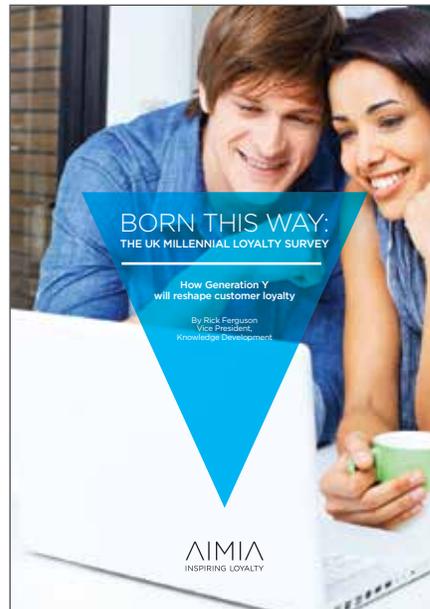
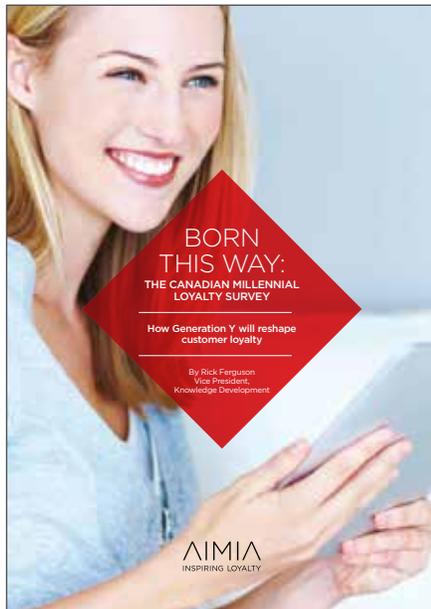
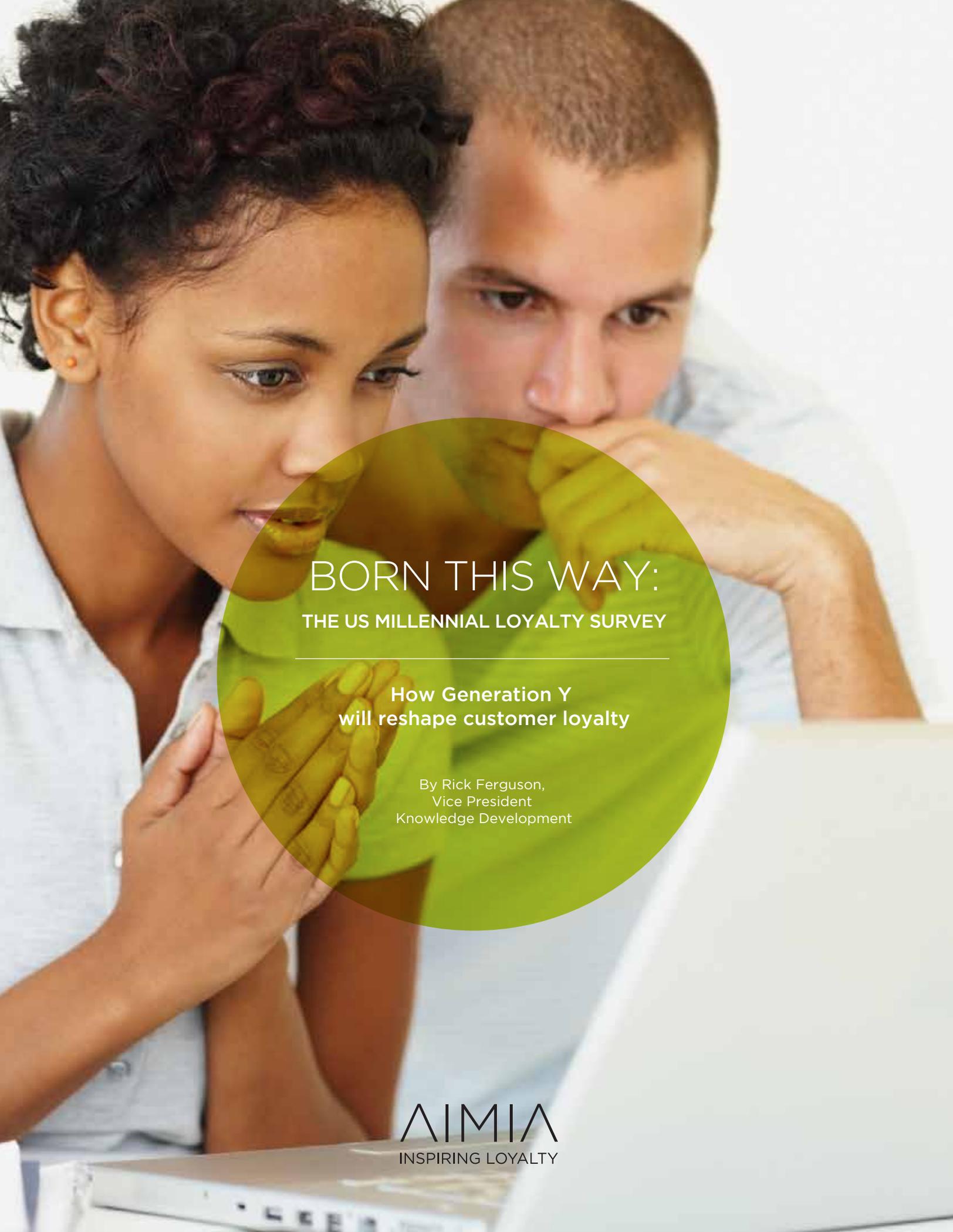


FOR MILLENNIAL RESEARCH FROM
AROUND THE WORLD, VISIT THE
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BORN THIS WAY:
The Millennial Loyalty Survey
*By Rick Ferguson, Vice President
Knowledge Development*

The results of Aimia's 2011 consumer research in Canada, the UK and the US reveal surprising insights into the behavior of Generation Y and their relationship to technology, data privacy, brand loyalty and reward programs.

A young man and woman are looking at a laptop screen. The woman is in the foreground, looking intently at the screen. The man is behind her, also looking at the screen. A large green circle is overlaid on the image, containing text.

BORN THIS WAY:
THE US MILLENNIAL LOYALTY SURVEY

**How Generation Y
will reshape customer loyalty**

By Rick Ferguson,
Vice President
Knowledge Development

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Summary and Table of Contents

In the summer of 2011, Aimia Inc. commissioned research firm Harris Interactive to conduct a survey of the Millennial consumer segment (ages 19-29 years old) in Canada, the United Kingdom and the United States. The survey focused on Millennial attitudes and behaviors relating to brand loyalty, data privacy, mobile and social media marketing, and rewards program participation.

We conducted this quantitative research to provide a foundation for the publication of this report, which compares the attitudes of Millennial consumers to non-Millennials in the United States. We'll publish similar reports to highlight our research findings for Canada and the UK. Please refer to our web site, aimia.com, for the publication dates of these reports.

This report aims to present a comprehensive view of customer loyalty expectations among the next great cohort of consumer spending in the US. Among our high-level findings are these important insights:

- > Over three-quarters (77%) of Millennial consumers claim participation in loyalty and reward programs, compared to four in five (82%) non-Millennials.
- > Over three-quarters (78%) of Millennials are more likely to choose a brand that offers a loyalty or rewards program over a brand that doesn't offer one.
- > In unprompted responses, Millennials rate loyalty rewards as the top incentive they look for in exchange for sharing personal information with marketers.
- > Nearly half of Millennials (44%) are willing to promote products or brands through social media in exchange for rewards.
- > Over one-quarter of Millennials (26%) are interested in using a mobile device as a substitute for carrying a plastic loyalty card.
- > Millennials are significantly less concerned than non-Millennials with data privacy and security overall. Of all named marketing channels in the survey, loyalty and reward programs are perceived as the most privacy-friendly by Millennials: only 14% of Millennial loyalty program members are concerned about sharing personal information with loyalty programs.
- > Nearly half of Millennials surveyed (47%) agree that they're more likely to share personal details with a brand that offers loyalty and reward incentives.
- > When introduced to the concept of a US coalition loyalty program, 74% of Millennials and 87% of older consumers rate the ability to earn a common currency among multiple partners as their top desired loyalty program benefit.

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Introduction

In February of 2010, the Pew Research Center released what is arguably the most comprehensive report to date on “Generation Y” or the “Millennial” generation: Those US citizens born between 1982 and 1993 and now between 18 and 29 years old. The report, “Millennials: A Portrait of Generation Next,” provides an optimistic look at the Millennial generation, and describes these young adults as “Confident, connected, and open to change.”

The Pew Report describes a generation given to self-expression in the form of tattoos and body piercings; possessed of surprisingly congenial relationships with their parents; focused on the importance of family and child-rearing even as majorities of them have no immediate plans to marry; wired to the extent that they sleep with their smart phones next to their beds and text while driving; fearful of their current employment situation but nonetheless optimistic about their future financial outlook. They’re on track to become the most educated generation in American history—but may yet become a “lost generation” marked by a decade or more of diminished earning power.

Some 77 million strong, the US Millennial generation is bigger than the Baby Boom generation and three times the size of Generation X. The coming of age of this generation has profound implication for marketers, not the least of which might be the very survival of our businesses. That’s because the flip side of the Millennial coming-of-age story is the story of the Baby Boom generation going gently into that good night: A 2008 McKinsey Global Institute study predicted that the ongoing retirement of Baby Boomers threatens to siphon roughly \$400 billion annually from the US economy.

This impending contraction leaves the Millennial Generation to pick up the slack in consumer spending—and in doing so, they’ll face an uphill battle. As of this writing, the unemployment rate amongst US Millennials stands at 13.4%, compared to 9.1% for the general US population. Pew estimates that more than a third of all Millennials (36%) depend on financial support from their families, including 14% of those working full time. Thirteen percent have moved back in with their parents. Coming of age during the Great Recession has also instilled in them a healthy economic conservatism: According to Pew, a majority (55%) are watching their spending “very closely” these days, up from 43% in 2006, and over three-fourths (77%) worry that they aren’t saving enough.

Millennial consumer behavior has therefore been shaped by the world in which they came of age—like the Lady Gaga (age 25) song says, they were “born this way”. Given the importance of this generation to the global economic recovery, it’s imperative that marketers learn all they can about Millennials in order to build profitable, long-term relationships with them.

That’s where Aimia can help. In partnership with market research firm Harris Interactive, we surveyed 2,000 US consumers—including 1,000 Millennials—to help you understand their attitudes and behaviors towards customer loyalty and reward initiatives. In particular, we were interested in understanding Millennial attitudes towards:

> **Loyalty:** What makes a Millennial consumer brand-loyal? What aspects of consumer-brand relationships drive their loyalty? How do these attitudes differ from previous generations?

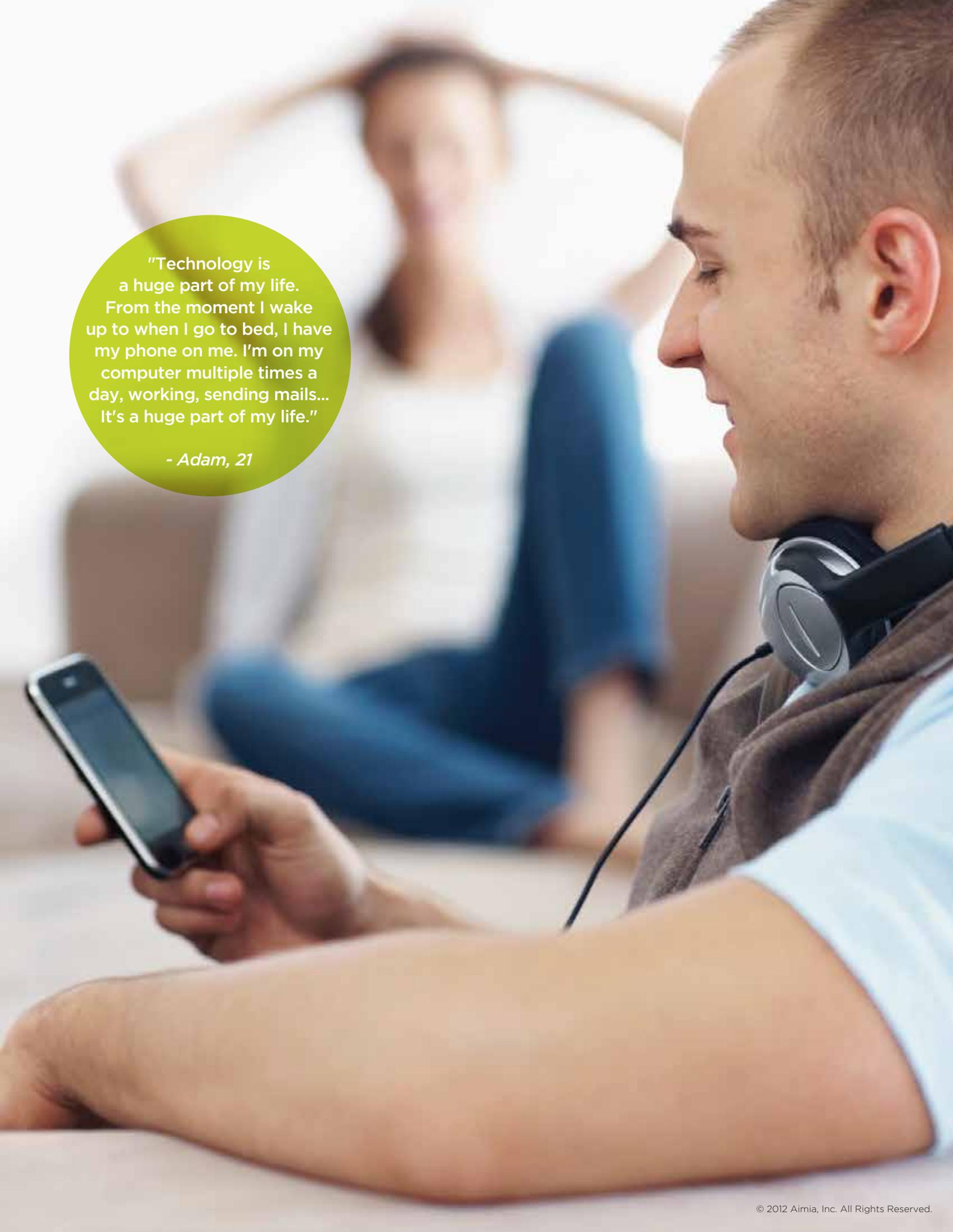
> **Technology:** Everyone assumes that Millennials eschew email, tweet everything and only respond to marketing messages forwarded by their peers via smart phones. Are these assumptions true? Or do Millennials have a more complex relationship to marketing technology than we might think?

> **Privacy:** Facebook CEO Mark Zuckerberg (age 27) famously declared that the age of privacy is over. Do his fellow Millennials feel the same way? How important is online privacy and data security to this generation? What perks and benefits must marketers offer to encourage them to share personal information that improves marketing ROI?

> **Rewards:** The modern loyalty marketing industry was built on the proclivities of Baby Boomers, who prefer travel and merchandise rewards fueled by credit card spend. Will Millennial business travelers and heads of households mimic the behavior of Baby Boomers? Or will they rewrite the rules of reward program engagement?

While our survey results allow us to paint some broad strokes in depicting Millennial behavior, we know that you can’t hope to understand them simply by making sweeping assumptions. They’re a generation of individuals—and if you want to build lasting loyal relationships with them, you’ll need to understand them as such.

That’s where loyalty management can help. No other marketing discipline is better equipped to help you to build profitable relationships with Millennial consumers based on the drivers of value, trust and information. We hope this research will help you get started.

A young man in profile, wearing headphones and holding a smartphone, with a woman in the background.

"Technology is a huge part of my life. From the moment I wake up to when I go to bed, I have my phone on me. I'm on my computer multiple times a day, working, sending mails... It's a huge part of my life."

- Adam, 21

Methodology

- > Aimia commissioned research firm Harris Interactive to conduct a survey regarding the attitudes and opinions of Millennials (age 19-29) compared to non-Millennials (age 30+) in Canada, the UK and the US. The survey covered many topics related to reward program membership and customer loyalty including: technology use, reward program participation, mobile marketing, privacy preferences, and brand loyalty.
- > This portion of the study was conducted online in Canada, the UK and the US in 2011. Data collection was conducted in the US from June 30th – July 14, in the UK from June 30th – July 19, and in Canada from July 8 – July 19.
- > Qualified respondents were age 19 or older and resided in Canada, the UK or the US.
- > Individual interviews averaged 17 minutes in length.
- > The data was weighted to be representative of the general population (not just the online population) of age 19+ respondents in each country.
- > Due to rounding, some survey question responses may not add up to 100%.
- > The infographic illustrations in this paper include the survey question numbers referenced; the actual survey questions can be found on page 22.



"If a reward program is good, loyalty is the word that comes to mind. Because if the program provides good service, then I'll continue to use it. But if there are stipulations behind it, like having to use your points in a certain time frame, then I won't use it."

- Torin, 26

Generation Why

Generation Y is often described in terms of contrast to previous generations: The term “Generation Y” itself implies that they’re simply an off-shoot of Generation X, which was itself the cause of much hand-wringing in the 1990s. Generation Y has been identified in turn by labels optimistic (Generation Next), insulting (Generation Me; the Peter Pan Generation) and dismissive (Echo Boomers or the Boomerang Generation). While there are no universally agreed-upon labels or even time frames used for this generation, for purposes of our study we prefer the term “Millennial Generation” as the most neutral descriptor of this cohort. For this generation is the first to come of age in the 21st Century—and that alone makes them special.

Opinions about Millennials vary wildly. On one extreme you’ll find Jean Twenge, author of the 2007 book *Generation Me*, which describes a generation rife with entitlement, crippled by narcissism and wholly rejecting of social conventions. On the other extreme, you’ll find historians William Strauss and Neil Howe, who describe in their 2000 book *Millennials Rising* a cohort destined to become the next “Hero Generation,” more akin to their Greatest Generation great-grandparents than to their Boomer or Gen-X parents. The truth is most likely somewhere in between.

We’ll refrain here from making such sweeping generalizations. Looking solely at the demographic data supplied by our own survey and supplemented by the PEW report, we can draw the following supportable conclusions about US Millennials:

- > **They’re more diverse.** The US Millennial generation enjoys greater ethnic diversity than previous generations: The Pew study reveals that Caucasians make up 61% of US Millennials, while they make up 70% of adults age 30 and older. Hispanics are the largest ethnic minority among Millennials, followed by African-Americans.
- > **They’re defined by under-employment.** Most revealing, a full 17% of our Millennial survey

respondents indicated that they’re unemployed but looking for work—as opposed to 10% of older respondents. Only 59% are employed full time, while 15% hold at least part-time employment.

- > **Their purchasing power is increasing.** While nearly two-thirds (62%) of Millennials in our survey earn less than \$50,000 per year, nearly one in ten (9%) earn over \$100,000 annually. As Millennials assume job roles vacated by retiring Baby Boomers, their purchasing power will increase. Already, Pew estimates that Millennials contribute over \$600 billion of the \$6.5 trillion spent annually by US consumers.

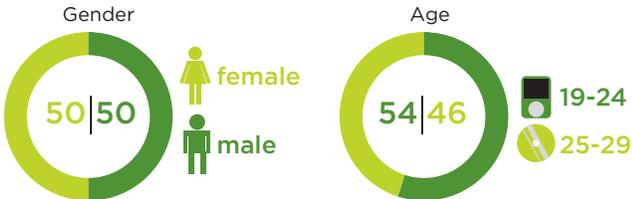
In general, marketers will face a generation ready to contribute their share to the US economy, willing to engage in relationships with their favorite brands, but reluctant to spend without a clear expectation of value. The central question that loyalty marketers will need to answer for this consumer group is not “How” or “What,” but rather, “Why?” Why should a Millennial consumer raise her hand and ask to be identified through your loyalty or reward initiative? Why should she download your iPhone app? Why should she respond to your location-based offer? What’s in it for her?

In short, think of Millennials as Generation Why.

GENERATION WHY

US Millennial consumers are more diverse, defined by underemployment, and growing in spending power.

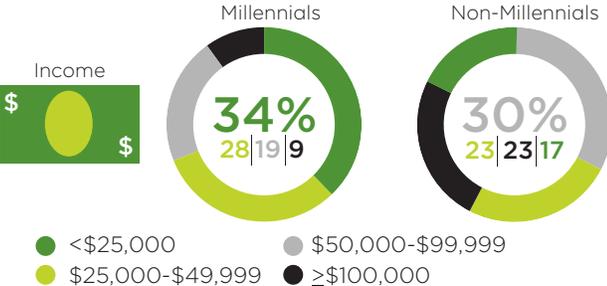
SURVEY RESPONDENT DEMOGRAPHICS:



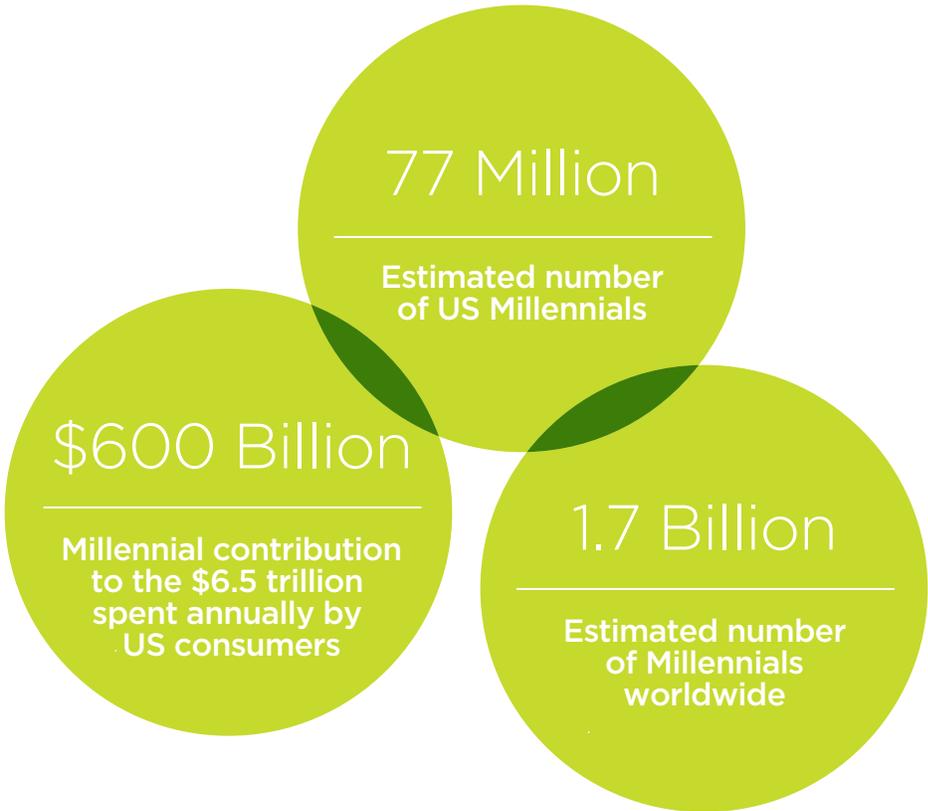
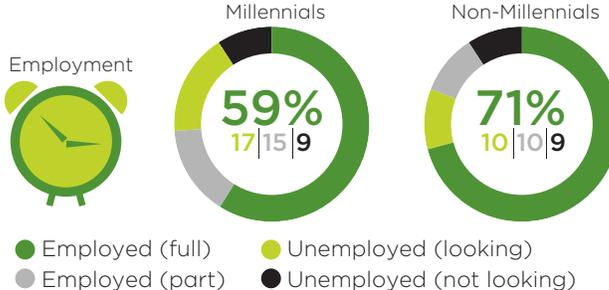
SURVEY RESPONDENT EDUCATION:



US MILLENNIALS EARN LESS — BUT THEIR AGGREGATE SPENDING POWER IS GROWING:



US MILLENNIALS FACE DIM EMPLOYMENT PROSPECTS:



Millennial Brand Loyalty

Loyalty marketers understand that there's a fundamental difference between customer *loyalty* and customer *relationships*. Customer loyalty is fueled by fundamental product and service drivers, while relationships are fueled by reciprocal added value. We wanted to know if Millennials viewed brand loyalty and relationships any differently than older consumers—so we asked them.

Customer loyalty is created by the same fundamental drivers first articulated by legendary McDonald's CEO Ray Kroc:

- > **Quality:** Customer loyalty is driven by the quality of your products and services in contrast to the quality of your competition.
- > **Service:** Loyalty is driven by the responsiveness and training of your front-line employees, and the ease of use of your virtual tools.
- > **Cleanliness:** Loyalty is driven by the experience customers undergo while doing business in your physical or virtual locations. More broadly labeled as "Environment."
- > **Value:** Loyalty is driven by the prices of your products and services, which must be in line with your competitors' prices, and in line with your delivery of the other three drivers.

Customer relationships, in contrast, are a byproduct of customer loyalty. These relationships are defined by the reciprocal added value exchanged between brands and their customers. They're defined by two variables: Value and Length. You create loyal customers by delivering on Ray Kroc's loyalty

drivers, and you keep customers loyal by building relationships with them based on these three building blocks:

- > **Value:** For a brand to sustain a relationship with a loyal customer, the value of that relationship must increase over time for both the customer and the brand.
- > **Trust:** Relationship value increases as the level of trust increases between loyal customers and the brand. Trust increases when you deliver on your brand promise, use customer data responsibly, and deliver relevance through marketing insight.
- > **Information:** Relationship value increases as the amount of information flowing between the brand and its loyal customers increases. Information becomes the data that fuels value and trust, creating a positive feedback loop.

Marketers construct customer relationships with the tools of loyalty management. We therefore asked our US Millennial survey respondents to articulate the importance of these elements of loyal relationships to their consumer interactions. You can see the high-level findings illustrated in the infographic on page 9.

From these survey findings, we may extrapolate the following insights for marketers attempting to extend both the value and the length of their relationships with Millennial consumers:

- > **Millennial loyalty is driven by Quality and Value.** Contrary to stereotypes that portray Millennials as perpetual adolescents shaped by overbearing helicopter parents, they are in fact the self-serve generation: They're used to accessing large amounts of information via online tools to make purchase decisions based on pragmatic expectations of quality

and value. The recession has made them more price-sensitive than their parents—but they value quality above all.

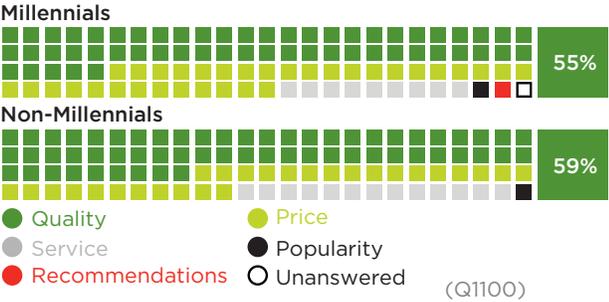
- > **Loyalty programs are a difference-maker.** When Millennials perceive relative parity between you and your competitors, they'll choose their brand relationships based on the expectation of added value in the form of rewards and incentives. Over three-quarters of US Millennials (78%) rate loyalty and reward programs as "very" or "somewhat" likely to make a difference in their purchase decisions.
- > **Trust is enhanced by rewards.** Providing an environment of trust is a crucial step for marketers hoping to build a platform for Millennials to share personal information. When asked in an open-ended question what value brands needed to provide in exchange for sharing their personal information, Millennials identified reward incentives as the top factor fueling their trust—and in greater numbers than their older counterparts. They also expect brands to secure their personal data and to use it in an ethical manner.
- > **Loyal Millennials will share more.** Like older consumers, Millennials are apt to feel and act more loyal to a brand that offers a loyalty program: Fully three-fourths of Millennials are likely to purchase more from, feel more loyal to and tell their networks about brands that offer reward incentives—numbers in line with older generations. Where Millennials become even more valuable to marketers is in their willingness to actively promote your products and services in exchange for rewards. They understand the importance of customer word-of-mouth—and for the right incentives, they'll become brand advocates.

MILLENNIAL LOYALTY

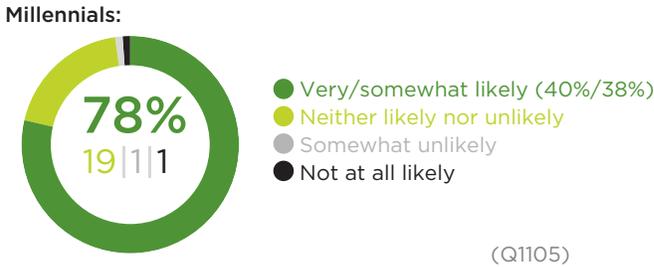
Marketers build relationships with consumers based on the foundational building blocks of VALUE, TRUST, and INFORMATION. US Millennials are no different—and the tools of loyalty management will remain essential to building profitable relationships with them.

VALUE: US Millennials value quality, but are more price-conscious than older consumers. Meanwhile, 3/4 of millennials seek out loyalty programs.

Q: What factors make you loyal to a brand?
(percent ranked #1)

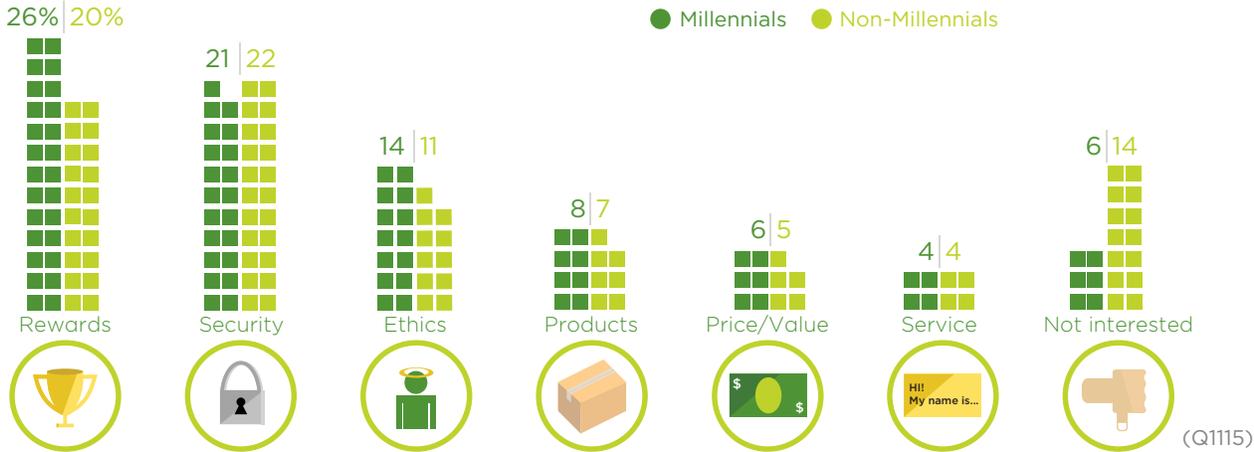


Q: How likely is a loyalty program to make you choose Brand A over Brand B?



TRUST: This is a crucial step for marketers hoping to collect personal information from Millennials. US Millennials identify rewards and incentives, data security, and ethical use of data as their top requirements for brands that wish to collect and use customer data for marketing.

Q: What value would you need in order to share personal information with marketers?



INFORMATION: In exchange for a positive loyalty program experience, Millennials will share more information with you than Non-Millennials—and they're more likely to promote your brand to their social networks.

Q: When participating in a loyalty program, how likely are you to:



The Millennial Loyalty Challenge

Our survey demonstrates that US Millennials share loyalty drivers with older consumers, and are about equally likely to feel and act more loyal to brands that offer loyalty and reward programs. We also identified a few key differences that mark this generation: The recession has actually made them more price-conscious than their parents (although they still value quality above all), and they're more willing to act on your behalf by spreading the good news about your brand—provided that you first put some value on the table.

That's a good-news story for loyalty marketers: We know the tools of loyalty management work, and we know that Millennials will respond to them. There is, however, one key difference in Millennial brand relationships—and it lies at the intersection of loyalty and technology.

As the infographic on page 11 shows, the advent of smart phone technology means that Millennials have far more information at their fingertips to help them make purchase decisions—and it's information that exists entirely outside of your control as a marketer. Brands once enjoyed a captive audience: The only way customers could compare your prices and service with the competitor down the street was to make the trip. Word-of-mouth about the quality of your products or the level of your customer service once spread like molasses—but now spreads like a virus.

Given this added challenge in marketing to Millennial consumers, it's imperative that marketers leverage the tools of loyalty management to pierce through the information overload and deliver relationship value at the level of the individual customer. Here are just a few ways that mobile technology influences Millennial relationships:

- > **To Millennials, price is transparent.** Over half of all Millennials (57%) use their mobile devices to compare prices while in-store. This is a significant behavior shift from

that of older consumers, who tend to take price claims at face value.

- > **Quality is now determined by consensus.** If quality is the top driver of Millennial loyalty, marketers face an additional challenge: Quality is no longer determined by individual consumers, but rather by social contract—over half of all Millennials (58%) read product reviews on their mobile devices in-store. While older consumers can still be swayed by marketing messages, Millennials will ignore those messages in favor of consensus.
- > **Are social networks less influential than we think?** Most of us assume that recommendations by members of a Millennial's "inner circle" trump all other factors leading to a purchase decision. But our survey reveals that, compared to other information sources, social networks are less influential to purchase decisions than we thought. Still, nearly one in four (24%) do check Facebook and Twitter for recommendations—a rate over twice that of older consumers.

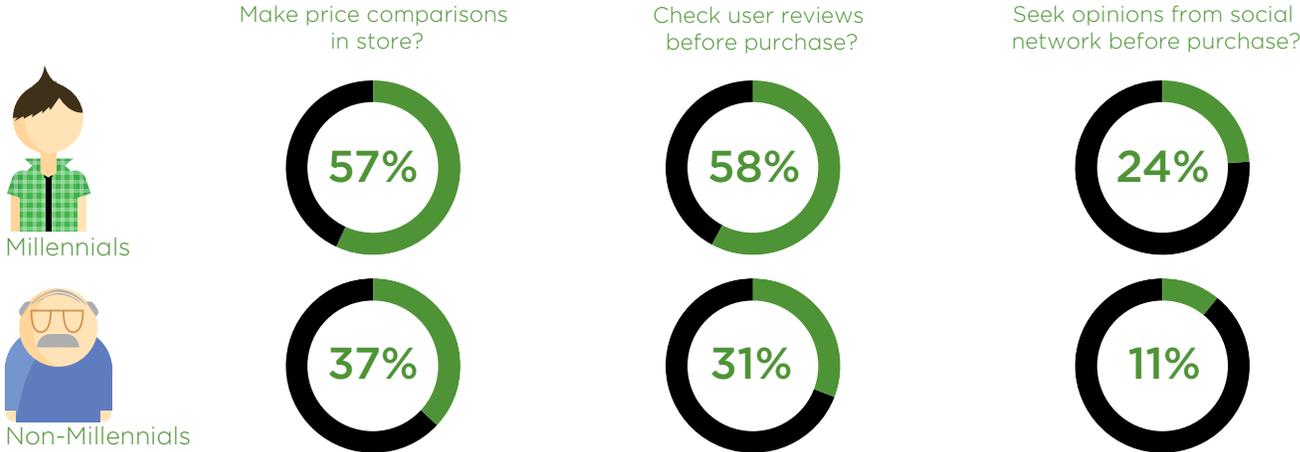
How can marketers build foundational relationships with Millennials strong enough to withstand this sea of extraneous information? By adding value and clarity to these relationships through the targeted deployment of loyalty management tools that demonstrate immediate value. Millennials are more than willing to engage in a deeper conversation with you—you just have to tell them why they should.

THE MILLENNIAL LOYALTY CHALLENGE

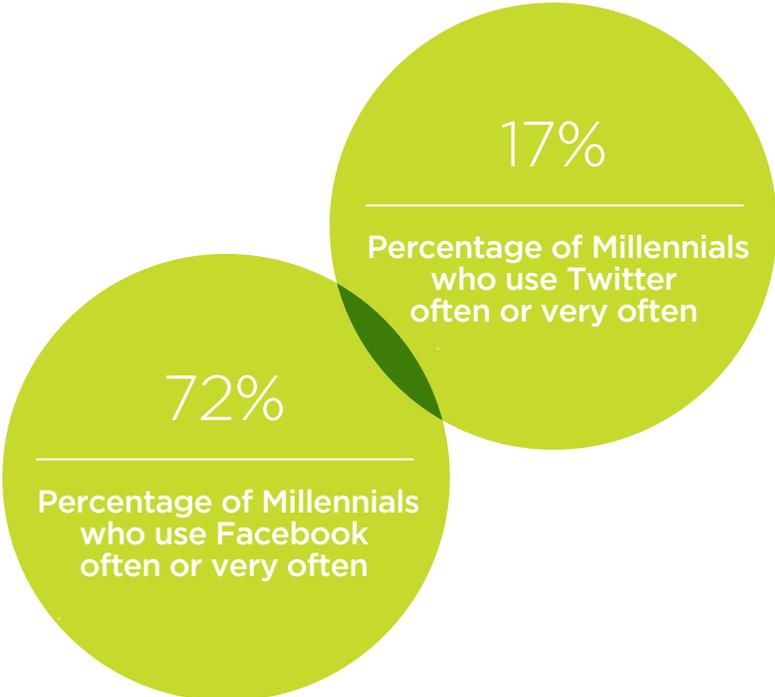
The most significant difference between US Millennials and older consumers is that they actively seek out information that exists outside of your control as a marketer.

Q: Do you ever use your mobile device to...

● Yes ● No



(Q850, Q855, Q860)



Millennials and Technology: All Marketing is Mobile

Millennials are often described as “digital natives” who came of age in a wired world. Younger Millennials have lived their entire lives online. We therefore assume that they eschew email as something their parents use, that they communicate primarily by texting, and that they’re only interested in marketing messages delivered via Facebook, Twitter or smart phone. We assume that they’ll eagerly make the leap to mobile payments and banking, that they’ll love location-based offers, and that they’ll eagerly participate in mobile-based reward programs. But how many of these assumptions are true?

We asked Millennials to speak for themselves, and a few of their answers surprised us. Contrary to conventional wisdom—and contrary to Millennials, who distinguish themselves by their adoption of technology—mass adoption of mobile devices as marketing and payment channels will be driven by functionality rather than by age. In other words, don’t expect Millennials to flock to download your app just because it’s mobile. They’ll first require evidence that it adds value to their lives.

The infographic illustration on page 13 highlights our major findings on Millennials and technology. Here are a few key insights from those findings:

- > **Online behavior is migrating to mobile devices.** Unsurprisingly, Millennials are hastening the slow death of the desktop, as nearly four in five of them (79%) own laptop computers while less than half (47%) own a desktop PC. Expensive tablet computers remain out of reach for most Millennials; older consumers are slightly more likely to own one. Meanwhile, nearly half of Millennials (48%) own smart phones, a significantly greater penetration than is found among older consumers.
- > **Texting and social media are not replacements for email.** The truism that Millennials ignore email in favor of texting and Facebook is not supported by our survey results. Over nine in ten (92%) Millennials still use email regularly—even if just for work, school or to check in with the ‘rents. But in line with conventional wisdom, Millennials text and access social media platforms in far greater numbers than their older counterparts.
- > **Mobile business app usage is not driven by age.** Smart phone users in both Millennial and older age groups are equally likely to download and use apps provided by brands with which they do business, or to make purchases through apps. When it comes to reward program apps, only a small percentage of Millennials (15%) use them regularly—which means loyalty marketers have a lot of work ahead of them on the mobile front.
- > **Don’t take daily deals and location-based offers for granted.** Millennials are no more likely to respond to Groupon-style daily deal offers on their smart phones than older consumers; only 29% have done so.

Likewise, they aren’t any more likely to respond to location-based offers—only one in ten US consumers claim to have responded to one. Even text-messaging offers hold no greater appeal to Millennials—in fact, older consumers are slightly more likely to respond to a text offer than Millennials.

- > **The death of plastic has been greatly exaggerated.** Issuers, payment networks and Silicon Valley startups may be racing to hasten the adoption of mobile phones as payment and banking devices—but don’t expect Millennials to lead the rush. While Millennials are roughly twice as likely as non-Millennials to demonstrate interest in mobile payments and banking, the numbers are low enough to suggest that advocates face an uphill battle in driving adoption and usage. The bright spot? Over one quarter of Millennials (26%) are excited about trading in their plastic reward cards for mobile apps.
- > **Ease and value will drive adoption of reward program apps.** No major differences exist between Millennials and older consumers in their desire for functions and features of reward program apps. All age groups favor downloading coupons and exclusive offers and redeeming points via their smart phones.

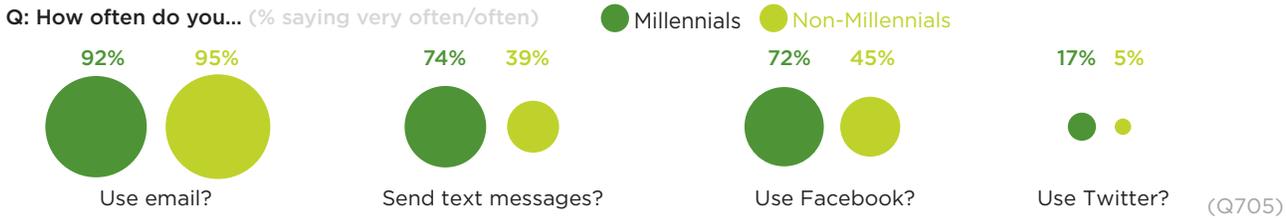
While more Millennials than older consumers own smart phones, and while Millennials live more of their lives tethered to the device, their desire to engage brands via mobile platforms is not markedly greater than that of older consumers. All marketing is mobile because that’s where technology is leading us. Eventually, plastic payment and reward cards will disappear in favor of mobile applications, and share-of-wallet will shift to share-of-phone. But once again, the winners will be marketers who answer that essential question for Millennials: Why

MILLENNIAL TECHNOLOGY

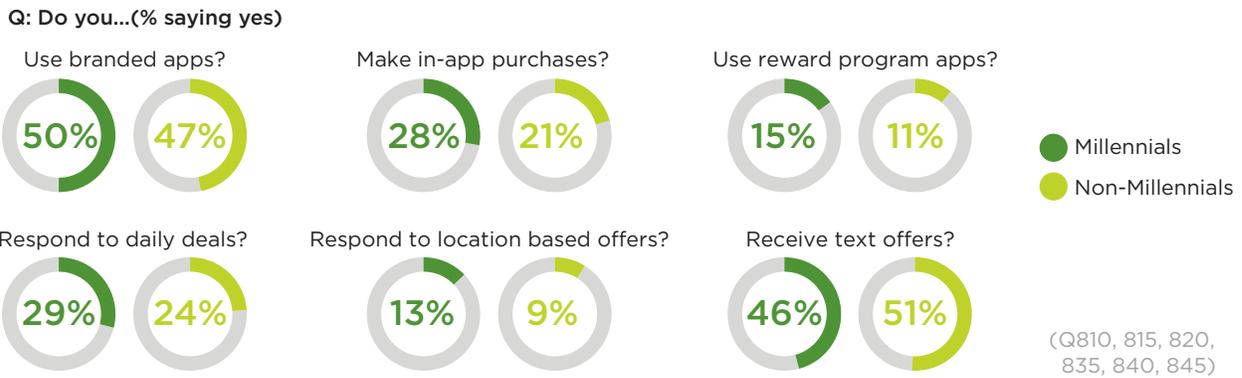
When asked to distinguish themselves as a generation, US Millennials overwhelmingly define themselves by their relationship to technology. But our survey shows that mass adoption of mobile marketing will be driven by functionality, not age.



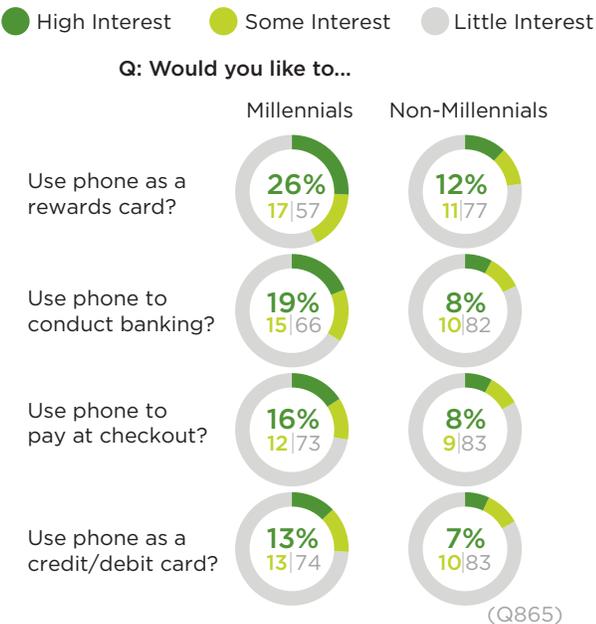
COMMUNICATIONS: The demise of email has been greatly exaggerated; however, texting and social media also define Millennial communication.



MOBILE OFFERS: Functionality, not age, drives smart phone marketing.



MOBILE PAYMENTS: Work remains to convince Millennials of the value.



REWARD PROGRAM APPS: Ease and value will drive usage.



Millennials and Privacy: The Value Exchange

Loyalty management is centered on the concept of the Value Exchange. To build relationship value, marketers need their best customers to share transaction data and personal information. To encourage this information sharing, marketers must put extra value on the table in the form of rewards and recognition. This exchange of value for information is the central activity that enables marketers to build relationships that benefit both customers and brands.

This exchange often happens within the context of a formal loyalty or reward program—and for the Value Exchange to work, customers must know that the program represents a “safe haven” in which they can share personal information without fear that the data will be stolen, misused or collected without their express permission. Unlike other forms of marketing stimulus such as targeted online advertising or location-based tracking, loyalty programs make this exchange of value for information both explicit and transparent.

So we wondered: Do Millennial consumers understand the Value Exchange? If so, how does this understanding influence their feelings about data privacy and sharing personal information with marketers? What offers do we need to put on the table to facilitate this exchange?

The infographic illustration on page 15 displays some highlights of our survey results on the topic of Millennials and privacy. Here are a few key insights from the survey:

> Millennials are less concerned about data privacy overall. Perhaps unsurprisingly, considering the wired world in which they grew up, US Millennials are less concerned across the board about data privacy and security than older consumers. In the areas of overall data security, data theft, targeted

online advertisements and search engine tracking, they are significantly less concerned.

- > They're concerned about Facebook and location tracking.** A warning for Mr. Zuckerberg: Millennials are as wary of Facebook's ever-evolving privacy settings as older consumers—roughly 40% of each segment voices concern. Millennials and older consumers are also equally concerned about unauthorized location tracking via their smart phones; slightly under one-third (28%) voice these concerns.
- > Loyalty programs are seen as havens of privacy.** In stark evidence that Millennials understand the Value Exchange, Millennial loyalty program members are largely unconcerned about reward program operators abusing their personal information—only 14% indicate concern, as opposed to one in five (20%) older members. In addition, nearly half of all Millennials are more likely to share personal information with brands that offer reward incentives.
- > US consumers expect to opt in.** Despite their lesser concern for privacy, over three-quarters of Millennials agree with their older peers that opt-in permission is a prerequisite for any brand that collects personal data or tracks their behavior. Both groups also indicate broad support for new tools to help them manage their personal information online. Millennials expect the Value Exchange to be transparent and permission-based.

> Millennials will grant trust—up to a point. The key difference in Millennial expectations of privacy is that they're more likely than older consumers to enter into a brand relationship with a default expectation of trust. More than one-third (36%) of Millennials will freely register personal details to

gain access to a web site (versus 22% of older consumers), and half of them (50%) will provide such information to join a new reward program (versus 37%).

- > Loyalty program offers are more valuable.** Millennials are no more likely than older consumers to respond to marketing messages sent online, through social media platforms or via mobile devices. Not even Facebook offers hold much interest for Millennials—only 15% are interested in them. In contrast, Millennials are as willing as older consumers to respond to offers sent by loyalty programs—roughly half to two-thirds of all US consumers will respond to them. In addition, Millennials are significantly more likely than older consumers to respond to loyalty program offers sent via social media platforms.

So when it comes to Millennials and data privacy, Mr. Zuckerberg is both right and wrong. He's right that Millennials have fewer expectations of privacy and are less concerned about the security of their personal information. He's wrong, however, if he assumes that Millennials are more forgiving than older consumers when marketers collect and act on personal information without their express permission. Millennials are willing to grant you a measure of trust—but will quickly end the relationship if you violate that trust.

Millennials also understand and willingly engage in the Value Exchange. They're willing to open up to marketers, but they expect to be rewarded for it. That value comes in two flavors: The value of rewards earned and status granted as a result of program participation; and the value that comes to them via more relevant, personalized offers based on deep insight gained through loyalty analytics. The tools of loyalty management will help you answer the inevitable “Why?”

MILLENNIAL PRIVACY

We designed our Millennial Loyalty Survey to understand how well Millennials' perception of data security and privacy color their perceptions of the loyalty Value Exchange. Are Millennials more or less comfortable with sharing personal information with marketers?



THE VALUE EXCHANGE: Profitable customer relationships are built on an exchange of information for value.

US Millennials understand this transaction, and are more likely to share personal information.

Q: How likely are you to... (very/somewhat likely)

● Millennials ● Non-Millennials

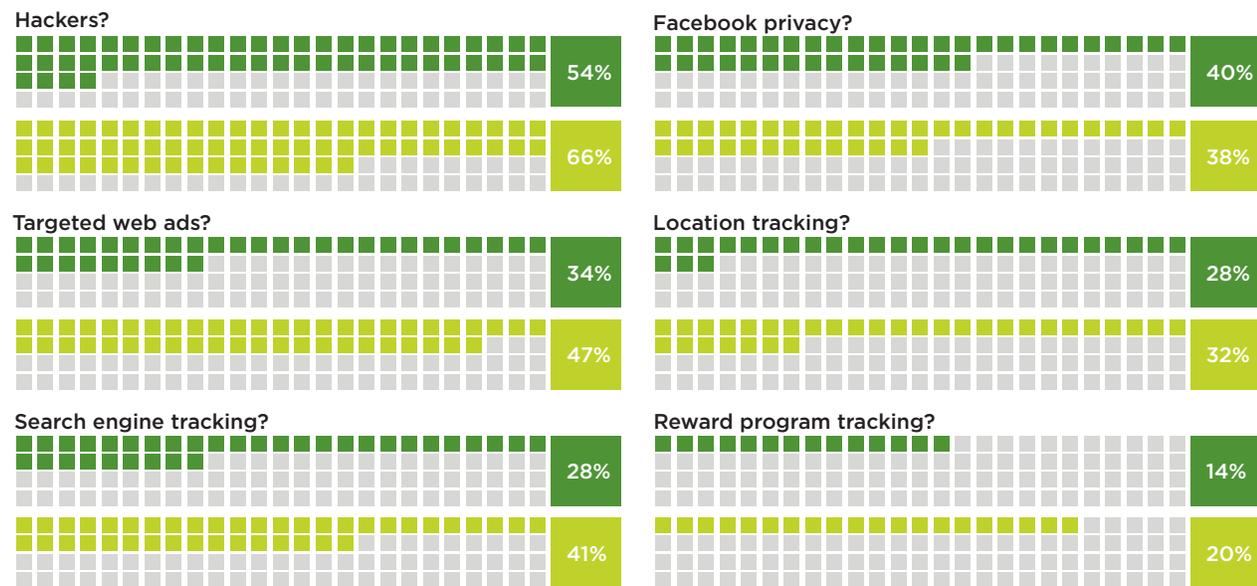


(Q910, 915)

Millennials are less concerned about privacy overall...

Q: How concerned are you about... (extremely/very concerned)

● Millennials ● Non-Millennials



(Q900)

...But they share broad consumer concerns about controlling their personal data.

Q: It is important for me to... (strongly agree/agree)

● Millennials ● Non-Millennials



(Q905)

Millennials and Rewards: Playing the Game

US Millennials are nearly as active in loyalty and reward program participation as their older counterparts. Over three-fourths of Millennials (77%) participate in loyalty programs, only slightly less a percentage than the four of five older consumers (82%) who do so. Given the head start that Baby Boomers and Gen-X consumers have enjoyed in building value in travel and credit card loyalty programs, the high percentage of Millennial participation indicates how deeply entrenched loyalty programs have become in the lives of US consumers.

The infographic illustration on page 17 details our high-level findings about Millennials and reward programs. The key difference between Millennials and older consumers: Millennials have higher expectations of immediate gratification and transparent value from loyalty programs. Given that Millennials will make up an increasingly larger percentage of participants in the traditional Boomer-led program sectors of travel and financial services, these expectations raise the bar for marketers.

Some additional highlights from our survey:

> Older consumers still drive traditional loyalty sectors. Not surprisingly, the Boomers and Gen-Xers who make up the bulk of memberships in travel and financial services programs continue to drive the expectations of these sectors. Consumers over age 30 are twice as likely to participate in travel programs, and significantly more likely to carry rewards credit and

debit cards. The retail sector has evolved, however—Millennials now make up the bulk of members in retail store programs.

> Millennials drive participation in non-traditional sectors. While the overall number of members is much smaller, non-traditional program categories such as entertainment, video game, restaurant and e-commerce contain much larger percentages of Millennials than older consumers. Given the focus in these programs on engagement, game mechanics, and ease of participation, loyalty marketers in traditional sectors will need to incorporate some of these new best practices to build Millennial participation.

> Value expectations are increasing. The generation raised on immediate gratification has heightened expectations of reward program value. Coming into our survey, we assumed that Millennials would be attracted to exclusive access, experiential rewards and other soft benefits. But Millennials are more interested in transparent economic value, such as expecting that loyalty programs should be free to join. Like older consumers, Millennials are also most likely to identify cash, discounts and gift cards as their most preferred reward choice. They are, however, roughly twice as likely to prefer home electronics, fashion, and VIP access as reward choices.

> Instant gratification is the new norm. Millennials are far more demanding than older consumers in terms of speed to reward. Over three-quarters of Millennials (78%) expect to earn a reward within the first three months of participation, a significantly greater percentage than that found amongst older consumers. Conversely, older members of travel and credit card reward programs are used to

building up equity to save for free flights and merchandise rewards, and are therefore more willing to defer immediate gratification.

> Millennials crave soft benefits—once they know about them. Loyalty marketers know that a balanced combination of hard economic benefits and soft recognition benefits makes for the strongest loyalty value proposition. US loyalty programs typically focus on hard benefits at the expense of soft ones—which means that US consumers have low expectations for soft benefits. Even with such low awareness of the “softer side” of loyalty, however, Millennial consumers are still significantly more interested in soft benefits than older consumers. We anticipate that this expectation will continue to increase.

Over the next few years, one question for loyalty marketers looms large: How much are Millennial expectations for loyalty programs driven by temporary considerations of age, income and sector participation, and how much is driven by permanent behavior shifts that will carry over once they reach their 30s and 40s? Will Millennials continue to demand free programs that demonstrate instant value? Or, as they settle into careers and begin to build households with more earning power, will they begin to mimic their parents' behavior and start saving up equity for free trips and big-ticket experiences?

We know that Millennials crave loyal relationships with their favorite brands. But economic uncertainty has them looking for immediate value in every interaction. Loyalty marketers will need to demonstrate that value at every touch point, through every offer and at all stages of the customer lifecycle. Millennials may not rewrite the rules of engagement—but they'll certainly help evolve them.

MILLENNIAL REWARDS

The key difference between Millennial loyalty program participation and participation by older consumers: Millennials expect immediate gratification and transparent value from your program. These expectations will require marketers to reinvent programs in traditional sectors.

PLAYING THE GAME: Millennials play the loyalty game to win...

Q: Are you a member of a loyalty program? (yes)

● Millennials ● Non-Millennials



(Q710)

Q: How long should it take to earn a reward?



Millennials

Non-Millennials

(Q1005)

So they expect programs to be free, fast, and relevant...

Q: Top reason to join a reward program:

● Millennials ● Non-Millennials

It's free to join:



Rewards can be earned quickly:



Rewards are relevant to my life:



It's easy to join and participate in:



Exciting rewards such as trips, etc.:



It's a company I feel loyal to:



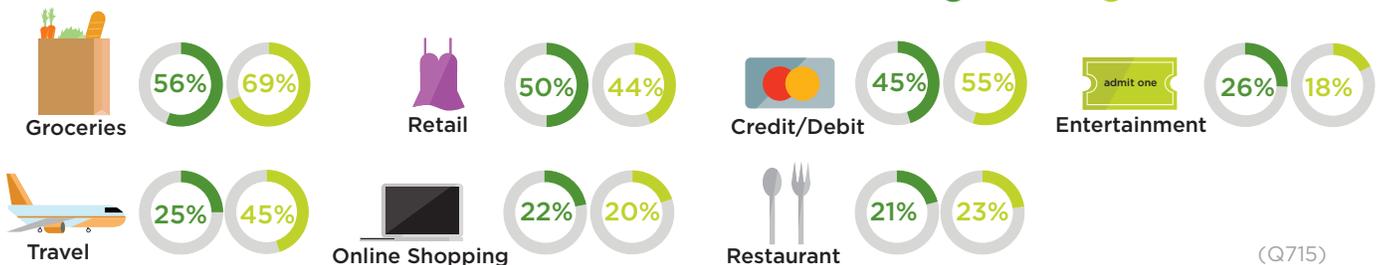
It's connected to a social cause:



(Q730)

Q: Top program sectors:

● Millennials ● Non-Millennials

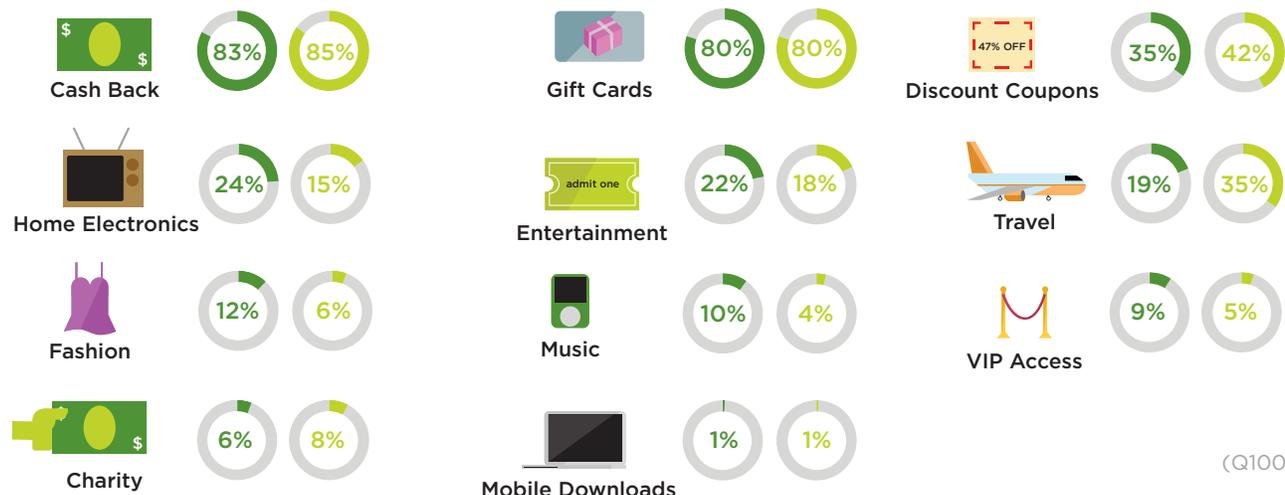


(Q715)

And they're open to more non-traditional rewards.

Q: Preferred reward categories:

● Millennials ● Non-Millennials



(Q1000)

Millennials and the Coalition Future

In most developed economies outside the United States, at least one national coalition loyalty program operates in the market. A coalition loyalty program is typically comprised of several large “everyday spend” partner sponsors including a grocer, a credit card issuer, and a fuel retailer, as well as a host of other partners, all of whom issue a common reward currency to program members. This shared loyalty platform provides accelerated relationship value for both consumers and sponsors. But will US Millennials respond to a loyalty coalition in this market?

Loyalty coalitions are the predominant loyalty program model outside of the US. Aeroplan and Air Miles in Canada, Nectar in Italy and the UK, Payback in Germany and other national coalitions, whether operated by Aimia or by other loyalty providers, have long enjoyed critical mass and broad consumer acceptance.

The exception to this coalition rule has long been the US. Whether due to the fragmented nature of the US market, the lack of will by major retailers to work together, or previous flawed attempts at a program launch, the coalition loyalty model has yet to take root in the US.

But the failure of marketers to launch a US loyalty coalition is not due to lack of enthusiasm from consumers. Even absent a concrete example to which they can point, our survey shows that a broad majority of both Millennials (74%) and older consumers (87%) ranks the ability to earn a shared loyalty currency across a network of partners as their top desired loyalty program benefit.

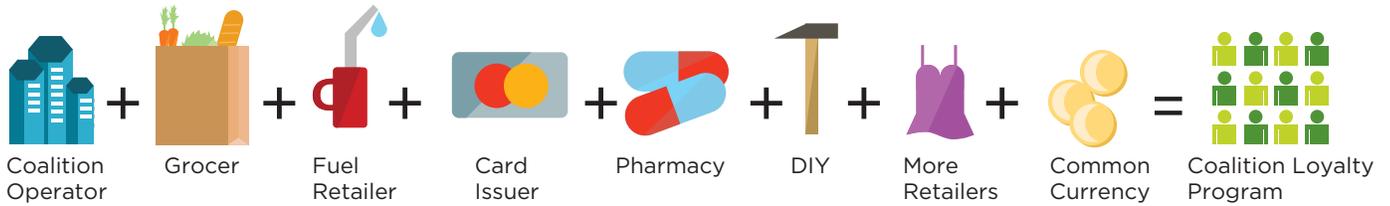
What’s more, consumer behavior in everyday-spend loyalty program categories supports the fundamentals of coalition loyalty. Grocery and credit card programs drive overall consumer program participation: 86% of Millennials and 98% of older consumers wielding reward credit or debit cards have participated in the programs in the past three months. In grocery store programs, 90% of Millennials and 94% of the over-30 crowd have actively participated in the previous three-month period.

Do these numbers mean that a US loyalty coalition is a guaranteed moneymaker? We’d like to think so—but this survey is just a single data point. If the coalition experience in other developed markets is predictive, however—and we think it is—then you’d see consumers flock to the new coalition, consolidate spending with sponsor retailers and exhibit the typical cross-shopping behavior within the coalition network that enhances the value of those consumers to the sponsors.

Consumers are ready for a US coalition—and when it launches, Millennials will lead the charge. But when will the right mix of sponsors coalesce around the concept and make this long-held dream a reality?

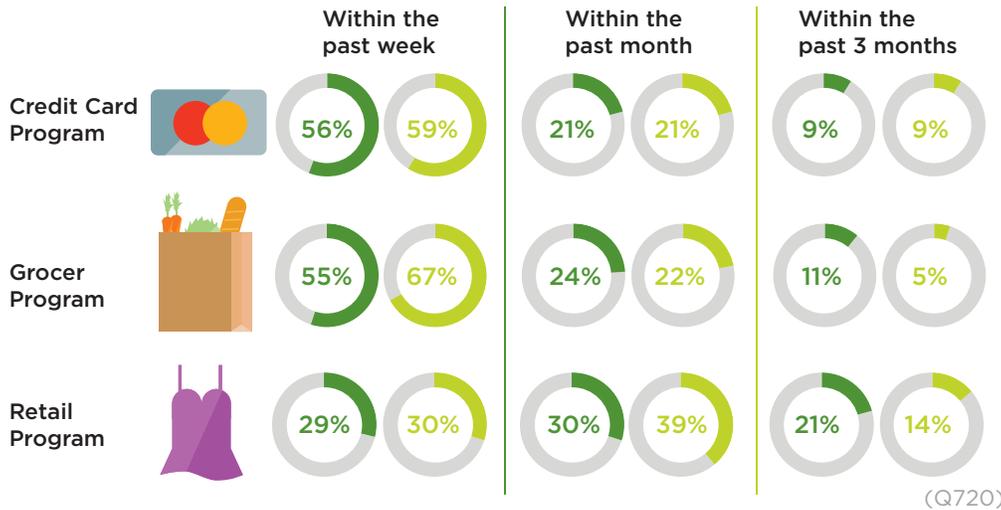
THE COALITION FUTURE

US consumers are ready for a coalition loyalty program—and when it launches, Millennials will lead the rush to mass acceptance. But when will the right mix of sponsors coalesce around the concept and make it a reality?



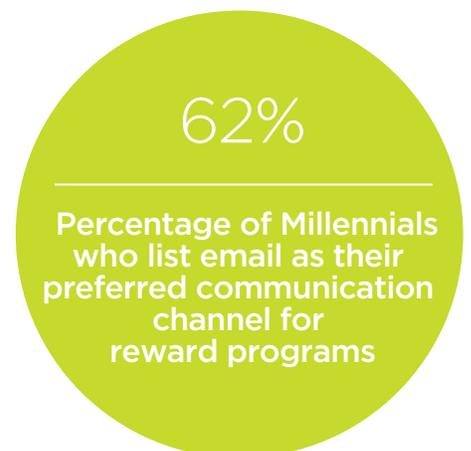
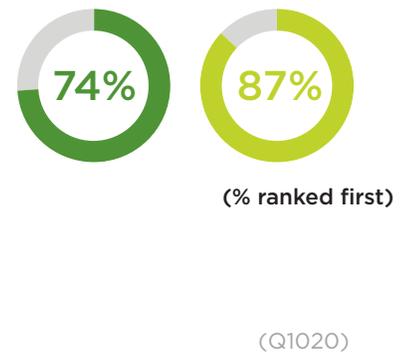
Q: How recently did you participate?

● Millennials ● Non-Millennials



Q: How appealing would it be to earn a single currency from multiple partners?

● Millennials ● Non-Millennials



Conclusions: Answering Generation Why

So who's right about Millennials: Jean Twenge, who sees a generation hobbled by narcissism and entitlement, or Strauss and Howe, who believe that Generation Y will emerge from the Great Recession ready to change the world? Were Millennials really born this way, or will they continually redefine themselves as the Baby Boom generation did before them?

To complement the results of this online survey, we conducted 30 one-to-one interviews of Millennial consumers in Canada, the UK and the US. What they overwhelmingly told us is that they define themselves by their relationship with technology.

So if they feel entitled and impatient, it's because everything they need is available to them instantly. Their parents once shopped at record stores for albums and CDs; Millennials can listen to anything they want whenever they want, often without paying for it. Research for school term papers once required long sojourns to the library to rifle through card catalogs and microfiche; Millennials have Wikipedia and Google Books. Instead of talking to one friend at a time via a landline telephone, they can talk to everyone they know instantly through social media.

So when you ask Millennials to respond to offers, to consolidate their spending and to tell their friends about your brand, the first and only question they'll ask is, "Why? With so much information at my fingertips, why should I give you a second thought? What's in it for me?"

That's where the tools of loyalty management can make the difference. By facilitating the value exchange through targeted applications of reward and recognition, you'll gain customer data that provides insight into Millennials as individuals. You'll learn to deliver offers that focus their attention. They'll respond to your efforts with increased loyalty, profitable behavior and word-of-mouth advocacy.

Based on what we learned about Millennials in our survey, we can offer the following brief words of wisdom for loyalty marketers:

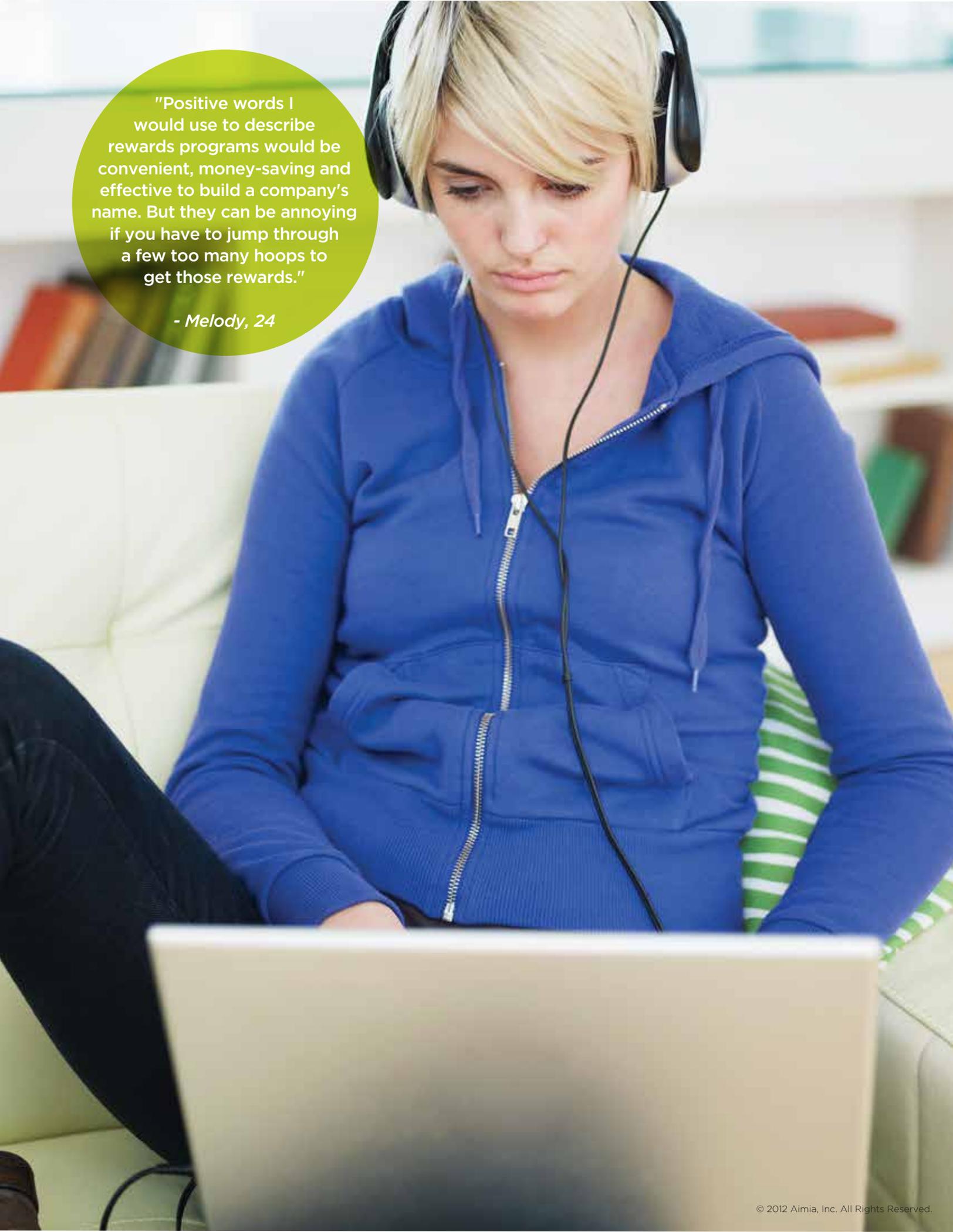
> **Demonstrate immediate value.** When Millennials engage with you through your loyalty program, they'll expect to see benefit within a very short time—if they don't perceive that the program is worth their time within the first 30 days, you'll most likely lose their attention.

> **Extract maximum efficiency from your program.** Millennials are price-conscious and possessed of extremely sharp value detectors, so you'll need to offer proper funding rates and deliver rewards more rapidly. To keep your customer strategy in the black, you'll need to deploy partner and rewards optimization tools, dynamic segmentation techniques and focused attrition models.

> **Seek out new definitions of customer value.** For the next few years, cash-strapped Millennials may represent more potential than actual spend. Can you capture their voice as well as their dollars? Can you identify the real influencers in your customer file and find a way to reward them for their influence? Can you develop new segmentations based on mobile or social usage? Create new customer value definitions that are unique to your brand, and your competition will be that much poorer.

> **Technology is a means, not an end.** Don't expect Millennials to leap to mobile payments, loyalty applications and location-based offers just because they have iPhones glued to their hands. To Millennials, mobile and social platforms are tools that enrich their personal lives, not dumb terminals waiting to receive your marketing messages. Figure out what customer behavior you're trying to change, and the proper technology platform will become clear.

We'll continue to present more findings from our survey over the coming months, and we'll continue to explore the relationship of Millennial consumers to technology, data privacy and rewards. We promise to keep learning, and to keep sharing our knowledge with you. Millennials will expect nothing less of us.



"Positive words I would use to describe rewards programs would be convenient, money-saving and effective to build a company's name. But they can be annoying if you have to jump through a few too many hoops to get those rewards."

- Melody, 24

Survey Questions

Chart page 7:

BASE: ALL RESPONDENTS
(Millennials n=1147,
Non-Millennials n=1135)

- Demographic questions

Chart page 9:

BASE: ALL RESPONDENTS
(Millennials n=1147,
Non-Millennials n=1135)

- Q1100 Please rank the factors that make you loyal to a brand. Which factors are most important to you? Rate these factors from most important to least important.
- Q1115 What value would a company need to provide to you for you to share personal information about your

purchases, lifestyle, age, income, personal preferences and other information?

BASE: ALL RESPONDENTS
(Millennials n=1147)

- Q1105 If company A and company B offered the same prices, service and products, and company A offered a reward program and company B did not, how likely are you to choose company A over company B?

BASE: REWARD PROGRAM MEMBERS (Millennials n=903,
Non-Millennials n=915)

- Q1010 When participating in loyalty and reward programs, how likely are you to engage in the following behaviors?

Chart page 11:

BASE: SMART PHONE OWNERS
(Millennials n=528,
Non-Millennials n=276)

- Q850 Do you ever use your mobile device to perform price comparisons before making a purchase in a store?
- Q855 Do you ever use your mobile device to seek out user reviews before you make a purchase?
- Q860 Do you ever use your mobile device to seek out opinions from your social networks before making a purchase?

Chart page 13:

BASE: ALL RESPONDENTS
(Millennials n=1147,
Non-Millennials n=1135)

- Q700 Do you own any of the following devices?
- Q705 How often do you...?
- Q800 What sort of mobile device do you own?
- Q865 How interested are you in using a mobile device to...?

BASE: SMART PHONE OWNERS
(Millennials n=528,
Non-Millennials n=276)

- Q835 Have you ever responded to an offer from

a web site or app on your mobile phone that offers daily deals or discounts such as Groupon, Living Social, etc?

- Q840 Have you ever responded to a marketing offer from an app based on your current physical location?
- Q845 Have you ever received text-messaging marketing offers on your phone?

BASE: HAVE DOWNLOADED APP (Millennials n=465,
Non-Millennials n=206)

- Q810 Do you use apps created by any brands with which you do business?
- Q815 Excluding music and ring tone downloads, do you make purchases through any apps?

BASE: REWARDS PROGRAM MEMBERS AND USE SMART PHONE (Millennials n=433,
Non-Millennials n=236).

- Q820 Do you use any reward program apps on your phone?

BASE: NO REWARD PROGRAM ON PHONE (Millennials n=374,
Non-Millennials n=212)

- Q830 What features would make you want to use a reward program app? Rank the following options from most desirable to least desirable (% ranked top 3).

Chart page 15:

BASE: ALL RESPONDENTS
(Millennials n=1147,
Non-Millennials n=1135)

- Q900 Please rate your level of concern for your personal data privacy in the following:
- Q905 Please tell us how strongly you agree with the following statements related to personal information privacy
- Q910 Please tell us about your online behavior and how likely you are to engage in the following activities:

BASE: REWARDS PROGRAM MEMBERS (Millennials n=903,

Non-Millennials n=915)

- Q915 Please tell us how likely you are to engage in the following activities tied to loyalty and reward programs in which you actively participate:

Chart page 17:

BASE: ALL RESPONDENTS
(Millennials n=1147,
Non-Millennials n=1135)

- Q710 Are you a member of any loyalty or rewards program?

BASE: REWARDS PROGRAM MEMBERS (Millennials n=903,
Non-Millennials n=915)

- Q715 In what types of programs do you participate?
- Q1000 When earning rewards in a loyalty or reward program, which category of rewards is most appealing to you? Please rank from most appealing to least appealing.
- Q1005 How long do you think it should take to earn enough points in a rewards program so that you can redeem some or all of the points for a reward?

BASE: NON-MEMBERS AWARE OF REWARDS PROGRAMS (Millennials n=207,
Non-Millennials n=178)

- Q730 Please rank the following factors that might make you consider joining a reward program from most important to least important (% ranked top 3).

Chart page 19:

BASE: REWARDS PROGRAM MEMBERS (Millennials n=903,
Non-Millennials n=915)

- Q720 How recently was your latest participation in (this) these program(s)?
- Q1020 How appealing are the following reward program activities? Rank the activities by appeal, regardless of whether or not you currently engage in them.

About the Author



As Vice President, Knowledge Development for Aimia, Rick Ferguson has overall responsibility for the development and dissemination of loyalty-marketing thought leadership, research and best practices for a global audience of loyalty marketers.

An acknowledged expert in the theory and practice of loyalty marketing, Rick has published numerous articles and white papers describing the characteristics of marketing programs which seek to change customer behavior. He has consulted for Fortune 500 clients including American Express, Procter and Gamble and Visa Inc.

Rick is frequently called on by the media to comment or contribute to stories on the current state of and outlook for the loyalty industry. He has been quoted as a loyalty expert in various prominent publications, including the Wall Street Journal, New York Times, USA Today, MSNBC, the Globe and Mail, the UK Guardian, Fast Company, and Advertising Age. He has also served as a contributor to The Journal of Consumer Marketing and has written monthly columns for NACS magazine and Chief Marketer. Rick has been a keynote or featured speaker at many industry conferences, including Card Forum, the DMA Annual, Eye for Travel, FTMA, Loyalty World, and NACS. He's also delivered educational workshops and webinars on the principles, practices and technologies of loyalty marketing in Canada, China, Malaysia, Singapore, South Africa, the United Kingdom and the United States.

Rick currently lives in Cincinnati, Ohio with his wife and son.



About Aimia

We are a global leader in loyalty management. Our unique capabilities include proven expertise in building proprietary loyalty strategies, launching and managing coalition loyalty programs, creating value through loyalty analytics and driving innovation in the emerging digital and mobile spaces. We build and run loyalty programs for ourselves and for some of the world's best brands. Customer data is at the heart of everything we do. We are Aimia. We inspire customer loyalty.

THE TRUTH ABOUT CUSTOMER LOYALTY CAN ONLY BE FOUND IN ONE PLACE.



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Where the truth sets you free.

Sponsored by:





GOLD

From the social graph to communication networks to rewarding new levels of loyalty, social media is data gold.

You need more than just a Facebook page.
You need a social loyalty strategy.

MINE

