



# Loyalty programs in consumer-packaged goods (CPG)

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# Introduction to loyalty programs in the CPG industry

Consumer packaged goods (CPG) brands are facing intense competition and profit margin pressure in the market, necessitating continuous efforts to attract and retain customers to expand their market share. One of the strategies CPG brands use to achieve repeat customers and brand loyalty is through the implementation of loyalty programs. In fact, loyalty program usage increased by [28%](#) in 2024, which is a 40% increase from 2023.

These initiatives not only encourage frequent shoppers but also cultivate a deeper bond between the customer and the brand. This enhances overall customer satisfaction and loyalty while simultaneously generating valuable customer data and insights. However, before implementing a loyalty program, CPG brands must carefully consider potential challenges, including high costs, complexity, scalability and security issues.

In this white paper, we provide a concise overview of the benefits and challenges of loyalty programs for CPG brands. Additionally, we highlight best practices and showcase successful examples of loyalty program implementations within the industry to help brands design programs built to maximize customer engagement and retention.



# Benefits of loyalty programs for CPG brands

According to [Gartner](#), one in three businesses currently lacking a loyalty program will launch one by 2027 in an effort to improve first-party data collection and to retain customers. This trend underscores the growing recognition of loyalty programs as a strategic tool for gaining deeper customer insights and fostering long-term customer relationships.

Implementing loyalty programs offers several benefits for CPG companies, including:



**Improved customer retention and loyalty:** Loyalty programs are instrumental for CPG brands in reducing customer churn and boosting repeat purchases. By offering incentives and rewards, these programs encourage customers to remain loyal. They also foster a deeper emotional connection and a sense of belonging between the customer and the brand. According to a [Nielsen study](#), 84% of consumers are more likely to choose brands with loyalty programs, and 67% are willing to pay more for products and services from brands they are loyal to and know they can trust.



**Enhanced customer satisfaction:** Loyalty programs significantly boost customer satisfaction by delivering value and recognition, and by catering to customers' needs and preferences. [A Forrester study](#) reveals that 81% of consumers feel valued by brands that offer loyalty programs, and 73% believe these programs demonstrate that brands care about them.



**Increased customer lifetime value:** Loyalty programs drive customers to purchase more frequently, spend more per transaction, and explore additional products and services from the brand. [The BIA Advisory](#) reports that returning customers spend 67% more on average than those new to a business.



**Advanced customer data and insights:** Loyalty programs are instrumental in gathering and analyzing data on customer behavior, preferences, feedback and satisfaction. This wealth of information enables CPG brands to gain a deeper understanding of their customers, allowing for more effective segmentation and targeting. Consequently, brands can personalize and optimize their marketing campaigns and enhance their product innovation.



# Challenges of loyalty programs for CPG brands

Designing, implementing and maintaining loyalty programs involves high costs, complexity, scalability challenges and significant security concerns, all of which can potentially impact efficiency, effectiveness and customer satisfaction.

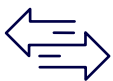
Here are some challenges CPG brands should consider:



**High costs:** Loyalty programs can be costly, particularly for CPG brands with a large and diverse customer base operating across multiple channels and markets. Major expenses include rewards and incentives, the technology and infrastructure required to build the platform, marketing and communication efforts, and the administration and management necessary to run the program successfully.



**Complexity:** CPG brands must navigate relationships with numerous partners, vendors and stakeholders, all of whom must adhere to various regulations and standards. This complexity can hinder the creation and implementation of loyalty programs, impacting their efficiency, effectiveness and security. If not executed properly, these challenges can lead to confusion and frustration for both customers and employees.



**Scalability:** Scaling and adapting loyalty programs can be particularly challenging for CPG brands, which must continuously respond to shifting customer expectations, preferences and behaviors, as well as evolving market conditions, trends and opportunities. The scalability of these programs directly impacts their relevance, adoption and differentiation, posing significant challenges for innovation and growth.



**Security:** CPG brands handle vast amounts of sensitive customer data, making their loyalty programs susceptible to security breaches and fraud. The security of these programs is crucial, as it directly impacts the privacy, safety and loyalty of customers. Any compromise can lead to significant legal and financial risks for the brand. Additionally, navigating the complex landscape of government regulations adds another layer of difficulty, as brands must ensure compliance with various data protection and privacy laws, which can vary significantly across different regions and markets.

# Best practices and strategies for loyalty programs in CPG brands

To overcome challenges and to maximize the benefits of loyalty programs, CPG brands should adhere to best practices such as:

**Align with brand vision and values:** Ensure the loyalty program is in harmony with the brand's vision, mission and values, reinforcing the brand's identity and personality.

**Embrace customer-centric design:** Create a loyalty program that is intuitive and user-friendly, offering value, convenience and choice to customers.

**Use personalized segmentation and targeting:** Segment and target the customer base effectively, providing personalized and relevant rewards, incentives and experiences for each customer segment by leveraging customer data and insights.

**Prioritize engagement and communication:** Foster a dialogue and relationship with customers through the loyalty program, utilizing various channels and touchpoints to inform, educate and inspire.

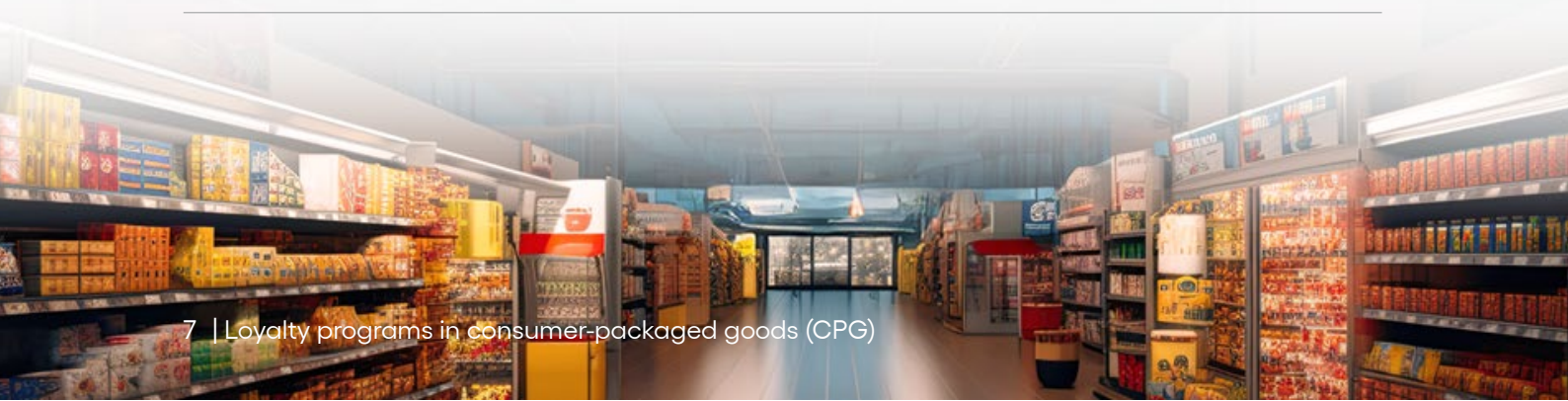
**Create a plan for measurement and evaluation:** Establish clear and realistic goals, objectives and metrics for the loyalty program, using feedback and analytics to monitor, improve and innovate continuously.



# Loyalty program key performance indicators (KPIs):

These metrics are essential for evaluating the success of loyalty programs, offering valuable insights into customer behavior and preferences. Here are some key metrics that can help measure the effectiveness of a loyalty program in the CPG industry:

<b>Redemption rate</b>	Indicates the percentage of rewards or incentives that customers utilize or redeem. This metric reflects the program's effectiveness in motivating customers to engage with the brand and make repeat purchases.
<b>Customer lifetime value (CLV)</b>	Assesses both the historical value customers have contributed to the brand and their potential future value.
<b>Repeat purchase rate (RPR)</b>	Measures the frequency of customers' repeat purchases, serving as a reliable indicator of customer loyalty and retention.
<b>Active engagement rate</b>	Measures the proportion of customers who have signed up for the program and are actively participating, including then frequency with which they earn and redeem points.
<b>Net promoter score (NPS)</b>	Gauges customer loyalty by asking respondents how likely they are to recommend the company, product or service to a friend or colleague.
<b>Customer feedback</b>	Soliciting customer feedback is crucial for identifying areas of improvement and gaining insights that can inform data-driven decisions and program adjustments.
<b>Customer loyalty index</b>	Tracks changes in customer loyalty over time and can be collected through customer surveys.
<b>Enrollment rate</b>	Monitoring enrollment rates is essential for assessing the long-term success of a loyalty program. An increasing rate signifies sustained interest, while a declining rate may indicate the need for program adjustments.



# Emerging trends and the future of loyalty programs in the CPG industry

As consumer preferences shift and technology advances, loyalty programs in the CPG industry are evolving.

Here we offer a quick look at the emerging trends and innovations that are shaping the future:

## Personalized experiences

Leveraging AI and data analytics to develop hyperpersonalized loyalty programs that cater to the unique needs and preferences of each customer.

- **What it is:** By examining customer data, including purchase history, browsing patterns and demographic details, companies can customize rewards and offers to make the shopping experience hyperpersonalized.
- **Why it matters:** Personalization is no longer a nice-to-have. It's an essential business strategy for CPG brands. A staggering [84%](#) of consumers say that being treated like a person rather than a number is very important to winning their business.

## Gamification

Incorporating gamification elements, such as points, badges and leaderboards, to boost and foster engagement.

- **What it is:** For example, brands can offer points for completing fun challenges like posting a product review or sharing a post on social media. This strategy not only enhances the shopping experience but also encourages customers to stay actively engaged with the brand.
- **Why it matters:** While gamification is still an early trend, experts predict it will be a key aspect of customer loyalty programs in coming years. [Merkle's research found that nearly half](#) of consumers are interested in gamification features in retail and CPG loyalty programs, if there is a chance to win prizes.

## Sustainable initiatives

Integrating sustainability goals into loyalty programs, rewarding customers for eco-friendly choices and promoting ethical consumption.

- **What it is:** By implementing gamified loyalty programs that reward eco-friendly behaviors, companies can create a positive cycle of engagement and environmental responsibility. This not only upholds the company's sustainability goals but also meets the increasing consumer demand for eco-friendly practices.



- **Why it matters:** Sustainability and brand loyalty are a two-way street. According to a recent survey, [77%](#) of consumers indicated they were interested in pairing sustainable products and services with loyalty programs, highlighting a desire for businesses to offer rewards and incentives to go green.

## Omnichannel integration

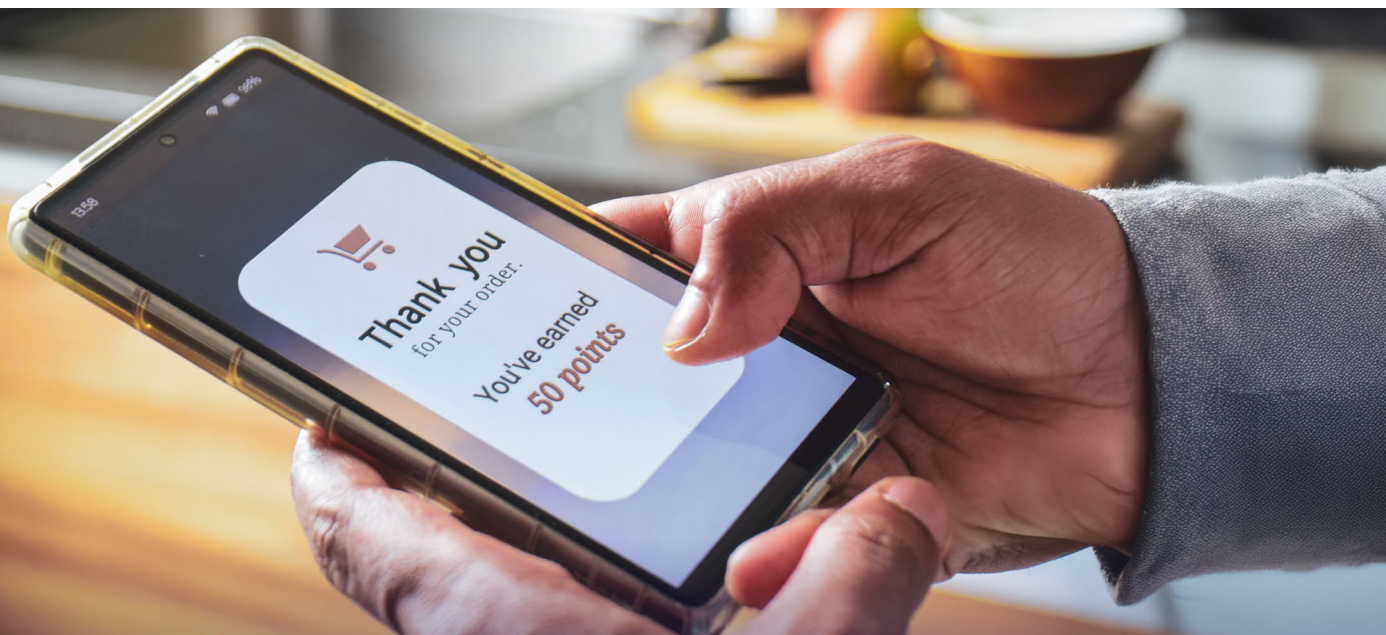
Seamlessly connecting loyalty programs across various channels, including online, in-store and mobile experiences.

- **What it is:** Omnichannel integration allows customers to earn and to redeem rewards seamlessly, regardless of their preferred shopping method, providing them with maximum flexibility and convenience.
- **Why it matters:** Brands with omnichannel loyalty programs see a [80%](#) increase in store visits. This demonstrates the effectiveness of a seamless, integrated customer experience in driving foot traffic.

## Predictive analytics

Harness advanced data analytics to predict customer behavior and anticipate future needs.

- **What it is:** For instance, predictive analytics could indicate that a specific customer is at risk of churning, prompting the company to provide a personalized incentive to retain them.
- **Why it matters:** Artificial intelligence (AI) isn't going away. Predictive analysis will be crucial for CPG brands eager to implement more efficient marketing campaigns to improve cost savings and better understand their customers.



# Case studies

## How a large enterprise increased its loyalty member base by 20%

Cognizant partnered with a large enterprise customer to migrate 70M members and 2B+ records into a single loyalty system. Cognizant has been a strategic partner with the organization for more than 12 years, helping to support, maintain and modernize the system through the company's shift from point-based to revenue-based loyalty.

Cognizant's work has enabled the company to run one of the most successful loyalty programs in their industry, including:

- 20% growth in loyalty member base with 100M+ memberships
- 18M+ annual enrollments
- 1M+ redemptions per year
- 130+ loyalty partner integration and alliances
- One-stop shop for loyalty transaction
- Single-sign-on for a seamless experience across multiple digital products for member

## How a large enterprise increased ancillary sales by 30%

Cognizant teamed up with a top-tier brand to revolutionize their customer journey, from initial contact to final fulfillment. Cognizant significantly boosted customer loyalty and engagement by using personalization and digital marketing across multiple touchpoints and devices.

To bring this vision to life, Cognizant crafted detailed customer journey maps and personas. We segmented customers and launched tailored campaigns with personalized messages. By integrating with the ancillary platform, we delivered contextual messages driven by rich customer data, ensuring a cohesive and impactful experience.

This enabled the company to achieve:

- 10%+ increase in channel shift from indirect to direct
- +30% increase in ancillary sales
- +20% increase in loyalty members
- Improved content relevance and engagement
- Access to data analytics to understand customer insights and refine customer profile





## Conclusion

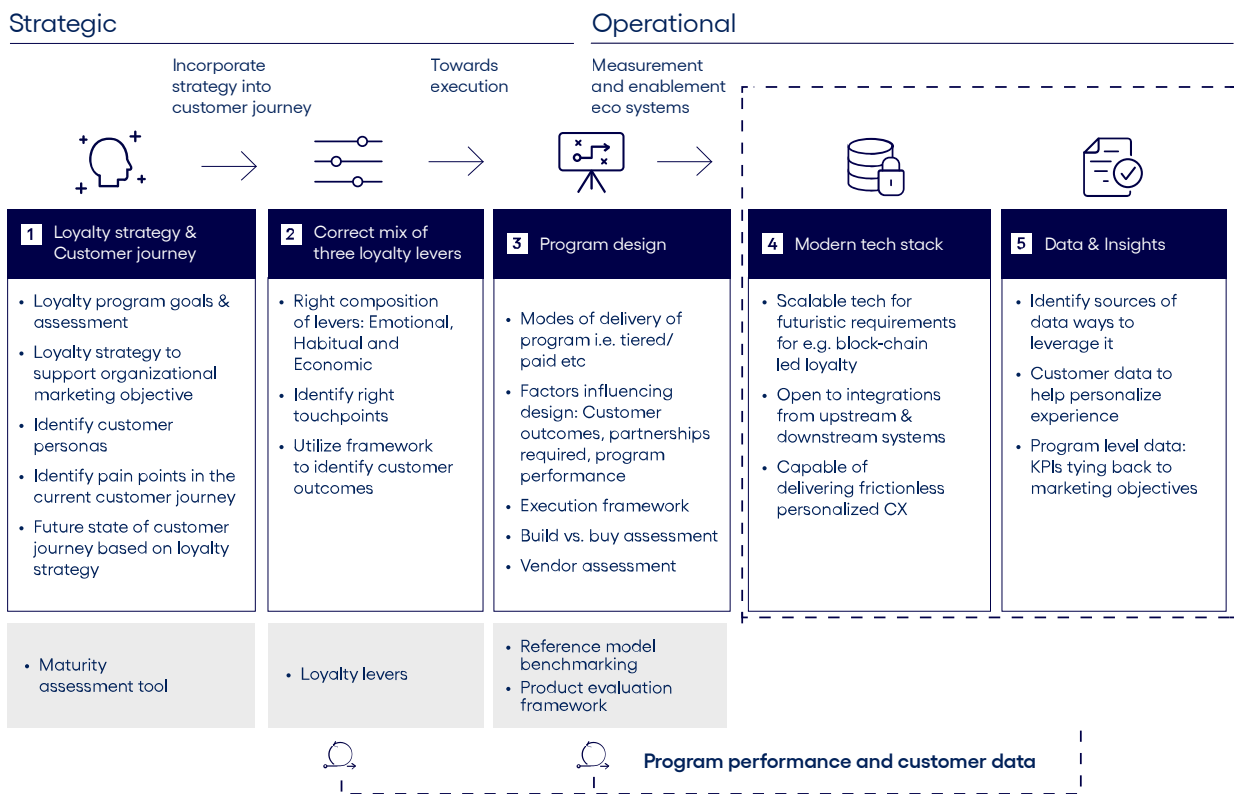
Loyalty programs present CPG brands with a golden opportunity to enhance customer engagement, build brand loyalty and gather valuable consumer insights. However, they also come with their own set of hurdles. High costs, complexity, scalability issues and security concerns must be carefully managed to ensure the success and sustainability of these programs. But with [72%](#) of marketers finding it more difficult to meet customer expectations compared to the previous year, tackling these obstacles will be crucial for brands looking to invest in loyalty programs. By adopting best practices and learning from successful implementations, CPG brands can navigate these challenges effectively, ultimately driving growth and maintaining a competitive edge in the market.

# Why Cognizant?

Cognizant’s loyalty offering empowers clients to unlock critical data-driven moments within the customer journey. Our strategic approach enhances customer loyalty, driving substantial business growth.

- **Modernize:** We help brands stay ahead of the competition by modernizing their loyalty platforms and leveraging real-time data and analytics to create a more curated experience for customers.
- **Increase loyalty:** Our solution seeks to cut customer acquisition costs while boosting retention. We enhance customer lifetime value and drive revenue growth through active program participation.
- **Position your brand as a transformational leader:** We work with our clients to develop innovative, seamless and intelligent loyalty platforms that engage customers in every phase of their shopping journeys.

## 5 Elements framework



With our proven frameworks, accelerators and a robust network of strategic partners, we consistently deliver exceptional results for our clients. By adopting our “Think Big,” “Start Smart” and “Scale Fast” approaches, we design and execute winning loyalty strategies designed to propel your business forward.

Visit our [website](#) to see how we can help take CPG loyalty to the next level.



## About the authors



**Vinay Swarup**

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Vinay leads the strategy office for the Consumer Business Unit, backed by over 20 years of consulting expertise in the CPG and travel and hospitality (T&H) sectors. As a trusted advisor to CIOs and CDAOs, he specializes in developing data and AI strategies, bringing valuable insights for creating effective go to market strategies for CPG and travel and hospitality clients.

Before joining Cognizant, Vinay managed numerous digital and data transformation projects for prominent CPG and airline companies. His experience includes setting up and leading data and AI centers of excellence at top global consulting firms, demonstrating his capability in spearheading innovation and growth in digital transformation and data analytics.



**Iris Hasantaraj**

GTM Lead—Consumer BU

Iris Hasantaraj is the GTM Leader for the Consumer Business Unit at Cognizant. With over a decade of experience in the consumer goods industry, she excels in leveraging consumer data and technology to drive operational transformation and accelerate innovation in the CPG sector.

Prior to joining Cognizant, Iris worked at Procter & Gamble, where she led category management teams and developed GTM strategies for several billion-dollar brands. Her tenure at P&G ignited her passion for digital transformation when she began working on TPM adoption across the enterprise.

She also served as a Consumer Goods Enterprise Account Director at Salesforce, where she continued to champion digital innovation and strategic growth for CPG customers.

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