



# Loyalty Marketing Spend Allocation Considerations

*Considerations and insights from retail brands' approach to marketing spend allocation alongside loyalty program initiatives.*

# Traditionally, 20% of sales dictates the marketing budget.

And from there, 23-28% of that dictates the  
loyalty program budget (~3-5% of sales  
dictates the loyalty program budget)



# Loyalty marketing spend allocation stats

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## 23-28%

**Of total brand marketing budgets are allocated to loyalty program management and loyalty program CRM**

2022, brands allocated ~22.8% of the total marketing budget on average to their loyalty program but that number has increased to ~28.2% for 2023.

This includes signage, paid media, other marketing initiatives **AND** incremental points issued to members to drive **acquisition, retention and reactivation**.

As a brand looks to introduce a currency their program, they should look to account for the campaign-based allocations against incremental points to drive behaviors desired.

*EX: typically, a welcome offer or reactivation offer hits the marketing budget as incremental point issuance to drive desired outcomes via loyalty campaigns.*

## ~\$5-\$8

**Average acquisition cost per member**

Healthy loyalty programs tend to allocate ~\$5-\$8 per member as cost to acquire. *This does not include a potential bounce-back offer which would convert our new buying members to repeat buying members.*

Credit card issuers will see this increase from \$30-\$50 / new member to acquire.

## 5X

**More expensive to acquire a member than retain a member**

Understanding how your brand should budget against acquisition, retention and reactivation is critical.

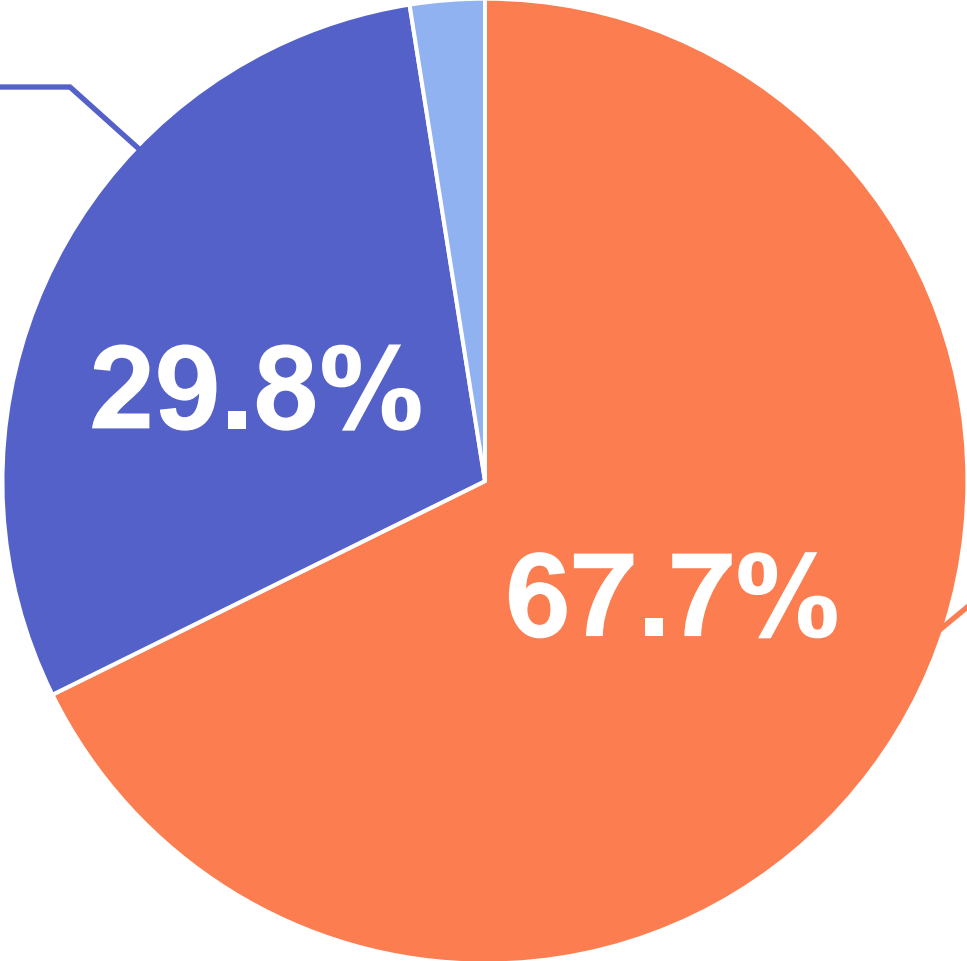
**On average, the greatest allocation of spend should go towards growing member spend and retention; with acquisition and activation serving less of a priority.**

*Note: when launching or re-launching a program, investing & increasing allocation of spend of acquisition efforts is critical for program success and adoption. Brands launching a program have allocated up to 30% of the total marketing budget to loyalty.*

# Over 2/3 of loyalty programs are increasing focus on retention

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Of loyalty programs plan to increase investments in consumer acquisition in 2023 (26.6% want to DECREASE their investment in consumer acquisition).



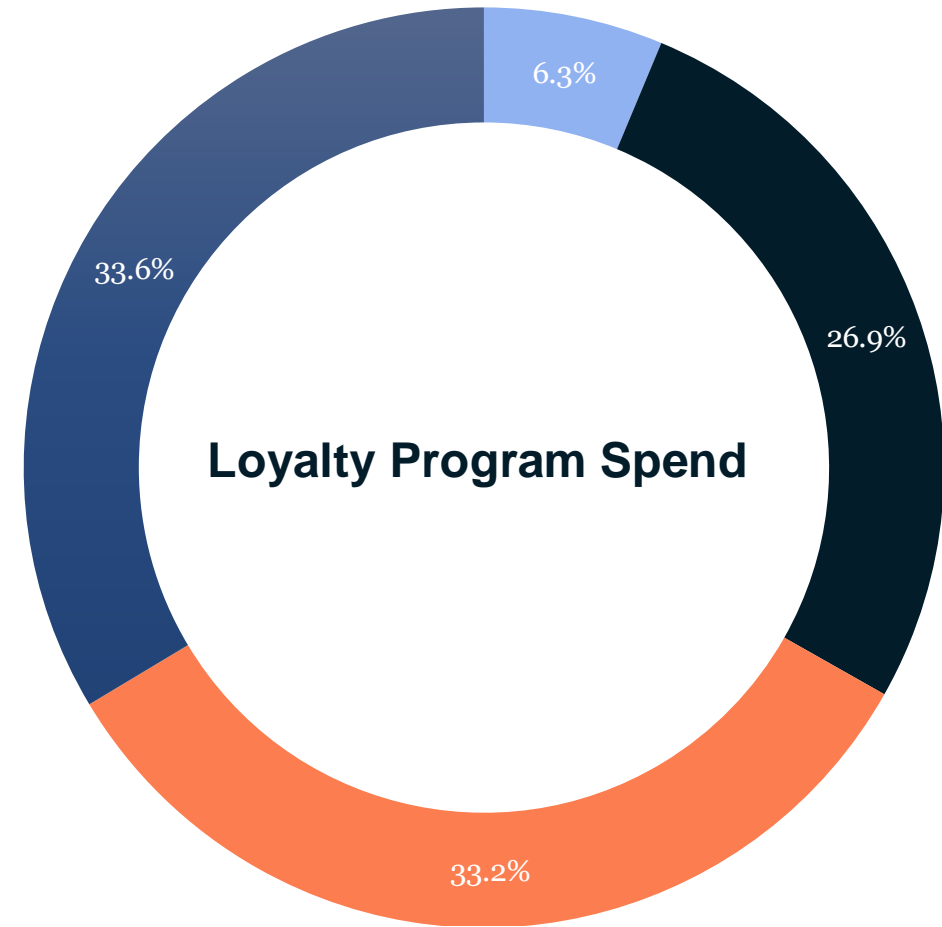
Of loyalty programs plan to increase investments in consumer retention in 2023.

# Breaking down the focus on retention

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Primary consumer loyalty marketing spend focus in light of the inflation crisis and potential recession:

- **33.6%** Member Communications & Relationships
- **33.2%** Transactional Loyalty
- **26.9%** Emotional Loyalty
- **6.3%** Member Acquisition





# Loyalty marketing spend allocation averages

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## Member Communications & Relationships

Average range of marketing spend allocation **15-25%** (*this is out of the 23-28% of the marketing budget driving the loyalty budget*)

Think of this inclusive of evergreen membership communication marketing initiatives and CRM (paid media, paid search, store signage, emails, etc).

## Transactional Benefits

Average range of marketing spend allocation **40-50%** (*this is out of the 23-28% of the marketing budget driving the loyalty budget*)

Think of this inclusive of all benefits with a hard cost associated with them driving transactional behaviors; promotions, discounts, coupons, free product, free shipping, etc.

## Emotional Benefits

Average range of marketing spend allocation **10-15%** (*this is out of the 23-28% of the marketing budget driving the loyalty budget*)

Think of this inclusive of all benefits focused on growing emotional connection with a brand; experiential benefits, personalization, access-based benefits, etc.

## Acquisition

Average range of marketing spend allocation **10-20%** (*this is out of the 23-28% of the marketing budget driving the loyalty budget*)

Think of this inclusive of all efforts associated to acquire a member; program marketing, acquisition campaigns, acquisition rewards, etc.

# Considerations for marketing spend allocation

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## Business Objectives

**Are we looking to drive acquisition, retention and/or reactivation?**

A loyalty program's marketing spend allocation is dependent on the core business objectives and imperatives, that drive desired outcomes from the loyalty program.

*Ex: when launching a program, marketing spend for acquisition will be much higher.*

## Consumer Lifecycle

**How well do we understand demand attribution against our buying cohorts?**

Conducting a lifecycle analysis to understand where we expect sales to come through or how we expect revenue to permeate across buyer cohorts over designated periods.

*Ex: sales are up, but new membership is down – we want to invest in acquisition*

## Full Marketing View

**What Marketing initiatives are being funded by the brand vs the program?**

Marketing spend allocation should take into account the parallels to marketing investment that are happening from the loyalty program vs brand marketing vs other initiatives and how the initiatives match up together.

*Marketing spend allocation can be different depending on the program maturity; it is equally, or more important to allocate budget against the right members (high, medium, low value) and determining the relationship of contribution to payback balanced in a reciprocal way or reflecting the program's priorities.*

