

OUR RESEARCH
PARTNERS



Alter Agents designed the study and provided the analysis; Voxpopme provided technology to video capture consumer responses; and MindField Online supplied survey programming and sampling for the research project.

The Impact of Incentives on Consumer Behavior

Keeping consumers engaged and responsive is increasingly challenging in a world where they're constantly inundated with advertiser messaging across multiple media platforms. Rewards and incentives are being included in more and more marketing programs in order to stand out from the crowd – but gaining consumer attention and loyalty isn't easy.

New research unveiled in this study by Virtual Incentives covers a targeted study of U.S. consumers who have experience participating in rewards programs. The study explores consumer perceptions and preferences surrounding incentives and how the incentive itself impacts brand perceptions and purchase behaviors. Demographic and psychographic influencers like gender, age, income levels and political affiliation were also analyzed.

SUMMARY

At a time when consumers have more options than ever before, the right incentive program can drive consumers to a brand, make them feel like valuable customers, and convert them into loyalists and brand advocates. In fact, customers are participating heavily in loyalty, rewards, and points programs, and 50 percent report these programs as driving their purchasing behavior.

The study found that personalization of incentives and rewards can help make an emotional connection with consumers, and even offer an opportunity for complimentary marketing, such as new product offers.

Key research findings include:

- Consumer feelings toward incentive personalization, thresholds for levels of personalization, and what this concept does to brand impression
- Impact of income levels on attitudes, behaviors and preferences when it comes to rewards
- Demographic and psychographic differences in reward preferences

METHODOLOGY

To collect the data for this study, we targeted over 400 respondents in the United States for a 15-minute online survey. Respondents were 18 years of age or older and had participated in an incentive or rewards program in the past three months. Quotas were in place for age and gender, and the data was collected over a five-day period.

The study also utilized open-end video responses from Voxpopme for a deeper understanding of consumer preferences, in their own words.

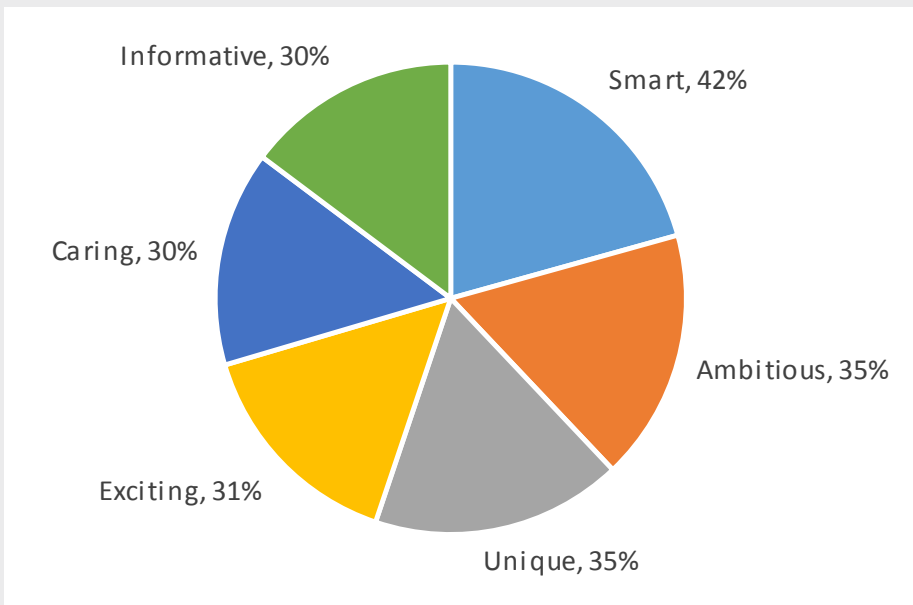
PERSONALIZATION

Personalization plays a key role in driving engagement. Consumers want incentives that tie in directly to their purchases and offer them something useful, whether that’s accessories that might interest them, offers for future discounts, or the ability to accumulate larger rewards over time.

Several questions surrounding incentive and reward personalization were asked as part of this study to gauge how respondents felt about receiving a personalized incentive and if it would impact their consideration and perception of a brand, product or service while also exploring how it affected purchase behavior. We found that personalized incentives drive consumer perceptions that a brand cares about them and values their loyalty.

Twenty percent of respondents had received a personalized incentive that impacted their perception of the brand. Most found it made the company stand out as smart (42 percent), ambitious (35 percent), and unique (35 percent) as well as exciting (31 percent), caring (30 percent) and informative (30 percent). Fifty-six percent of respondents said that receiving a personalized incentive would improve their consideration of the brand.

IMPACT OF REWARD PERSONALIZATION ON BRAND PERCEPTION



There was a small percentage (16 percent) that were slightly uncomfortable with certain types of personalization—such as use of recipients name and past behavior—reminding us that we need to be mindful that privacy issues are important to some audiences.

INCOME LEVELS & INCENTIVE PREFERENCES

Income levels were highly correlated with the effectiveness of personalization and respondents for this study were divided into two groups—those with greater than and less than \$50,000 per year household income (HHI). Personalized incentives programs are most popular among more affluent customers (those with HHI over \$50k), and incentives drive purchasing behavior among affluent consumers, leading them to buy more items, different items, or even to shop a different retailer.

Personalizing incentives, especially by offering valuable deals to consumers, provides a way to directly connect with the consumers who have the most disposable income to spend on your brand. Affluent consumers think companies that offer personalized incentives are “cool” and “smart,” but brands that design these programs should do it thoughtfully: affluent consumers also have a slightly elevated sensitivity to privacy (8 percent above their counterparts). The vast majority of the higher income respondents view brands that personalize as smart and ambitious (47 percent and 38 percent respectively).

- 62 percent of respondents with a household income over \$50,000 said that being offered an incentive would improve their opinion of the brand.
- Incentives programs lead to more expensive purchases, larger purchases in terms of quantity, and shifts in retailer choice for these higher-status customers. For example, 20 percent more of those with an income over \$50,000 would purchase a more expensive item based on receiving an incentive.
- Higher income respondents had heightened interest in incentives programs across the board. They were more than twice as likely to change purchase behavior based on receiving an incentive or reward, such as buying more items, shopping at a different store, buying a different brand and buying a more expensive item.

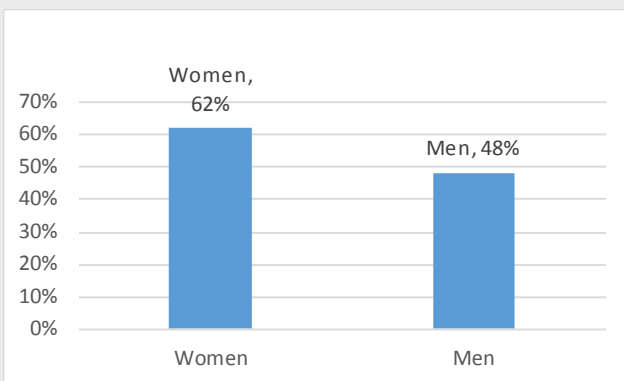
GENDER & INCENTIVE PREFERENCES

Gender influences the participation in and perception of incentive programs. We found that women participate in a greater variety of incentives programs than men, and incentives have a larger influence on their purchasing decisions. But surprisingly, the percentage differences between the genders was not as significant as we hypothesized. Men also participate but at only slightly lower levels on all measures.

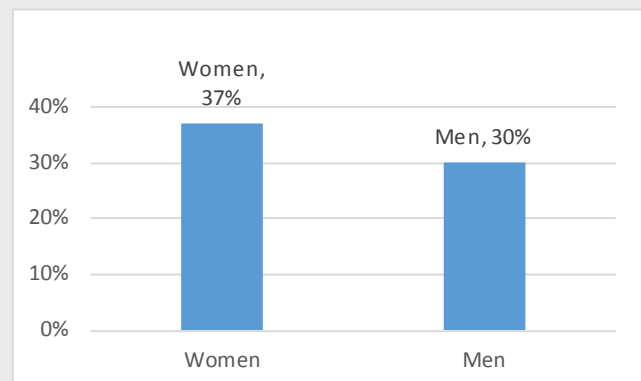
Female consumers respond strongly to personalized coupons and loyalty club offerings, reporting that these would increase their consideration of a product at significantly higher rates than men. Other gender driven incentive behavior includes:

- 28 percent of women reported that they bought a higher number of items based on an incentive offering, versus 20 percent of men
- 62 percent of women had participated in a contest or sweepstakes, while only 48 percent of men had done the same
- Just as we found with other demographics, both men and women far prefer a virtual gift or credit card as a reward—37 percent of women and 30 percent of men—above other options such as a physical card, brand specific card, coupon or points

SWEEPSTAKES REWARD PARTICIPATION



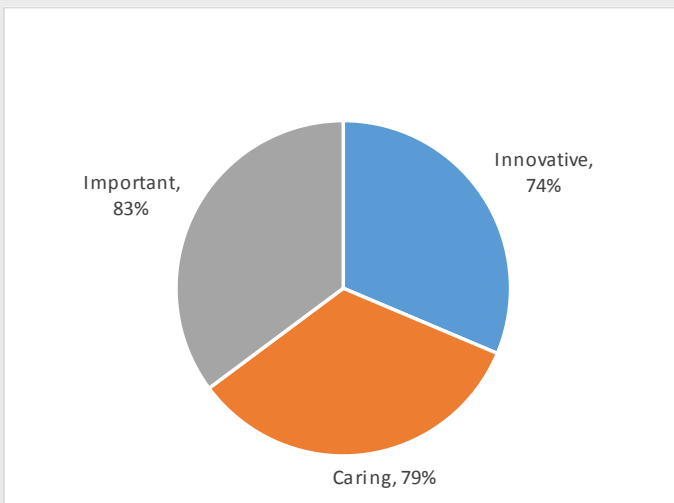
PREFERENCE FOR OPEN LOOP GIFTCARD



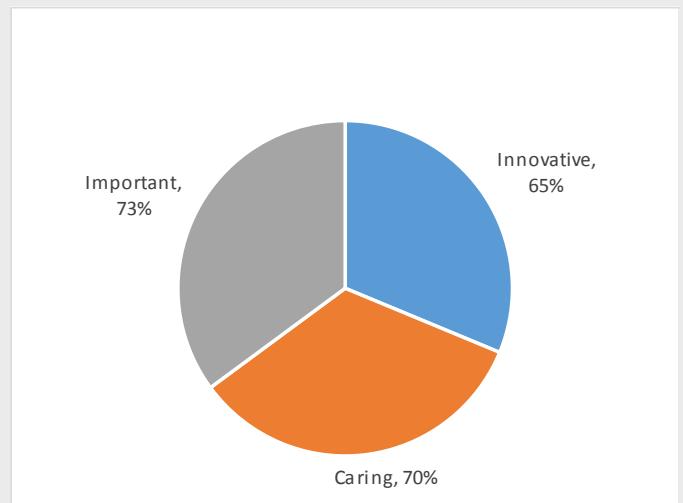
POLITICAL AFFILIATION

In an election year, it seems only appropriate to explore the impact of political affiliation on behaviors. Surprisingly, even with a polarizing election underway, a respondent’s political affiliation had very little impact on perceptions surrounding incentives and rewards. However, there were a few meaningful differences that were linked to party affiliation that are worth exploring to help advise outreach to specific target audiences.

INFLUENCE OF INCENTIVES ON REPUBLICAN BRAND PERCEPTIONS



INFLUENCE OF INCENTIVES ON DEMOCRAT BRAND PERCEPTIONS



- Republicans were slightly more likely to view a brand or company that offered an incentive as caring (79 percent vs 70 percent of Democrats) and innovative (74 percent versus 65 percent). They also felt that their business was important to the company or brand offering an incentive (83 percent versus 73 percent)
- Democratic and GOP party members both preferred a virtual Visa and/or MasterCard as the ideal incentive; Republicans were 11 percent more likely to choose a physical card mailed to them than

RECOMMENDATIONS

As with any marketing program, it pays to know your target audience.

For those audiences that have a slightly above average income level, the value proposition is simple: the right incentive can make customers with more money want to spend more of it with you.

If your audience makeup is primarily female, look into programs that resonate with them. Women also report being more likely to view a company offering personalized incentives as “caring,” and “knows exactly what I want.” These emotional connections can help to lock-in customer loyalty. Profiling your audience can help you to craft a rewards and incentives programs that will go to work for your brand.

One point that spans all respondents is this: no matter the income or education level, one-third of respondents agreed on their preferred type of reward; a virtual gift card that can be used anywhere they choose, such as Visa® or MasterCard®, is a good bet for any rewards or incentives program.

Lastly, think about how you want audiences to perceive your brand. What is your brand voice? If you want to be perceived as smart and unique, put personalization to work to increase positive consumer impressions. Personalization can significantly impact brand customer loyalty, especially among women, who make 85 % of all consumer purchasing decisions.

Want to learn more?
Reach out to Virtual Incentives at
info@virtualincentives.com or 646.736.1910.

(Secondary data ref - <http://www.bloomberg.com/news/videos/b/9e28517f-8de1-4e59-bcda-ce536aa50bd6>)