

ANA



LOYALTY MARKETING:

The Good, the Bad, and the Ugly

OCTOBER 2024



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BACKGROUND

Loyalty marketing rewards customers for their repeat purchases or interactions with a brand. It is big business and is increasing in importance.

Think about airlines, hotels, and quick-service restaurants. Loyalty marketing programs are offered from national brands and local ones, like a neighborhood pizza shop.

Loyalty programs have been around for hundreds of years — possibly dating back to ancient Egypt — according to Loyalty & Reward Co., a loyalty consulting firm.¹

- In 1793, a New Hampshire merchant began rewarding customers with copper tokens. The tokens could be accumulated and used for future purchases, thereby generating repeat visits, the core behavioral objective of loyalty program design. The idea was quickly replicated by other retailers and carried into the next century.
- In the 1890s, companies began using physical stamps to reward loyal customers. Customers could earn stamps when making purchases and were encouraged to stick them into collecting books. The books could then be exchanged for a wide range of rewards. S&H Green Stamps (from The Sperry & Hutchinson Company) are perhaps the most well-known example here.
- In 1981, American Airlines launched the world's first currency based frequent flyer program using a new currency (i.e., miles) which corresponded to how many miles a member had flown. A boom in miles and points-based loyalty programs ensued, including a program from Holiday Inn, the first hotel program. With the rapid expansion of the frequent flyer and hotel coalition models and their new currencies, banks and retailers soon replicated their approach. Points and miles loyalty programs quickly became the dominant loyalty program currency globally, ending the ninety-year reign of stamps.

Today, loyalty programs are offered in numerous categories, including (but not limited to) consumer packaged goods, entertainment, financial institutions, restaurants, retailers, and travel.

According to a [2024 report on the loyalty management market](#) from Fortune Business Insights, the global loyalty market is projected to grow from \$13.31 billion in 2024 to \$41.21 billion by 2032, exhibiting a compound annual growth rate of 15.2 percent during the forecast period.

¹Philip Shelper, [The True History Of Loyalty Programs](#), Loyalty and Reward Co. (April 20, 2020).

BACKGROUND

Furthermore, according to the report [US Retail Loyalty Programs 2024](#) from EMARKETER, both total loyalty program memberships and active loyalty program memberships reached new highs in 2023.

LOYALTY PROGRAM MEMBERSHIPS (MILLIONS)

Year	Active	Total
2023	9.0	17.9
2022	7.6	16.6
2021	7.4	16.7
2020	7.0	14.0
2019	6.7	14.8

The chart above delineates the average number of active vs. total loyalty program memberships among U.S. consumers (2019–2023), according to Bond Research in partnership with Visa, as reported by EMARKETER.

More recently, the rapid expansion of [retail media networks²](#) has fueled the growth of loyalty programs. The owners of retail media networks use first-party data to optimize their own loyalty programs and leverage the data with advertisers.

²A retail media network is a network of digital channels owned by a retailer that allows marketers to purchase advertising space directed by the retailer's first-party data to targeted shoppers and prospects. Retail media advertising can include online display advertising and paid search across retailer assets, as well as off-site display, video, and social placements (i.e., to other web and social sites), again targeted by the retailer's first-party data.

BACKGROUND

Some of the many examples of loyalty marketing programs:



Alphabetical order by company/brand.

BACKGROUND

The ANA and Human (formerly known as White Ops) have a long history of working together on digital advertising bot fraud, also known as invalid traffic or IVT. We partnered on four studies. That first study was released in 2014 and put the issue of bot fraud squarely on the radar screen of the advertising industry. The level of fraud was high at that time. As a result of our work, buyers now proactively manage digital advertising fraud and there are multiple ad verification companies which serve marketers and agencies to address the issue. It all began with the awareness generated from our work together. Recently, we became curious to learn more about loyalty marketing.

This project builds upon the work of the [Global CMO Growth Council](#), which was established by the ANA and Cannes Lions to focus on driving enterprise growth. The CMO Growth Council has identified four global growth priorities and a 12-point industry growth agenda.

Loyalty marketing fits under the Brand, Creativity, and Media growth priority within the Brand/Marketing Innovation area of focus.

Loyalty marketing also fits under the Data, Technology, and Measurement growth priority under the Data, Analytics, and Technology area of focus.

ANA Growth Agenda



BACKGROUND

In June 2024 the ANA and Human launched a survey to understand loyalty marketing — the benefits, challenges, and concerns about fraud. That survey was in the field through the end of July and received participation from 112 client-side marketers. The full survey is [here](#).

About the respondents:

- 59 percent are at job levels of director and higher.
- 51 percent are with companies which are primarily B-to-C, 5 percent are with companies which are primarily B-to-B, and 44 percent are with companies that are both B-to-C and B-to-B.
- Organizations with loyalty marketing programs tend to have larger media budgets. Among those respondents who had knowledge of their organization's media budget, two-thirds are with companies with a 2023 total annual U.S. media budget over \$100 million.

Details are in the appendix.

The quantitative work was then supplemented by qualitative research; seven in-depth interviews (all with people who took the survey) were conducted in August.

EXECUTIVE SUMMARY

Loyalty marketing rewards customers for their repeat purchases or interactions with a brand. Loyalty marketing is big business and is increasing in importance.

A majority of survey respondents expect loyalty marketing to be more important in the next year for their organization, compared with the recent past. According to qualitative discussions, loyalty marketing is increasing in importance for these key reasons:

- For brands, it's more critical than ever to have one-to-one relationships with customers. That provides brands the ability to collect customer data and insights and market directly to customers — and often loyalty members are a brand's best customers.
- Consumers are increasingly signing up for loyalty programs to find value and fight inflation.

While there is clear “good” in loyalty programs, there are also “bad” and “ugly” characteristics.

The Good: Top benefits of loyalty programs

- Increased customer lifetime value
- Ability to collect customer data and insights to improve products, services, and customer experience
- Loyalty is the gateway to enabling personalization. Loyalty contributes to overall customer lifetime value, as it provides the opportunity to market directly to customers in a way which can be tailored to a customer's loyalty status.

The Bad: Top challenges

- Differentiating the program from competition
- Determining the proper cadence of communication to members

The Ugly: Fraud

The top types of loyalty program fraud, according to respondents:

- Fraud via professional hackers
- Customers exploiting loopholes or errors in the program's rules

One-third of the respondents reported that their organization's loyalty program had been subject to fraud. But almost half of the respondents didn't know if their organization's loyalty program had been subject to fraud, and it can be difficult to tell if fraud has occurred. So the actual percentage of organizations whose loyalty programs have been subject to fraud is likely much higher than 33 percent.

While the majority of survey respondents are with organizations that have tools in place to protect their loyalty programs, one qualitative respondent questioned that, saying, “Most people don't have adequate fraud controls around loyalty because they're not expecting a lot of fraud. And that's a major opportunity for fraudsters.”

EXECUTIVE SUMMARY

As loyalty programs are a reflection of the customer journey, fraud affecting these programs isn't one problem, but several. There's no single model of fraud targeting loyalty programs, which means there's no single tool or tactic that can prevent or mitigate those attacks.

Safeguarding loyalty marketing programs requires a holistic and dispassionate approach. Every step, from ad creative and targeting through app download through account creation and points redemption, has the capacity to be manipulated or exploited by fraudsters. We'll offer guidance on what steps organizations can take to protect these valuable programs from threat actors at every stage.

It should be paramount to organizations with loyalty campaigns that all potential forms of loyalty fraud be prevented. Preventing fraud means finding the gaps in the system, which can be far easier said than done. Key steps to take toward protecting loyalty programs:

- **Review past campaigns.** Look for outliers in the performance metrics and follow the full journey from impressions to clicks to downloads to signups to point accumulation and redemption.
- **Consider your benefits.** Loyalty member benefits and program capabilities can often be tailored to prevent the practicality of program compromise. For example, if points can't be transferred or converted to real currency, the incentive for fraudsters decreases.
- **Conduct a top-to-tail audit for vulnerabilities.** Loyalty fraud isn't *one* attack. It's *several*, each of which has different impacts and different entry points. A comprehensive independent audit of loyalty program design, promotion, and execution can uncover where fraudsters may target, preventing financial and reputational damage from an attack.
- **Partner with a specialist in loyalty fraud.** Loyalty marketers should have the freedom to focus on loyalty marketing, designing new promotions and benefits that distinguish their program from the competition. Partnering with an organization specializing in protecting and monitoring loyalty programs and campaigns for fraud can free marketers to spend their time on creative solutions to the various other challenges and opportunities of loyalty marketing.
- **Break down internal silos.** Loyalty programs include advertising, apps, and accounts, and the teams that protect each of those are often different. Ensuring those teams talk to one another about the whole customer journey is crucial to keeping fraudsters out of the program.
- **Design for the possibility of fraud.** Organizations should consider how to address fraud from the start, i.e., when they are designing their loyalty program and/or initiating new rewards or promotional offers.

The above key steps are condensed for this executive summary; refer to page 26 for full details. The short version of this guidance is: If you see something, say something. Anything that appears out of the ordinary — both negative *and* positive — is worth digging into more deeply. Don't put all your faith in vanity metrics like the number of program members, impressions, or clicks. Stay focused on true measurements of ROI. The challenge of fraud in loyalty marketing isn't going away. As long as there's value, there's incentive for fraudsters to act. Loyalty marketers need to remain vigilant about how their programs are being targeted and abused.

EXECUTIVE SUMMARY

LOYALTY MARKETING IS ABOUT...

A value exchange

Connecting with customers in a reciprocal manner

Being a facilitator for discovery and experiences

Mastering the art of personalization and mass customization

Creating a sense of community

The spine that ties together transactions with data

Being a brand equity program; an equity program is over time, so loyalty marketing is a long-term game

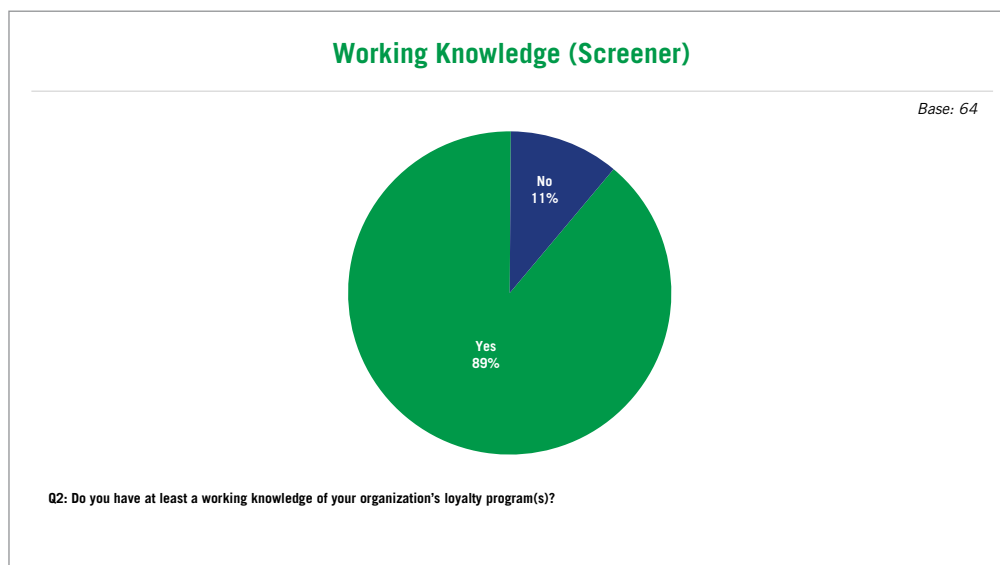
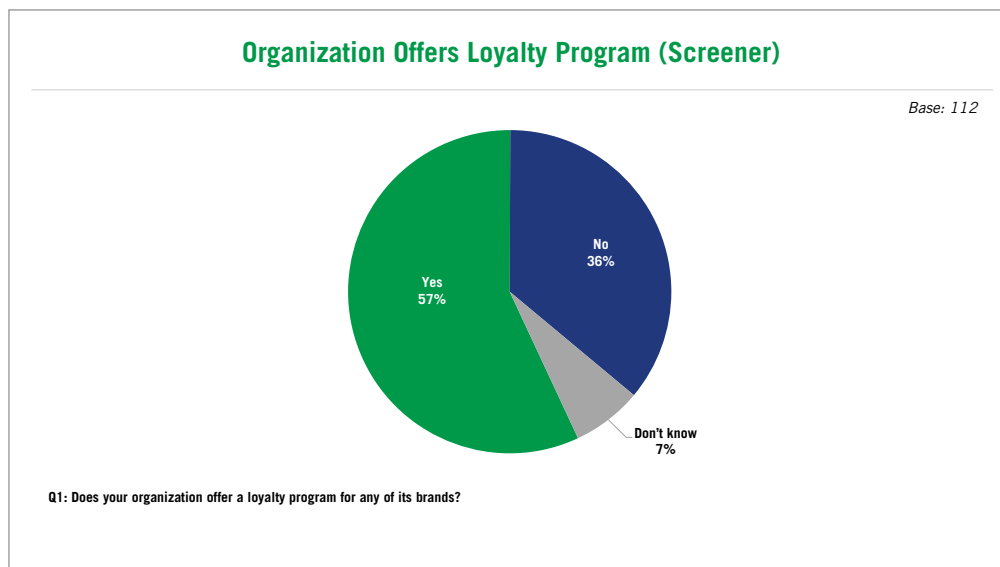


DETAILED FINDINGS

Two screener questions determined the eligibility for respondents to go on to the main survey.

- **Does your organization offer a loyalty program for any of its brands?**
 - Answered positively by 57 percent of respondents.
- **Do you have at least a working knowledge of your organization's loyalty program(s)?**
 - Answered positively by 89 percent of those respondents who answered positively to the first screener question.

Approximately 40 marketers then went on to the main survey. While that is an acceptable respondent base for a B-to-B survey, please consider the results to be directional and use with caution.

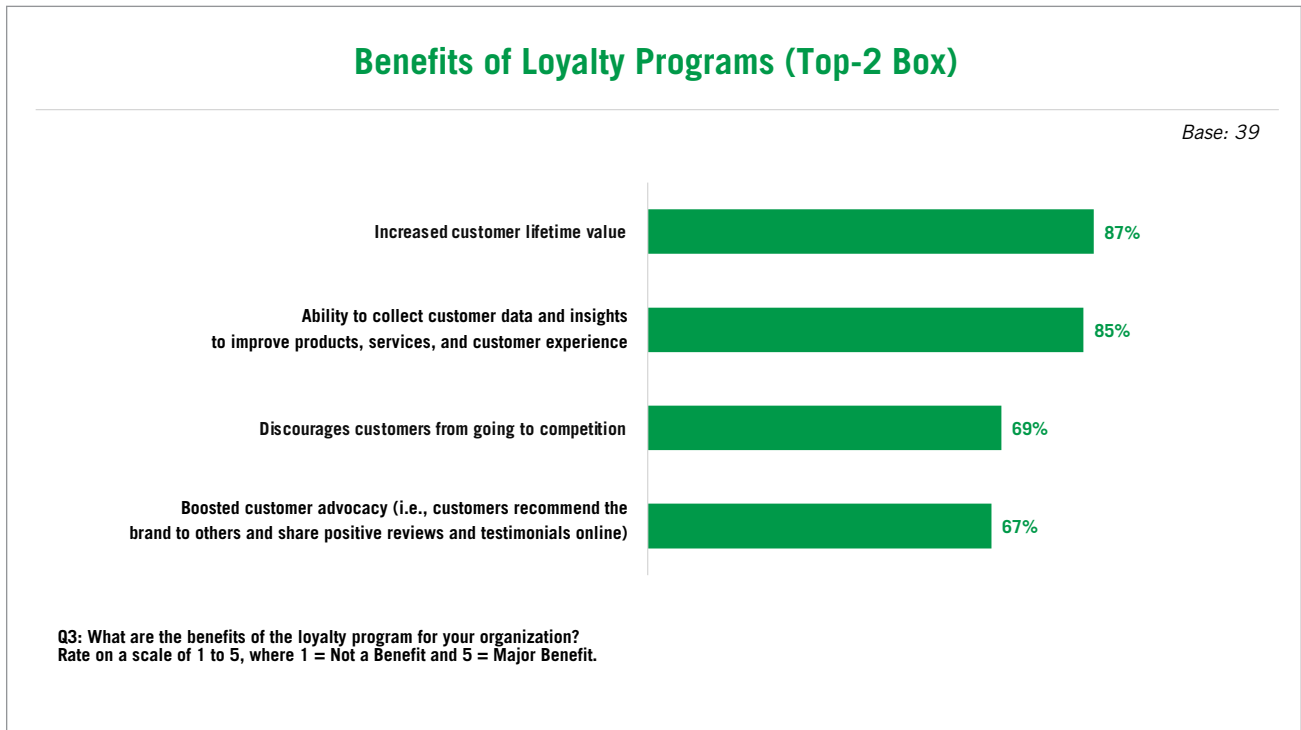


DETAILED FINDINGS

Benefits

The top two benefits of loyalty programs:

- Increased customer lifetime value
- Ability to collect customer data and insights to improve products, services, and customer experience



A member commented:

“Every loyalty member is carrying other loyalty cards in their wallet. So you’re only as loyal as your next purchase. We understand members’ behaviors, we understand their purchasing, we understand their frequency of stay, we understand our share of wallet. Anytime you are marketing to a member directly, you’re going to get a higher level of ROI and a higher level of incrementality because they are lower down the conversion funnel.”

DETAILED FINDINGS

Benefits

Loyalty marketing is a relationship of exchange. It's an exchange of information and an exchange of value. A loyalty program needs to be rooted in value which (a) influences the guest to sign up and (b) encourages the guest to use the loyalty program in some way they find beneficial. It's imperative to continue reinvesting in that value proposition to our guests. And then if there's a value in participating in the loyalty program, that's going to increase the likelihood of a return visit.

— Jeff Snyder, Director, Loyalty & Email Marketing at The Fresh Market



The job of the loyalty program is to offer an incentive for identification. With identification, I know a customer's transactions over time. I know frequency. I understand that sometimes a customer has big baskets and other times little baskets. Loyalty is the gateway to enabling personalization. Our loyalty program is that spine that ties together transactions and lets us understand data. That enables us to be a better retailer.

— Ben Tienor, Director, 7Rewards & Speedy Rewards at 7-Eleven



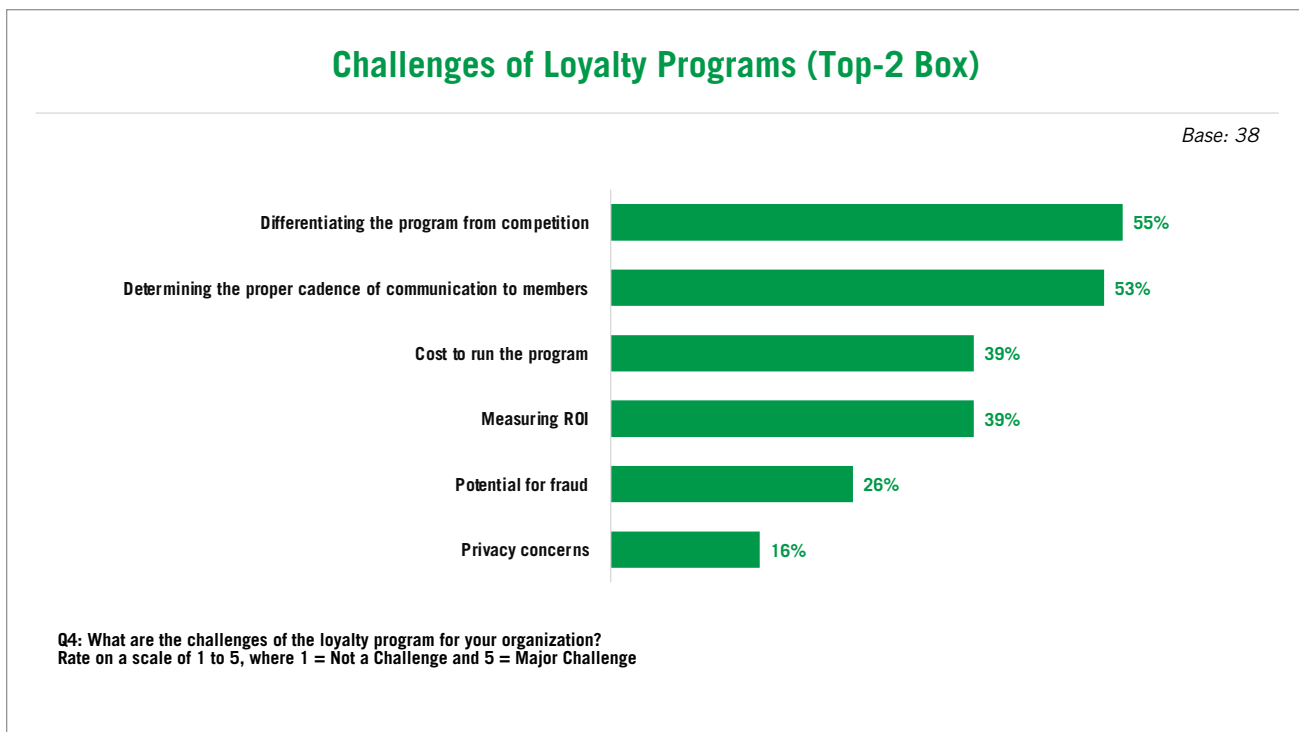
DETAILED FINDINGS

Challenges

The top two challenges of loyalty programs:

- Differentiating the program from competition
- Determining the proper cadence of communication to members

Fraud and privacy are low on the list of challenges. Cost and measuring ROI are in the middle.



“Differentiating the program from competition is incredibly difficult,” according to one qualitative respondent.

Another said:

“We target our best guests with opportunities. For example, we deliver member-only pricing to help differentiate what’s only available for loyalty members on select items each week, each month, and on an ongoing basis. We also offer what we call purchase frequency clubs, based on spending threshold. Additionally, we have exclusive experiences — for example, a cheese tasting, a coffee tasting, or a special ‘meet the manager’ event. All this makes loyalty members feel important, and also helps us get feedback.”

DETAILED FINDINGS

Challenges

Cadence of communication to members was also noted as a top challenge, but there wasn't a tremendous amount of insight in our qualitative discussions about how that is addressed. Email is the “workhorse” communication channel for most loyalty programs.

One respondent commented:

“We do all of this through email more than anything. Our loyalty email program has far surpassed any other email program at the company in terms of engagement and open rate.”

Another remarked:

“If you're opening and engaging with many of our emails, we may send you more, because you have appetite or you may be in the market. But if we're observing that you're not opening and clicking them, we may suppress you a little bit more.”

There were concerns about overcommunication:

“Just because somebody opts in to your loyalty program, that doesn't give you the right to send them daily emails. Be smart about that and don't barrage people, as opt-outs will likely result.”

Other communication channels mentioned in our qualitative conversations were mobile app push notifications, search, social, in-store signage, and tagging broadcast commercials.

DETAILED FINDINGS

Perspective from White Castle

The QSR business is very competitive, and brands are fighting for share on every occasion from breakfast to late night. If we can capture an additional visit when someone might have considered going to another brand, then we see value.

We measure our Craver Nation Rewards members versus non-members. How many times do they visit? What do they spend on an average visit, and how does that compare to non-members? What percentage of transactions are from loyalty members? As an outcome, we've been able to quantify that our Craver Nation members do come more frequently than non-members. Therefore, we can determine a positive return versus cost to run the loyalty program with these metrics. Measuring advocacy and fandom for the brand is the next level to unlock.

To differentiate our loyalty program, we provide experiences that go beyond being simply transactional. For example, we might invite Craver Nation members to a private tasting with our chef to try new products. This group is very informed and passionate about the brand, and they love to share their views on literally everything, from an exterior paint color to developing new menu items, or just sharing how their purchasing behaviors may be changing.

Many loyalty programs function similarly, so it is imperative that the communications include language and imagery associated with the brand to help with differentiation and make it unique to White Castle. Cravers love it when we offer branded merchandise, which is very popular.

We're now connecting with customers one to one rather than simply seeing buckets of data. This allows us to do a lot of work around segmentation and leverage our email database with personalized messaging. Ultimately, we understand that our role is to be a conduit for Craver Nation members to facilitate their engagement with the brand.

— Lynn Blashford, CMO at White Castle



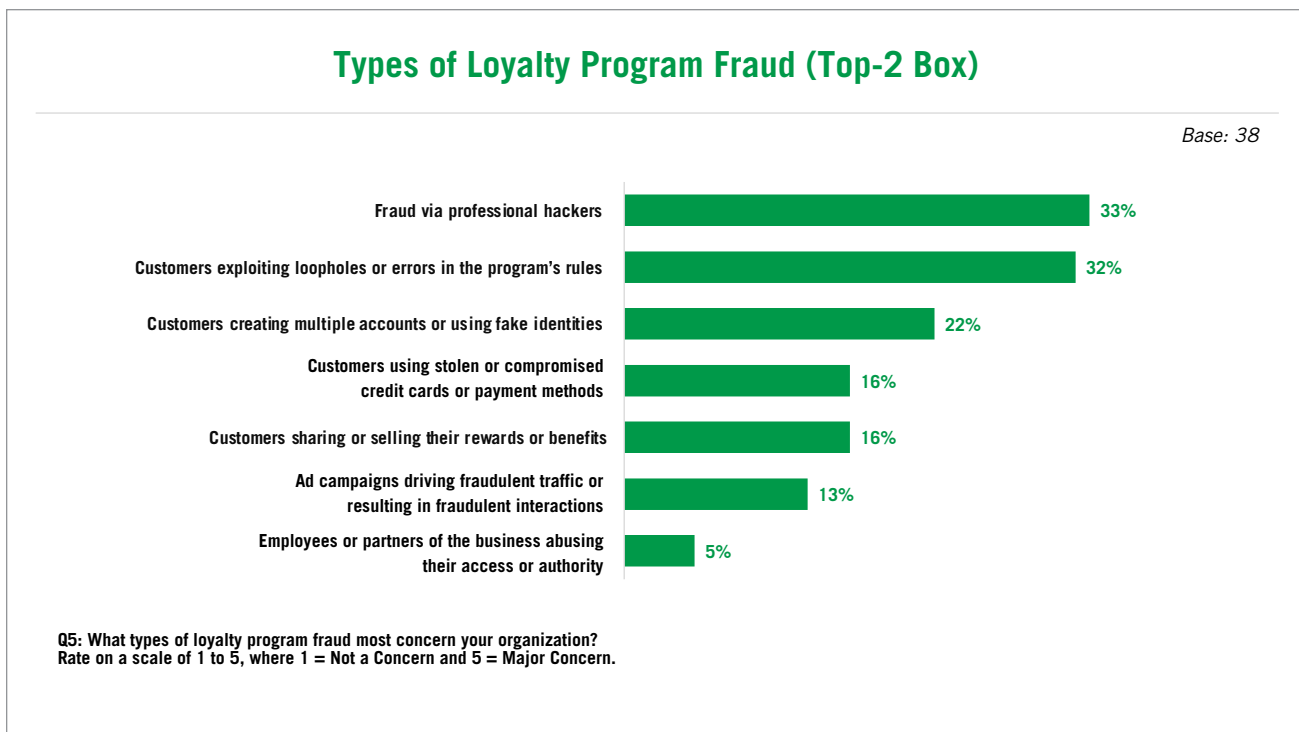
DETAILED FINDINGS

Loyalty Program Fraud

The two top types of loyalty program fraud, according to respondents:

- Fraud via professional hackers
- Customers exploiting loopholes or errors in the program's rules

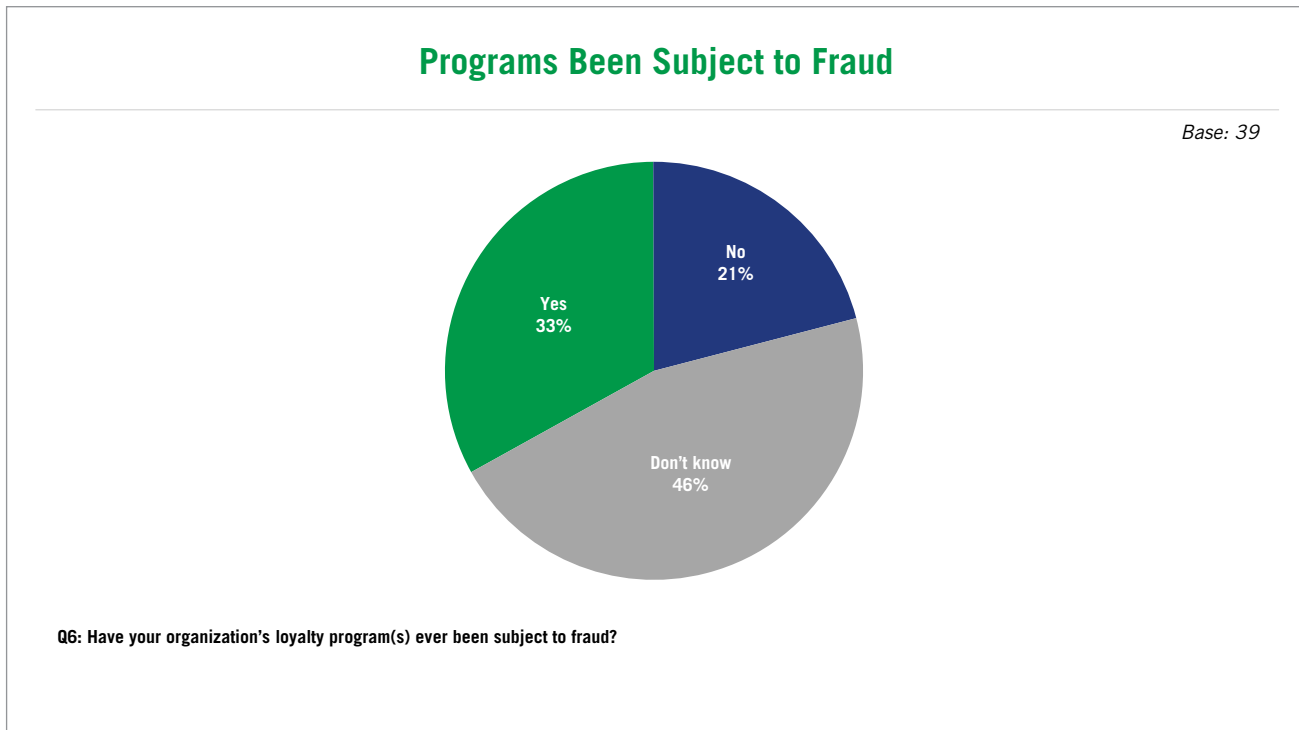
Employee/partner fraud and advertising fraud are low on the list of loyalty program fraud concerns.



DETAILED FINDINGS

Subject to Fraud?

One-third of respondents are with organizations where the loyalty program has been subject to fraud. But almost half of respondents (46 percent) don't know if their organization's loyalty program has been subject to fraud, and it can be difficult to tell if fraud has occurred. So the actual percentage of organizations where the loyalty programs have been subject to fraud is likely much higher than 33 percent.



“I do know that hacker space is real,” according to one qualitative interviewee.

Another said, “We haven’t had to deal with the professional hacker, but we know that it is a very lucrative business.”

DETAILED FINDINGS

Subject to Fraud?

Fraud from consumers was also commented on in the qualitative discussions. Various qualitative respondents had experiences with consumers making multiple accounts to take advantage of special offers.

“We had an aggressive free product offer with sign-up and had a lot of people signing up with multiple emails. We didn’t have the technical tools in place at the time to mitigate that.”

Another commented:

“There have been cases of an exploitation of a loophole or some other type of fraud. That is particularly common when we have things like special rates or discounts for specific loyalty member customers that have not been fenced or password-protected or with a very poor linking strategy, allowing others to take advantage.”

They’re not really hackers; they’re fraudsters. And they are a major concern. I actually had an Eastern European ring attack one of my programs. We needed to engage the Secret Service. It got to the point where there was so much activity that it was threatening the capacity of our servers and slowing down our systems. That’s how fast they were attacking. These guys are definitely finding ways to get access to customer credentials to go in as the customer and redeem their points and they know it’s an easy target. Talking to my colleagues in the industry, we are now seeing way more of that across the board because they feel like it’s a soft underbelly or we haven’t protected it enough and it’s easier for them to go after.

And it’s been very creative in terms of the types of fraud we’re seeing. They’re doing account takeovers. They’re getting access to customer credentials either from buying a list that got compromised or from putting key log-in software on the customer’s computer. Or there’s social engineering where hackers have enough data to get into our call center and convince the call center agent that they are who they say they are, even though they’re not, and reset a bunch of things.

But in the general industry, I would imagine most people don’t have fraud controls around loyalty because they’re not expecting a lot of fraud. And that’s a major opportunity for fraudsters.

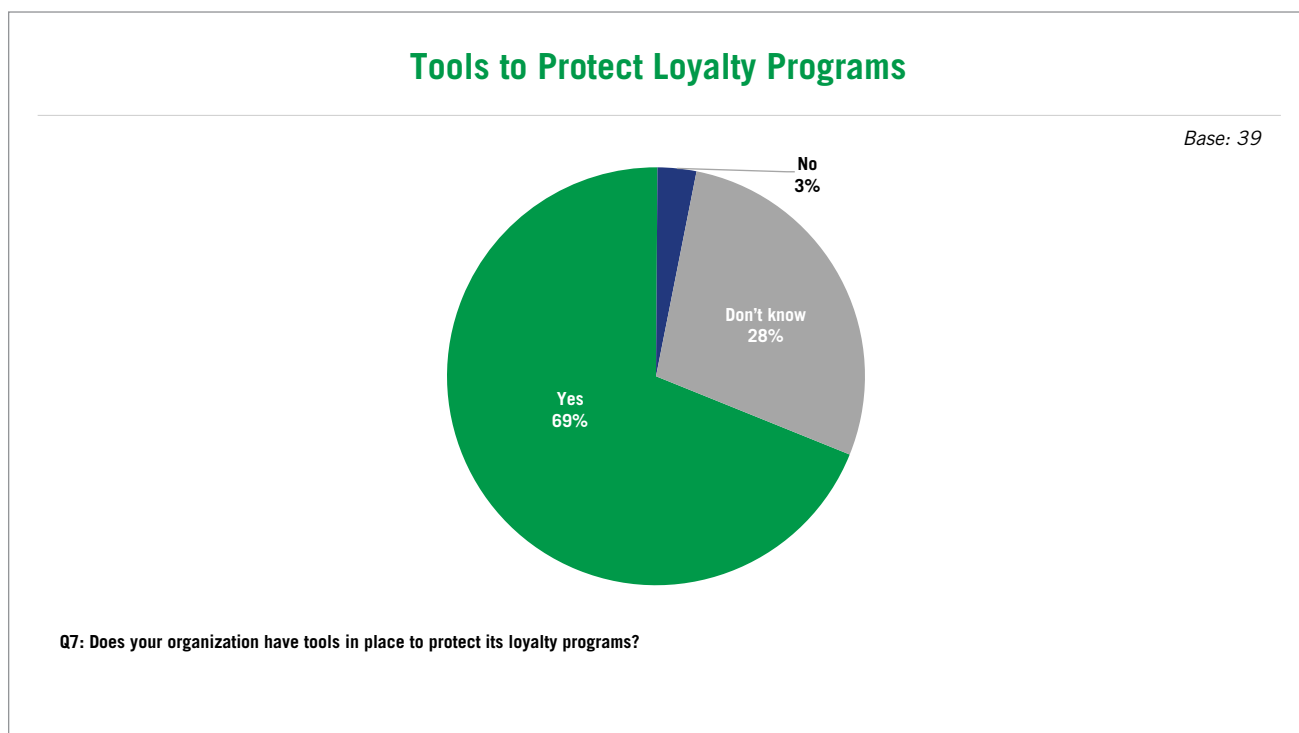
— Anonymous survey respondent

DETAILED FINDINGS

Tools to Protect Loyalty Programs

The majority of survey respondents (69 percent) are with organizations that have tools in place to protect their loyalty programs.

But 28 percent don't know if their organization has loyalty protection tools. The actual percentage of organizations that have tools in place to protect their loyalty programs is therefore likely higher than 69 percent.



Solutions offered in the qualitative discussions to protect against consumer fraud:

- **Multi-factor authentication:** An electronic authentication method in which a user is granted access to a website or app only after successfully presenting two or more pieces of evidence to an authentication mechanism. Often that second authentication is through a mobile device via a device ID³.
 - This was the solution for the company that had an aggressive free product offer and had a lot of people signing up with multiple emails.

³A device ID is a unique, anonymized string of numbers and letters that identifies every individual smartphone or tablet in the world. It is stored on the mobile device and can be retrieved by any app that is downloaded and installed.

DETAILED FINDINGS

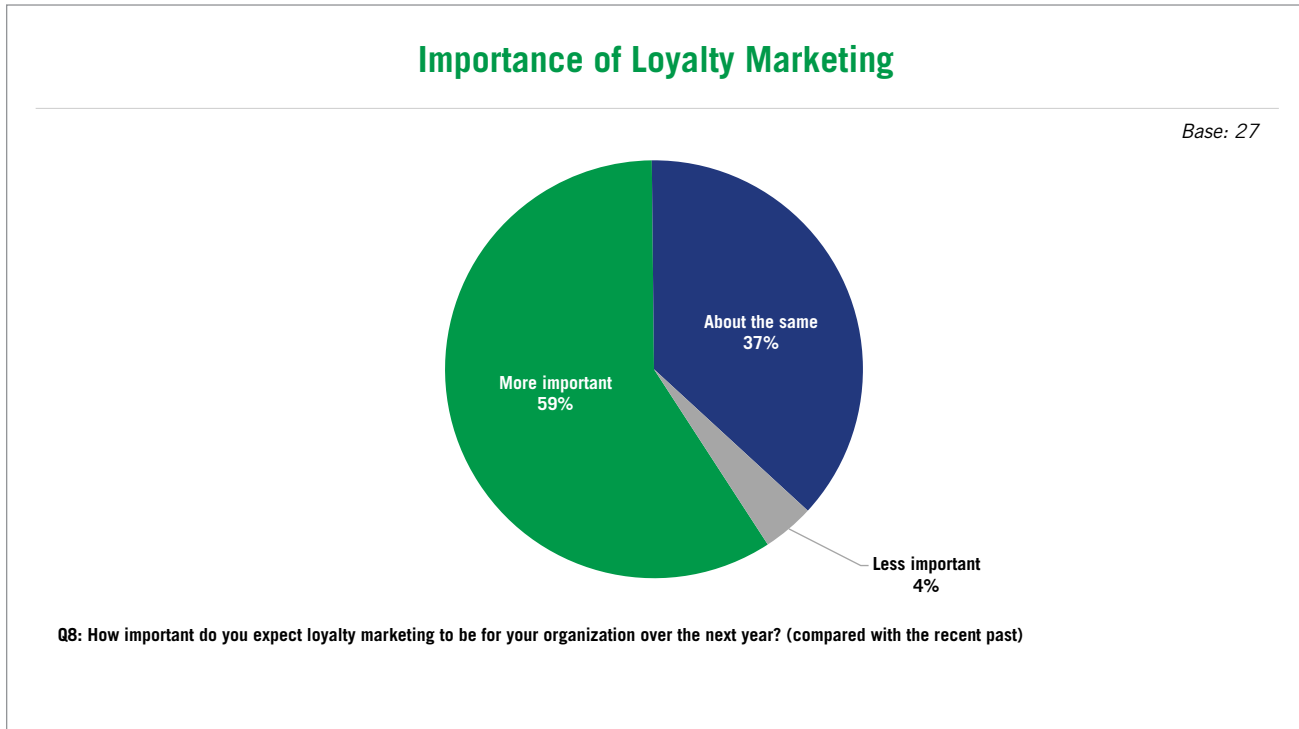
Tools to Protect Loyalty Programs

- **Transaction limits for earning loyalty rewards:** One respondent commented, “If you buy from me 100 times a day, I love you and love every one of those transactions, but I won’t give you points for all 100 of them.”
- **Identity management:** Previously, this B-to-B loyalty program enabled any employee at a participating company to use a “company login” to participate in the program benefits. But now every unique individual has their own unique portal sign-in. The B-to-B company is able to track the activity for each individual versus only the activity for the organization overall, therefore reducing the potential for fraud.

DETAILED FINDINGS

Importance of Loyalty Marketing

A majority of survey respondents (59 percent) expect loyalty marketing to be more important in the next year for their organization, compared with the recent past. Only 4 percent expect loyalty marketing to be less important.



According to qualitative discussions, loyalty marketing is increasing in importance for these key reasons:

- For brands, it's more important than ever to have one-to-one relationships with customers. That provides brands the ability to collect customer data and insights and market directly to customers, and loyalty members are often a brand's best customers.
- Consumers are increasingly signing up for loyalty programs to find value and fight inflation.

DETAILED FINDINGS

Other Learning from Qualitative Discussions

Evolution of Rewards

Multiple respondents noted that the options for redemption of loyalty points has changed.

“What I’m seeing is a shift. When I redeem, I want to be able to do it anywhere. Companies with reward programs are forming more strategic partnerships with third parties that offer redemption opportunities.”

“To earn and burn points, a strategic partnership with Amazon, for example, allows loyalty members to burn points, if they wish, at a much lower cost to us.”

Loyalty Vendors Noted

- **Engage People**’s mission is “to integrate loyalty into every customer transaction.”
- **Fetch**, formerly Fetch Rewards, calls itself “the No. 1 rewards app on the market... with 18 million monthly active users who have collectively submitted more than five billion receipts and earned more than \$757 million in rewards points.”
- **Oracle CrowdTwist** is “an omni-channel loyalty and analytics platform that is designed to allow marketers to acquire, engage, and retain customers.”
- **Snipp** is “a company in the global loyalty and promotions sector. Its platform allows its clients to run programs and promotions while continually generating and capturing unique zero-party data that is invaluable in providing insights to drive sales.”

Lookalike Audiences

In discussing the benefits of loyalty programs, one respondent was fairly passionate about lookalike audiences.

“Loyalty marketing provides audience insights that are particularly helpful to build lookalike audiences. We see who enrolls in our loyalty programs and understand their demographic characteristics. We then use that information in our media plans to target people who look similar to those who are not in the loyalty program.”

DETAILED FINDINGS

Other Learning from Qualitative Discussions

Loyalty Programs Are for B-to-B Marketers and Customers Too

While loyalty marketing programs are most commonly associated with B-to-C marketers, they are used by some B-to-B marketers as well. For example, Home Depot (which was not a qualitative respondent) has a program called [Pro Xtra](#) “for pro services and contractor support.”

The average homeowner orders a window and door package 0.8 times in their life, so it doesn't make sense for us to establish a consumer loyalty program, given the limited purchase frequency. Instead, we're focused on our professional trades customers. We've designed the Certified Contractor Program for home improvement contractors, as well as the Select Builder Program for custom residential builders.

— Kendra Dare, Director, Customer Marketing at Andersen Corporation



PERSPECTIVE AND GUIDANCE ON LOYALTY MARKETING FRAUD

Loyalty Programs and First-Party Data

Advertisers used to depend on third-party cookies for consumer data, but changes in behavior and privacy laws have made cookies less important. Brands are shifting to using first-party data with consumer consent as the foundation of their strategies. Loyalty programs are a mature, effective method for collecting first-party data while offering customer rewards. Studies⁴ show that while many consumers worry about their personal data, they willingly share it with trusted brands for better deals. This is already evident in loyalty programs, which boost repeat purchases, customer lifetime value, and brand loyalty.

The Connection Between Loyalty Marketing and Retail Media

Retail media is the fastest growing ad channel today, growing by more than 20 percent a year through 2027⁵. And there is a strong connection between loyalty marketing and retail media. Loyalty program first-party data powers retail media networks, allowing brands to purchase advertising space directed by that data. A retailer provided this perspective:

- Consumers win through the rewards they earn when using the loyalty program.
- Brands win by applying those purchase signals to advertising plans through retail media.
- Retailers win because the retail media works together with the loyalty program to send people back to the store.

Since loyalty programs are important for retail media, any concerns specific to loyalty program fraud would also apply.

Fraud Protection Guidance

Although loyalty programs are often perceived as a post-sale initiative designed to promote recurring business, in reality they're a mirror of the customer journey itself. From advertising campaigns specifically promoting the benefits of a loyalty program to the app download and program signup to accruing and spending points, loyalty marketing is a microcosm of the customer journey. And with that reflection comes the realization that fraud on loyalty programs is not one problem, but many:

- A campaign touting the differentiating benefits of a loyalty program may be an attractive target for a click fraud attack, with threat actors using bots to click through from the ad to the landing page or app store.
- Fake accounts may be created en masse to reap new member rewards and, if the program allows, transfer or sell points to other accounts owned by the threat actor. Fake accounts can also create data privacy compliance issues if a fraudster uses a set of breached credentials to seed the attack.
- Account takeover attacks may target programs with particularly valuable rewards, like those run by airline and hotel businesses.

⁴For example, the 2024 Commerce Industry Report [With Overwhelming Choice, What Really Drives Shopper Purchase Decisions?](#) from Coveo.

⁵EMARKETER, [Retail Media Ad Spending Forecast H1 2024](#), 6/11/2024.

PERSPECTIVE AND GUIDANCE ON LOYALTY MARKETING FRAUD

Each of these attacks can have significant impacts on the program's integrity. Account takeovers can result in Personally Identifiable Information (PII) theft. Fake accounts can rapidly drain reward budgets, and click fraud wastes advertising budgets. And there's a knock-on effect to these attacks.

"Garbage in, garbage out" is one of the classic rules of computers. If the input isn't useful, the output won't be either. The same idea applies to marketing campaigns. If the assumptions made based on past performance are incorrect or faulty, the design of subsequent campaigns will be incorrect or faulty as well. And any of the attacks above can easily result in unreliable performance metrics, in turn resulting in design and targeting flaws for the *next* campaign.

Fraud distorts outcomes. It should be paramount to organizations with loyalty campaigns that all potential forms of loyalty fraud be prevented. Preventing fraud means finding the gaps in the system, which can be far easier said than done. Key steps to take toward protecting loyalty programs:

- **Review past campaigns.** Look for outliers in the performance metrics and follow the full journey from impressions to clicks to downloads to signups to point accumulation and redemption. If anything stands out as strange, dig deeper into the traffic, as fraudsters will find any entry point available.
- **Consider your benefits.** One retail industry respondent to the survey remarked that even if a fraudster created a collection of fake accounts, the program benefits still required a member to be present in the store to redeem a discount. Loyalty member benefits and program capabilities can often be tailored to prevent the practicality of program compromise. For example, if points can't be transferred or converted to real currency, the incentive for fraudsters decreases.
- **Conduct a top-to-tail audit for vulnerabilities.** Loyalty fraud isn't *one* attack. It's *several*, each of which has different impacts and different entry points. A comprehensive independent audit of loyalty program design, promotion, and execution can uncover where fraudsters may target, preventing financial and reputational damage from an attack.
- **Partner with a specialist in loyalty fraud.** Loyalty marketers should have the freedom to focus on loyalty marketing, designing new promotions and benefits that distinguish their program from the competition. Intuiting attacks isn't — and shouldn't have to be — part of the loyalty marketer's process for building a campaign. Partnering with an organization specializing in protecting and monitoring loyalty programs and campaigns for fraud can free loyalty marketers to spend their time on creative solutions to the *other* challenges revealed in the survey.
- **Break down internal silos.** Loyalty programs include advertising, apps, and accounts, and the teams that protect each of those are often different. Ensuring those teams talk to one another about the whole customer journey is crucial to keeping fraudsters out of the program.

PERSPECTIVE AND GUIDANCE ON LOYALTY MARKETING FRAUD

- **Design for the possibility of fraud.** Organizations should consider how to address fraud from the start, i.e., when they are designing their loyalty program and/or initiating new rewards or promotional offers. In particular, the program terms and conditions should provide the organization with the clear right to terminate members who engage in loyalty fraud and to withdraw any earned points, rewards, or future offers; the terms should be clear about the basis for such termination and how that termination will be executed, so as to avoid the possibility of litigation or regulatory inquiries.

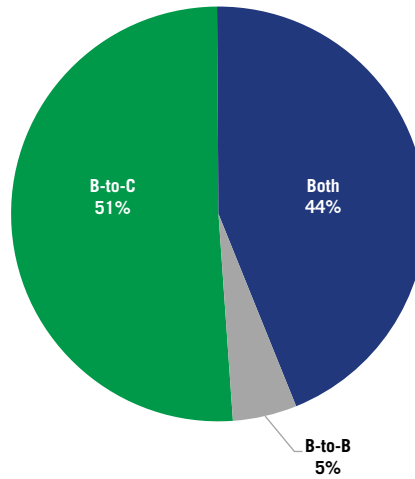
The short version of this guidance is: If you see something, say something. Anything that appears out of the ordinary — both negative *and* positive — is worth digging into more deeply. Don't put all your faith in vanity metrics like the number of program members, impressions, or clicks. Stay focused on true measurements of ROI. The challenge of fraud in loyalty marketing isn't going away. As long as there's value, there's incentive for fraudsters to act. Loyalty marketers need to remain vigilant about how their programs are being targeted and abused.

APPENDIX

APPENDIX

Type of Business

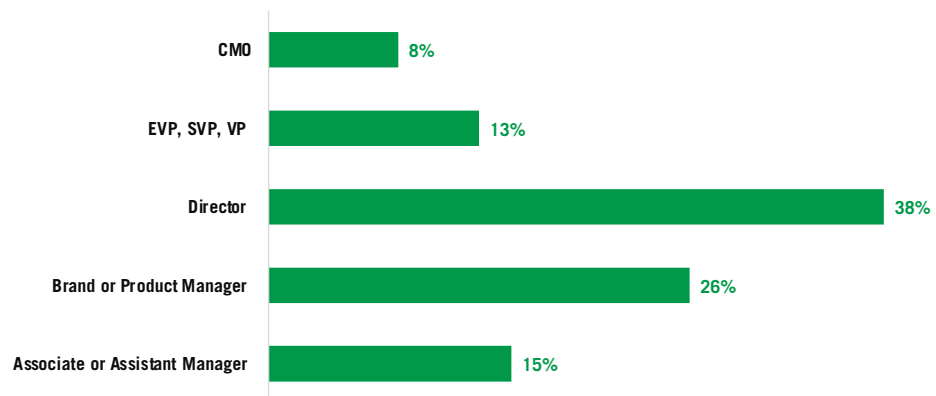
Base: 39



Q9: Is your primary business B-to-B or B-to-C?

Job Level

Base: 39

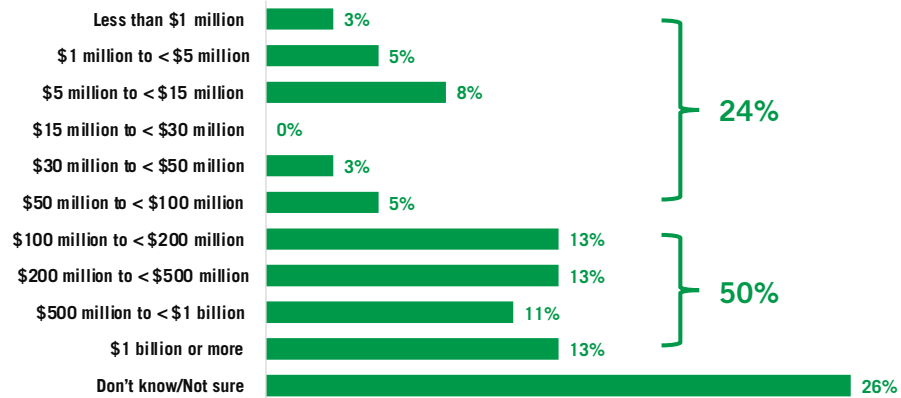


Q10: What is your job level? (Please select the best fit.)

APPENDIX

Annual U.S. Media Budget

Base: 39



Q11: Which of the following best describes your organization's 2023 total annual U.S. media budget?

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ANA

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HUMAN

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ABOUT THE ANA

The mission of the ANA (Association of National Advertisers) is to drive growth for marketing professionals, brands and businesses, the industry, and humanity. The ANA serves the marketing needs of 20,000 brands by leveraging the 12-point ANA Growth Agenda, which has been endorsed by the Global CMO Growth Council. The ANA's membership consists of U.S. and international companies, including client-side marketers, nonprofits, fundraisers, and marketing solutions providers (data science and technology companies, ad agencies, publishers, media companies, suppliers, and vendors). The ANA creates Marketing Growth Champions by serving, educating, and advocating for more than 50,000 industry members that collectively invest more than \$400 billion in marketing and advertising annually.



HUMAN

ABOUT HUMAN

HUMAN is a cybersecurity company that protects organizations by disrupting bot attacks, digital fraud and abuse. We leverage modern defense to disrupt the economics of cybercrime by increasing the cost to cybercriminals while simultaneously reducing the cost of collective defense. Today we verify the humanity of more than 20 trillion digital interactions per week across advertising, marketing, e-commerce, government, education and enterprise security, putting us in a position to win against cybercriminals. Protect your digital business with HUMAN. To Know Who's Real, visit humansecurity.com.

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LOYALTY MARKETING:

The Good, the Bad, and the Ugly

OCTOBER 2024

