

The Great Loyalty Program Debate: Are Points and Rewards Still Relevant?

Analyzing the Effectiveness of
Points-Based Loyalty Programs
in Today's Consumer Landscape



Today's "Points Fatigue" in a "Sea of Sameness"

Despite the changing expectations of consumers, the core structure of points-based loyalty programs has remained largely the same for decades. The foundational principle - rewarding customers with points for purchases and allowing them to redeem those points for tangible items or discounts - has been widely adopted across industries without significant innovation. This lack of evolution has led to what experts describe as "points fatigue," where consumers become disengaged due to a lack of novelty and perceived value in the rewards.

According to a 2024 study by Loyalty360, as reported by [PUG Interactive](#), "a surprising 72% of respondents believe that there is a 'sea of sameness' in customer loyalty programs." Furthermore, consumers are increasingly gravitating towards loyalty programs that offer experiential and value-based incentives, such as exclusive access or charitable donations, over simple points accumulation ([CIPD](#)). This trend suggests that businesses relying solely on transactional, points-for-purchase models need to reassess their strategies and consider incorporating elements that provide a deeper, more personalized engagement with their customers.

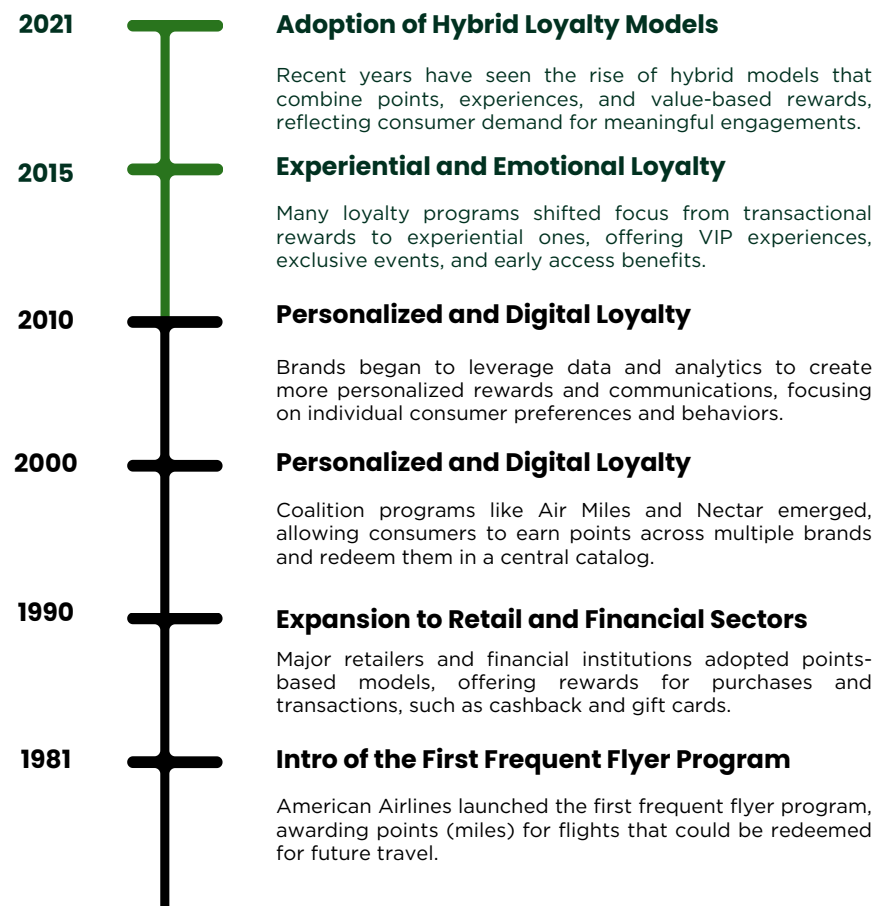


The Loyalty Landscape is Evolving

Loyalty programs have been a key tool for fostering customer engagement and retention since their inception in the early 1980s. The first major loyalty program, launched by American Airlines in 1981, introduced the concept of earning "points" or "miles" for purchases, which could be redeemed for future travel. This model quickly spread to other industries, including retail and financial services, where it became a cornerstone of customer retention strategies. By the 1990s, points-based systems had expanded into coalition programs, allowing consumers to earn points across multiple brands and creating a more unified and rewarding experience.

Over time, loyalty programs have incorporated digital advancements and data analytics to personalize offerings, but the fundamental concept of points accumulation has remained relatively unchanged. Today, we are witnessing a significant shift in consumer expectations.

So the time is right to ask the question: are points-based reward programs still relevant in consumer marketing today? Let's have that debate!

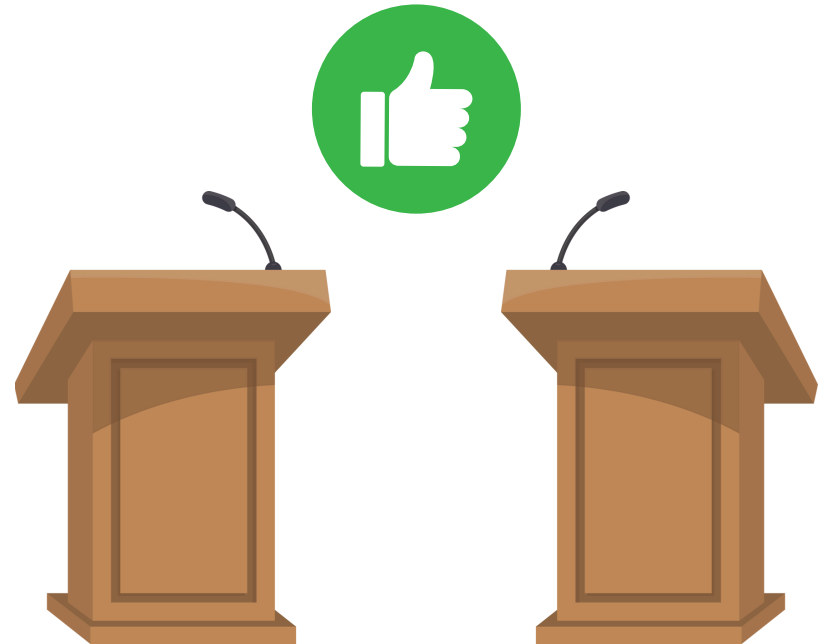


Debate Part 1

The Case FOR Points-Based Loyalty Programs

Key Benefits

1. Psychological or Emotional Commitment
2. Flexibility and Versatility
3. Proven Effectiveness



Earn Psychological or Emotional Commitment

Points-based loyalty programs are designed to create a sense of psychological or emotional commitment to a brand, tapping into the principles of behavioral economics.

By allowing customers to accumulate points over time, these programs foster a perception of “ownership” over earned rewards, encouraging customers to continue engaging with the brand. This commitment can lead to increased visit frequency and higher spending as customers are motivated to reach milestones or unlock specific rewards.

In settings where consumers often make frequent, low-value purchases, this mechanism is particularly effective at driving repeat purchases and boosting average transaction size. Moreover, the anticipation of redeeming points for a tangible benefit can enhance customer satisfaction and reinforce brand loyalty, making points-based programs a valuable tool for maintaining long-term engagement.



Deliver Value with Flexibility and Versatility

Points-based systems are highly versatile and can be customized to suit various business models, making them a valuable tool across multiple industries, from retail and hospitality to financial services and beyond. The adaptability of points allows them to be aligned with different customer engagement strategies and reward structures, depending on the unique needs and preferences of the target audience. For instance, while a retail brand may use points to reward customers for product purchases or online interactions, a hospitality brand could reward points for bookings, referrals, and special services like spa treatments or other experiences.

This level of customization allows businesses to maintain a consistent framework for rewarding customer engagement while tailoring specific rewards and redemption options to create a more personalized and engaging experience.

As a result, points-based systems have become a go-to choice for brands looking to implement loyalty programs that can evolve along with customer expectations and market trends.



Merchandise



Experiences



Digital



Charitable



Exclusives



Promotions

Proven Effectiveness

From the perspective of professional researchers

STARBUCKS
REWARDS™



Harvard
Business
School

The Starbucks Rewards program attributes **40%** of the company's total sales to loyalty program members, and the program has driven an **11% growth** in their user base.

Source: Harvard Business School

FOSTER
SCHOOL OF BUSINESS
UNIVERSITY of WASHINGTON

Programs that focus on personalization and delivering individualized experiences can see up to a **12% increase** in customer lifetime value (CLV) compared to standard point-based programs.

Source: University of Washington

McKinsey
& Company

Top-performing loyalty programs can boost revenue by 15 to 25% annually from engaged customers by increasing either their purchase frequency or basket size or both.

Source: McKinsey & Co.

MOTISTA™

Customers who are emotionally connected to brands have a **306% higher lifetime value than customers** that are merely satisfied

Source: Motista Research

JOM
Journal of
MANAGEMENT RESEARCH

Effective loyalty programs can **improve customer retention by up to 30%**, as consumers who are emotionally engaged are more likely to stay loyal to a brand.

Source: Journal of Management Research

Harvard
Business
Review

Loyalty leaders **grow revenues roughly 2.5 times as fast** as their industry peers and deliver **two to five times the shareholder returns** over the next 10 years.

Source: Harvard Business Review

Debate Part 2

The Case AGAINST Points-Based Loyalty Programs

Key Detractors

1. Complexity and Transparency Issues
2. Points Fatigue and Reduced Engagement
3. Transactional Program Staleness



Complexity and Transparency Issues



Points-based loyalty programs, while popular, often suffer from unnecessary complexity and lack of transparency, which can undermine their effectiveness and damage customer relationships. Many points systems have intricate rules regarding how points are earned, redeemed, or expire, leaving customers confused and frustrated when they can't easily understand or access their rewards.

For example, some programs may have tiered structures where the value of points fluctuates depending on when and how they are redeemed, or they may impose blackout dates and restrictions that limit reward availability. Additionally, hidden fees or the requirement to accumulate a high number of points before reaching a meaningful reward can make customers feel that the program is designed to prevent them from reaping benefits.

When customers perceive these barriers, it erodes trust in the brand and diminishes the overall value of the program.

Points Fatigue and Reduced Engagement

Over time, consumers can experience "points fatigue" if the rewards offered in a loyalty program remain stagnant or if the perceived value of those rewards diminishes.

When customers feel that the points they are earning do not lead to personally meaningful benefits or that the process of accumulating and redeeming points is not worth the effort, they may lose interest in participating. This disengagement can manifest as reduced program participation, fewer repeat purchases, and an overall decline in lifetime value.

Customers are more likely to shift their attention if a loyalty program fails to communicate value to its members or introduce new, compelling rewards. Ultimately, stale programs negatively impact the program's effectiveness and weaken customer relationships with the brand.



Transactional Program Staleness



Points-based loyalty programs often struggle to create an emotional connection with consumers because they are primarily transactional in nature, rewarding customers only for purchases rather than for deeper engagement or personal interactions with the brand. These programs typically focus on accumulating points to unlock discounts or small incentives, which can feel impersonal and fail to inspire meaningful brand connections. As a result, customers may see points simply as a tool to get a bargain rather than as a representation of their relationship with the brand.

Connections are further challenged when the rewards are generic or difficult to redeem, leaving customers feeling disengaged and unappreciated.

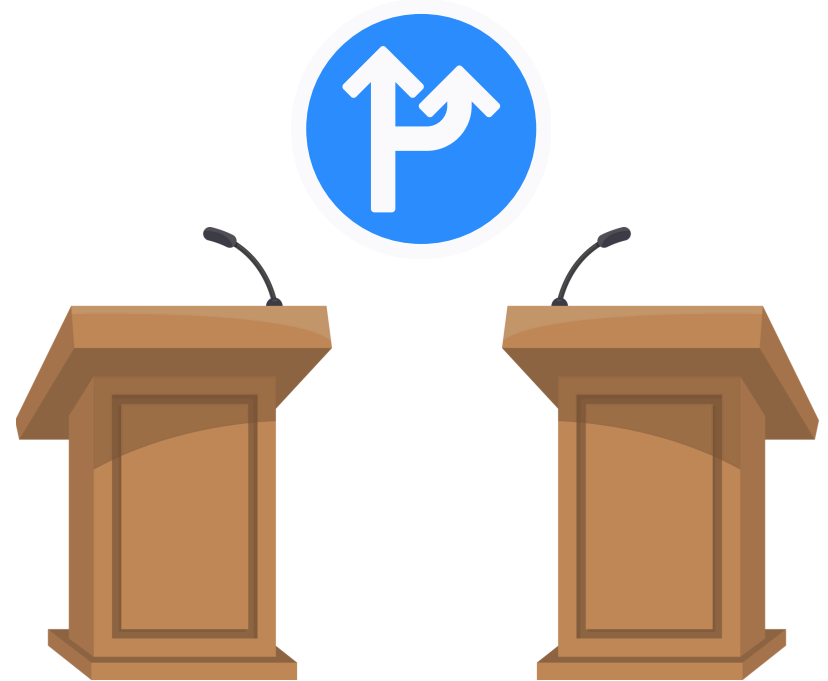
Ultimately, points-based systems that do not incorporate personalized or experiential elements are more likely to be seen as transactional utilities rather than drivers of brand loyalty and advocacy.

Debate Part 3

Alternative Loyalty Models

Key Considerations

1. Cash-Based Rewards
2. Experiential Rewards
3. Values-Based Loyalty



Alternatives To Consider



Cash Rewards

Provide immediate utility but often fail to create long-lasting loyalty or emotional attachment to the brand.



Experiential Rewards

Offer memorable experiences that create emotional connections, particularly appealing to millennials and Gen Z consumers, but require active management and can be costly.



Values-Based Loyalty

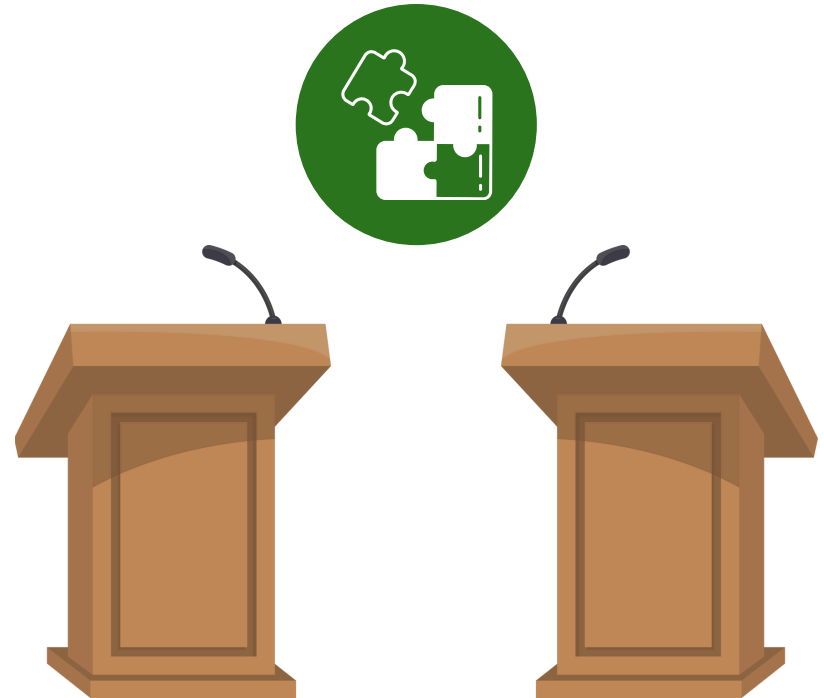
Programs that align with a customer's personal values (e.g., sustainability or social responsibility) can significantly enhance brand loyalty, but can be polarizing if too overt.

Debate Part 4

Finding A Middle Ground

Hybrid Loyalty Programs

1. Definition
2. Unified Customer Value
3. Examples



What Are Hybrid Programs?

Hybrid loyalty programs that blend points accumulation with personalized brand interactions, and upgraded rewards opportunities provide a fresh solution that caters to a wide range of consumer preferences and motivations. These programs maintain the simplicity and familiarity of earning and redeeming points, while also offering unique experiences that foster a deeper emotional connection with the brand.

Examples of new point-earning experiences can include:

1. Expanded customer profile or survey completion
2. Branded content views or interactive games
3. Attendance at live events or webinars
4. Referrals and reviews/testimonials
5. Social advocacy, UGC, and influencer affiliates

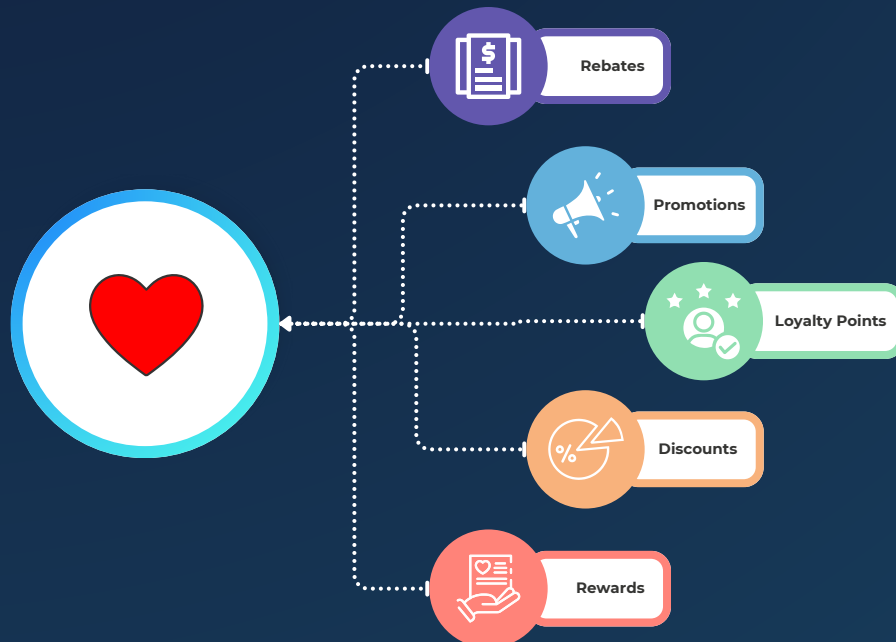
By combining the transactional nature of points with more meaningful and engaging (not to mention helpful from a marketing perspective) experiences, hybrid programs can increase satisfaction, boost loyalty, and ensure the program remains relevant and appealing over time.



Unified Customer Value Delivery

When a company unifies its various value delivery tools - such as rebates, discounts, promotions, loyalty points, and rewards - into a single, cohesive platform, it gains significant advantages in both customer experience and business efficiency. Consolidating these elements allows for a more seamless and engaging interaction with customers, as they can access all benefits through one integrated system.

For the company, a consolidated platform centralizes data collection and analytics, providing a holistic view of customer behaviors and preferences across all value-delivery mechanisms. With this comprehensive data, brands can identify patterns, personalize offers, and optimize their marketing strategies to increase ROI. Additionally, streamlining multiple programs into one platform reduces operational complexities and costs, enhancing the company's ability to manage and scale loyalty initiatives efficiently.



Ultimately, unifying these tools enables brands to deliver a more compelling and consistent value proposition that strengthens customer relationships and drives long-term growth.

Example: Sephora's Beauty Insider

Sephora's Beauty Insider program exemplifies a hybrid loyalty approach by combining the traditional points-based rewards model with personalized product recommendations and exclusive experiences tailored to each customer. Members earn points for every purchase, which can be redeemed for a wide range of rewards, from deluxe product samples to one-of-a-kind beauty experiences.

Beyond points, Sephora unifies engagement by offering personalized product suggestions based on customers' past purchases and preferences, along with access to exclusive events, such as makeup classes or early product launches.

As a result, Sephora's Beauty Insider program drives higher levels of engagement, satisfaction, and increased spend per customer, demonstrating how combining transactional and experiential elements can create a more compelling loyalty proposition.

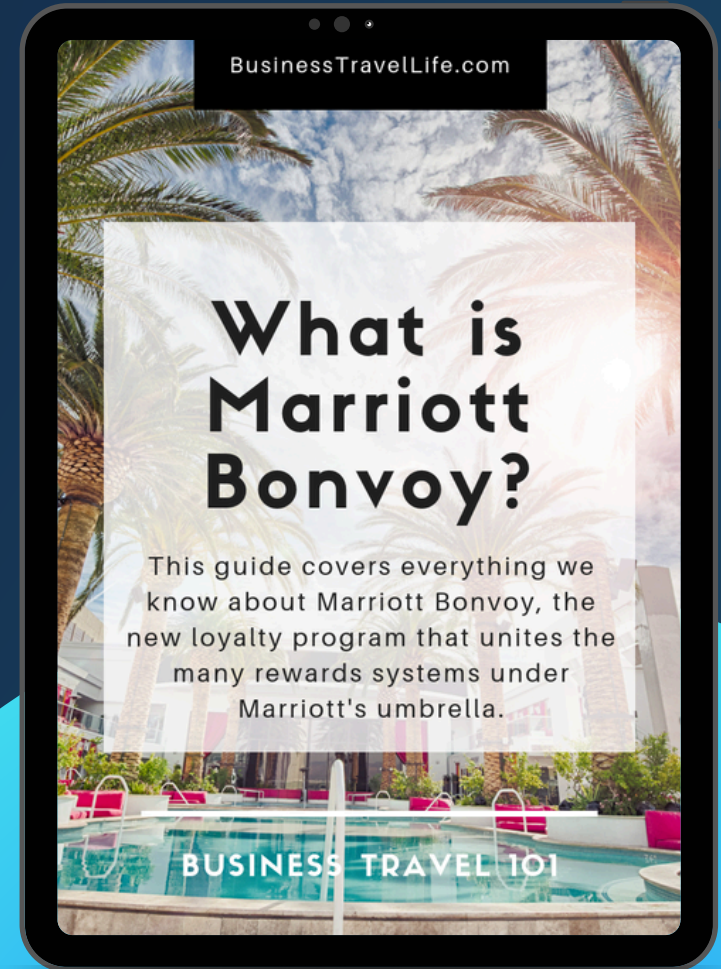
Savings	INSIDER Free to join	VIB Spend \$350/yr	ROUGE Spend \$1000/yr
Free Standard Shipping <small>Beauty Insider only, no minimum purchase required</small>	●	●	●
Beauty Insider Cash* <small>Apply 500 points for \$10 off your qualifying purchase</small>	●	●	●
Seasonal Savings Events*	10% off	15% off	20% off
Point Multiplier Events*▶	2X points	3X points	4X points
End-of-Year Discount*	●	●	●
Access to Auto-Replenish▶ <small>Set up subscription delivery and get 5% off your faves</small>	●	●	●
Rouge Reward <small>Exchange 2,500 points for \$100 off your purchase</small>			●

Example: Marriott Bonvoy

Marriott's Bonvoy program members earn points for hotel stays and other purchases across Marriott's extensive portfolio of brands, which can then be redeemed for free nights, room upgrades, and travel packages. However, Marriott Bonvoy goes beyond the transactional aspects of points by offering members exclusive experiences through its Moments program - such as private culinary events, VIP concert access, and curated local tours.

Additionally, the program provides status-based benefits like late checkouts, personalized services, and access to lounges, which enhance the customer's overall experience.

This combination of traditional point-based rewards with exclusive experiences and personalized perks makes Marriott Bonvoy a well-rounded program that not only incentivizes purchases but also builds long-term loyalty by catering to customers' aspirations and lifestyle preferences.



**And The Winner
Is...**

**The Customer
(of course!)**



Conclusion and Recommendations

While points-based loyalty programs can still be highly effective in specific scenarios, such as driving repeat purchases or rewarding high-frequency transactions, businesses must continually assess whether their current loyalty strategy aligns with modern consumer expectations. Today's consumers are looking for more than just transactional rewards—they seek personalized, meaningful experiences that resonate with their individual preferences and values. Brands that rely solely on traditional points programs risk falling behind if they do not evolve their strategies to include a mix of experiential, value-based, or hybrid rewards that provide a deeper emotional connection and foster long-term loyalty.

To address this challenge, Brandmovers recommends conducting a comprehensive audit of your current loyalty program. This audit will help identify areas for improvement and highlight opportunities to incorporate new, innovative loyalty models that align with changing consumer behaviors. Whether it's integrating personalized rewards, adding experiential benefits, or creating value-based incentives for aligned causes, Brandmovers' experts will provide actionable insights to optimize your program and enhance its relevance in today's market.



About Brandmovers

Ready to future-proof your loyalty strategy?

Contact Brandmovers today to schedule a free loyalty program consultation. Our team of specialists will work with you to evaluate your program's performance, explore new approaches, and design a strategy that meets the evolving needs of your customers while driving stronger engagement and higher returns for your business. Take the first step toward building a more effective and compelling loyalty program by reaching out to Brandmovers, and discover how to transform your customer experience for lasting success.

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