z customers can give your company a head start on the competition today and in the years to come.

# ATTITUDE TO LOYALTY

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## THINK THAT YOUNGER CUSTOMERS AREN'T INTERESTED IN **LOYALTY**? THINK AGAIN!

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We asked respondents how likely they are to join a loyalty program if a company they like offers one. Gen Z displayed an extremely high level of interest: 9 in 10 said they will join. In fact, we saw this across all generations, indicating that investing in loyalty initiatives is as wise a move as ever.

**9 in 10** OF GEN Z WILL JOIN A LOYALTY PROGRAM IF A COMPANY THEY LIKE OFFERS ONE.

However, a generational difference emerged when we asked about how loyalty programs influence consumer behaviour. Gen Z were more likely to agree that loyalty programs had encouraged them to continue to shop or use the services of a company than all older generations.

**72%** said that loyalty programs had encouraged them to continue to shop or use the services of a company

(Average for all ages: 66%)

# PARTICIPATION

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## YOUNGER RESPONDENTS PARTICIPATED IN MORE LOYALTY PROGRAMS THAN OLDER RESPONDENTS.

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On average, Gen Z participated in

**4.5** LOYALTY PROGRAMS  
WITHIN THE LAST 12 MONTHS

Not only are they participating in more programs than older customers, they are also participating in a broader range of sectors. This tells us that Gen Z are highly motivated to join customer loyalty initiatives and that they are seeking rewards and benefits in diverse areas of their lives.

### MAKE IT WORK FOR YOU

Companies investing in loyalty will see that all the signs indicate that Gen Z are a highly receptive audience. They are ready and willing to join your loyalty program. The crucial next step is creating an experience that keeps them coming back.

## Which generation participates the most in loyalty programs per sector?

### GEN Z



HOTELS



CLOTHING



HEALTH & BEAUTY



RESTAURANT/CAFE



ELECTRONICS



FINANCIAL

### MILLENNIALS



LEISURE

2% more than Gen Z

### GEN X



TRAVEL

8% more than Gen Z



SUPERMARKETS

22% more than Gen Z



UTILITIES

6% more than Gen Z

### BABY BOOMERS



DEPARTMENT STORES

8% more than Gen Z



# ONLINE-OFFLINE EXPERIENCE

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## CLEAR GENERATIONAL DIFFERENCES EMERGE AT THE LEVEL OF ONLINE-OFFLINE EXPERIENCE.

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The online experience is as important as the real-world experience for younger customers. We asked respondents if they would appreciate being rewarded for visiting a store. We also asked if they would appreciate being rewarded for visiting a website.

**77%** OF GEN Z RESPONDED POSITIVELY IN BOTH CASES

In contrast, older generations appreciated being rewarded for visiting physical stores but were less interested in being rewarded for visiting a website. The younger the customer, the more likely they are to want you to reward them for their online visits.

### MAKE IT WORK FOR YOU

Take an omni-channel approach to rewards for maximum impact. By rewarding everything from email opens to scanning an item in store, you can provide a next-level customer experience whether your customer is online, on mobile or in a brick-and-mortar location.

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Would you appreciate being rewarded for visiting a company's website?

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of Gen Z would like to be rewarded for visiting the company's website.



of Millennials



of Gen X



of Baby Boomers



of Silent Generation



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Would you appreciate being rewarded for visiting a physical store?

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of Gen Z said they would like to be rewarded for visiting a store.



of Millennials



of Gen X



of Baby Boomers



of Silent Generation



# CHANNELS

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## A GREAT MOBILE EXPERIENCE ISN'T AN OPTION – IT'S AN EXPECTATION.

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The importance of a great mobile experience was clear amongst younger respondents. Gen Z were more interested in receiving communications for loyalty programs via their mobile devices than older generations. Gen Z displayed above average interest in receiving communications on mobile devices. They were also more interested in being rewarded for mobile activities.

Gen Z showed above average interest in receiving loyalty program communications via:



Notifications



In-app messages



SMS



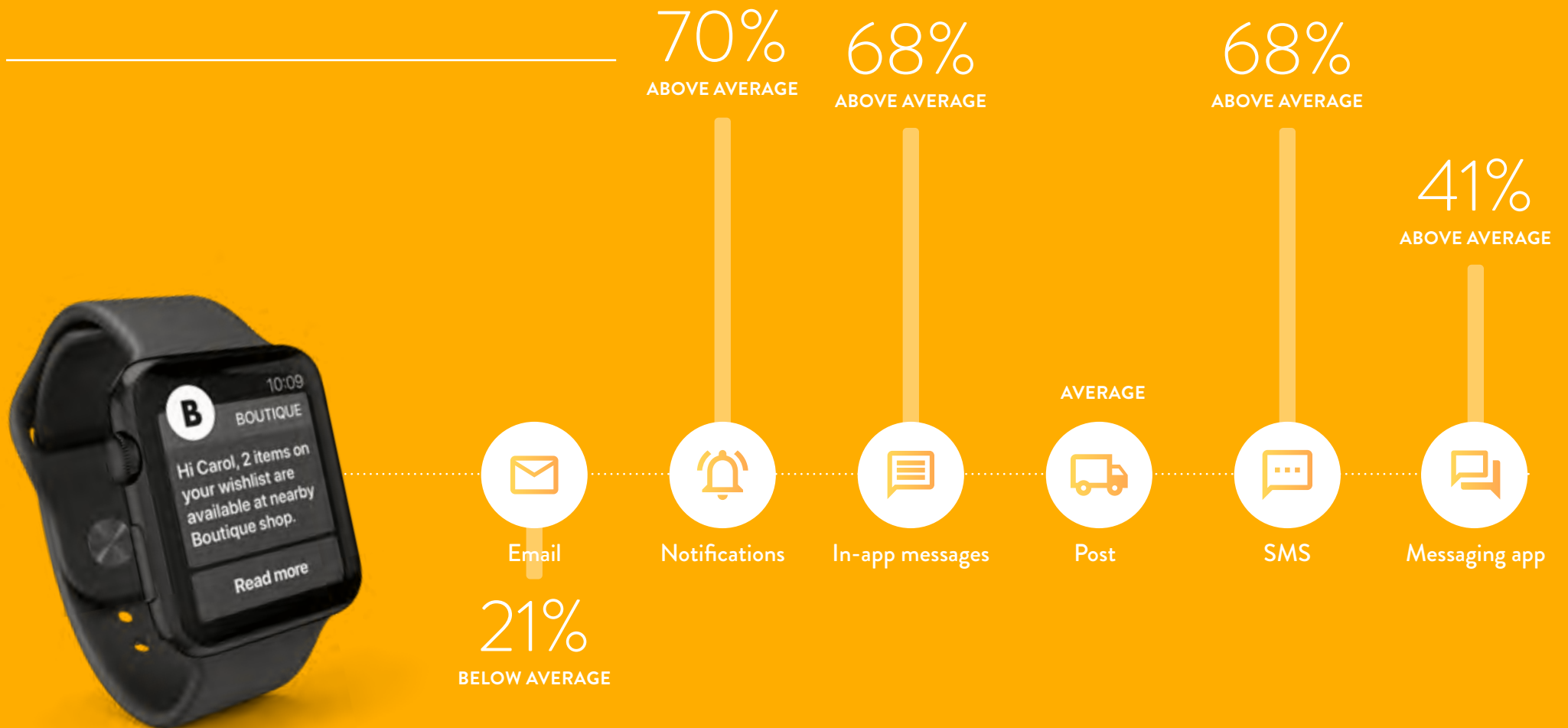
Messaging app

### MAKE IT WORK FOR YOU

A strong mobile experience is essential for younger customers. Simply having a mobile app or mobile-friendly website is not enough. Incorporate ways to earn and burn via mobile to optimise the experience.



Through which channel would you like to receive communications?



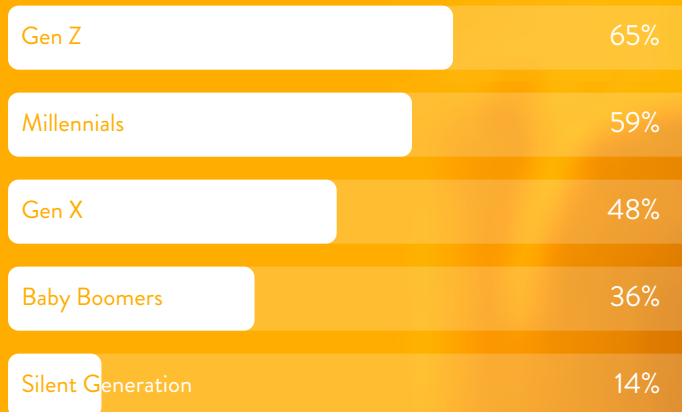
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Would you appreciate being rewarded for downloading or using a company's app?

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65%

of Gen Z would appreciate this.



# REWARDS

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## GEN Z WANT BOTH FINANCIAL AND EXPERIENTIAL REWARDS

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Yes, customers of all ages like discounts; however, 18-24s were less discount-focused than older generations. In general, older respondents were primarily interested in traditional, financial rewards, like discounts and cashback, while younger customers were interested in both financial and experiential rewards.

Gen Z's interest in discounts was strong but fell slightly below average. In contrast, they displayed above-average interest in rewards that enhance their overall customer experience such as free shipping and exclusive access to products or sales.

### MAKE IT WORK FOR YOU

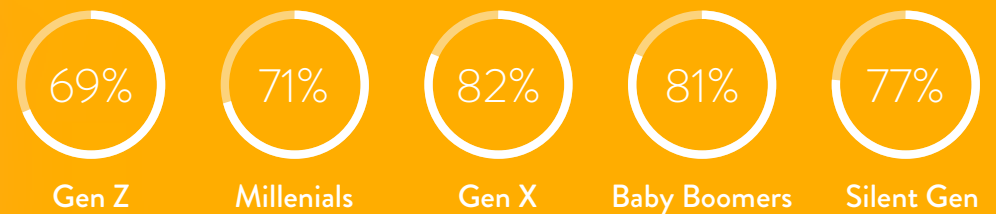
Gen Z stand out in their desire for benefits that provide added value in an experiential sense. Savvy marketers can use this to their advantage by providing member-only perks or benefits to compliment traditional financial rewards.



On average,

77%

of all respondents see discounts as a valuable aspect of a loyalty program.







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Gen Z showed above average interest in the following rewards:

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Exclusive access to sales & new products



Invitations to events



Charitable donations on their behalf



Free gifts



Free shipping

# BRAND AMBASSADORSHIP

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## GEN Z ARE AWARE OF THE POWER OF ONLINE RECOMMENDATIONS.

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Brands keen on harnessing the influencer effect within their existing customer base, will find plenty of opportunities. Gen Z were more enthusiastic about the idea of incentives for leaving online reviews than older generations.

**7 in 10** of Gen Z would like to be rewarded for leaving a review.

Gen Z were also the generation that was most interested in being rewarded for sharing a company's social media posts. 62% saw rewards for social shares as an appealing aspect of a loyalty program. However, this interest decreased significantly with age.

### MAKE IT WORK FOR YOU

Encourage your customers to become brand ambassadors by incentivising referrals and online advocacy. Rewarding social media engagement, friend referrals and product/service reviews can keep your customers engaged and stimulate new transactions too.

# 62%

of Gen Z saw rewards for social shares as  
an appealing aspect of a loyalty program

## 52%

of Millennials

## 36%

of Gen X

## 20%

of Baby Boomers

## 14%

of Silent Generation

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Would you appreciate being rewarded  
for liking or sharing social media posts?

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# PERSONALISATION

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What would help improve the loyalty programs that you have participated in?



1. MORE OFFERS OR DISCOUNTS



2. MORE PERSONALISED OFFERS

## GEN Z WANT LOYALTY PROGRAMS TO DELIVER A PERSONALISED EXPERIENCE.

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Over two-thirds of Gen Z said they liked getting personalised rewards, offers and product recommendations. When we asked what would help improve the loyalty programs they participated in, 'more personalised offers' was second only to 'more frequent offers or discounts'. Notably, over half told us that the communications they currently receive from loyalty programs are generic and not personalised.

## 8 in 10

Gen Z respondents said that when they feel that a company understands what they like, they are encouraged to continue to shop or use the services of the brand.

### MAKE IT WORK FOR YOU

Keep your Gen Z customers engaged and avoid the dreaded spam fatigue by delivering highly personalised, relevant content. Segmentation can help you keep your messaging, recommendations and offers on the right track.



# THE DATA TRADE-OFF



## OVER 50%

of 18-33s were willing to give personal data for more personalised rewards and recommendations.



## GEN Z ARE WILLING TO PROVIDE PERSONAL DATA TO GET A MORE PERSONALISED EXPERIENCE.

Data powers personalised campaigns but marketers can be wary of the sensitive topic of personal data. We found that both Gen Z and younger millennials were more willing to provide personal data than older generations in order to get a more personalised experience in return.

Over half of 18-33s told us that they would be willing to give personal data in exchange for more personalised rewards, offers and product recommendations. The majority also wanted brands to use their purchase history to personalise offers.

**6 in 10** said loyalty programs should use their purchase history to personalise offers

When asked about earning a reward for sharing their data, Gen Z respondents were more enthusiastic than their older counterparts.

### MAKE IT WORK FOR YOU

Make sure your customers see the value in sharing their data with you. Incentivise for maximum appeal. After all, this data helps you create incredibly relevant and impactful campaigns.

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Would you appreciate being rewarded for adding personal information to your profile?

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65%

of Gen Z said yes

55%

of Millennials

46%  
of Gen X

28%  
of Baby Boomers

19%  
of Silent Generation



# SURPRISE & DELIGHT

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## 3 in 4

(across all age groups) thought that loyalty programs should deliver on the fun factor.



## GEN Z ARE DRAWN TO LOYALTY PROGRAMS THAT ARE FUN AND INTERACTIVE.

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The desire for a fun experience was echoed across all generations: Overall, 3 in 4 agreed that loyalty programs should deliver on the fun factor. However, the question of gamification revealed a generational split.

Over half of Gen Z and Millennials liked the idea of being rewarded for playing a game on a company's website or app. Interest in gamification decreased significantly with age, with just 13% of our oldest respondents showing interest.

**77%** of Gen Z respondents told us that loyalty programs should be fun to take part in.

### MAKE IT WORK FOR YOU

Keep the 'Surprise and delight' mantra at the forefront of your loyalty program. Creating a buzz among younger customers can help keep your loyalty program moving forward. Stimulate engagement with an engaging, interactive experience that aligns with your brand identity.



Would you appreciate being rewarded for playing a game on a company's website or app?

59%

of Gen Z would appreciate this

Millennials: 54%

Gen X: 39%

Baby Boomers: 25%

Silent Generation: 13%



# EXPECTATIONS V. REALITY

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## ARE BRANDS FALLING SHORT OF EXPECTATIONS?

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Gen Z displayed a strong desire to be rewarded for diverse activities across multiple channels. However, we found that their expectations for an engaging, omni-channel experience didn't match up with the reality of the loyalty programs they had participated in.

What were loyalty programs missing the most?



Rewarding online  
activities



Incentivising  
engagement



Personalising  
communications

### MAKE IT WORK FOR YOU

Exceed Gen Z's expectations to earn their lasting loyalty. Stay ahead of the competition by focusing on an engaging and personalised customer experience across every channel.

## GEN Z'S EXPECTATION



## GEN Z'S REALITY



62%

wanted to be rewarded for sharing  
your social media posts.



10%

had experienced this in a  
loyalty program.

64%

wanted to be rewarded for reading or  
viewing your communications.



9%

had experienced this in a  
loyalty program.

77%

wanted to be rewarded for  
visiting your website.



17%

had experienced this in a  
loyalty program.

71%

liked the idea of being rewarded  
for leaving a review.



20%

had experienced this in a  
loyalty program.

68%

said they like getting personalised rewards,  
offers and recommendations.



15%

had experienced this in a  
loyalty program.

# CONCLUSION

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## METHODOLOGY

This research study was administered to 900 respondents aged 18+ in Germany, the Netherlands and the United Kingdom. The survey was conducted online in July 2019.

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## SO HOW DO YOU WIN THE HEARTS OF GEN Z?

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Gen Z expects more than the typical spend-to-get approach to loyalty. By delivering on the rewards, communications and channels they like, your brand will be ahead of the game.

Our research revealed many similarities between the Gen Z and Millennial mindsets. However, Gen Z displayed stronger preferences and expectations for a seamless online-offline experience, rewards that go beyond the traditional points-for-purchase model and a more engaging customer experience overall.

Focus on adapting or improving your current efforts to meet Gen Z's high expectations. Do this by using the data to create an incredibly personal and relevant customer experience. Show your customers that you understand their wants, likes and needs and watch your open rates, retention rate and conversions go through the roof.

After all, lasting loyalty is built by providing the kind of incredible experience that your customers just won't find anywhere else.

# Key recommendations

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## Reward across all channels

Stay top-of-mind by rewarding your customers wherever they are.



## Offer both financial and experiential rewards

Think bigger than discounts. Offer exciting perks and benefits that improve their experience.



## Deliver a seamless online-offline experience

Connect all your customer touchpoints. Provide the same great experience wherever they are.



## Use data to personalise your program

Create the most relevant communications, offers and benefits imaginable.



## Reward engagement with your brand – not just the purchases

Make every interaction count. Encourage and incentivise to build brand ambassadorship.



## Surprise and delight with fun elements and gamification

Give them a reason to keep coming back (and tell a friend too!).





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***Want to earn the loyalty of Generation Z?  
Make your program engaging, omni-channel  
and personal.***

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# ABOUT US

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## ABOUT M—WISE

m—wise creates omni-channel loyalty programs for leading brands worldwide. We provide cloud-based loyalty solutions, such as m—wise Loyalty Cloud, and we offer professional loyalty services to help companies grow their business.

Over the last two decades, we have earned the trust of leading brands across the globe. We have served clients throughout Europe, USA, Canada, Africa, Asia and South America. We are known for our unrivaled knowledge and industry-leading approach.

## VISION

We strongly believe true loyalty will be unlocked by embracing your brand ambassadors and by rewarding omni-channel engagement with your company. Consequently, you will gain a thorough understanding of your customers and the decisions they make every day.

We help you use this information to optimise your customer journey and create an intimate dialogue with your customers – all with the goal of making your brand their absolute favourite!