
Reward Program Research & Trends



Presented by:
Theresa McEndree

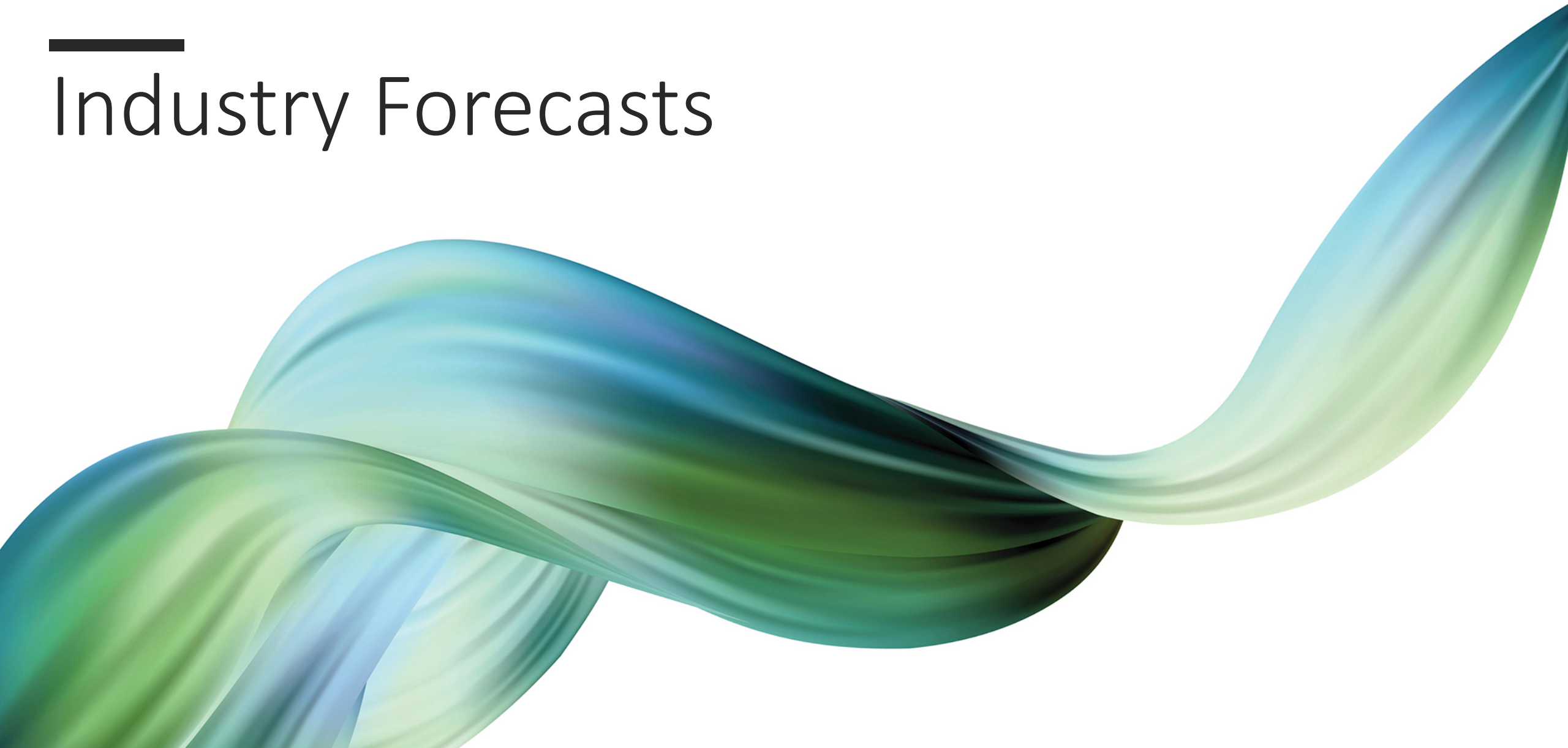
Welcome!



Theresa McEndree

VP, Marketing
Blackhawk Network

Industry Forecasts



National Retail Federation Forecast

- NRF forecasts that 2019 retail sales will increase 3.8%–4.4%, to more than \$3.8T
- Estimates show that 2018 retail sales grew 4.6% over 2017 to \$3.68T, exceeding NRF's forecast of at least 4.5% growth
- Online is expected to grow in the same 10-12% range as 2018, to total between \$751.1B–\$764.8B

**More people
are working**

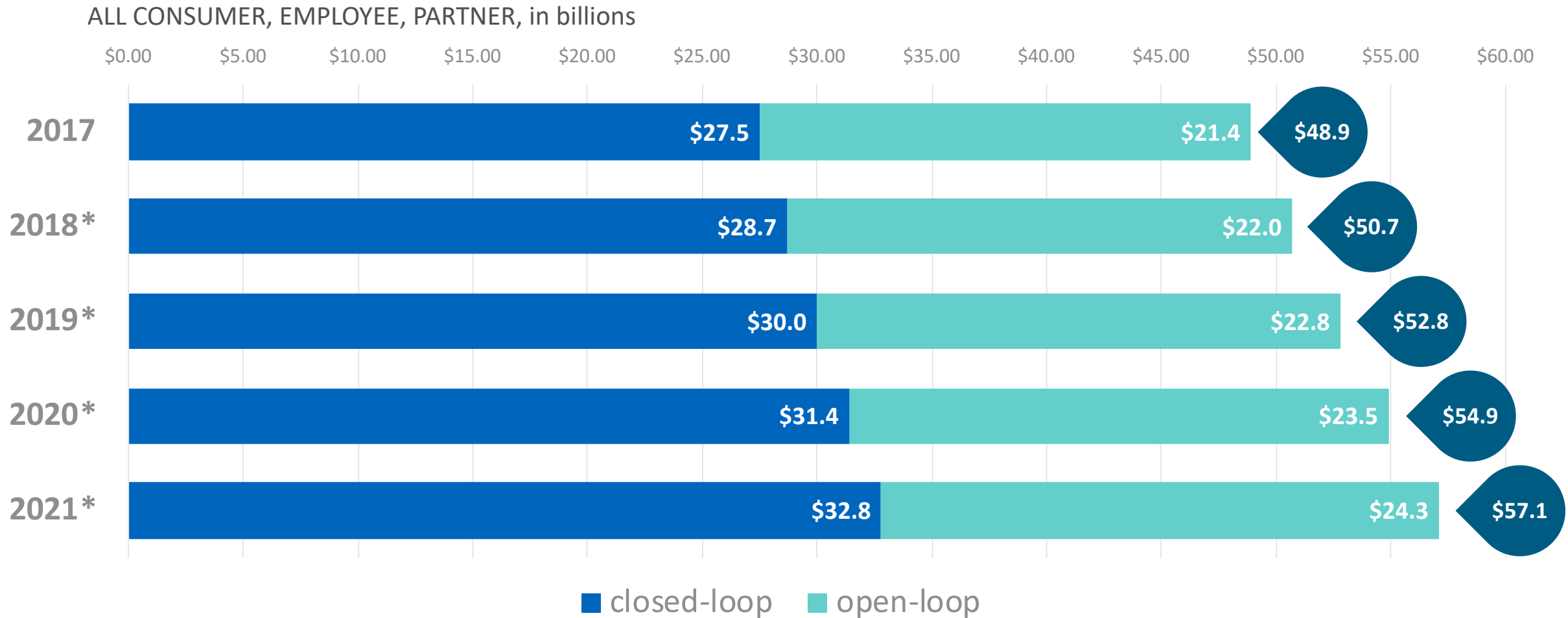
**They are making
more money**

**Taxes are
lower**

**Consumer
confidence is high**

What to watch for: ongoing trade wars and volatile stock market

Gift Card Industry Forecast: All Incentives



*Forecast

Source: 15th Annual U.S. Open-Loop and Closed-Loop Prepaid Cards Market Forecasts, 2017–2021, Sept & Nov 2018

How Generations Engage



Methodology

20-minute online survey

- Total Respondents: n=10,126
- Not employed in a sensitive industry
- Ages 18–75
- Primary or shared responsibility for household shopping
- Purchased in relevant categories within last 6 months
- Field dates: 2/4/19–2/12/19

The Role of New Technology

Gen Z and Millennials lead the charge for innovation.

Millennials use mobile shopping more often than other generations

46%

Place orders via mobile phone and have it delivered at least monthly

56%

Would place an order on a mobile app and pick up in-store

54%

Have purchased groceries on a mobile browser and had it delivered

Gen Z is more likely to use new technology in shopping

47%

Would purchase a digital gift card online

33%

Would use pop-up stores

27%

Would use virtual reality shopping

Both are more receptive to online grocery delivery and cashier-less check out

44%

Of Gen Z is interested in cashier-less check out

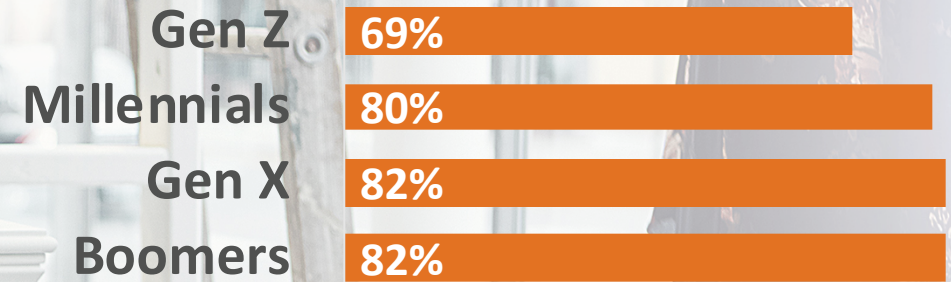
29%

Of Gen Z are interested in social commerce

54%

Of Millennials are interested in ordering groceries online for delivery

In-Store Shopping Is Still Popular



Shopping Innovations Are Most Popular With Gen Z

Voice shopping

20%

Pop-up stores

21%

VR shopping

17%



Brand Loyalty is Important

55% Millennials v 47% Boomers

Reward cards keep them most engaged with a brand.

65% of Millennials prefer digital gift cards in loyalty.



Brand Categories They Like the Most



Gen Z

Entertainment
brands

78%



Millennial

Electronics
brands

77%



Gen X

Restaurant,
online retailer
& home
improvement

79%



Boomer

Home
improvement
brands & online
retailer

83%

Gift Card Attitudes

Millennials are more likely than other generations to view gift cards as an opportunity to spend more and try something new.



Millennials More Enthusiastic About Receiving Gift Cards

Getting a reward makes me **feel valued**

I would rather receive a **gift card** instead of a discount, coupon, bonus dollars or other offer

Getting a reward encourages me to **purchase more often** from the brand/retailer

The reward motivates me to **spend more**

The reward increases my **loyalty** to the brand/retailer



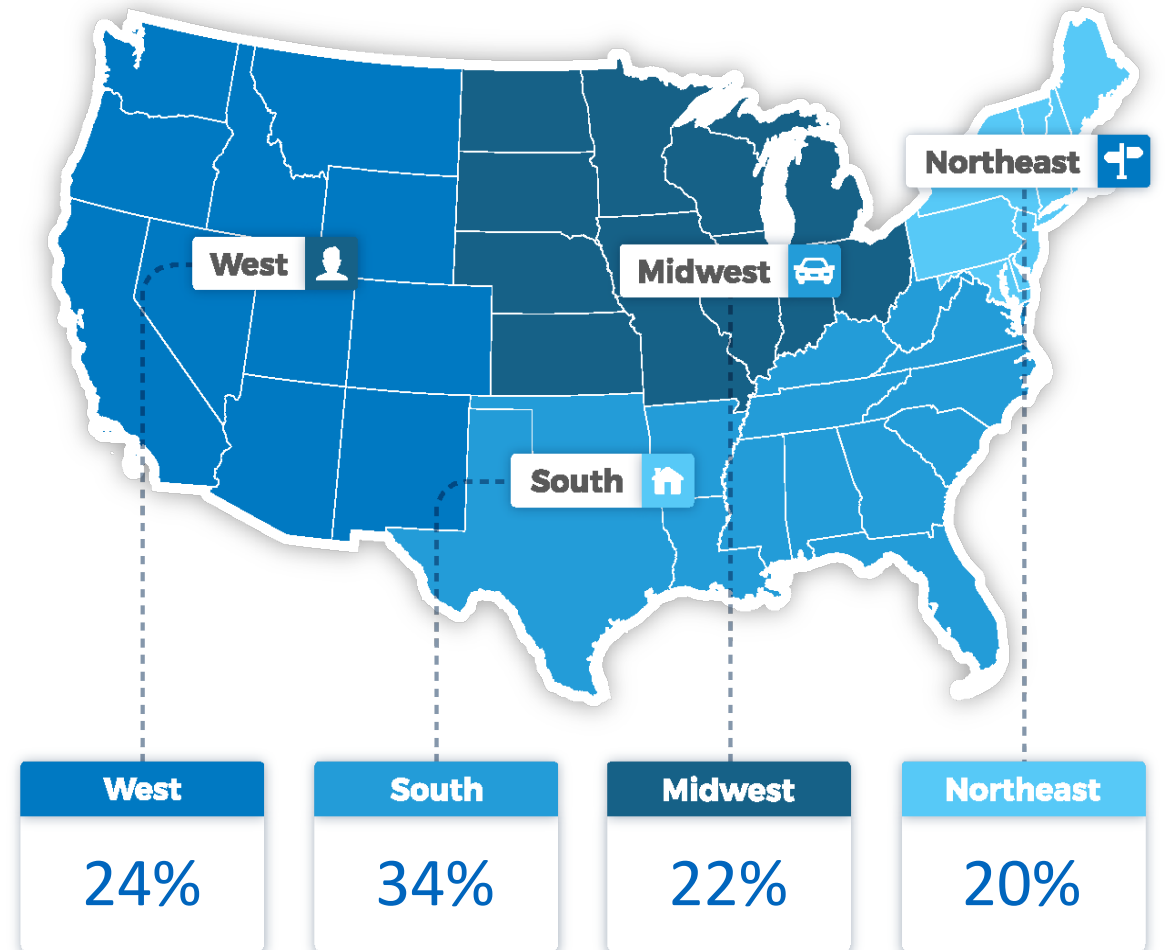
Brands and payments have deep, different meanings for each generation

Trends in the Incentive Industry



Methodology

- Surveyed 1,000+ businesses across multiple industries
- Explore trends & usage
- Understand the importance of incentive programs, interest, behaviors, attitudes, motivations, purchase drivers and barriers



Reward Programs Are Important to Businesses

79% of program managers agree that **rewards impact business performance**

The **majority** of companies offer **employee incentives**



Only about **half** offer **customer incentives**, but 91% agree that rewards make **customers feel valued, posing opportunity**



Few offer **channel incentives**



Prepaid Cards are the Most Popular Reward



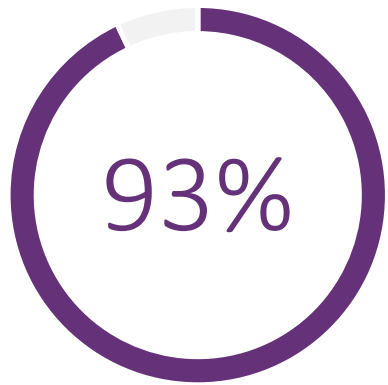
Prepaid cards are also the most popular among key verticals:



Source: Blackhawk Network, Incentives Gift Card State of the Union, conducted by Murphy Research, March 2019

Reward Program Value & Impact

“What is the value of your reward program to your business objectives and the impact of the reward itself?”



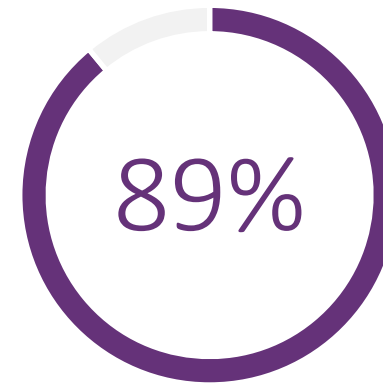
**Creates
customer
loyalty**



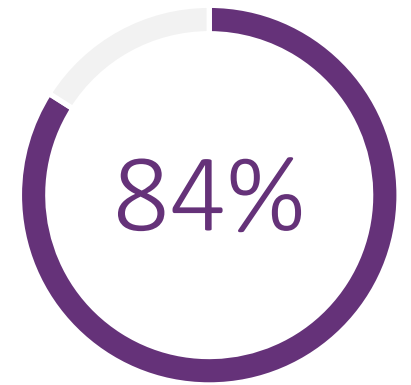
**Makes
customers
feel valued**



**Attracts new
customers**



**Feels like
the company
cares**



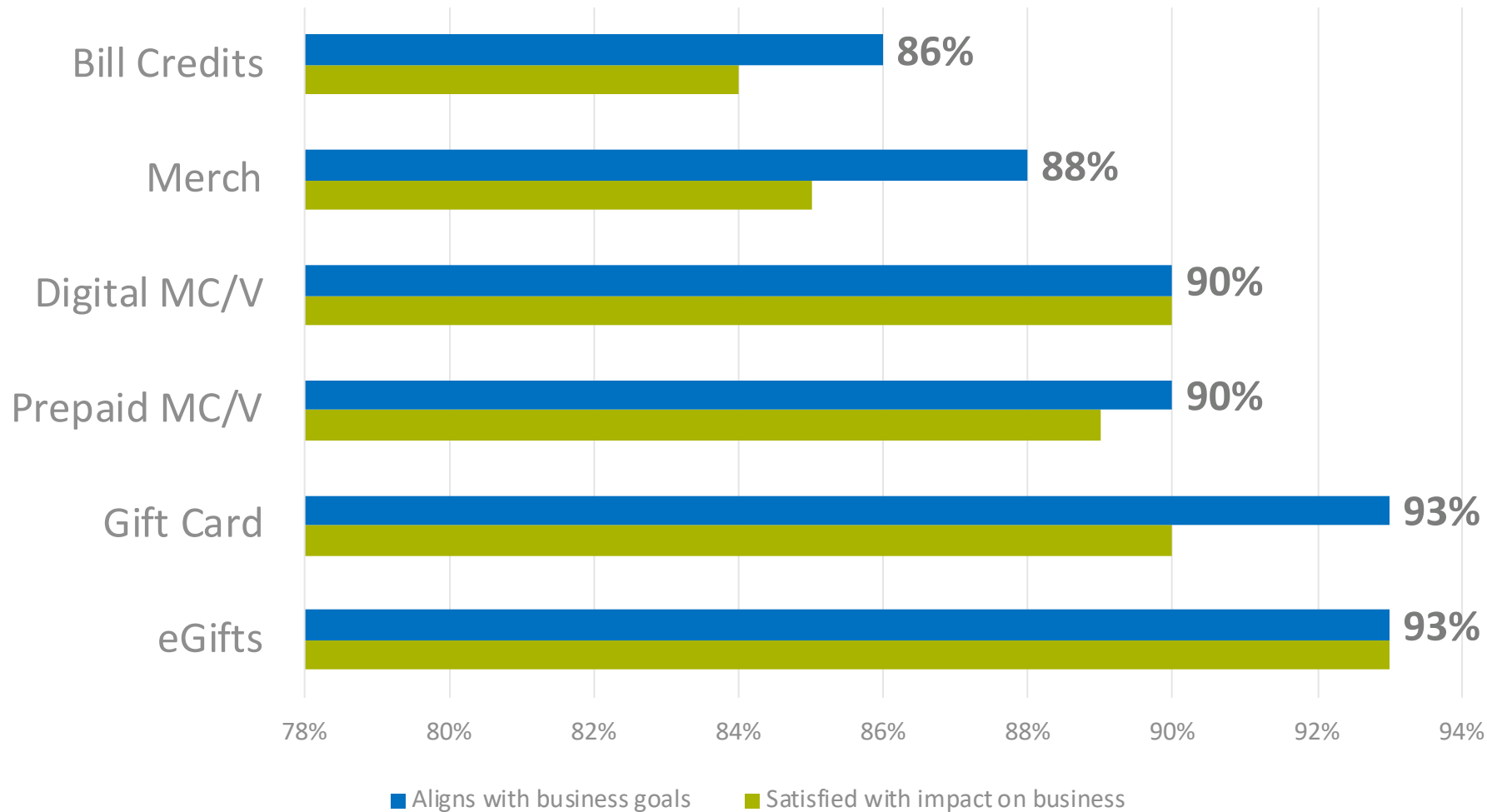
**Encourages
higher spend**

Convenience Tops the Reasons Prepaid Cards are Chosen as Rewards

Criteria program managers consider when choosing Prepaid Cards



Performance of Rewards Types



Best case scenario:
The reward highly impacts program result & aligns well with organizational objectives

Interest in Prepaid Rewards Features

Top 5 Prepaid Reward Card Features



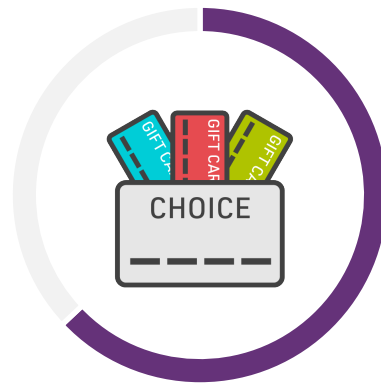
69%

Plastic
gift cards



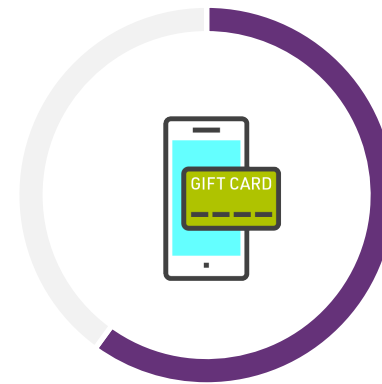
68%

Ability to use
the gift card
anywhere,
such as a Visa
or Mastercard



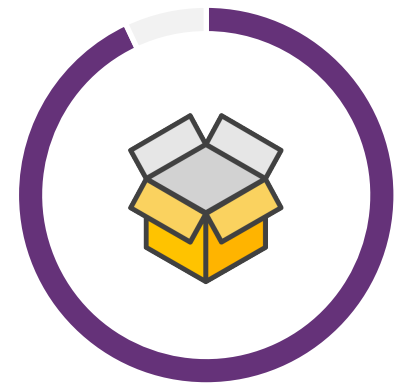
63%

Ability to use
a gift card on
more than
one brand



60%

Digital
gift cards



93%

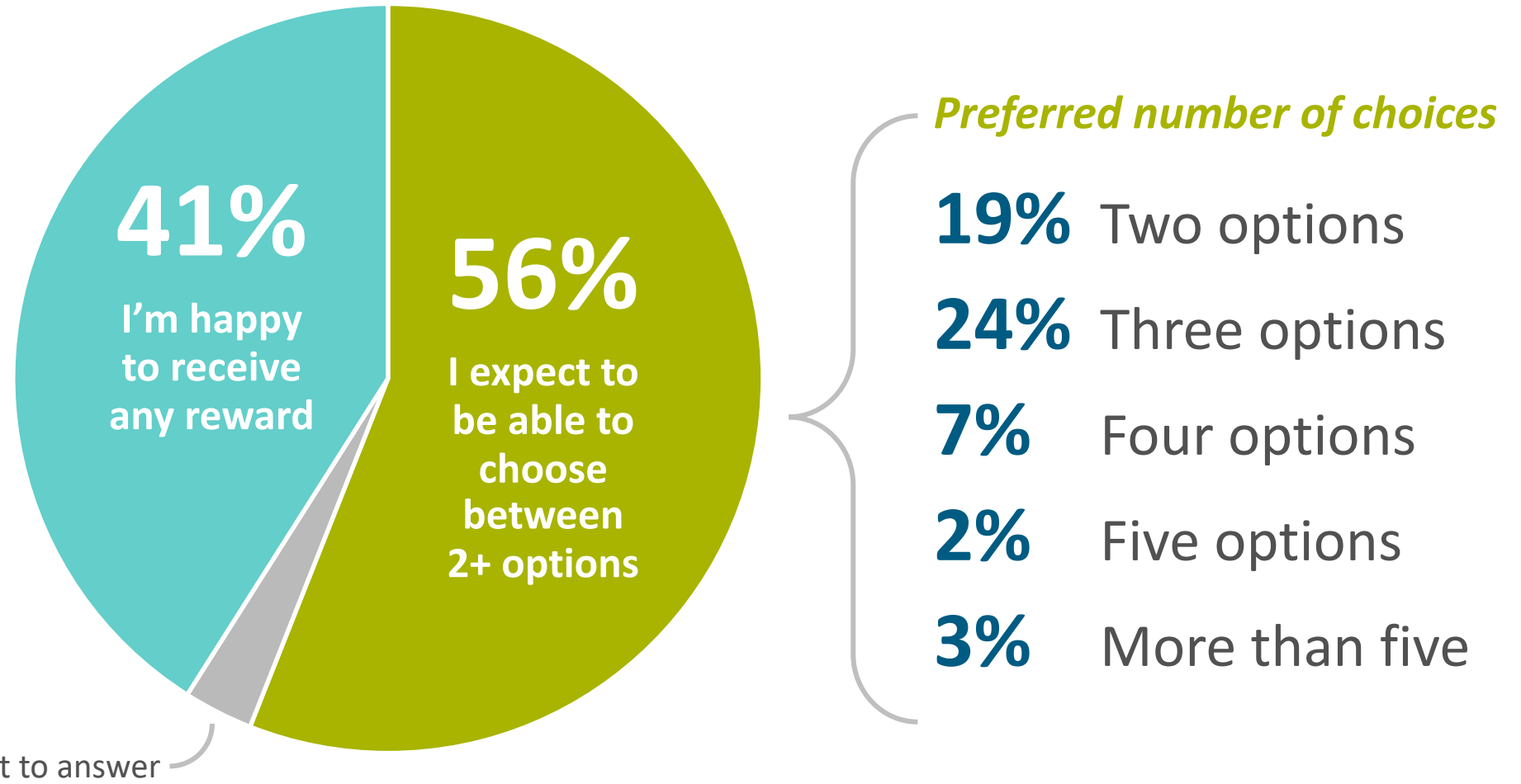
Bulk-order
plastic gift cards
*(prepackaged;
loaded and
activated online when
they are needed)*

Digital Rewards Play an Important Role

Program managers said these features are important to their business objectives



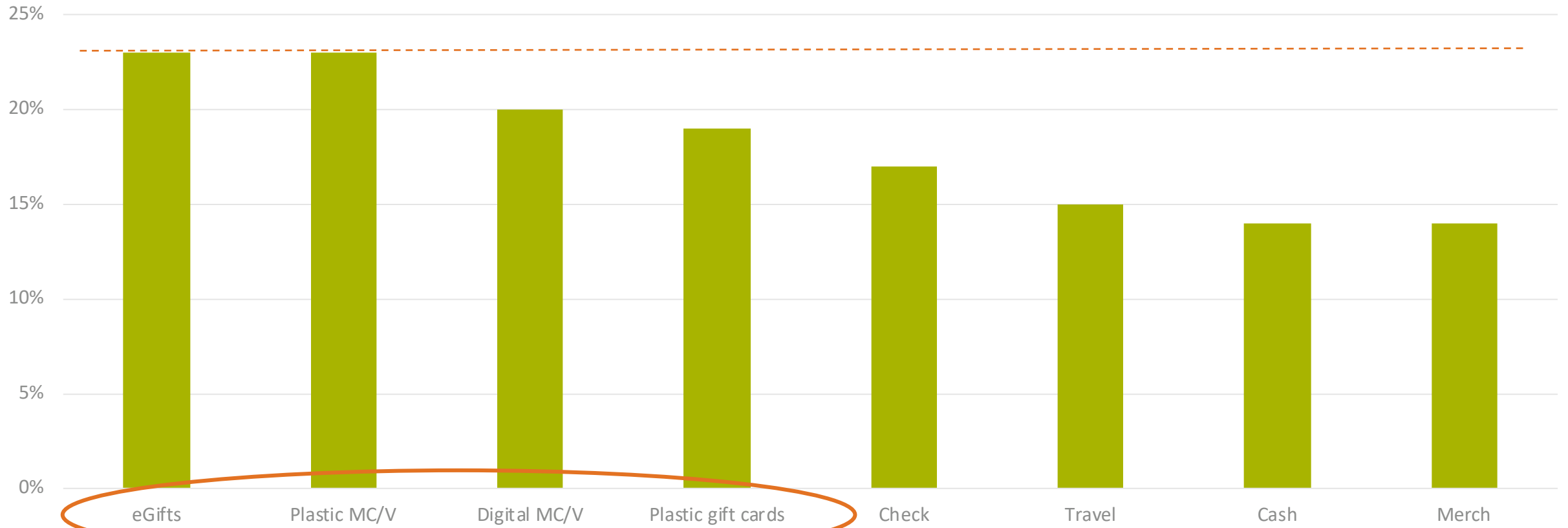
People Prefer Reward Choice



Source: The Consumer Verticals Study is an online survey of 1,515 Americans that was completed between January 25 and February 05, 2018, using Leger's online panel, LegerWeb. The margin of error for this study was +/-2.5%, 19 times out of 20.

Top Rewards to Offer in Future Programs

Net New Interest in offering rewards in the future



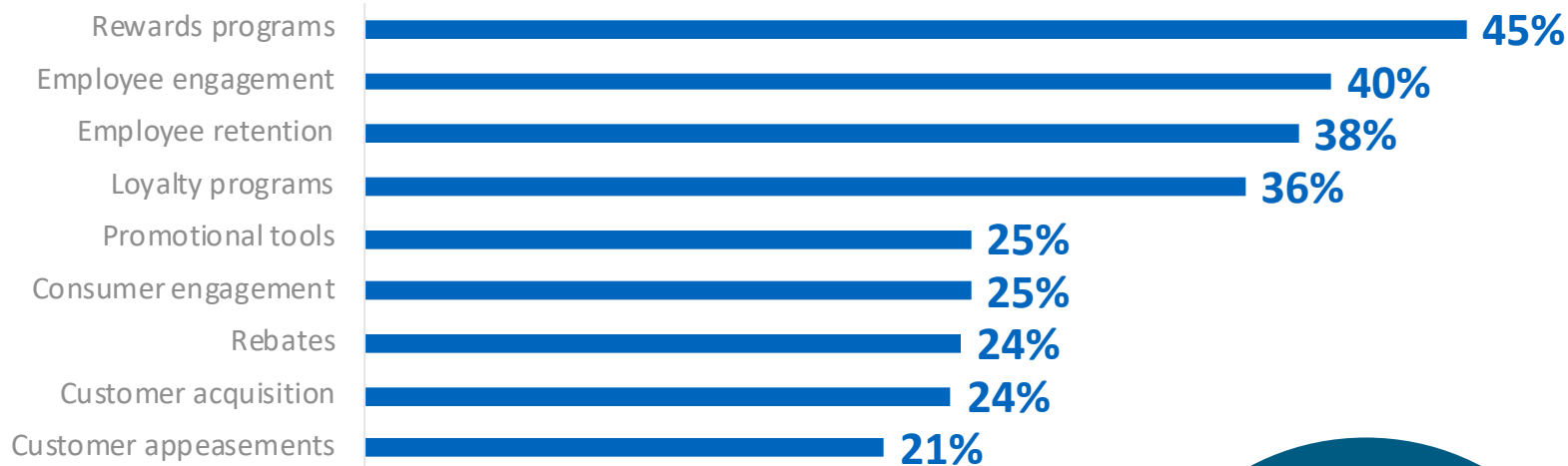
Source: Murphy Research, "Trends in the Incentive Industry, 2019"

International Outlook



International Reward Program Offerings

Programs Offered Outside of North America



51%
Offer Programs
Outside of
North America

Top 3 Reward Types Offered Outside of North America

Cash	30%
Plastic Gift Cards	28%
Digital Gift Cards	27%






Categories Offered Outside of North America

Employee	41%
Customer	28%
Channel	14%
None	49%

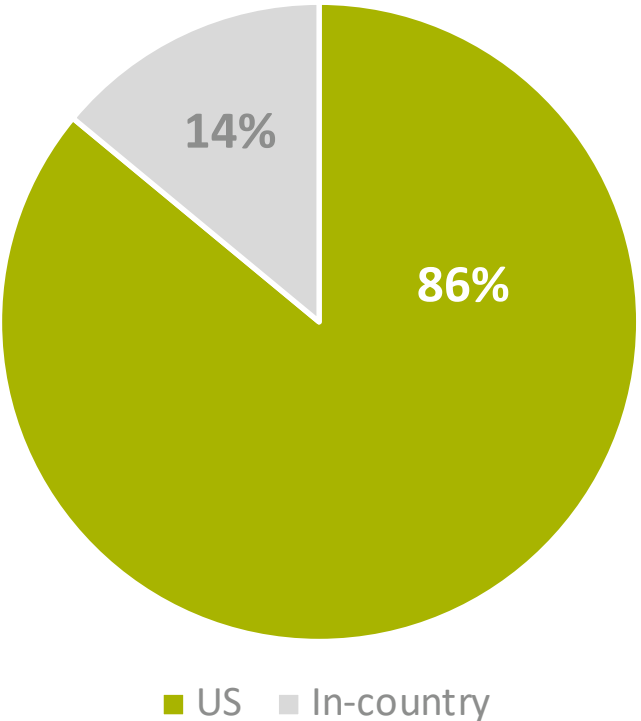
Base Categories: Total Respondents (n=1,002), Programs & Types: Offers International Rewards (n=507)
 Q28 What types of rewards programs does your company currently offer outside of North America?
 Q29c What types of incentive programs are you using outside the US?
 Q31 What type of reward is offered?

International Rewards

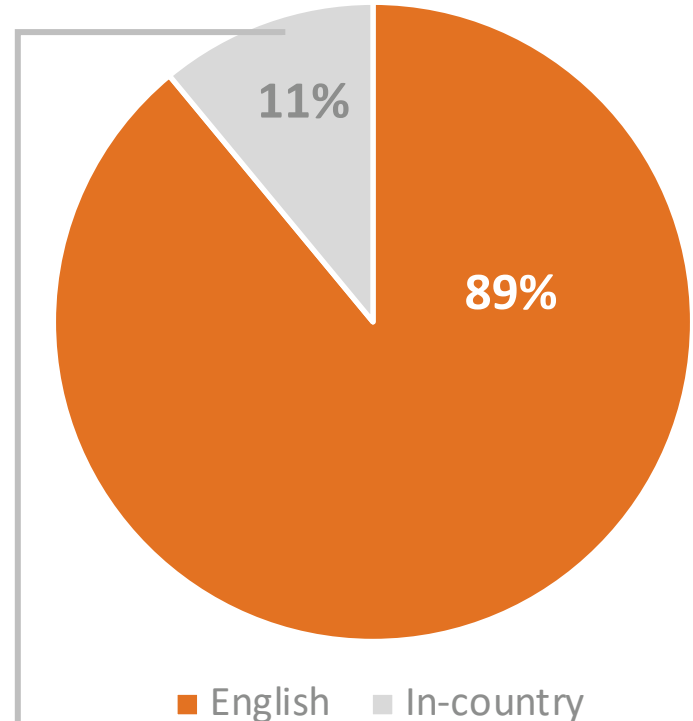
Top 5 Countries

United Kingdom	17%	
France	7%	
Germany	7%	
Australia	6%	
China	6%	

Currency Offered In



Language Offered In

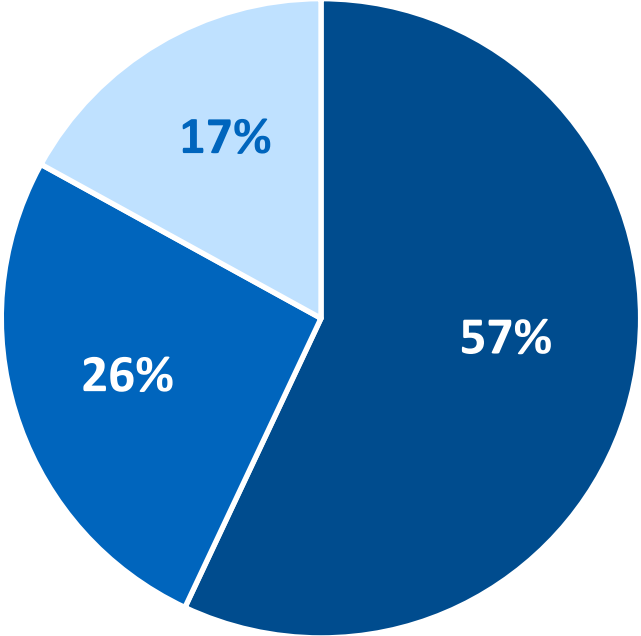


96% of businesses feel that it is important to use the in-country language*

Base Offers International Rewards (n=507), Those Responding (n=56)
 Q29 Is the program offered in US currency or in-country currency?
 Q29a Is the program offered in English or the in-country language?
 Q30 In what countries does your company offer rewards programs?
 * Small base size

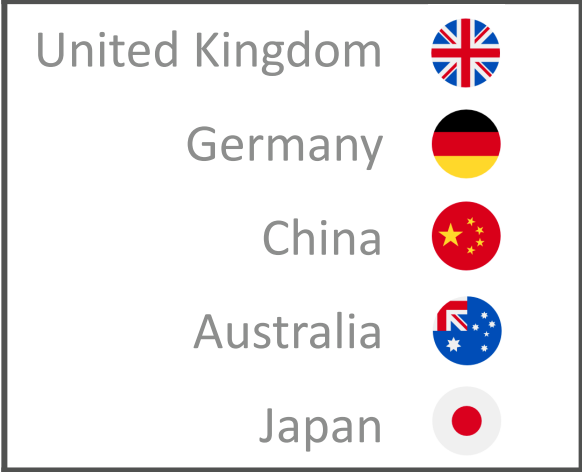
Prospective International Logistics

Potential Currency*



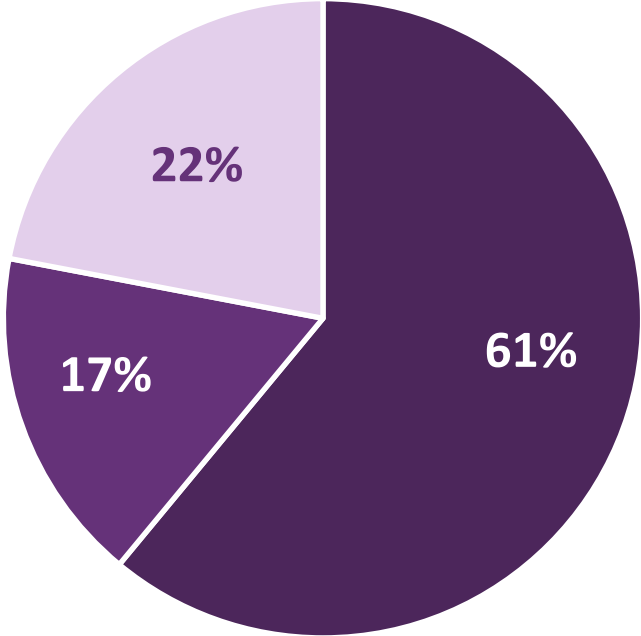
■ US ■ In-country ■ I don't know

Top 5 Countries*



**Our Resellers,
Future Top Countries:**
China, Mexico, Australia,
India, Korea, Taiwan, UK

Potential Language*



■ English ■ In-country ■ I don't know

Base Plans to Offer International Rewards (n=23)
 Q33 Would the program be offered in US currency or in-country currency?
 Q33a Would the program be offered in English or the in-country language?
 Q34 In what countries would your company offer rewards programs?
 * Caution: Small Base

Future Intentions for International Reward Offerings

Top 3 Types of Rewards*	
Digital Gift Cards	61% ^
Plastic Gift Cards	26% ^
Merchandise	26% ^
Online code catalog	26% ^

Base Plans to Offer: Does Not Offer International Rewards (n=495), Types: Plans to Offer International Rewards (n=23)
Q32 Does your company currently have plans to offer a rewards program outside North America in the next 1-3 years?
Q35 What type of reward would be offered?
* Caution: Small Base
^ Tied

How Blackhawk Network is Meeting the Market



Shaping the Future

Digital Innovation



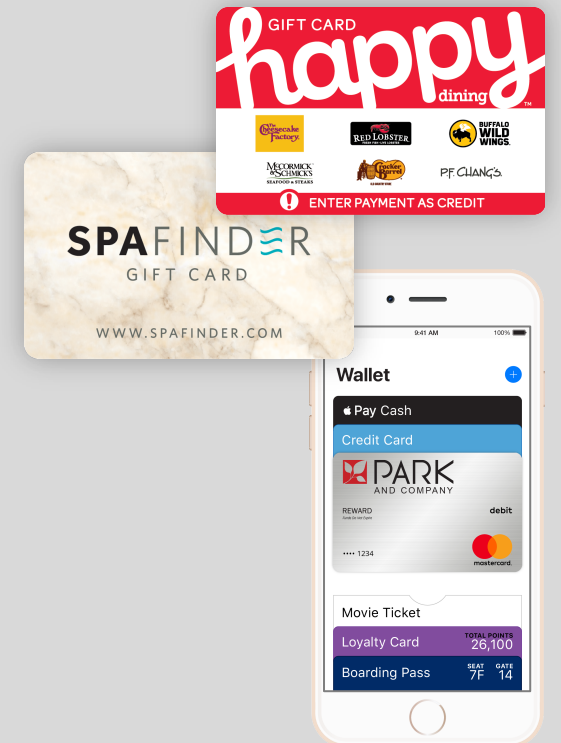
Personalization



International



Unique Offerings



Key Takeaways

- Digital is the future. Top performing & desired reward offering, today & into the near future driving impact and alignment to business goals
- Consumers are channel agnostic, seamlessly switches between physical & digital environments—and expects instant gratification
- People prefer choice—not a lot—two to three will do
- International programs are here. USD & English are the leading formats
- Time to consider pivoting to highly personal, individualized rewards. When armed with the right data and resources, you can provide the right messages to the right audience at the right time.



Thank You