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Redefining Customer Loyalty

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1 Quantitative Analysis

Tap into consumer insights at scale with massive panels, real-time data, and unblinded visibility on competitors.

- Transaction panel
- Foot traffic panel
- Visit-based surveys
- Syndicated surveys
- One-click analysis

2 Qualitative Analysis

Capture video surveys and uncover trends with AI-powered analysis tools.

- Video surveys
- Capture anywhere
- Transcriptio n analysis
- Filter & categorize
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Create, edit and distribute your own surveys. Analyze results with powerful reporting tools and dashboards.

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- Distribute anywhere
- Powerful reporting
- Easy-to-use dashboards
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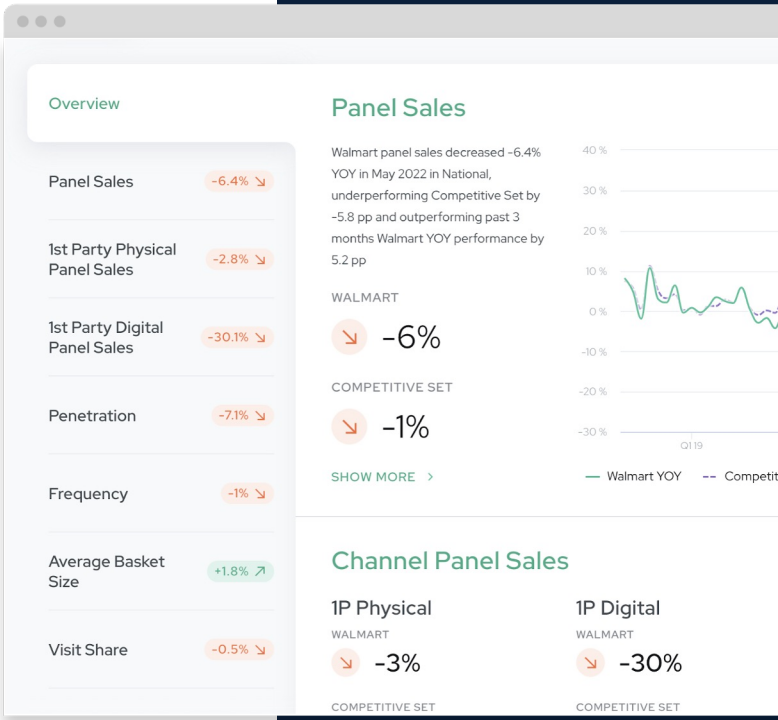
Harness richer insights at scale so you can take action with confidence

Real-world behaviors.
One-click analysis.



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Today's Webinar

Redefining Customer Loyalty

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Session contents

1. **How loyal are consumers** in various industries, and has the **pandemic shifted that loyalty behavior?**
2. How consumers **perceive their own loyalty** and what a brand can do to influence it
3. Perceptions specifically around the role of, and desired characteristics of, **loyalty rewards programs**

Research utilized

Sense360 credit/debit transaction panel of 5M+ shoppers

April 2022 Sense360 Loyalty Surveys
- n = 2,022 restaurant / retail general population
- n = 1,650 hotel / airline general population
- n = 1,474 hotel / airline pre-COVID business travelers

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How “loyal” are consumers in various industries?

What behavioral metrics can indicate “Loyalty”?

How we think about it at Sense360 by Medallia

Common measures, sometimes possible with internal data alone

1x 2x 3x

Frequency

Retention

Your customers might engage with you often, but is that just because they engage with the whole market often? You can’t tell from these metrics alone.

This matters because a change to your offering may or may not cause them to easily switch to competitors.

vs.

Seeing the whole customer journey, beyond your 4 walls

Sense360 Loyalty*

Of all the market activity (e.g. txns, $ spent, etc.) from your customers, how much of that is going to you vs. to your competitors?

Our metrics help indicate if your customers seem to truly “prefer” you, and how this benchmarks to the customers of other brands.

*Sense360 products may refer to a similar measurement of “Share of Wallet among Guest of Brand” as the “Loyalty” metric. “Loyalty” as calculated specifically this report is a non-standard Sense360 metric subject to change

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Industries differ in how “loyal” a customer can be

Airlines, Hotels, Restaurants, and Retailers differ heavily in % of the population using the industry category at all, how often, and how many different brands they use

	Penetration *% of Population That Is a Customer of the Category in Year*	**Frequency** *Among Customers, Avg # of Transactions in Year*	**Average Number of Brands Used** *In Year*	**Loyalty** *Avg % of Customer’s Total Category Transactions Going to Customer's Most Preferred Brand*
Airline	31%	5x	1.7	**83%**
Hotel	35%	3x	1.8	**80%**
Restaurant	89%	96x	16.4	**37%**
Retail	99%	250x	24.2	**37%**

From Sense360 credit/debit transaction data
2021 Annual Data; National

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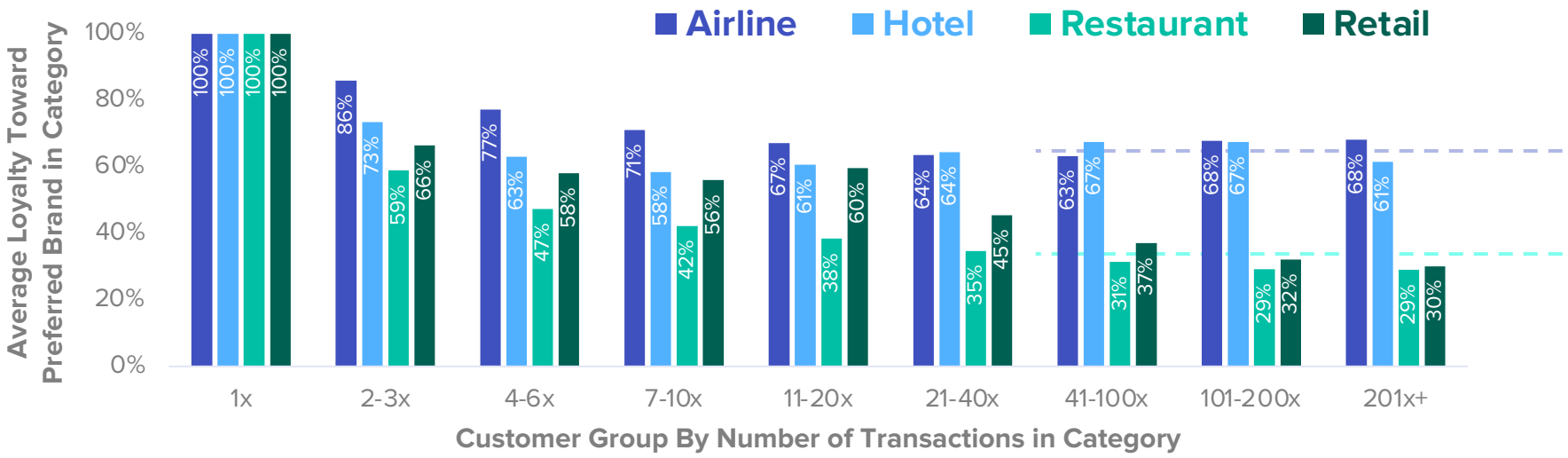
Hotel & Airline have more loyal average customers

When controlling for frequency of transaction in each category, Hotel & Airline still have customers who allocate a larger % toward their preferred brand (vs. Rest/Retail)

Brand Loyalty of Customers, Based on Number of Total Category Transactions They Make

2021; National; Loyalty defined as % of a customer's total category transactions that went to most frequently used brand



From Sense360 credit/debit transaction data

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Why might this be?

Possible factors include…

1. **Different occasions, same category**
   Wider variety of retail products, cuisine types / atmosphere vs. lodging and transit needs

2. **Lower penetration & frequency mean space for fewer suppliers**
   Also more industry consolidation as a result

3. **Geographic / other switching barriers**
   Airline hub cities, corporate travel requirements, etc.

4. **More incentive to be loyal?**
   Perishable nature of hotel room nights and open seats on flights, plus low marginal cost to serve, typically allow loyalty programs to be more rewarding than retail / restaurant equivalents

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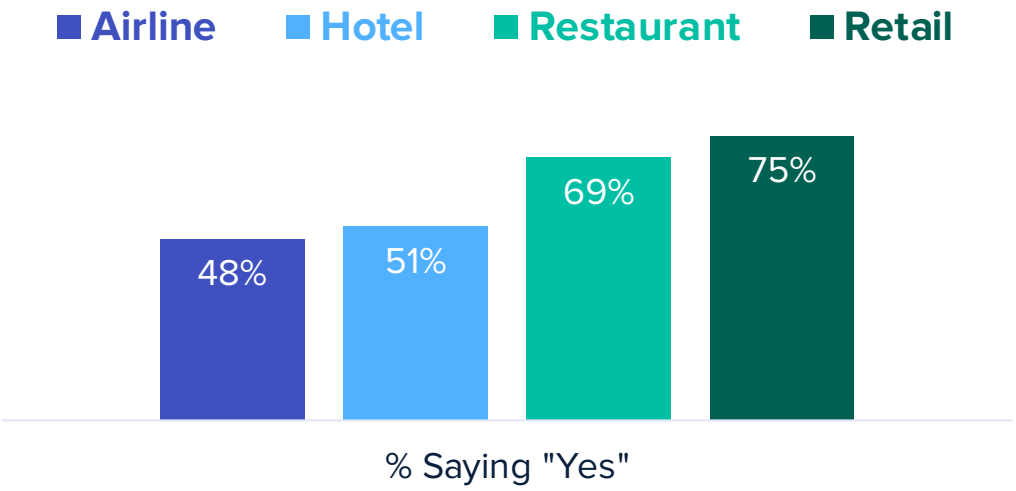
% of Population Feeling “Loyal” to 1+ Brand (by category)

Do you consider yourself "loyal" to one or more airlines / hotel brands / restaurants / retailers/stores in particular?



Although Airline and Hotel rank lower than Restaurant and Retail in the total population, **among pre-COVID business travelers** these numbers jump to **62% and 66%**, respectively

People might behave more “loyal” to Airlines and Hotels for reasons other than a true *feeling* of loyalty

From Sense360 April 2022 Loyalty Survey (n = 5,146)

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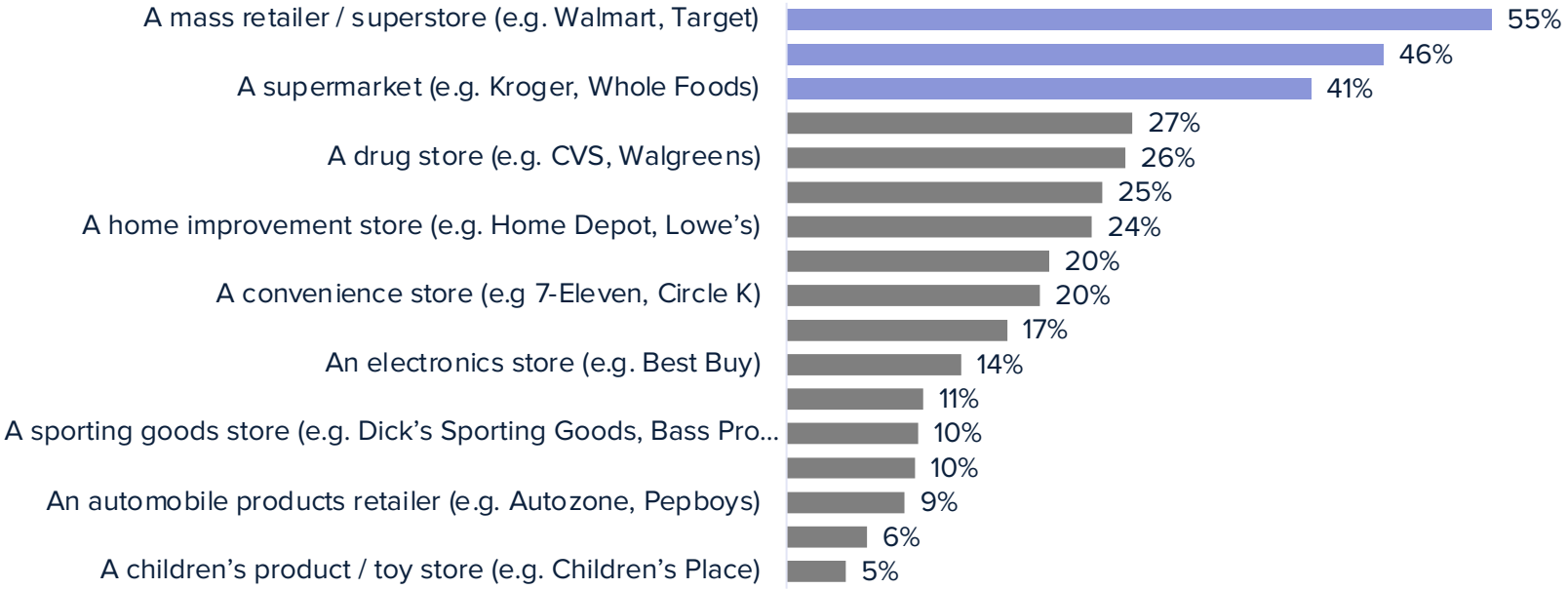
Some types of retailers have more catch-up to do

Those with the highest self-perceived loyalty are the mass and e-com categories

Self-perceived Loyalty to a Retailer in Specific Category

Of the retailer(s) / store(s) you consider yourself “loyal”, to what category / categories do they belong?



From Sense360 April 2022 Loyalty Survey (n = 5,146)

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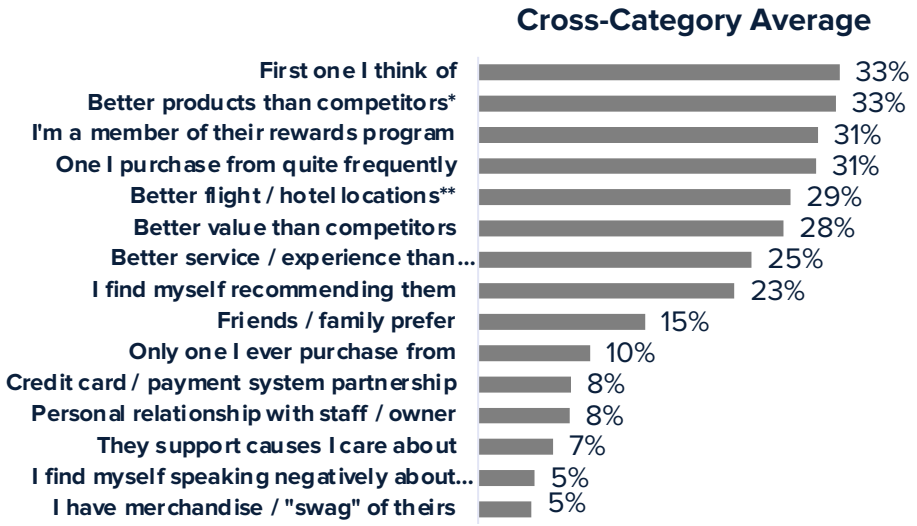
What makes people loyal?

Top of mind consideration, products, and rewards programs are said to be common characteristics for someone who self-perceives being “loyal” to a brand

Reasons for Feeling “Loyal” to a Brand

For what reasons do you consider yourself “loyal” to that / those [category brand(s)]?



Airline Rank	Hotel Rank	Restaurant Rank	Retail Rank
3	2	3	1
-	-	1	5
1	1	7	3
6	4	2	2
2	6	-	-
4	5	6	4
5	3	5	7
7	7	4	6
8	8	8	8
9	9	11	10
10	10	12	9
11	11	9	11
13	12	10	12
12	14	13	14
14	13	14	13

From Sense360 April 2022 Loyalty Survey (n = 5,146). Respondents could select multiple choices
*Asked only for restaurant / retail
**Asked only for airline / hotel

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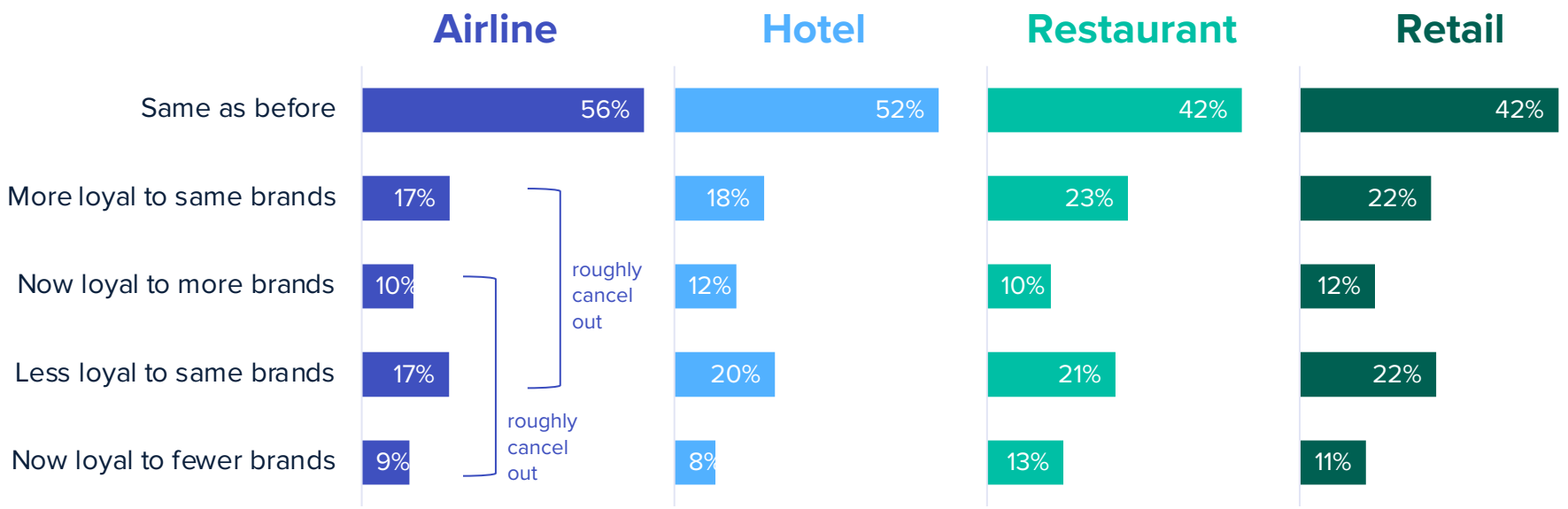
Has COVID changed loyalty behaviors?

No uniform consensus on perceived COVID effect

Self-perceived increases/decreases in loyalty to brands nearly cancel each other out

Self-perceived Loyalty Changes from Pandemic

How did the COVID-19 pandemic change your views on the [category brands] you are, or may have been “loyal” to?



From Sense360 April 2022 Loyalty Survey (n = 5,146). 2 choices allowed per respondent.

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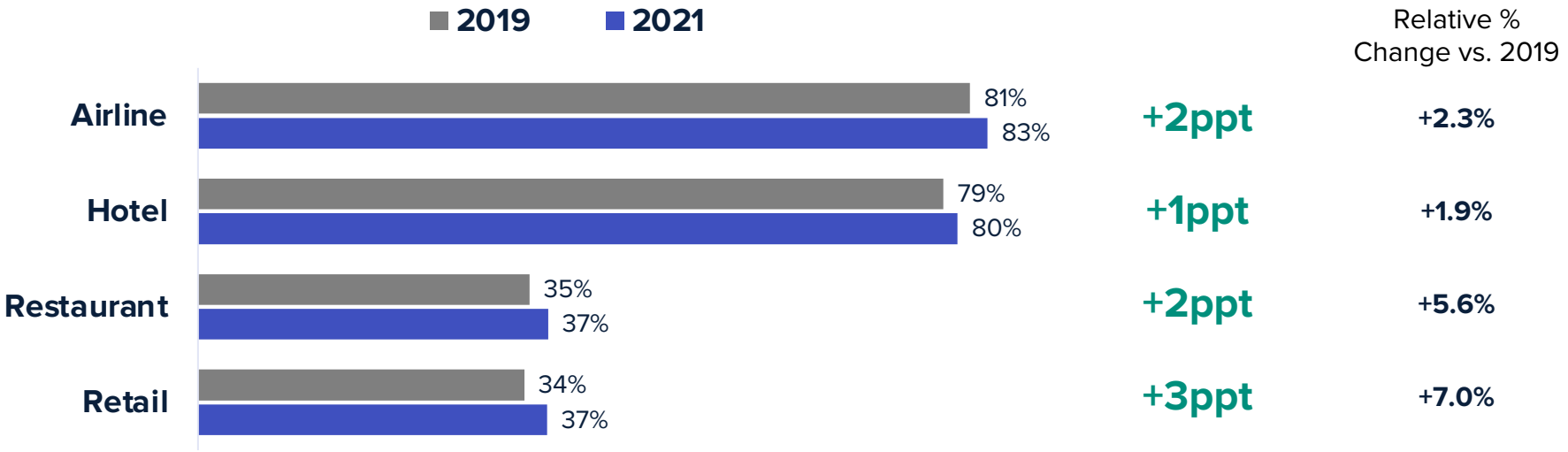
Are customers now more loyal? At first glance, yes

Across each these 4 industry categories, average customer loyalty is up vs. 2019

Average Customer Loyalty % by Category, 2021 vs. 2019

National; Loyalty defined as % of a customer's total category transactions that went to most frequently used brand



From Sense360 credit/debit transaction data

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But in studying just heavy users, trends are mixed

Regardless of customer group (defined by market txn count), customer loyalty is going up for Restaurant + Retail. But it only is for low volume users in Airline + Hotel

Average Customer Loyalty % by Txn Group, 2021 vs. 2019

National; Loyalty defined as % of a customer's total category transactions that went to most frequently used brand

	2019				2021				abs ppt change			
# of Txns	Airline	Hotel	Restaurant	Retail	Airline	Hotel	Restaurant	Retail	Airline	Hotel	Restaurant	Retail
1x	100%	100%	100%	100%	100%	100%	100%	100%	0ppt	0ppt	0ppt	0ppt
2-3x	84%	73%	58%	64%	86%	73%	59%	66%	+2ppt	+1ppt	+1ppt	+3ppt
4-6x	74%	62%	45%	54%	77%	63%	47%	58%	+3ppt	+1ppt	+2ppt	+4ppt
7-10x	68%	58%	40%	51%	71%	58%	42%	56%	+3ppt	+1ppt	+2ppt	+5ppt
11-20x	64%	58%	36%	51%	67%	61%	38%	60%	+3ppt	+3ppt	+2ppt	+9ppt
21-40x	63%	60%	33%	40%	64%	64%	35%	45%	0ppt	+5ppt	+2ppt	+5ppt
41-100x	67%	63%	30%	34%	63%	67%	31%	37%	-4ppt	+4ppt	+1ppt	+3ppt
101-200x	75%	74%	28%	31%	68%	67%	29%	32%	-7ppt	-6ppt	+1ppt	+1ppt
201x+	74%	67%	28%	29%	68%	61%	29%	30%	-6ppt	-5ppt	+1ppt	+1ppt

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...so the story is a little more complicated after all

For categories like Airline and Hotel, loyalty metric *averages* are being helped by some people in the population dropping out as customers entirely

Population by # of Transactions in Each Industry Category

National; 2021, 2019, and absolute percentage point change

	% of population											
	2019				2021				abs ppt change			
# of Txns	Airline	Hotel	Restaurant	Retail	Airline	Hotel	Restaurant	Retail	Airline	Hotel	Restaurant	Retail
0x	64%	61%	8%	1%	69%	65%	11%	1%	+5ppt	+4ppt	+3ppt	0ppt
1x	9%	14%	3%	1%	8%	13%	4%	2%	-1ppt	-1ppt	+1ppt	0ppt
2-3x	11%	13%	4%	2%	9%	12%	4%	2%	-2ppt	-1ppt	0ppt	0ppt
4-6x	8%	7%	4%	2%	7%	6%	4%	2%	-1ppt	-1ppt	0ppt	0ppt
7-10x	4%	3%	4%	2%	4%	2%	4%	2%	-1ppt	-1ppt	0ppt	0ppt
11-20x	3%	2%	8%	5%	3%	1%	8%	5%	0ppt	0ppt	0ppt	0ppt
21-40x	1%	<1%	12%	6%	1%	<1%	12%	6%	0ppt	0ppt	0ppt	0ppt
41-100x	<1%	<1%	25%	15%	<1%	<1%	23%	13%	0ppt	0ppt	-2ppt	-2ppt
101-200x	<1%	<1%	21%	22%	<1%	<1%	19%	19%	0ppt	0ppt	-2ppt	-2ppt
201x+	<1%	<1%	12%	45%	<1%	<1%	12%	48%	0ppt	0ppt	0ppt	+3ppt

From Sense360 credit/debit transaction data

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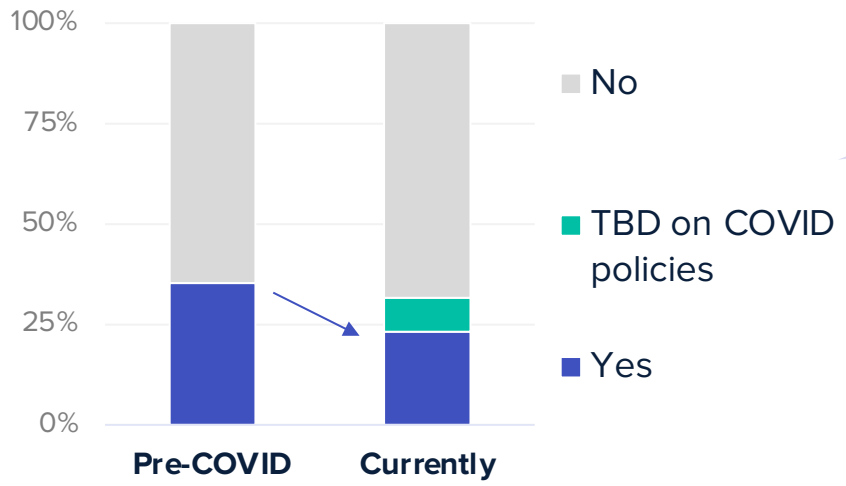
Work travel changes are a culprit for Hotel + Airline

A sizeable % of the working population that used to travel for work (at least occasionally) has shrunk due to the pandemic

Work Travel Requirements ("At Least a Few Times Per Year")

Before the COVID-19 pandemic began (in March 2020), did your job regularly require travel to other cities / states / countries where you would stay overnight for one or more days? / Does your job currently...



35% Relative decline in workers saying their job still definitively requires travel

Not only has the total population of workers that are required to travel shrunk, the frequency of travel for those still traveling has also declined.

Only 40% of those who used to travel 1x+ per week pre-COVID say their job still requires travel 1x+ per week.

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From Sense360 April 2022 Loyalty Survey (n = 5,146). Subset among those currently employed

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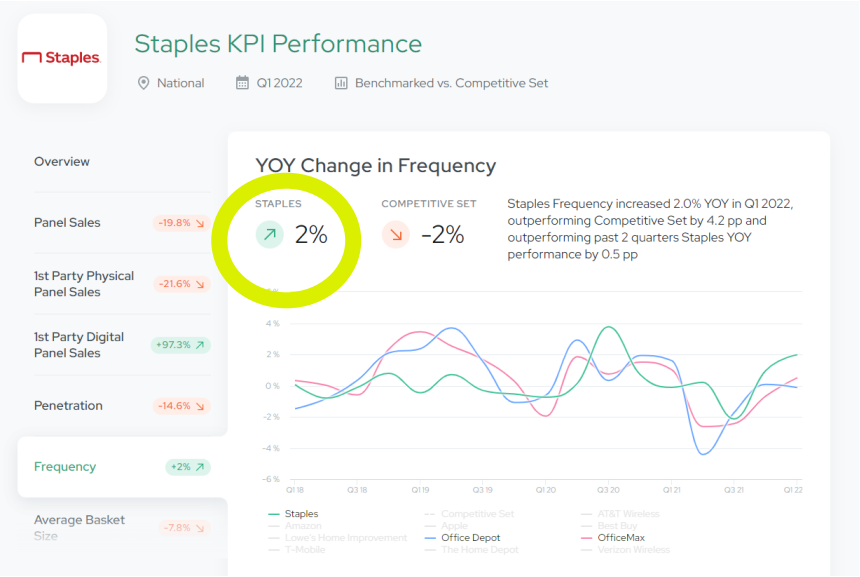
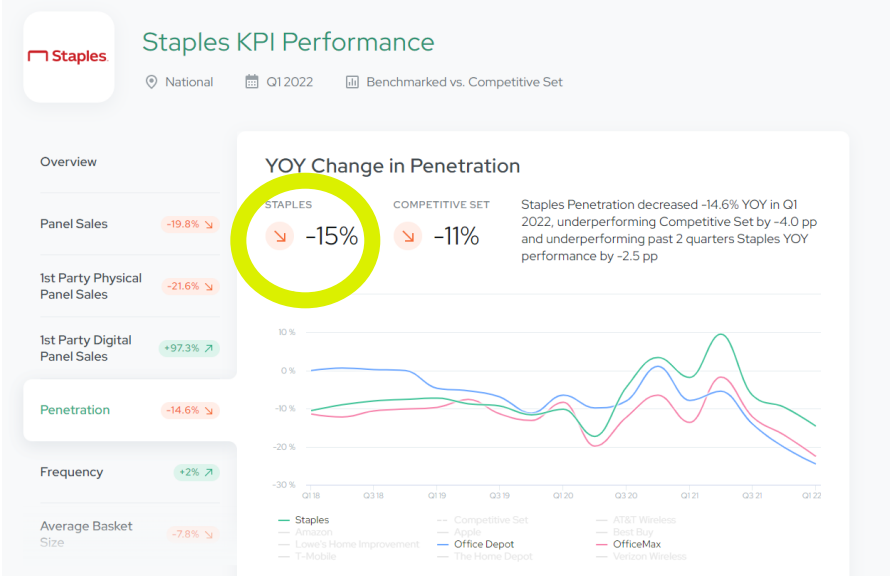
Reading into loyalty metrics: shortcomings to avoid

Tracking average customer frequency alone = bad

From Sense360's Intelligence Product: KPI Dashboard

Transaction frequency can go up but not be a good thing – it depends on if you're gaining or losing customers overall





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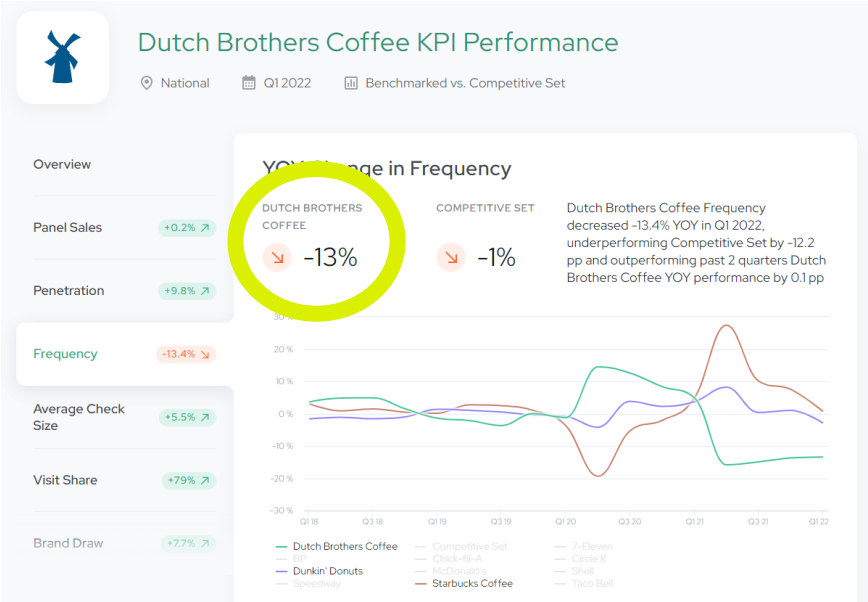
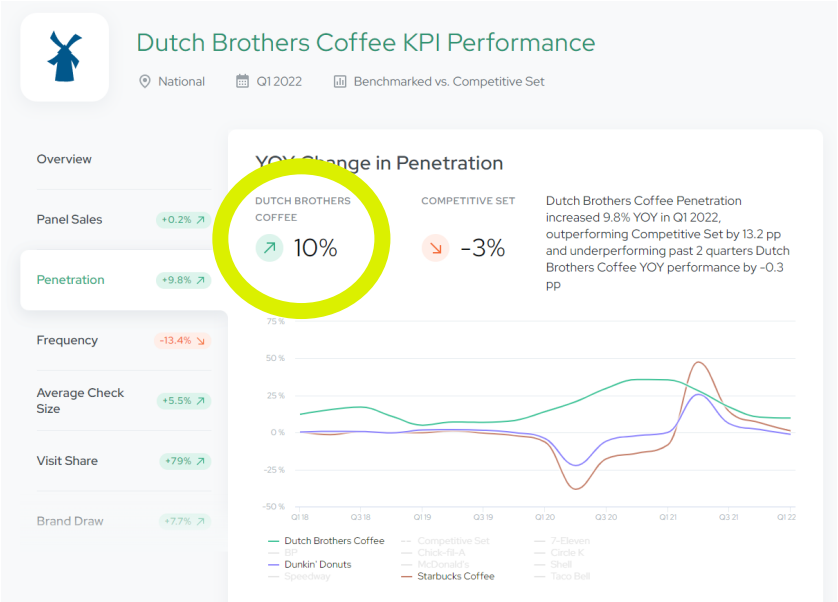
Case Study: Dutch Brothers Coffee

From Sense360's Intelligence Product: KPI Dashboard

Are customers who used to often go to Dutch Brothers now scaling back? Is "loyalty" an issue?





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The migration of consumer groups over time paints a clearer picture

From Sense360's Intelligence Product: Customer Migration Dashboard

Dutch Brothers Coffee Customer Migration

Comparison Period: Jan 2020 - Dec 2020 | Analysis Period: Jan 2021 - Dec 2021

This dashboard helps you understand how Dutch Brothers Coffee panel sales are impacted by customers that increase or decrease purchase frequency, if Dutch Brothers Coffee is acquiring or losing customers to competitors, and the demographic profile of each of the migration groups.

Migration Group Summary

Migration Comparison

Increased Frequency customers had the largest impact on Dutch Brothers Coffee panel sales, increasing them by 34.25%. This migration group under-indexes on 80,001+ household income and under-indexes on African American ethnicity compared to the average customer. Click on one of the groups to explore more detailed insights.

MIGRATION GROUPS	COMPARISON PERIOD PANEL SALES	ANALYSIS PERIOD PANEL SALES	IMPACT
New and Acquired Customers 40% OF TOTAL CUSTOMERS	$0	$6.2M	↗ 25.8%
Increased Frequency Customers LARGEST IMPACT 15% OF TOTAL CUSTOMERS	$6.6M	$14.8M	↗ 34.2%
Same Frequency Customers 11% OF TOTAL CUSTOMERS	$1.7M	$1.7M	↗ 0.1%
Decreased Frequency Customers 14% OF TOTAL CUSTOMERS	$13.9M	$7.3M	↘ 27.2%
Lapsed Customers 20% OF TOTAL CUSTOMERS	$1.9M	$0	↘ 7.8%
Total	**$24M**	**$30.1M**	↗ **25.1%**

Dutch Brothers may have a reduced average customer frequency, but it is simply due to a large influx of new customers. It has actually gained sales through existing customers that are increasing frequency, but this is drowned out by a simple frequency metric

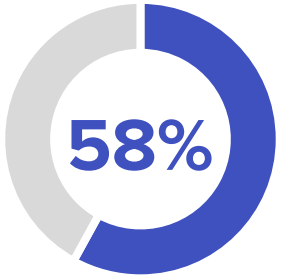
How consumers perceive loyalty rewards programs

Most people belong to some rewards programs

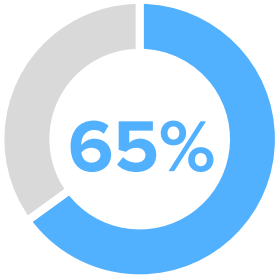
It's especially common for Retail and Restaurant, which are also the most penetrated in the population

% of Population with 1+ Loyalty Rewards Program / Subscription Program Membership

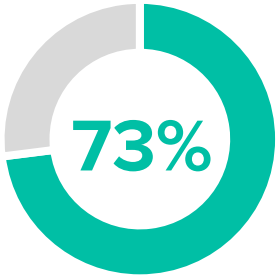
By industry category; How many [category] loyalty rewards programs and/or subscription programs do you belong to? Select the choice that is your best estimate



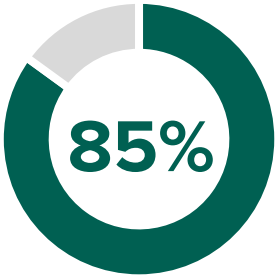
Airline



Hotel



Restaurant



Retail

From Sense360 April 2022 Loyalty Survey (n = 5,146)

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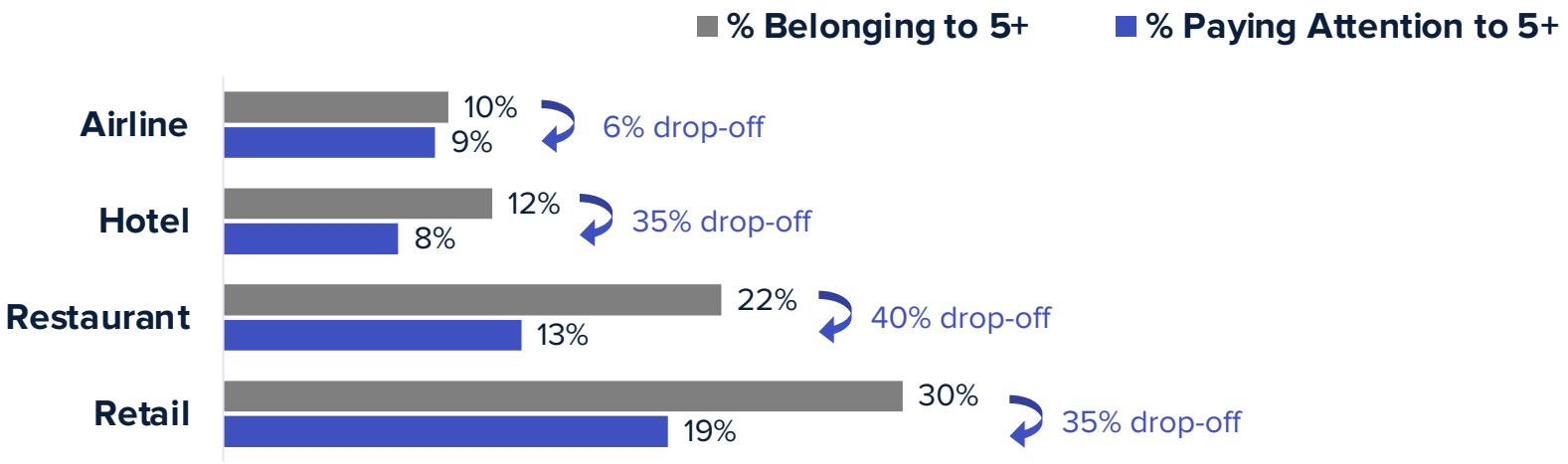
But it doesn’t mean they pay attention to them all

For most of the industries tracked, people report actively paying attention to a little more than half of them

Total Population with 5+ Program Memberships (By Category)

How many [category] loyalty rewards programs and/or subscription programs do you belong to? / For how many of those [category] loyalty rewards programs and/or subscription programs do you actively pay attention to your membership?



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People want their programs on mobile apps

A popular enrollment / management method is also to just provide a phone number at each transaction

Preferred Enrollment Method for Rewards / Subscription Programs

What is your preferred way to enroll in a [category] rewards program?

Airline		Hotel		Restaurant		Retail	
Download mobile app and complete form	26%	Download mobile app and complete form	35%	Download mobile app and complete form	35%	Download mobile app and complete form	31%
Complete form on website	25%	Complete form on website	29%	Just provide phone number at cash register	25%	Just provide phone number at cash register	28%
Just provide phone number while purchasing a flight	16%	Just provide phone number at check-in desk	24%	I have no preferred way	12%	Receive a plastic card to swipe in future	13%
I have no preferred way	14%	Receive a plastic card to swipe in future	16%	Complete form on website	12%	Complete form on website	12%
Receive a plastic card to show / swipe in future	14%	I have no preferred way	12%	Receive a plastic card to swipe in future	11%	I have no preferred way	10%
Fill out a paper form	5%	Fill out a paper form	7%	Receive a paper punch card	5%	Receive a paper punch card	4%
Some other way not listed here	1%	Some other way not listed here	2%	Some other way not listed here	1%	Some other way not listed here	1%

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From Sense360 April 2022 Loyalty Survey (n = 5,146)

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For customers to want to enroll, tangible value is key

Consistency exists across industries in what a program must have in order for customers to want to enroll

"What does a [category] rewards program NEED to have for you to consider enrolling in it?"

Consistently Top 5 (of 13) across industry categories:

- ✓ Rewards that **don't expire fast** once you get them
- ✓ **Some financial benefit** (e.g. rewards for free items, $-off or %-off discounts)
- ✓ A financial **benefit better than competitors'** programs
- ✓ **Rewards** that you can start earning and using **without having to transact at [brand] many times**
- ✓ Me **knowing I'll actually [transact** with brand] **regularly**

Consistently Bottom 4 (of 13) across industry categories:

- ✓ **Communication** from the brand on new offers, etc.
- ✓ A **way to avoid receiving communications** from the brand
- ✓ **Some recognition from the company** / staff because I am a member
- ✓ A way to **enroll without using a digital device** (e.g. phone, computer)

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From Sense360 April 2022 Loyalty Survey (n = 5,146)

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...value in the form of points per txn or $ spent

Points / credits, and $-off or %-off discounts are the top 3 choices across industry categories. Early info, special invites, and branded “swag” are generally lower

Preferred Benefits for Rewards / Subscription Programs

For rewards program(s) at [category], in your opinion what are the two most preferred ways of earning benefits offered by those programs?

	Cross-Category Average	Airline Rank	Hotel Rank	Restaurant Rank	Retail Rank
Points / credits based on txn #	41%	1	1	1	1
Points / credits based on $ spent	39%	2	2	2	2
$-off or %-off discounts	21%	3	3	3	3
Special privileges / products	9%	4	4	6	6
Treatment / recognition by staff	9%	5	5	5	8
Access to special promos / offers	9%	6	6	4	4
Occasional surprise rewards	7%	7	8	7	7
Access to early info / special invites	6%	9	7	9	9
Branded Merchandise / "swag"	6%	8	9	8	5

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From Sense360 April 2022 Loyalty Survey (n = 5,146). Respondents could select two choices

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Can a loyalty rewards / subscription program show a measurable impact?

Rewards / subscription programs are said to be a somewhat strong driver of brand choice

Rank of Attributes as Reason for Choosing Brand in Most Recent Transaction

The last time you [transacted with a brand in X category], what were the top reasons you chose that one over others?

Airline

Out of **21** choices

1. Best value for the money
2. Lowest price overall
3. Best flight hours / length (i.e. direct vs. layover)
4. **Loyalty / rewards program**

Hotel

Out of **22** choices

1. Best location for where wanting to be
2. Best value for the money
3. Lowest price overall

.

5. **Loyalty / rewards program***

Restaurant

Out of **19** choices

1. Had best tasting food
2. Had type of cuisine / specific items I wanted
3. Most convenient location to me

.
.
.
.

13. **Loyalty / rewards / subscription program**

Retail

Out of 21 choices

1. Best value for the money
2. Most convenient location to me
3. Lowest price overall

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.

9. **Loyalty / rewards / subscription program**

From Sense360 April 2022 Loyalty Survey (n = 5,146)

*Though 5th for the general population, choice ranked 3rd specifically among pre-COVID business travelers

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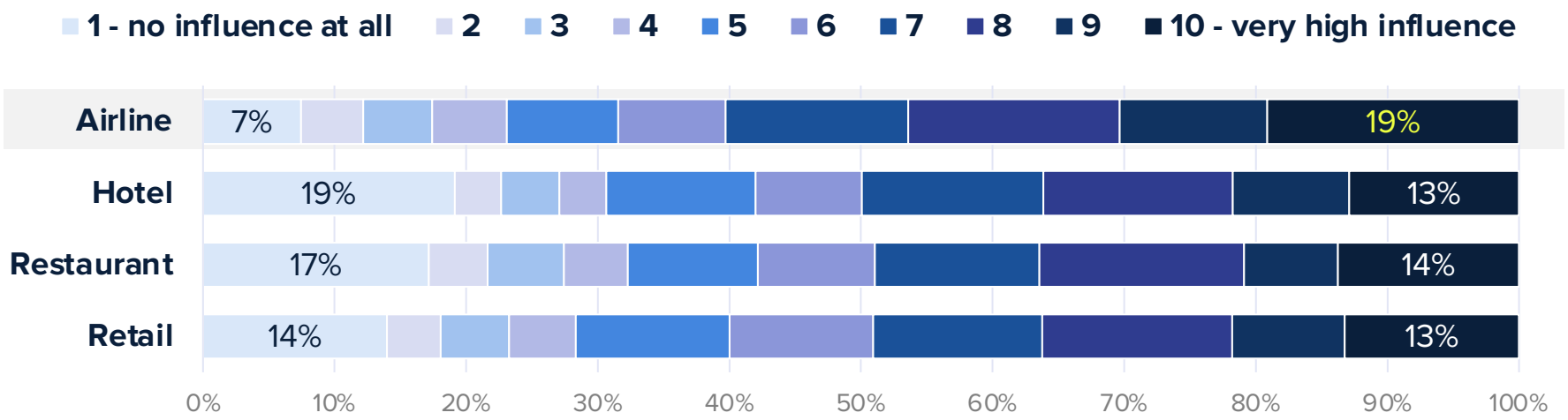
Especially Airline customers say loyalty rewards programs play a role in picking that airline to fly

How Big of a Role Loyalty Rewards / Subscription Programs Play

For program(s) of which you are a member, on a scale of 1-10 how much do you believe they influence your decision to [transact with brand in category] instead of others? 1 = no influence at all, meaning you would still [transact with that brand] the same amount even if they didn't have a rewards or subscription program. 10 = very high influence, meaning you would never [transact with that brand] if they didn't have a rewards or subscription program



From Sense360 April 2022 Loyalty Survey (n = 5,146)

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Select Case Studies

Do Restaurant Loyalty Rewards Program Launches show incremental business performance?

Brands Profiled	Launch Type	First Month Nationally Live
SUBWAY	New*	Mar ’18
Chick-fil-A	Revamped Existing	Sep ’18
CHIPOTLE MEXICAN GRILL	New	Mar ’19

*Replaced legacy regional program which not available in most markets nationally

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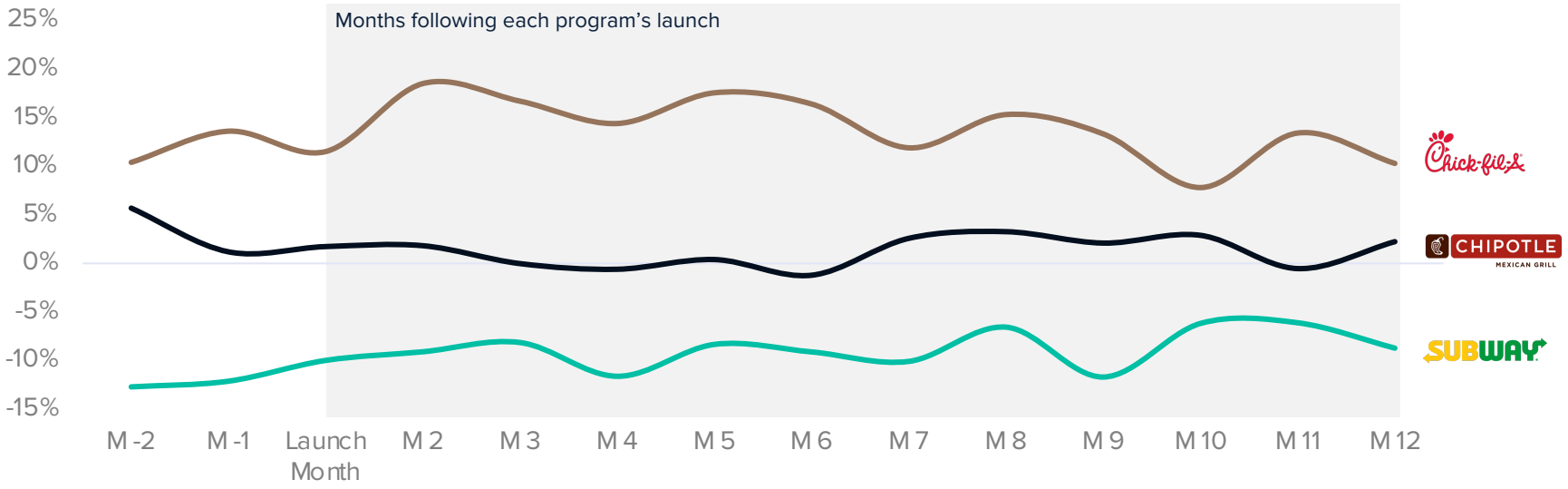
None of those profiled drove a notable, sustained market share spike in the first 12 months

Share of Sales in Quick Service + Fast Casual Market

YoY Relative % Change; National; Spend excluding 3rd Party Delivery; months from date of each program's launch



*Based on Sense360 credit/debit transaction data

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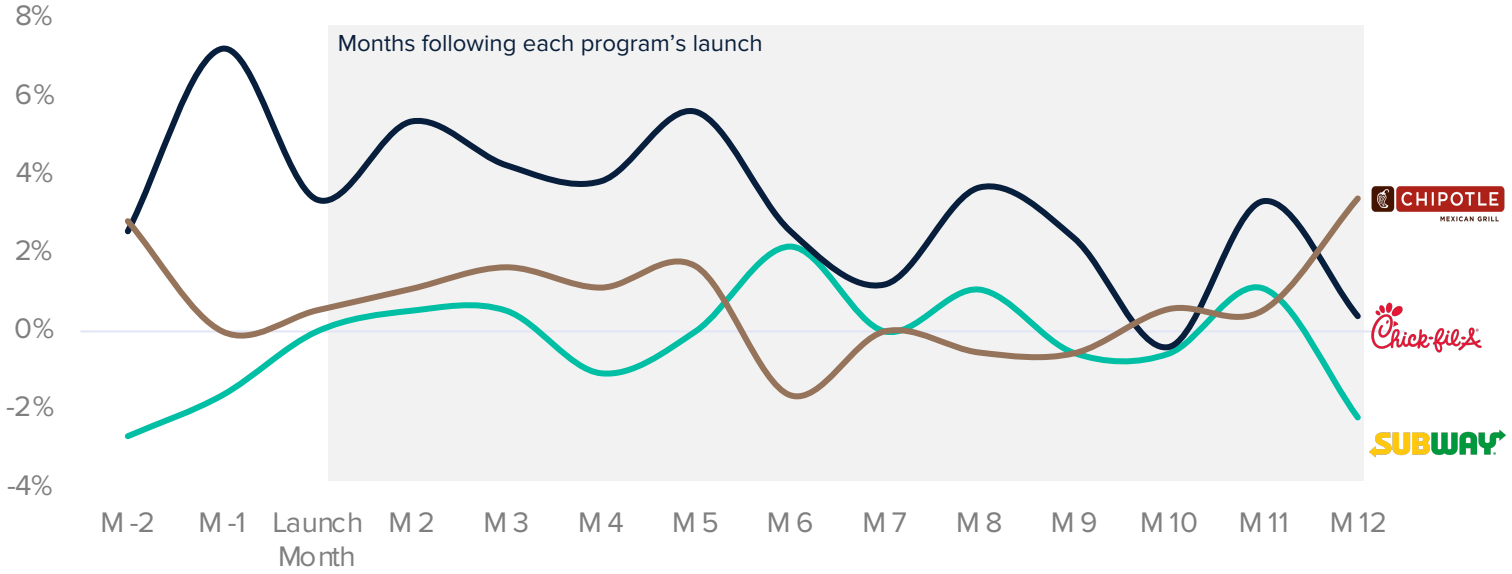
As an individual metric, customer frequency also did not consistently change

Monthly Transaction Frequency Per Customer

YoY Relative % Change; National; Spend excluding 3rd Party Delivery; months from date of each program's launch



Avg 12 month ppt lift vs. baseline period (2 months prior to launch)

-1ppt

-2ppt

+2ppt

*Based on Sense360 credit/debit transaction data

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However, the limited evidence of program launches driving financial returns right away is not a reason to say they have no value

Strategic Opportunities Presented by Loyalty Programs

Drive behavior change toward increasingly important digital ordering channels (due to COVID)

Gather unique customer data at scale to inform future business decisions

Build a captive audience to push more marketing through owned vs. paid media channels

Monetize that audience through marketing access for select partners

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Recap: Key Takeaways

Redefining Customer Loyalty

- **Using behavioral metrics to measure customer loyalty** should be considerate of the following:
  - Understanding not just how your customers engage with your brand, but also how they engage with other brands in the market
  - Tracking engagement not only in terms of your average customer, but also with context on changes to the amount of customers you have and if that is influencing who your average customer is
- Although people more often say they are loyal to at least one restaurant or retailer vs. say so for at least one airline or hotel, **behavioral analysis shows stronger loyalty behaviors for airlines and hotels**
- Sense360's methods of measuring customer loyalty indicate **COVID has made the average customer slightly more loyal** across the airline, hotel, restaurant, and retail categories. However, for airline and hotel, this is partially misleading due COVID's impact on business travel, which is decreasing the amount of people who are customers to begin with and also frequency per customer
- **Customers say loyalty rewards / subscription programs play a notable role** in their choice of brand across industries. **However**, they do also acknowledge they may **pay attention to as little as 60% of the programs** in which they are a member, and restaurant case studies also indicate **little immediate impact on company performance** when a program is launched.
  - However, **these programs offer strategic value in many other ways** and can be worth optimizing. Things that are **most likely to resonate with consumers are a mobile-first** enrollment / management experience, a value prop oriented around **tangible rewards**, and slow expiration periods

Want to know more?

Coming soon: The Redefining Customer Loyalty **White Paper**

This webinar has been a short preview of our full analysis, which will soon be available as a white paper. Some topics not covered today include:

- Why do customers turn down the opportunity to join a rewards program?
- What are the characteristics of customers who have high-tier status in rewards program?
- For people who aren't loyal to any brand, what could change that in the future?
- What specific actions can brands take to increase customer loyalty?
- What are the key industry-specific opportunities to drive further loyalty?

Keep an eye on your inbox in the coming weeks for an alert about this report. To request a walk-through of the data and discuss custom insights on your brand, contact us at briefings@medallia.com

Upcoming Webinars (Non-Exhaustive List)

5/3/2022	Redefining Customer Loyalty	Client
5/10/2022	Latest Restaurant Brand Perceptions Trends	Client
5/17/2022	Latest Retail Customer Experience Trends	Client
5/24/2022	Guest Speaker - Restaurant	Client
6/7/2022	C-Store Purchase Occasions	Client
6/14/2022	Summer Travel Plans	Client
6/21/2022	**Next-gen Metrics for Analyzing your Customer Behavior**	**Public**

Next Public Webinar

Contact us:
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Senior Director, Head of Analytics

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Thank You