COMARCH'S LOYALTY MARKET RESEARCH 2021

BELGIUM & THE NETHERLANDS

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INTRO

Knowing your customers is an essential part of your business. This knowledge will fuel your company and it's success on many levels. With the right approach, you will manage to turn one-time customers into repeat visitors and convince them to stay loyal to your brand in the long-term.

At Comarch, we see ourselves as a partner of companies that have the ambition to get closer to their customers and win over their hearts.

Comarch provides companies guidance and powerful IT tools to get to know their customers. This is what we do. Our loyalty and marketing automation platforms have everything your brand needs to approach your customers with highly targeted offers and content. It will keep them engaged and create the opportunity to analyze their behavior so you can further optimize your offers along the way. The data do not lie!

Data give us insights in the moves a customer makes. This information shows us how customers act. At Comarch, we were eager to match this knowledge with how customers think about brands. This curiosity motivated us to launch extensive market research, diving into the most crucial aspects of loyalty marketing: the customer's buying habits, the interaction between brands and consumers and the customer's attitude and expectations towards brand loyalty itself.

Assisted by a professional market research agency, we conducted questionnaires in Belgium and the Netherlands with results being representative for both countries. How do consumers think their shopping behavior is evolving? Has the pandemic influenced this trend? What is their attitude towards new technologies and sharing personal data? How do they feel about brands? And … do consumers see themselves as loyal customers?

It is time to find out!

On behalf of Comarch, we invite you to dive into the research data and results of this first edition of Comarch's Loyalty Market Research 2021 – Belgium & the Netherlands.

MARKET RESEARCH METHODOLOGY

COMARCH MARKET RESEARCH ON CONSUMER HABITS AND LOYALTY IN BELGIUM & THE NETHERLANDS

This research was conducted by Team VOLT consultancy (www.teamvolt.be) upon request of Comarch Benelux. Team Volt assembled a panel of 793 consumers throughout Belgium and the Netherlands, and asked them about their shopping behavior and how they deal with loyalty towards brands and retail chains.

The results are 95% significant for both Belgian and Dutch consumers. The distribution of the sample audience goes as follows:

- Belgium - 400 respondents, of which
  - Flanders & Brussels - 275 respondents
  - Wallonia - 125 respondents
- The Netherlands - 393 respondents

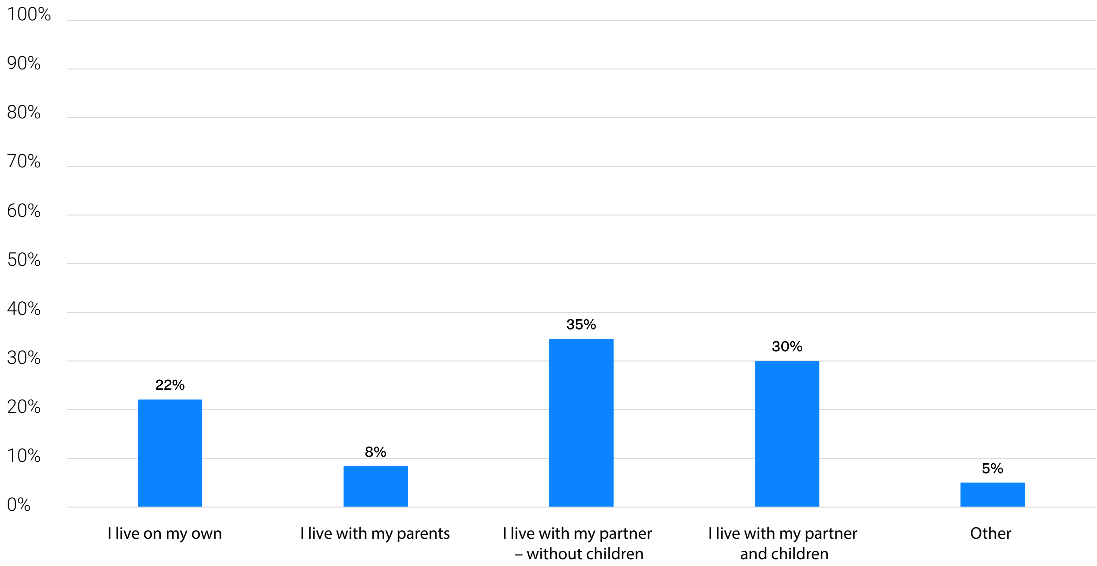
The general audience can be subdivided by age:

- 18-35 years - 278 respondents
- 36-55 years - 317 respondents
- 56+ years - 198 respondents

With 57% of the respondents being female, men are a bit less represented in this research.

Furthermore, our market research also covers respondents with very diverse family situations as you can see on the chart below.

RESPONDENTS' PERSONAL SITUATION

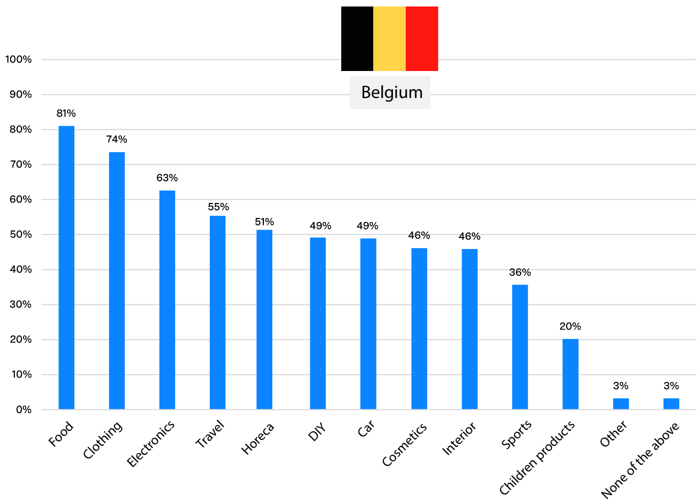


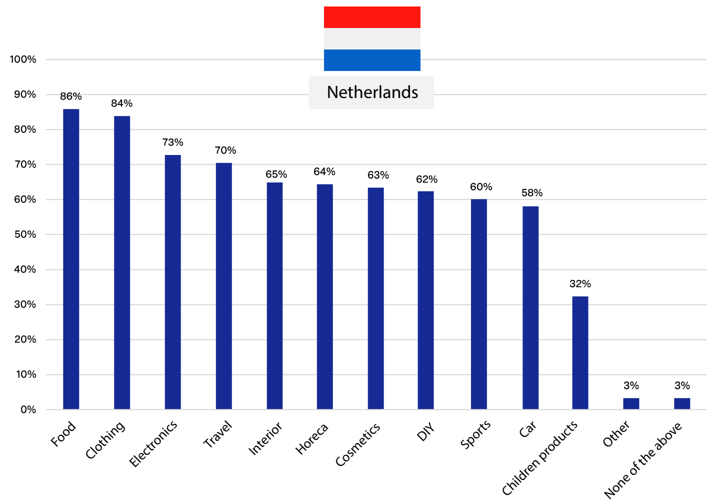
CHAPTER 1
CONSUMER BUYING HABITS

We start this deep dive into the behavior of our respondents by figuring out what part of the 'purchases' they feel responsible for. Food, clothes and electronics are the top three answers. Children's items are the least popular topic. If we split the result on country level, there seems to be a higher engagement towards the different shopping categories in the Netherlands compared to Belgium, with travel, interior and sports products being far more popular in the Netherlands compared to Belgium.

FOR WHAT PART OF THE 'PURCHASING' ARE YOU RESPONSIBLE?

REGIONAL SPLIT

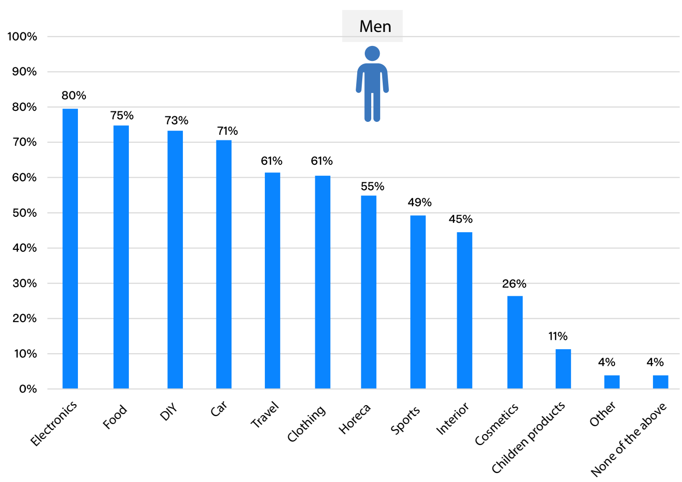


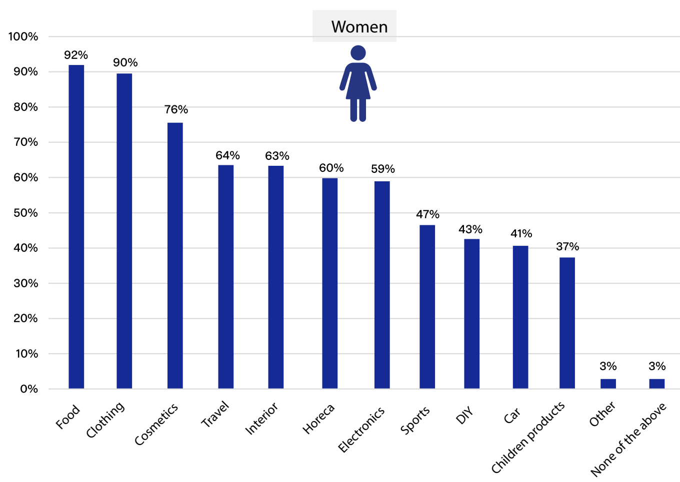


Split by gender, we notice overall greater enthusiasm for shopping by female respondents compared to male respondents except when it comes to electronics, automotive-related products and services and DIY. Female respondents are more enthusiastic about product categories such as cosmetics, clothes, food and interior items. When it comes to travel, horeca and sports, the male and female results are alike.

FOR WHAT PART OF THE 'PURCHASING' ARE YOU RESPONSIBLE?

SPLIT BY GENDER





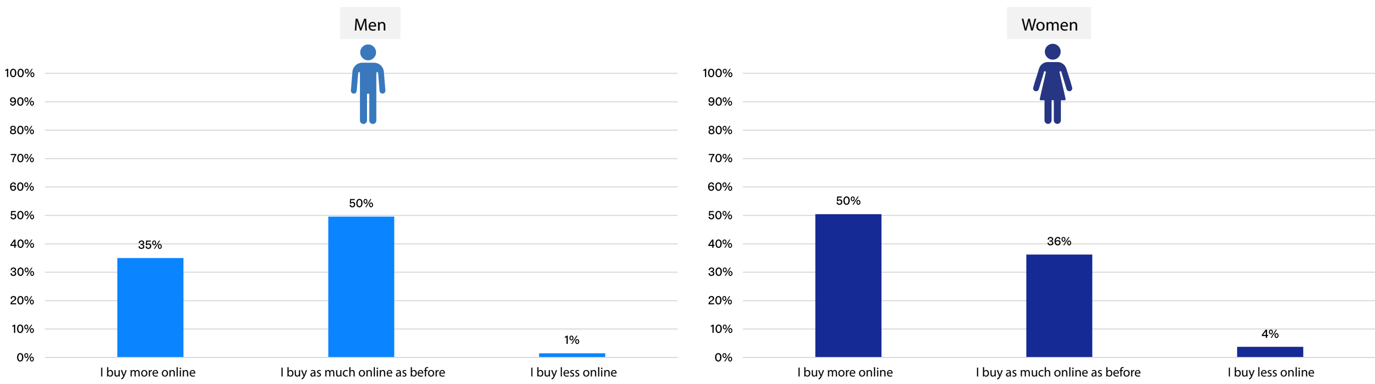
It is evident that the majority (86% of all respondents) of people look up information on the internet before shopping. But when we dive into the type of info shoppers look for, we learn that product pricing (71% of all respondents) is number 1, followed by the product offer (65% of all respondents). And, while the adoption of web shops is almost complete in the age group of 18-35 (97% of all respondents visit web shops) and 35-55 (93% adoption), 12% of the 55+ year-old individuals still shop in physical stores only.

Our research shows that people prefer to visit web shops – both for inspiration and buying – on weekday evenings, followed by weekend days in the afternoon, and weekend days in the evening. The morning (throughout the week) and weekday afternoons are less popular.

Once a visitor decides to buy, this consumer also expects to get good customer service. Priorities when it comes to service are free shipping (60% of all respondents) and free returns (57% of all respondents). These categories are by far the most important, although we see that free returns are more important for female than for male respondents. In position three, we find synchronized pricing between online and offline shops (25% of all votes). These three priorities clearly show that consumers are very price sensitive. Any aspect that can affect the total spend of a consumer should be carefully considered by a brand or retail chain.

Of course, we also investigated the impact of the pandemic on the perception of online shopping habits of the respondents. In general, 44% of the respondents admit to buying more online since the pandemic, while 42% claimto see no change in their online shopping behavior. Split by gender, we do see a significant difference, with 50% of the female respondents admitting to buying more online since the pandemic (versus 36% of them claiming their behavior did not change), over 35% of the male respondents (versus 50% of them claiming their behavior was not influenced and stayed the same).

HAS THE PANDEMIC CHANGED YOUR ONLINE SHOPPING BEHAVIOR? SPLIT BY GENDER



When we zoom in on the product categories that were bought for the very first time online during the pandemic, the most popular answers we received were fashion, electronics, food and horeca products. When it comes to fashion, 24% of all respondents indicated that they have bought more clothes online since the pandemic began.

CHAPTER 2

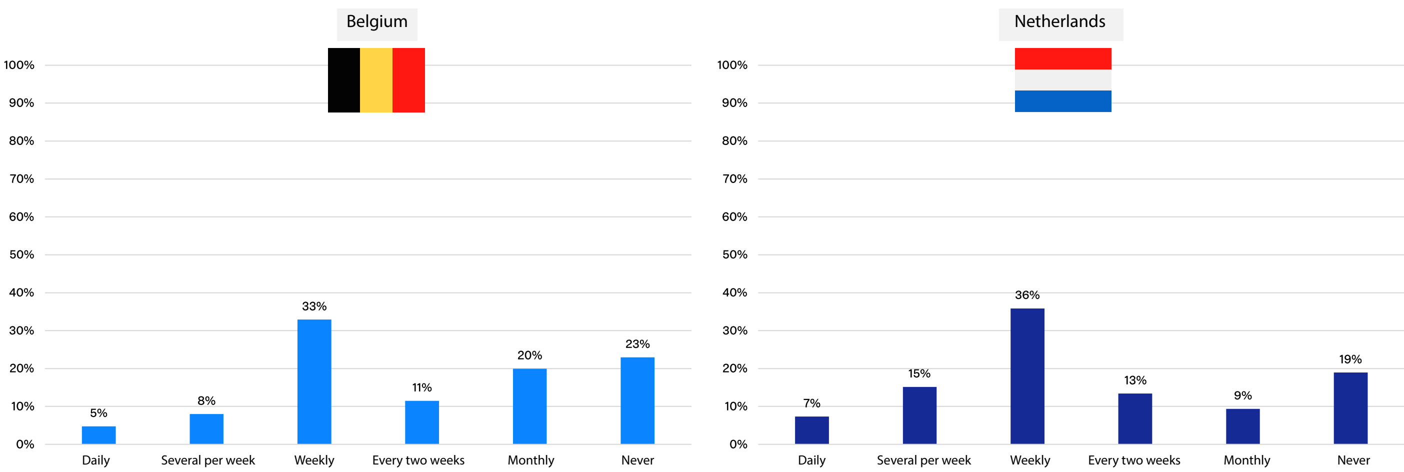
CUSTOMER INTERACTION WITH BRANDS AND RETAIL CHAINS

In this second chapter, we go one step further in investigating the relationship between brands and consumers. We tried to find out how consumers like and prefer to be approached by brands. We bumped into some interesting conclusions listing some of the do's and don'ts of brand and product marketing.

Let's start off with the best moment of the day to contact a customer. 20% of the respondents indicate they prefer to receive no communication at all from brands. The main lesson here is to let your clients decide whether or not to receive any communication about your brand. The other 80% seem to be indifferent to the moment of contact. Your open and click-through rate of your campaigns can show you the way.

And what about the frequency? 34% of respondents prefer weekly contact with brands, which represents the largest group. The rest of our respondents are scattered over higher and lower contact frequencies. This shows that consumers prefer to indicate themselves how often they want to receive news from your brand. Based on the geographical split, we can conclude that Dutch customers prefer to receive more updates from brands (58% of them prefer weekly updates, or even more frequent) compared to their Belgian counterparts (only 46% prefer weekly updates, or more frequently). 43% of Belgian respondents only want to receive branded communication on a monthly basis (23% of the respondents) or opt out completely (20% of the respondents).

HOW OFTEN CAN A BRAND OR CHAIN CONTACT YOU VIA EMAIL OR PUSH MESSAGE? GEOGRAPHICAL SPLIT



What should a brand be talking about in their communication? The results are very similar over geography and gender.

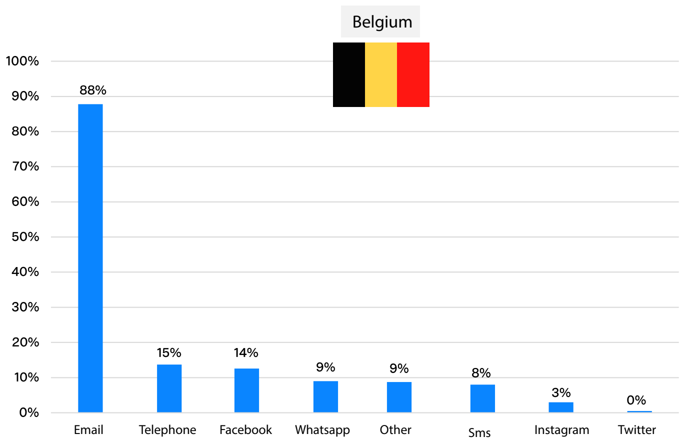
Again, we bump into the financial aspect of shopping with price and discount-related topics being most popular. 86% of respondents show interest in general promotions and discounts, followed by 82% of votes for digital discount vouchers. When it comes to receiving personalized offers, 65% of the respondents demonstrated they are open to receiving them, which is still considerably less than people preferring to receive general offers.

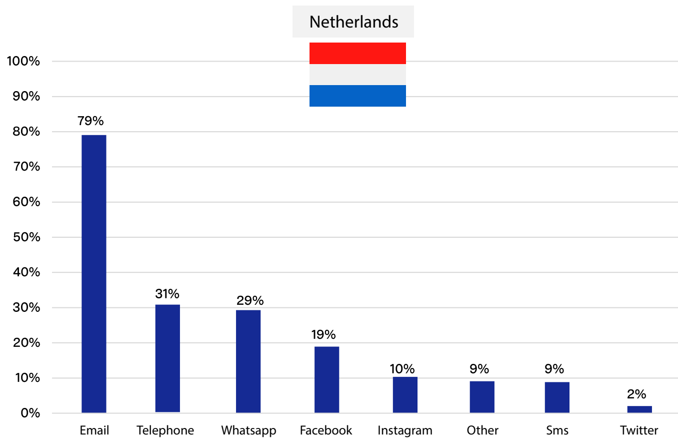
When we explicitly asked people how they feel about sharing personal data with brands in order to get better targeted offers that take into account their preferences, the responses show that 55% of Belgian respondents are neutral or positive towards sharing their data compared to 72% in the Netherlands. Which brings us to the next conclusion, that there is a market for "data-based" offers, if you do it well. Male respondents are a bit more reluctant to share their data (44% are negative towards this proposal) compared to female respondents (31%). Personal preferences (type of products you like), physical data (color of eyes, hair, sizes, physical build,...) and wish lists are types of data our respondents are most willing to share.

And what would consumers like to get in return for sharing their data? With 44% of the votes, discounts and vouchers have the highest preference, followed by loyalty points (with 29%), exclusive offers (with 24%) and gifts and rewards (with 24%).

Furthermore, when we asked the respondents about their preferred digital communication channel, email scores best with 83%. This, surprisingly, was followed by telephone in second position (with 23%), Whatsapp (with 19%) and Facebook (with 16%). In the Netherlands, we see a higher preference for telephone, and a higher adoption of Whatsapp and Facebook.

WHAT IS YOUR PREFERRED DIGITAL CHANNEL TO COMMUNICATE WITH BRANDS AND CHAINS? GEOGRAPHICAL SPLIT

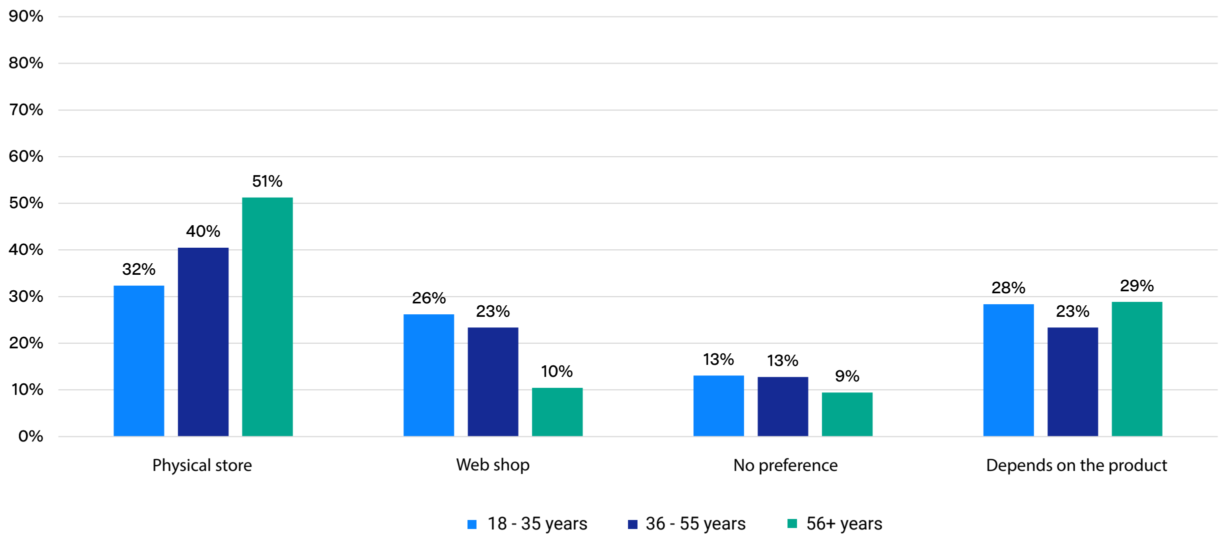




If people are in doubt whether brick and mortar stores are still important then the following graph will give you guidance. The physical store (with 40%) scores a lot higher than the online shop (with 21%) as preferred sales channel, though 26% of respondents share a nuanced reply stating this choice is dependent on the type of purchase. The preference for physical stores is higher in Belgium with 50% of preferred votes. In the Netherlands however, the web shop (with 29%) is almost as popular as the physical store (with 31%).

If we split the results based on gender, we can conclude that the result are very much aligned, but we do see some interesting trends if we zoom in on the age groups. The physical store gains popularity the older a consumer gets (32% to 40% to 51%), and we see the same trend – though in decline – for web shops (26% to 23% to 10%).

WHAT IS YOUR PREFERRED CHANNEL TO BUY PRODUCTS?
SPLIT BY AGE



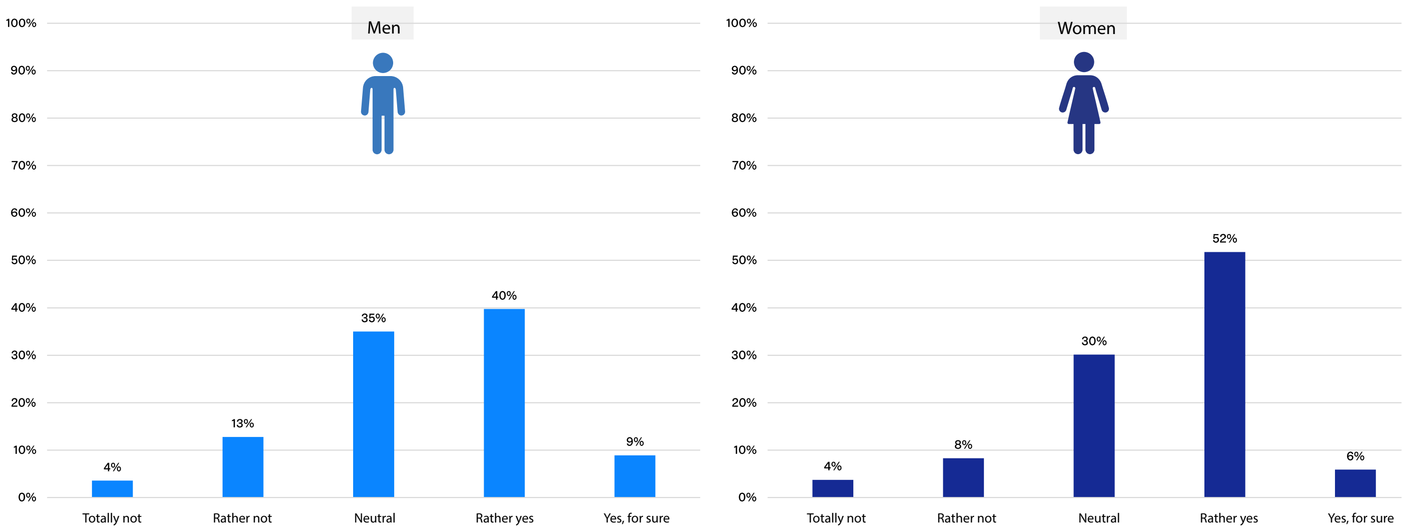
If we aim to optimize the customer experience, what are the elements that prevent customers from visiting the physical stores? Waiting lines in the store, the displacement from home to the store, the lack of parking and – of course – the health risk during the pandemic are the main demotivators preventing customers from visiting a physical store. The biggest hurdles for online stores are difficulties in finding the correct size, the hassle to return products and the delivery time.

CHAPTER 3
CONSUMER BRAND LOYALTY

In this chapter, we make an in-depth analysis of the relationship between a loyal customer and a brand. Do customers consider themselves loyal to a brand, and what is their motivation? What do customers expect from a loyalty program? And what are the most common mistakes brands make in organizing their loyalty program? We asked our respondents and came to some very interesting conclusions.

Almost 50% of the respondents indicated they consider themselves loyal to at least one brand. Results show that these consumers feel brand loyalty for on average 3.7 brands. Belgians however consider themselves more loyal (53%) to a brand than Dutch people (only 40%). Less than 15% of respondents said they to not consider themselves loyal to any brand. The rest are neutral feeling towards brand loyalty. If we split the results up by gender, we can conclude that women consider themselves much more loyal to brands (with 52%) compared to male respondents (40%).

DO YOU CONSIDER YOURSELF TO BE LOYAL TO BRANDS OR CHAINS? GENDER SPLIT

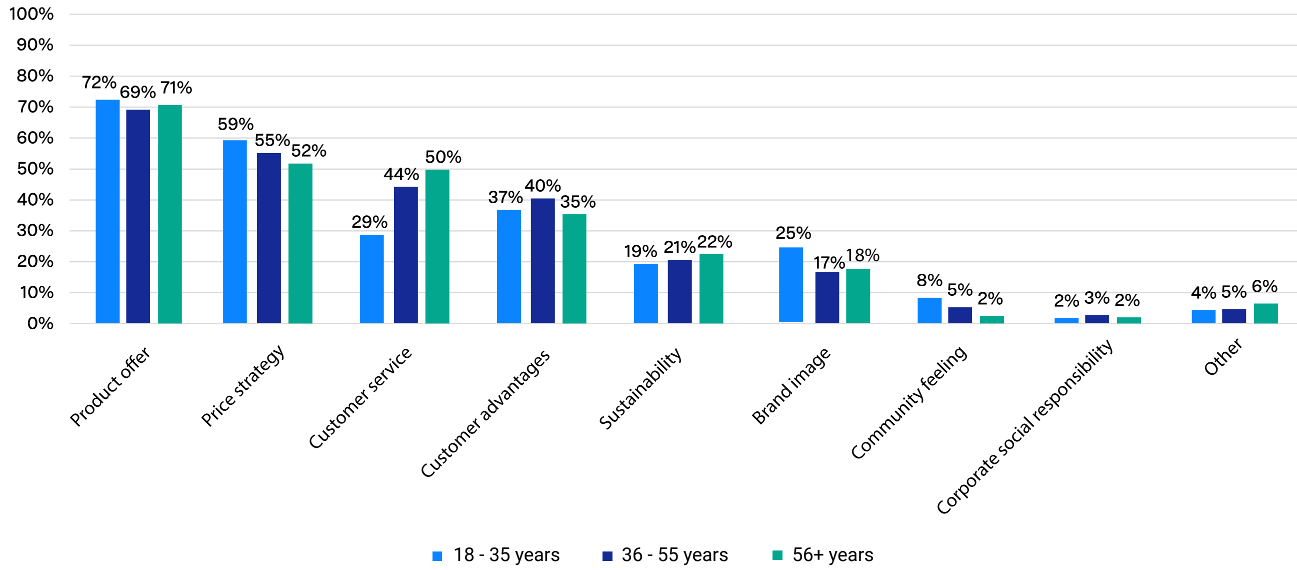


What do brands need to offer to get loyal customers in return? Both Belgian and Dutch respondents indicate that for them, the most important factor is the product offer, with 71% of votes, followed by price strategy (56%), customer service (40%) and customer advantages (38%). Other factors that still collected a considerable amount of votes are sustainability (21%) and brand image (20%). In that light, a study performed by IBM* in 2020 showed that nearly six in 10 consumers are willing to change their shopping habits to reduce environmental impact. Nearly eight in 10 respondents indicate sustainability is important to them.

When we dig deeper into this question and split our respondents up by age group we find some interesting differences in what people consider important for being loyal to a brand, for example brand image. Young people (18-35) find brand image more important than older age groups (36-55 and 55+) with 25% of votes versus 17%. Besides that, younger people are also more sensitive towards pricing but much less to customer service (only 29% vs 44% and 50% for older age groups).

*Source: https://www.ibm.com/downloads/cas/EXK4XKX8)

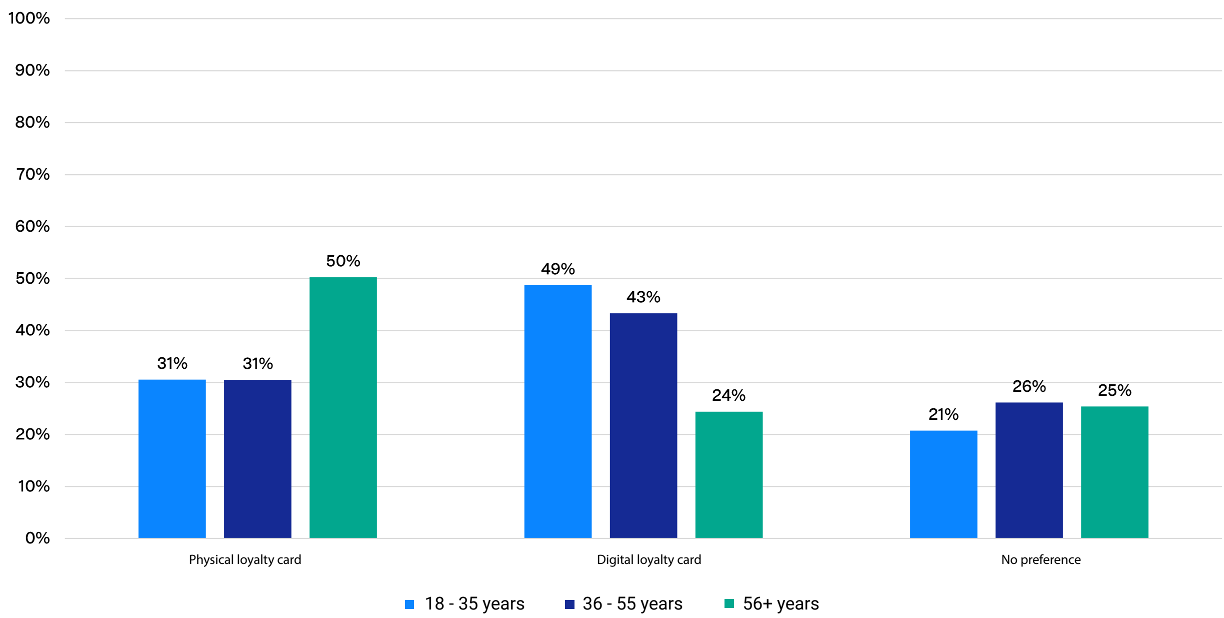
WHAT ARE THE MOST IMPORTANT REASONS FOR YOU TO BE LOYAL TO A BRAND OR CHAIN? AGE SPLIT



Now let's zoom in on loyalty programs. Many brands often doubt whether or not they should offer a physical and/or a digital card as identifier for customers who are part of the loyalty program. Research shows that both options are nearly equally popular amongst customers, with 36% of the respondents preferring a physical identifier versus 40% going for the digital identifier. If we look at the results on country level, then we see that a physical card is slightly more popular in Belgium (38%) than in the Netherlands (33%). Customers in both countries indicate the importance of having a digital identifier (40%) and 24% of the customers seem to have no preference for one or the other type of identifier.

Looking at gender differences, it seems that women are a bit more tech savvy when it comes to digital identifiers (44%) than men (36%) who seem to have a higher preference for physical cards. And when we look at age differences, it comes as no surprise that younger people prefer digital cards over physical ones, whereas older people prefer the traditional physical card.

DO YOU PREFER A PHYSICAL OR DIGITAL (ON YOUR SMARTPHONE) LOYALTY CARD? AGE SPLIT



Although less than 50% of the respondents indicate they consider themselves loyal to a brand, 96% of the respondents do state to have at least a couple of loyalty identifiers. When we say loyalty identifiers, we mean either a physical card, a digital card in a dedicated or in a branded mobile application or a digital card in a digital wallet (e.g. Stocard). Even though we noticed previously that both physical and digital identifiers were popular, people seem to collect more physical cards than digital cards (they do not even download a specific branded mobile app of a loyalty program).

HOW MANY LOYALTY CARDS DO YOU HAVE ON AVERAGE?

	Physical	Digital	In application
average number	**6.7**	**5.2**	**2.7**
18-35 years	**5.7**	**5.3**	**3.2**
36-55 years	**6.5**	**5.8**	**2.7**
55+	**8.2**	**4.0**	**2.0**

In order to make a loyalty program attractive and engaging for its target audience, there are a couple of basic rules a program owner needs to think about. We asked our respondents what they like particularly, but also what annoys or irritates them the most when participating in a loyalty program.

1

The most important reason why customers do not like loyalty programs is that the program is **does not offer rewards that interest them** (49%). Nowadays, it is more important than ever to listen carefully to customers about what kind of products and services appeal to them to really try to adapt the offer to their marketing communications and product needs. As a brand there is really no good reason not to ask your customers what kind of rewards they like to receive when taking part in a loyalty program.

2

Another important element customers do not like is the fact that, sadly too often, **it takes too long before they can do something with their points** (38%). One golden rule to keep customers engaged in the program is to make the rewards within reach and allow them some quick wins. Let's be honest, we all want achievable targets to keep our motivation up.

3

29% of the respondents indicated they **do not like to share personal data** when taking part in a loyalty program. We all know people are a bit reluctant when it comes to sharing personal data. However, they seem to be more willing to share data when they clearly understand how they can benefit from it. Very often, there is no clear and transparent explanation given why the program needs certain information from you. A nice way to encourage customers to share data is to reward them for doing so which is generally appreciated by customers.

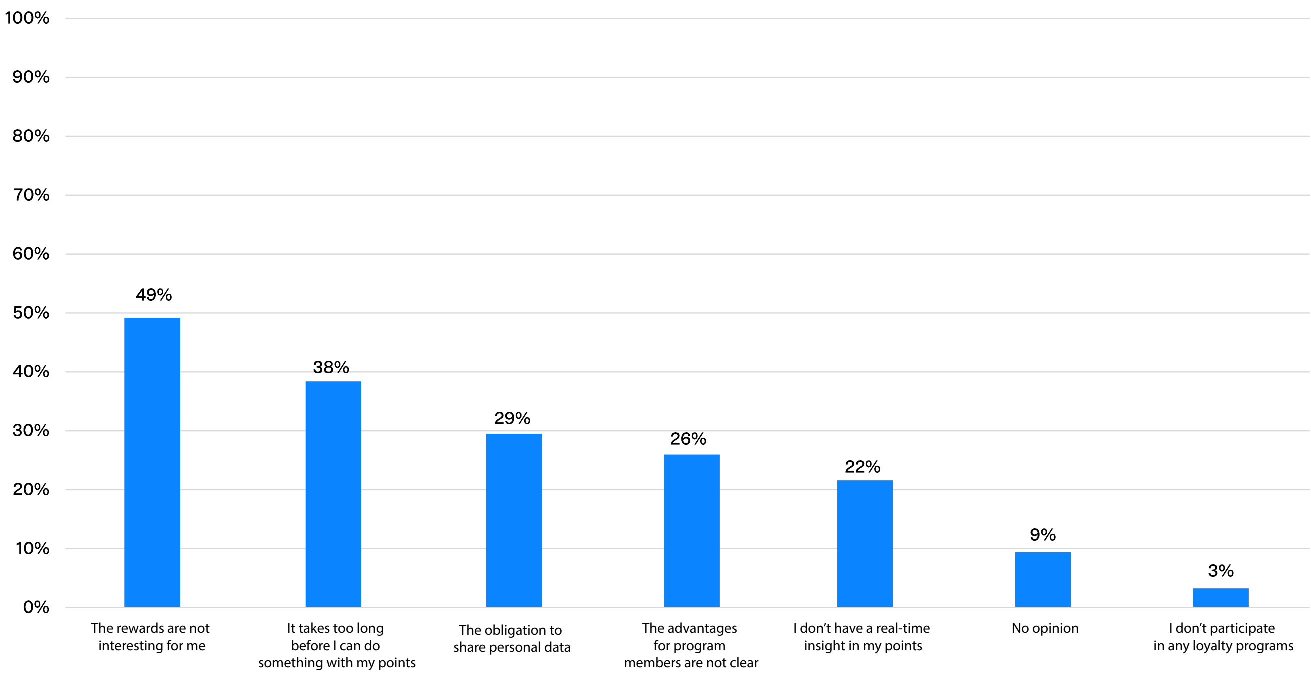
4

26% of the respondents raised the issue that often the **advantages** they would get when participating in the loyalty program **are not clear to them.** In order to run a successful loyalty program, it is essential to let customers know what the benefits are. If they do not know what's in it for them, why would they participate in it in at all?

5

Another considerable factor is the fact that people often have **no idea what their actual points balance is** (22%). If you want to engage people in your program and also drive their (purchase) behavior, it is important to let them know how many points they have and how many more they need to unlock rewards, benefits and other advantages.

WHAT ANNOYS OR IRRITATES YOU WHEN PARTICIPATING IN A LOYALTY PROGRAM?

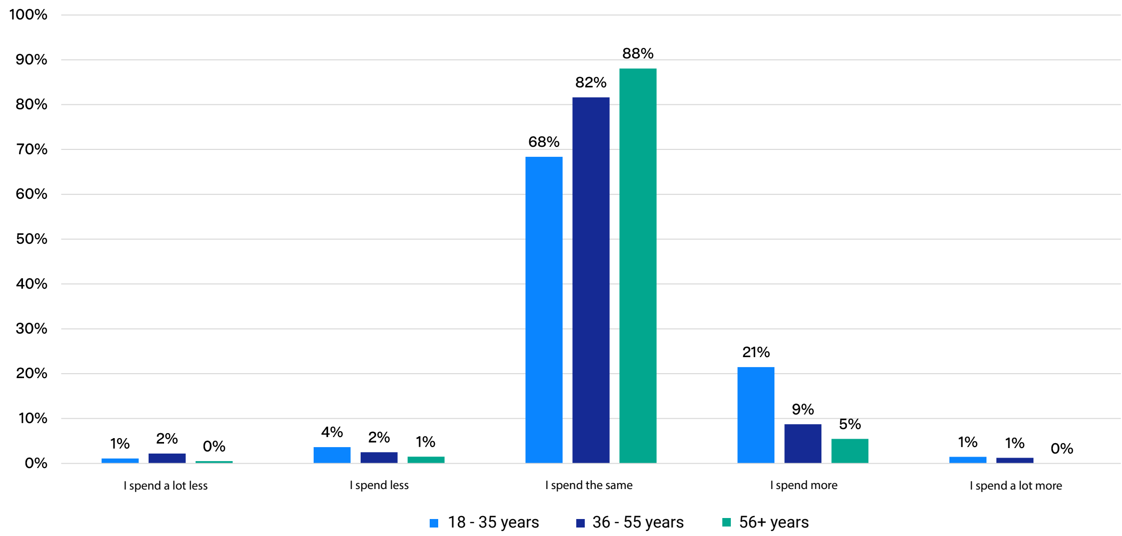


An interesting finding of this study is the response to the question about whether participants to a loyalty program have the feeling they actually spend more. Nearly 80% is convinced they don't spend more while being part of the program. Belgian respondents are more convinced of this than Dutch people (84% vs 73%). This perception is contrary to results of consumer studies, which indicate the opposite. According to the 2016 Bond Loyalty Report*, 66% of consumers modify the amount they spend to maximize points. On the one hand, loyalty members buy more often

*Source: https://www.paystone.com/blog do-loyalty-programs-cause-consumers-to-spend-more and spend more than non-loyalty members, resulting in a 5-10% revenue increase. On the other hand, according to the same report, the average household is enrolled in roughly 13 loyalty programs, but only active in seven. You can't simply start an ordinary loyalty program and expect a revenue increase. Loyalty programs cause people to spend more, but only when they are designed and managed correctly.

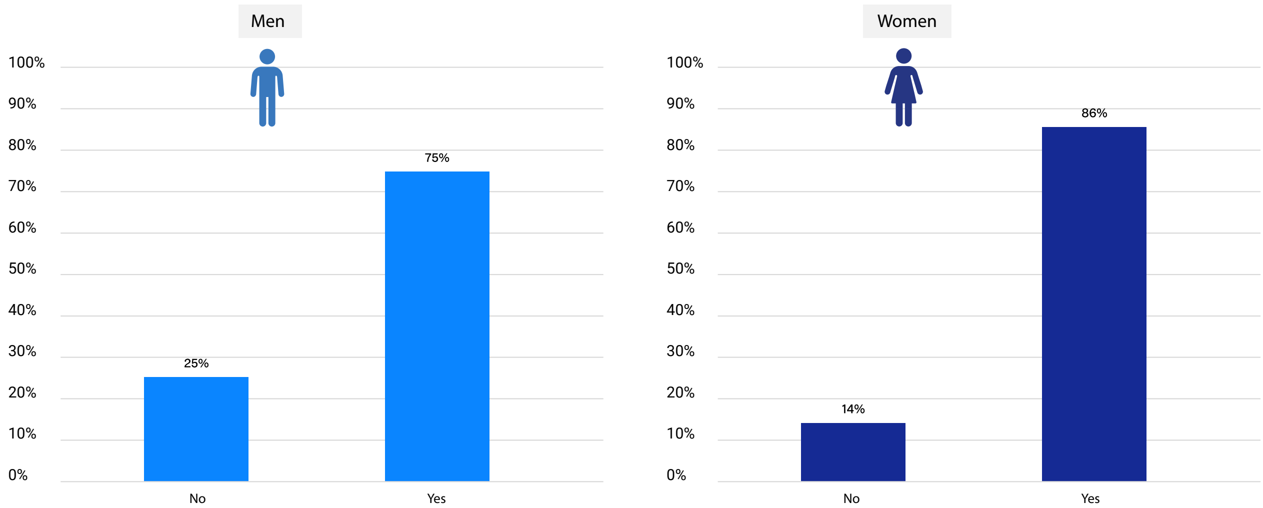
Another intriguing finding is when we look at the different age groups. Young people (18-35 years old) are less convinced they spend equally with or without a loyalty card (only 68% vs 82% and 88% in the other age groups). One-fifth even believes they do spend more with a loyalty card vs 9% and 5% in the other age groups.

IF YOU PARTICIPATE IN A LOYALTY PROGRAM, DO YOU HAVE THE IMPRESSION YOU SPEND MORE OR NOT?
AGE SPLIT



One of the traditional elements in a loyalty program are rewards such as points, coupons and/or vouchers. With 81% of the respondents having already made use of one of these types of rewards, we can easily conclude that this type of rewarding is very popular. When we look at gender level, we see that the general perception of women being more active in loyalty programs is correct. Results however show a slight difference (only 10%), which means men seem to get more engaged in loyalty programs nowadays.

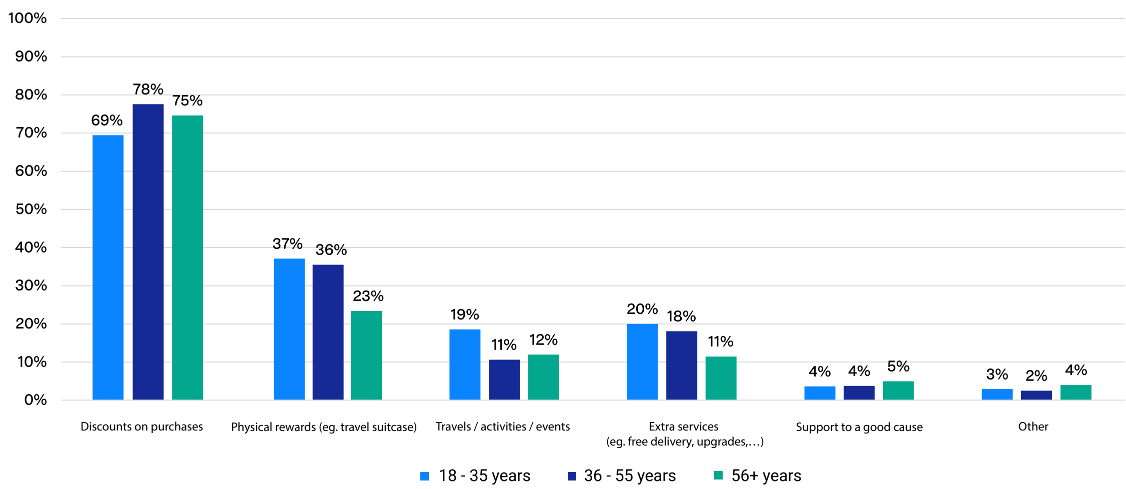
DO YOU SOMETIMES USE COUPONS, VOUCHERS, LOYALTY POINTS OF BRANDS AND RETAIL CHAINS?
GENDER SPLIT



For what kind of rewards and services do customers want to use their points, vouchers and coupons? Financial advantages seem to play the biggest role here. With 74% of the votes, people like to receive discounts on their purchases, followed by physical rewards such as household items (33%), extra services such as free delivery, upgrades and so on (17%), and travelling / activities / events (14%). Nowadays, we clearly pick up the trend in which programs offer members the possibility to donate to charity. Customers appreciate it (4%) and we believe this trend will further increase in the future.

If we take a closer look at the age groups, we surprisingly conclude that young people (age group 18-35) are less interested in discounts, but more in physical rewards and travel / activities / events. Older people (age group 56+) seem to be less in favor for physical rewards, but more for discounts.

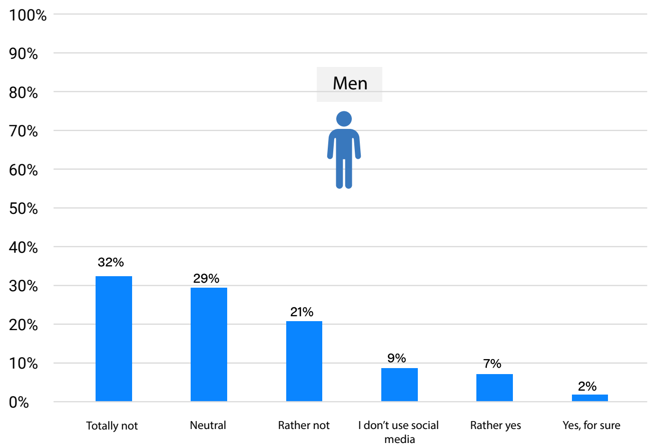
HOW DO YOU SPEND THE VOUCHERS, COUPONS, LOYALTY POINTS? AGE SPLIT

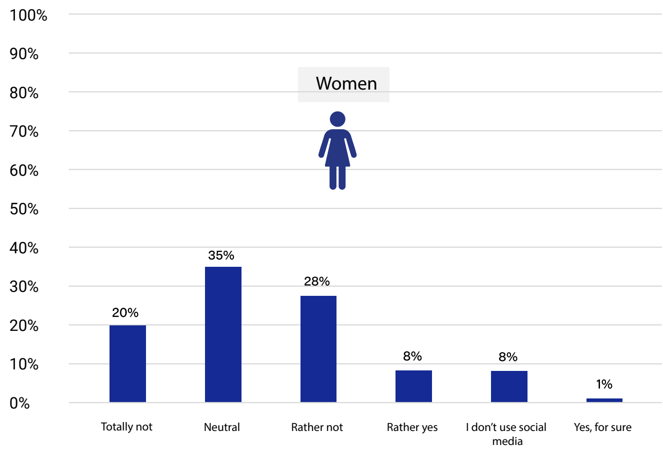


If you consider sponsored content and influencer marketing for your brand on social media, it seems that both Belgian and Dutch people are still quite reluctant towards this type of content. 50% say (rather) no to sponsored content whereas only 8% say (rather) yes. When we zoom in on country level, there is a little more enthusiasm for sponsored content in the Netherlands than Belgium (13% vs 5%) and women seem to be more open to this than men.

*Source: https://www.paystone.com/blog/do-loyalty-programs-cause-consumers-to-spend-more).

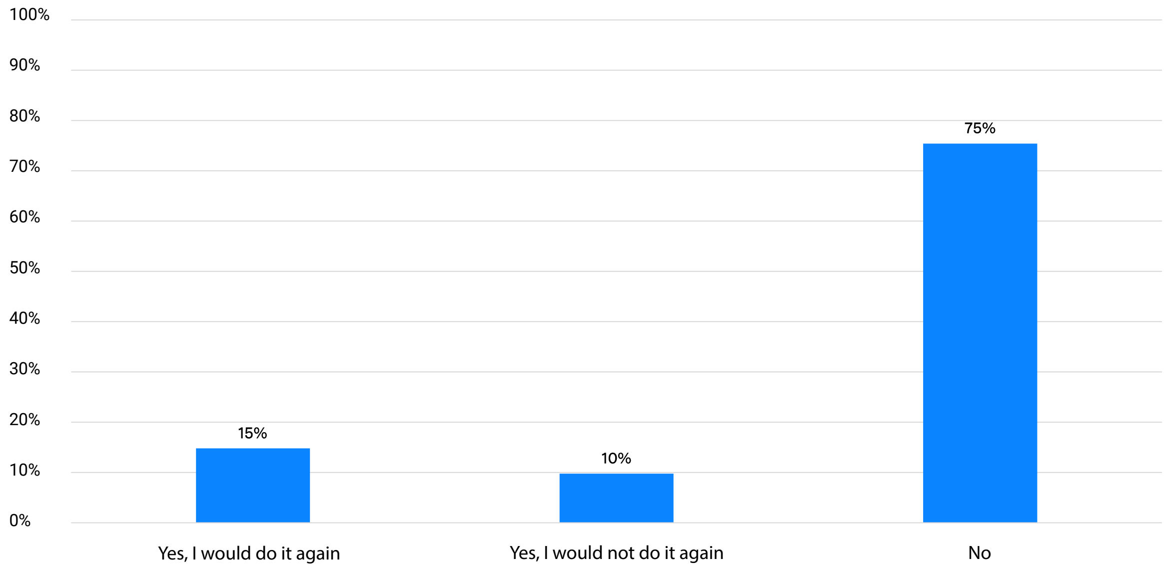
DO YOU TRUST SPONSORED CONTENT AND INFLUENCER MARKETING ON SOCIAL MEDIA?
GENDER SPLIT





The graph below confirms this conclusion. 75% say they have indicate they have never bought something via publicity that was created via sponsored content or influencer marketing. Only 15% had already bought something via sponsored content and 10% did so once, but would not do so again.

DID YOU EVER BUY SOMETHING THAT WAS PRESENTED TO YOU AS SPONSORED CONTENT OR AS A PROMOTED ITEM BY AN INFLUENCER?



CHAPTER 4

LOYALTY MARKET RESEARCH SUMMARY

Brand loyalty is not dead…our research clearly shows that the vast majority of consumers consider themselves to be loyal to certain brands. But it is a battle to win your customer hearts. With fewer than four brands on average, the number of chains a consumer feels connected to is very limited.

Loyalty starts from the product offer you put on the market, in addition to this, the pricing strategy, customer service and member advantages are the most important building blocks to connect to your customer in the long term. These four key elements are essential. Our research confirms this clear consensus for both Belgian or Dutch customers, and for male and female consumers.

Although consumers are only feeling loyal to – on average – four brands, they are part of about 14 member programs. For a minority of these programs, customers downloaded a dedicated mobile app, for the rest of the programs they identify themselves by using a digital loyalty card or a physical plastic identifier. Digital loyalty identifiers are gaining popularity mainly in younger target groups, while the physical card stays popular for older consumers.

Loyalty programs also still have the perception right. Although research has shown that member programs undisputedly have a positive effect on the number of return visits to your shop, and the sales and revenue, customers still have the perception their total spent in a shop was not influenced and did not go up. Of course, this helps your loyalty program to run smoothly and be a good fit for your target group. But what exactly do consumers expect?

Our research shows that loyalty points and coupons are very well-established aspects of member programs. Almost all customers who are part of a loyalty program use them. Consumers have a strong preference to use these points in vouchers for discounts on their next purchase, and this a huge opportunity for brands to initiate this return visit. Alternatives are physical rewards or access to extra customer services.

Customers also have a very clear idea of what they don't like about loyalty programs. Irritation kicks in when consumers have to save up too long before they can afford a reward. They also find it very important to have rewards that are a good fit with their preferences, so brands should better build up their rewards catalog well.

Brands should not be reluctant to communicate with their customers, most of them are open to receiving news from brands on a regular basis. It is important, however, to give clients the opportunity to choose to not receive any news from a brand, or to choose the preferred communications channel and frequency. Messages including general promotions, product discount codes and personalized offers are perceived as preferred content by our respondents.

Talking about personalization, customers are willing to share personal data if they get something in exchange. Brands need to motivate by showing why they need certain data, and explain the added value to the client. If this results in a win for the customer in terms of money-saving, a gain of additional loyalty points or the opportunity to receive exclusive offers, gifts or rewards, our respondents are open to sharing their data. And this will help your brand to get to know your customers better.

Loyalty marketing is a continuous loop, in which brands look for ways to get to know their customers better. Digital marketing tools can assist you in fetching the right data, analyzing your target audience and approaching them with the right message. Brand loyalty does not come for free, and customers expect brands to offer added value. Getting the tone right will be essential to turning your client into a loyal customer.

CHAPTER 5

MARKET RESEARCH PARTNERS

ABOUT COMARCH

Comarch is a global designer, provider and integrator of innovative IT solutions, advanced electronics and specialized hardware solutions. With extensive experience working with companies of all shapes and sizes, building successful loyalty systems in over 60 countries, we're ready to help you boost customer retention and grow your business.

With over 30 years of experience, we pride ourselves on offering world-class proprietary software and services customizable to your unique needs. Whether you're launching a B2C, B2B, or B2E loyalty program – you can trust Comarch from end to end. Our clients have reported a $3 return on every dollar spent, a 50% increase in active members and that 70% of their most valuable members double their spend.

Companies who chose to work with the Comarch loyalty team include BP, Heathrow Airport, Costa Coffee, JetBlue Airways, TrueValue, Auchan, Enterprise, Livelo, Q8, Leroy Merlin, Carrefour, Enoc, Galeries Lafayette, X5 Retail, and more ...

ABOUT TEAM VOLT

Team VOLT assists customers and companies in making conscious strategic choices. As a one-stop shop, Team VOLT advises companies in the field of customer relations, customer-centricity and customer behavior, with the aim to get these organizations prepared for 'what is coming'.

With the use of smart research methods, Team VOLT helps organizations to take a leading position in their market based on clear strategic choices, and helps them understand how their market is evolving.

Team VOLT is based in Belgium, and has a track record of about 1,000 projects including 7,500+ research studies for about 350 different customers.

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Comarch has more than 25 years of experience in designing, implementing and integrating state-of-the art IT solutions. The most important aspect offered to the largest enterprises is a comprehensive suite of IT solutions and professional services, which can help to build and manage loyalty programs, create rich consumer experiences and personalized interactions across multiple touch points, automate marketing processes and boost profits. Our software supports the entire loyalty value chain. Comarch has multi-industry experience, gained through work with more than 90 clients (including airlines and other travel companies, telecoms, financial institutions, retail and consumer goods companies and many more) such as JetBlue Airways, London Heathrow Airport and BP. The offer also includes Big Data analytics and innovative customer engagement systems based on gamification, which increase profits and strengthen relationships between customers, partners and the brand.

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