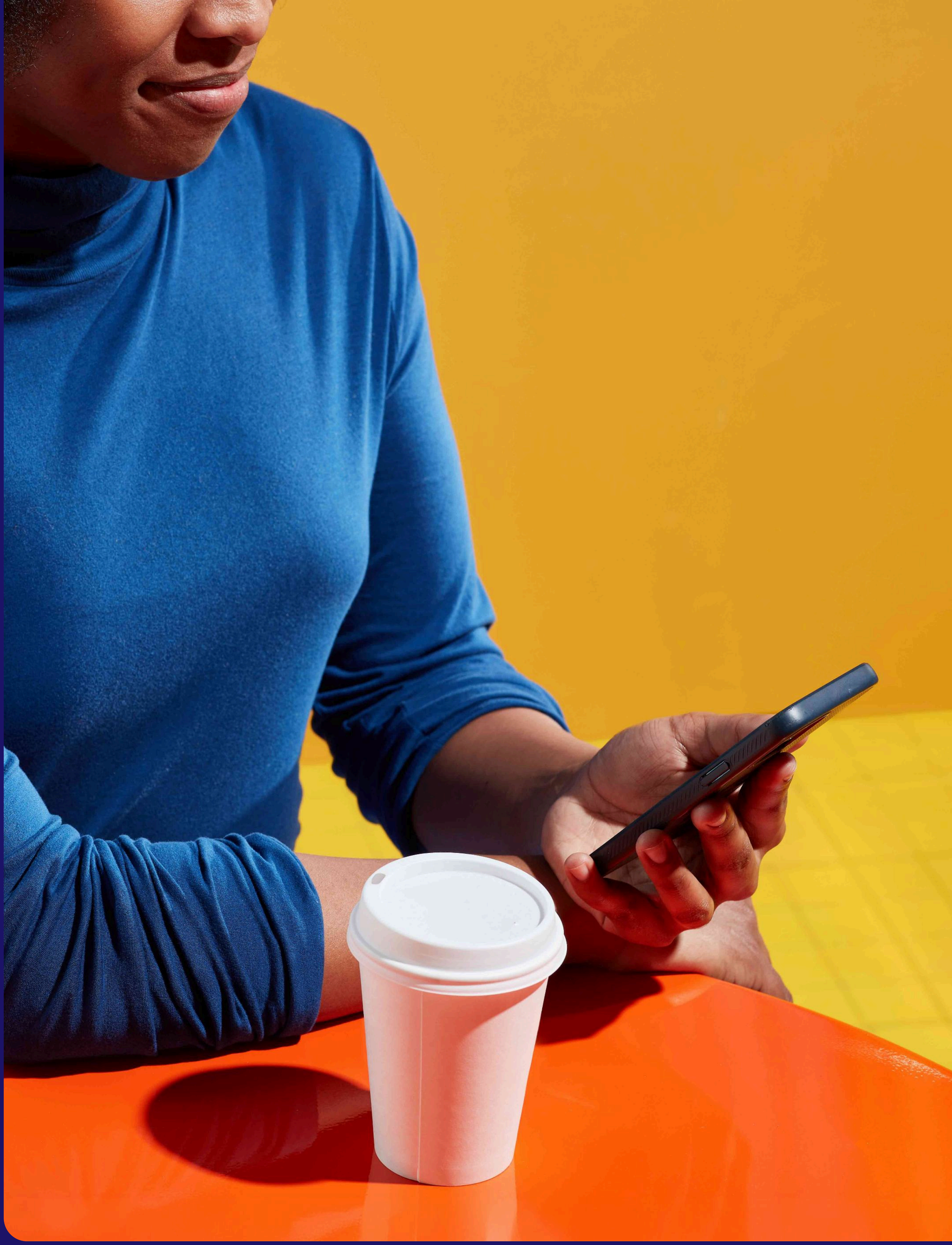


Escaping the loyalty plateau

How retailers can avoid the most common program pitfalls and make their investments go farther

INTRODUCTION

In May 1981, American Airlines launched AAdvantage. It was the first major loyalty program, and a million consumers joined it within a year — twice what the airline expected.

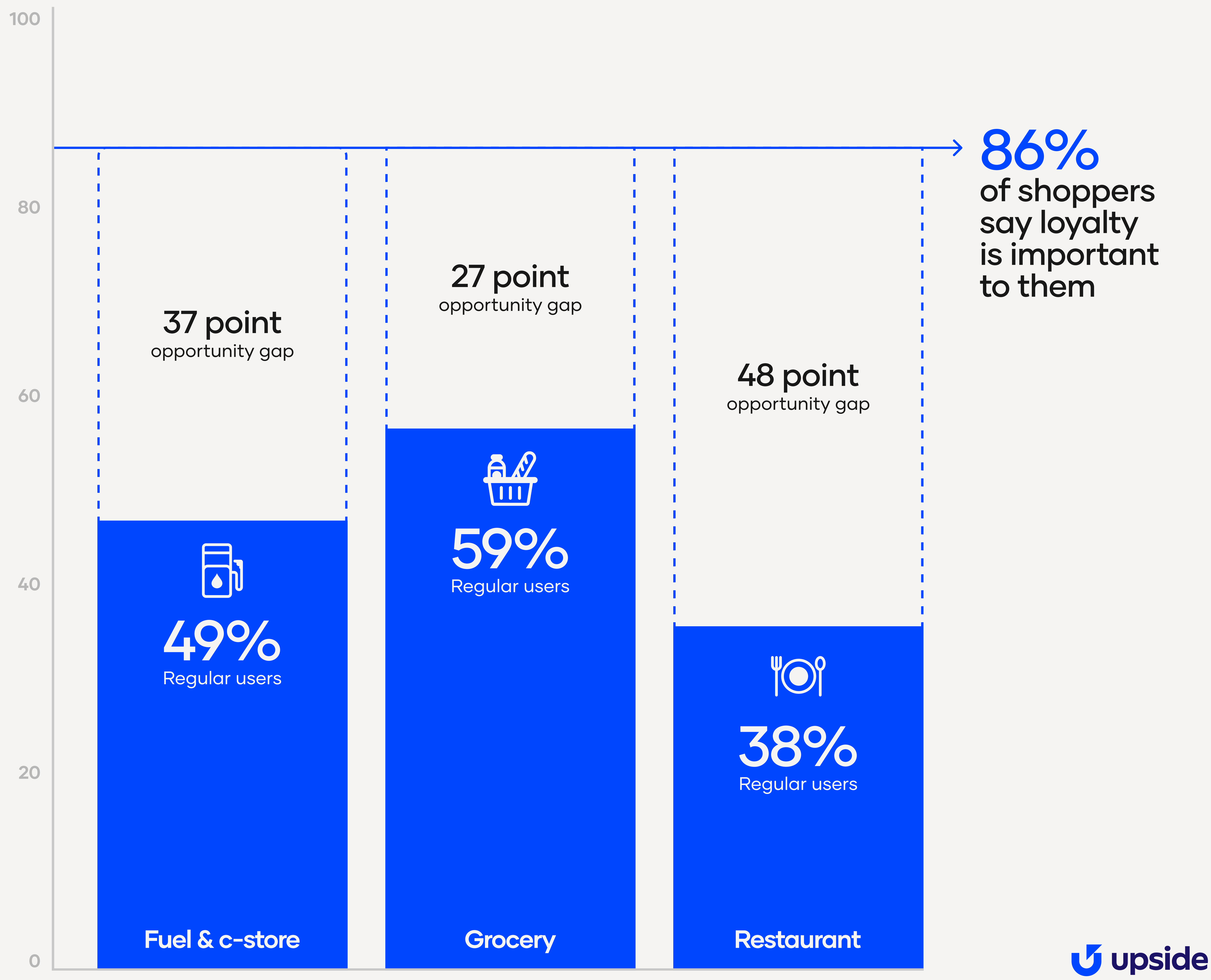
Delta and United launched their own programs in the same year, and the space saturated quickly. Eventually, the airlines found ways to evolve their loyalty programs with tiered membership and bank partnerships, but the window where loyalty alone drove differentiated behavior had already closed.

That lifecycle has repeated itself across retail ever since. What begins as a differentiator becomes table stakes — not something that moves the needle, but just something consumers expect to see. When every competitor offers a similar program, enrollment grows but impact stalls.

And that's how we've ended up here: Across retail categories, the very large majority of consumers today (86%) say that loyalty rewards are important to them. But at the same time, far fewer consumers actually use their programs regularly.

The loyalty opportunity gap

Many consumers say loyalty is important but don't regularly use it.



Across years of research, Upside has examined that opportunity gap and how retailers can increase engagement among loyalty members. This report takes it a step further by asking a new question:

Why are those efforts increasingly producing diminishing returns across the industry?

It's because most retailers find themselves stuck in the "loyalty plateau" — the ultimate representation of uncommitted behavior.

INTRODUCTION

The loyalty plateau is the stage of program maturity where sign-ups increase, but the bottom-line impact is weaker than expected.

It's caused by a combination of undifferentiated programs and a very saturated landscape.

This report is based on survey responses from more than **12,000 consumers and retailers** in the general population. Here, we'll introduce a framework for measuring program effectiveness — one that confirms most programs are moderately influential, at best. Then, we'll explain how programs evolve as markets become saturated. We'll also show why many retailers' programs have stagnated, with enrollment rising but consumer behavior changing little.

OVERVIEW

The four stages of loyalty maturity

	Stage 1: First-movers	Stage 2: Loyalty plateau	Stage 3: Differentiated value	Stage 4: Everyday value
Market relevance	Early arriver	Late arriver	Early re-launch	Market leader
Program structure	Basic	Moderate	Advanced	Multi-category
Number of sign-ups	High	Moderate	Moderate	High
Consumer value	Moderate	Low	Moderate	High
Personalized rewards	✗	✗	✓	✓
Examples	AAdvantage Kroger Plus Shell Fuel Rewards	myWalgreens Tims Rewards Kohl's Rewards	Starbucks Rewards Nike Membership Marriott Bonvoy	Amazon Prime American Express Walmart+

01

The loyalty landscape is increasingly saturated

If loyalty enrollment is high, why isn't it translating into differentiated behavior?

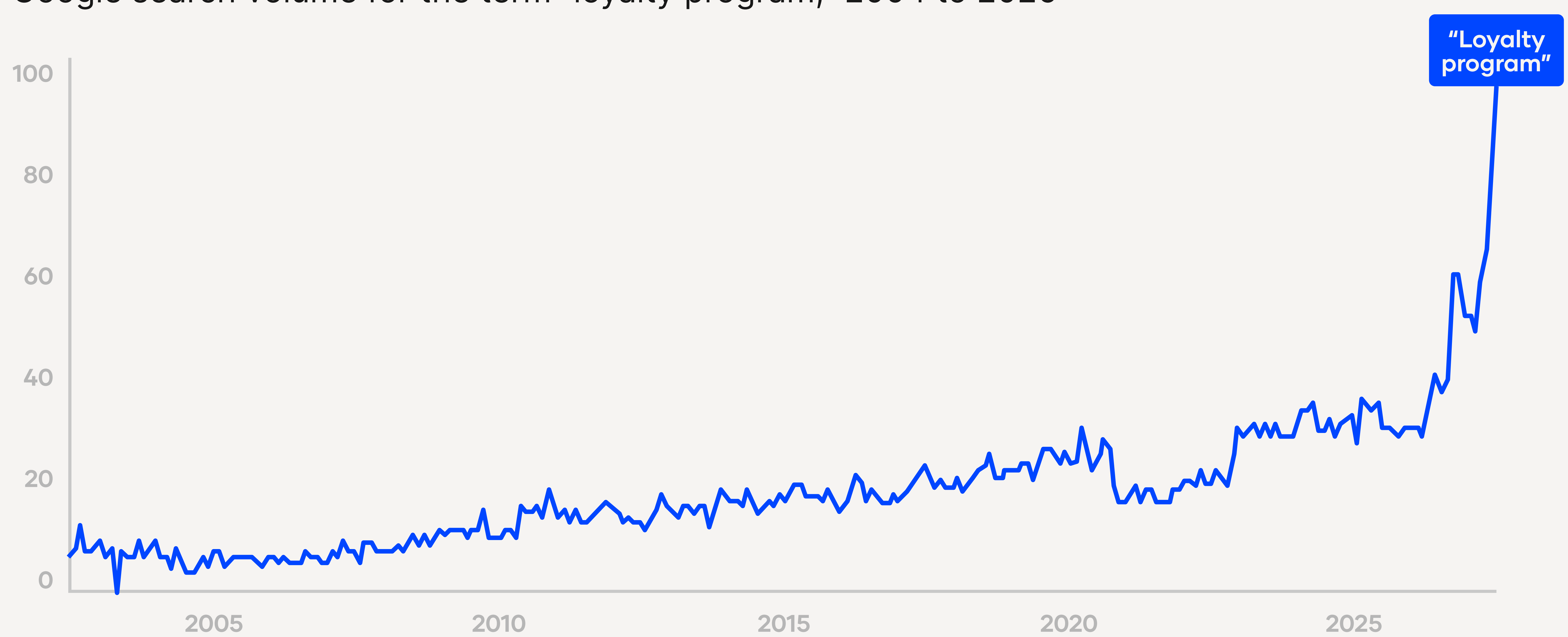
It starts with the fact that consumers are overwhelmed with choice, juggling 17 programs simultaneously.

On the whole, consumers are enthusiastic about loyalty programs. They're seeking value from every retail transaction, and loyalty programs help them find it.

Look no further than their Google searches. Interest in loyalty programs reached record highs in the last year, as shown by the spike below.

Consumer interest in loyalty programs is rising

Google search volume for the term "loyalty program," 2004 to 2026



Source: Google Trends

This data supports findings from a recent Upside survey of consumers from the general population. Across our three key retail categories — fuel & c-store, grocery, and restaurant — the heavy majority of consumers belong to at least one program. Grocery has the highest membership rates, with 82% of shoppers claiming at least one membership. Restaurants have the lowest at 62%, but that's still a sizable majority of people dining out.

At the same time, though, engagement is uneven. That's because the average loyalty member holds memberships in multiple programs within the same category.

As loyalty membership grows, engagement lags behind.

Our survey shows that in all three categories, loyalty members hold at least three or four memberships overall. Plus, this spread in membership has dramatically accelerated over the past two years.

Fuel & c-store

Your average member is in

2.3 other programs

+26% since 2023

Grocery

Your average member is in

2.4 other programs

+47% since 2023

Restaurant

Your average member is in

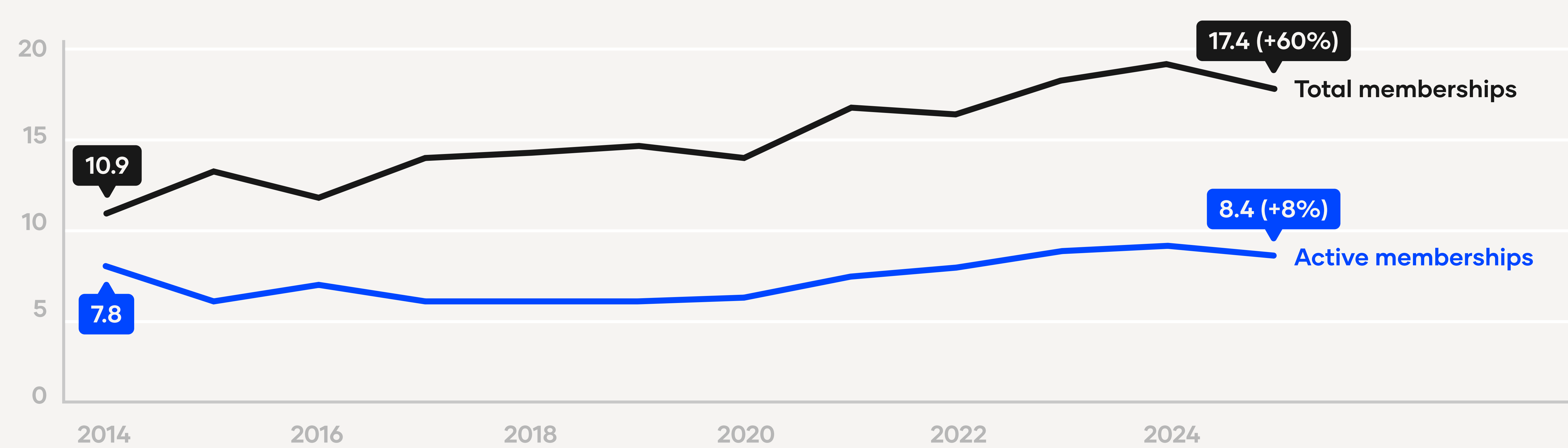
3.2 other programs

+5% since 2023

The Bond Loyalty Report, which has been surveying consumers about program membership and usage since 2014, shows that consumers actively use about half of the programs they join, a rate that's been consistent since 2017.

Loyalty membership is growing faster than engagement

Total memberships and active memberships for the average consumer, 2015-2025



Source: Bond Loyalty Reports (values not reported in 2018)

With many available loyalty programs to join, consumers aren’t being picky about their sign-ups. The barriers to entry for loyalty membership are pretty low; usually, the consumer just has to punch in their phone number at checkout, or perhaps download an app.

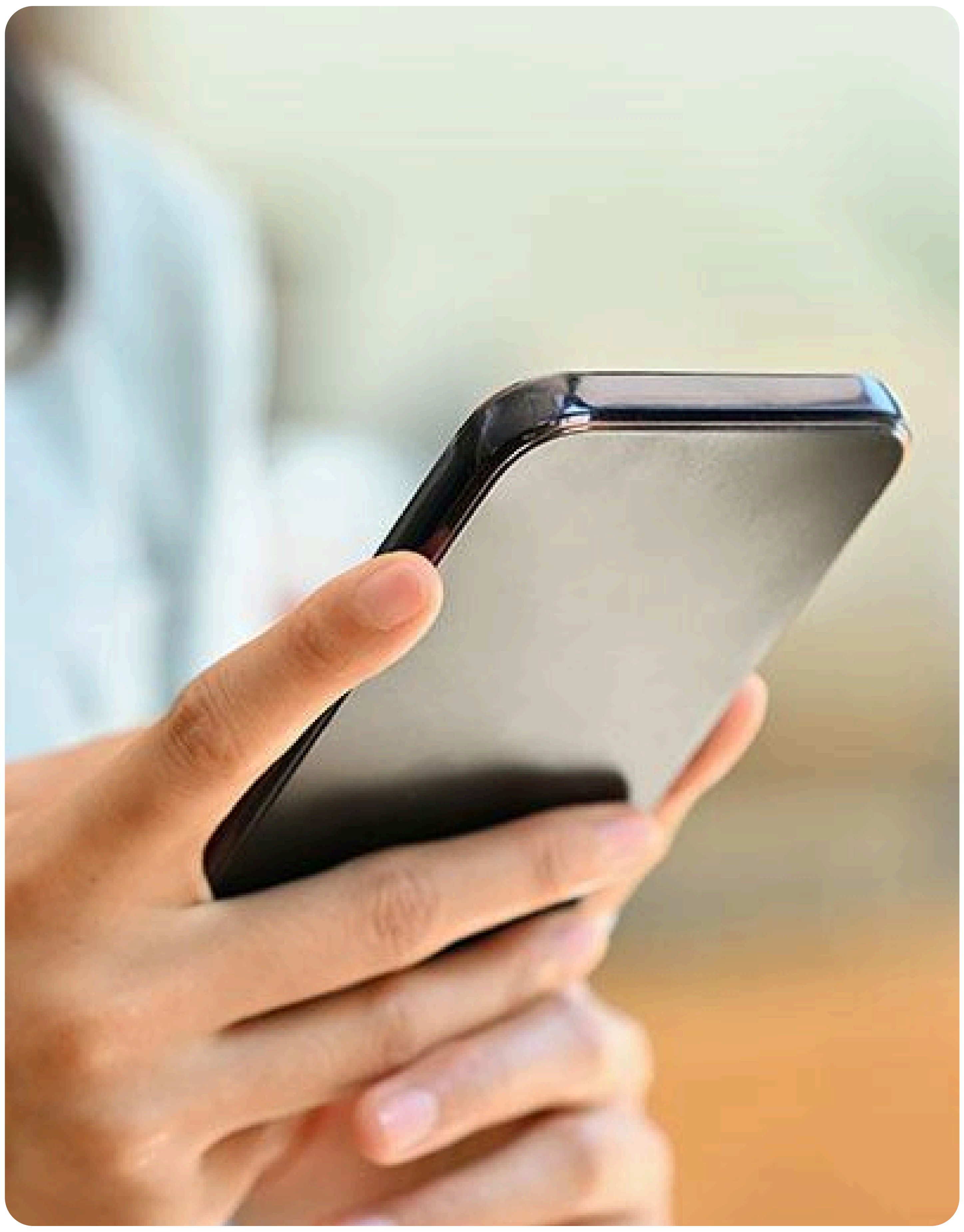
With so many accounts in their name — and so many new programs launching every month — the marginal influence of any single program is declining. All these competing programs fighting for market share means that the most common practice in retail today is to try and boost sign-ups.

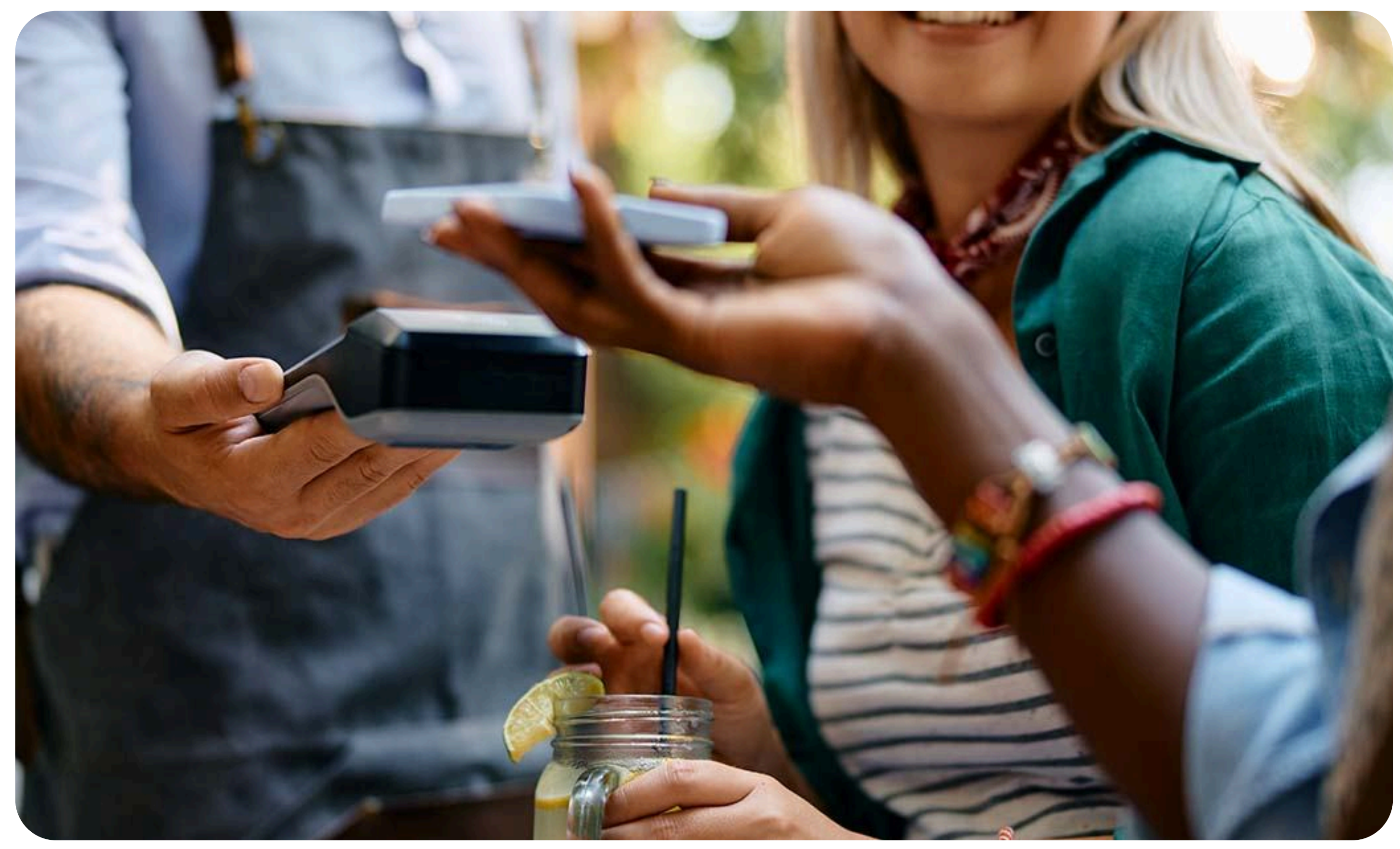
But competing on enrollment in these ultra-saturated markets is not having its intended effect. Most programs are stuck in a sort of “no-man’s land,” investing heavily in their program (often with respectable membership counts to show for it), but wielding little influence over behavior.

This is the loyalty plateau.

02

Most programs are stuck in the loyalty plateau





MOST PROGRAMS ARE STUCK IN THE LOYALTY PLATEAU

Loyalty programs were originally designed to influence consumer decision-making. And for a while, they did.

AAdvantage wasn't the only program that made a quick impact and earned the brand more committed customers. The Kroger Plus card was similarly groundbreaking in the grocery industry in the mid-1990s.

And not all loyalty success stories require traveling back to the 20th century. Shell's 2012 launch of its Fuel Rewards Network was highly impactful; it allowed its members to stack rewards from retailers across categories to increase their savings at the pump, long before loyalty partnerships became commonplace.

But of course, the landscape looks different now. Most every brand in most every category has a loyalty program in some shape or form. In such a crowded space, consumers consider a loyalty program to be table stakes for winning their business.

These expectations, and the way retailers have responded to them, have created the loyalty plateau.

What are the hallmarks of a program in this stage?

Speaking generally, programs in the loyalty plateau are undifferentiated from each other and exist in a crowded field. They have associated apps that showcase products in a way that's moderately advanced. Members have access to dynamic offers that change based on the needs of the business — driving sales on slow days, perhaps, or promoting a new menu item.

The promise of a program like this is high, because the first movers in every industry see strong results.

The reality, however, is a bit different.

The loyalty program struggles to drive incremental sales because of the ultra-crowded field; even the first movers' programs start to lose their luster

With less impact per member, retailers try to sustain the program's relevance the only way they know how: bringing in more members. But the incrementality from each individual never improves.

One big reason that's the case is because most loyalty programs within a category look structurally similar. They largely offer comparable benefits in apps that are familiar and recognizable. Try searching for the "top 10 loyalty programs" in any given retail category, like grocery. You'll surface a handful of lists, and across all of them, you lack any real consensus.

Another reason is that loyalty programs largely treat each of their users the same. Promotional offers like those highlighted above are based on the business, not on the consumer's individual habits or preferences. The impersonal nature of most programs makes it significantly harder to influence consumer behavior.

That doesn't stop retailers from over-indexing on splashy moves to salvage results, well-meaning efforts but ultimately ineffective ones.

For example, Sweetgreen is one such brand that has struggled to find its footing with loyalty. In 2023, the chain tried to cut through with Sweetpass, a two-tiered system built around specific challenges. Its customers weren't fans, and less than two years later, the brand switched back to a more standard points-based format.

Stage 02

Loyalty plateau

Market relevance
Late arriver

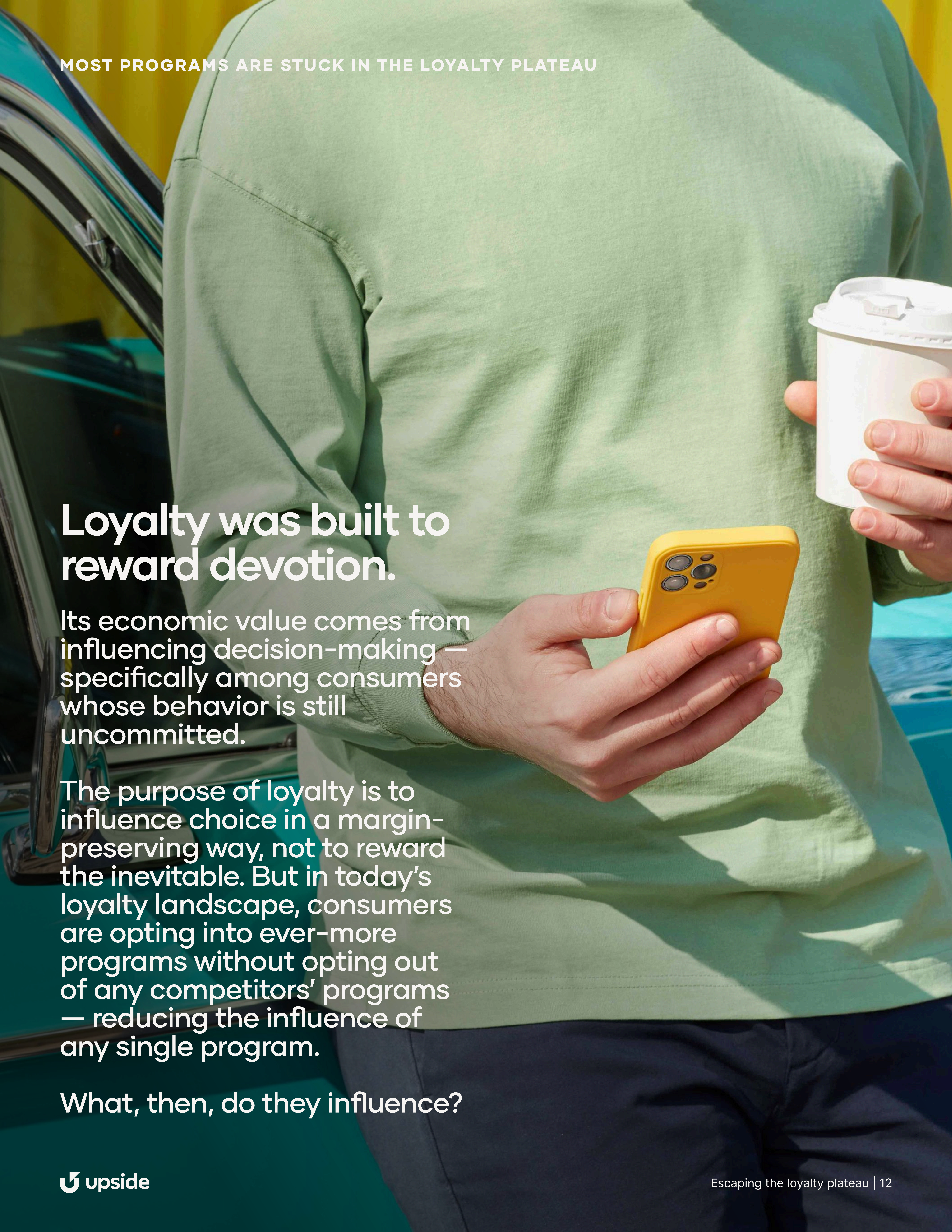
Program structure
Moderate

Number of sign-ups
Moderate

Consumer value
Low

Personalized rewards
None

Examples
myWalgreens
Tims Rewards
Kohl's Rewards



Loyalty was built to reward devotion.

Its economic value comes from influencing decision-making — specifically among consumers whose behavior is still uncommitted.

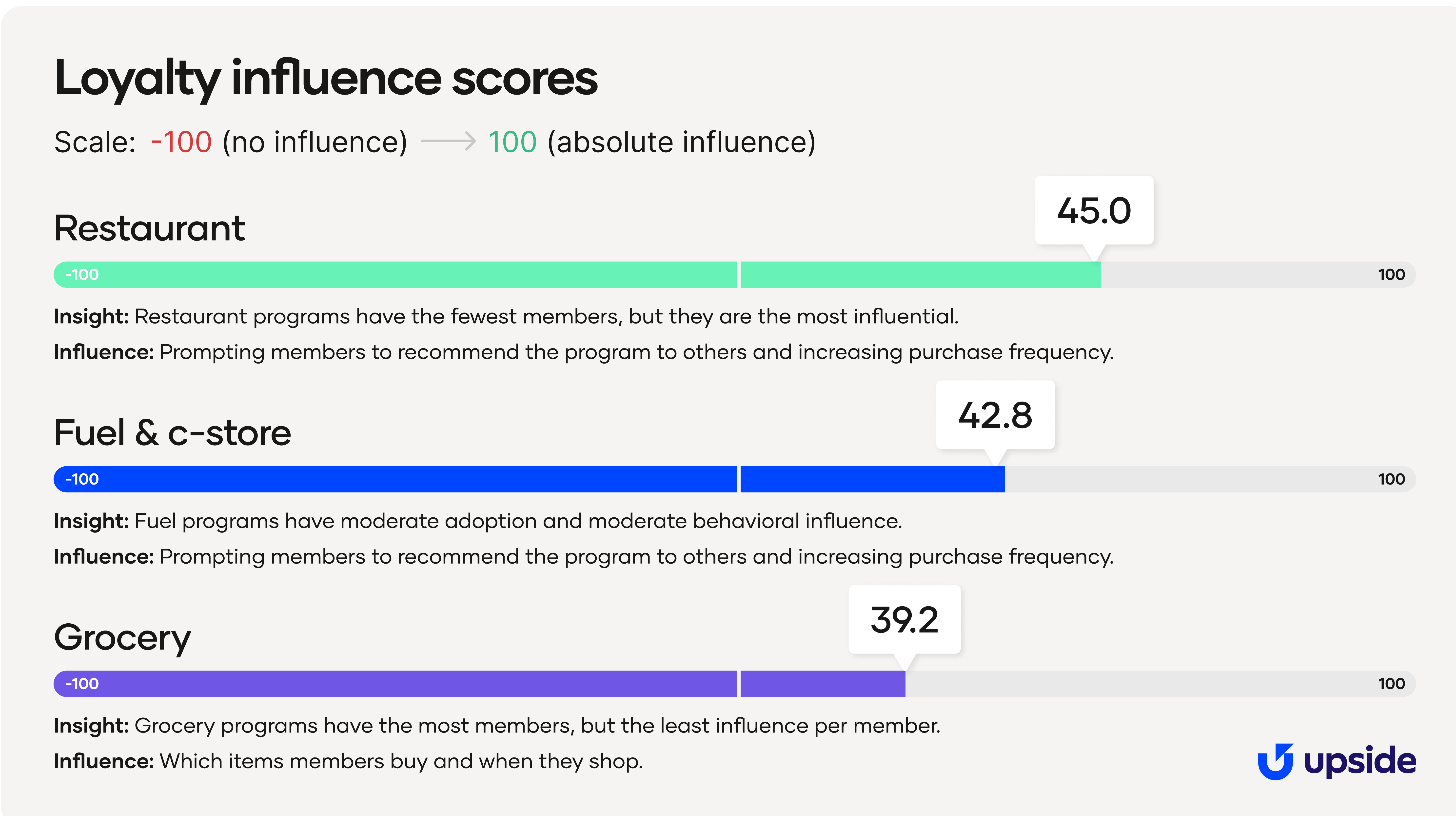
The purpose of loyalty is to influence choice in a margin-preserving way, not to reward the inevitable. But in today's loyalty landscape, consumers are opting into ever-more programs without opting out of any competitors' programs — reducing the influence of any single program.

What, then, do they influence?

Loyalty shifts where they spend. But not how much.

With data from our consumer survey, we built a score that measures whether a consumer changes their behavior based on a loyalty program. For the full details on our methodology, see the appendix at the end of the report.

We learned that loyalty programs are moderately influential, but maybe not so much in the areas that retailers want.



In fuel, loyalty programs are influencing consumers to visit more often. In grocery, consumers are influenced by loyalty programs to buy certain items and make trips at certain times.

Our data shows that restaurant loyalty programs motivate consumers to visit more often, just as they do in fuel. However, we also know that consumers choose restaurants in a different way than they choose grocery stores or gas stations. When deciding where to eat, taste and palate play an outsized role. For that reason, it's fair to wonder whether restaurant loyalty programs are really changing behavior. Consumers might instead commit to their favorite spots for reasons unrelated to their loyalty program, though they'll join the brand's program if it's offered.

Across all categories, though, the least common behavior change is increased spending.

Why? For one, loyalty programs encourage consumers to consolidate spend within a category for cost savings. They don’t necessarily expand category spending.

Ultimately, this is the primary problem with loyalty programs: Membership doesn’t necessarily indicate that the shopper is behaving any differently.

03

Loyalty members are not all behaving loyally

Our survey data shows that consumers join loyalty programs for multiple reasons — some rational, some emotional.

Their rational motivations for joining a loyalty program revolve around their price sensitivity. Loyalty programs give them the opportunity to claim discounts and financial value or exclusive offers.

Their emotional motivations, on the other hand, speak to brand affinity. Loyalty programs allow shoppers to feel a connection with the brand, enjoy added convenience when they shop, and explore additional experiences only available to members.

Let's anchor around those two factors — price sensitivity and brand affinity. In our survey, we asked consumers about their habits and preferences, giving them a score on a high-to-low scale in each factor. With the below chart, we identify four types of consumers who have very different perceptions and behaviors around loyalty programs.

	LOW BRAND AFFINITY	HIGH BRAND AFFINITY
HIGH PRICE SENSITIVITY	**Price-first** UNCOMMITTED Highly motivated by deals, but tend to be lower spenders. "If I see a way to get something for significantly cheaper, I like to take advantage of it." **– Scott**	**Preference-first** UNCOMMITTED Quick to join loyalty programs, but only if it's a place they like — they just tend to like a lot of places. "I get discounts from the programs I'm in, so I shop those places more." **– Michael**
LOW PRICE SENSITIVITY	**Convenience-first** UNCOMMITTED Tend to prioritize whatever fits easily into their routines. "I live far away from most stores and restaurants, so I normally just go to the closest places." **– Tasha**	**Brand-first** COMMITTED Will take advantage of available rewards, but rewards don't influence their behavior. "A loyalty program is just an added bonus at a place I'm going to shop at regardless." **– Casandra**

Three of these four categories are made up of uncommitted customers. Only brand-first customers are committed to a preferred retailer.

Within that "uncommitted" bucket, though, you can see that consumers vary widely in how responsive they are to loyalty incentives.

> **Convenience-first consumers** neither care about a retailer's brand nor are motivated by price when they shop. They might still have preferred stores, but ultimately, whatever fits best into their existing daily routine will do just fine.
>
> **Price-first consumers** know the best deals in town and plan their shopping accordingly. They may be income-constrained or just have value-seeking personalities, but either way, they will abandon their favorite retailer as soon as a better option comes along.
>
> **Preference-first consumers** are smart spenders who enjoy staying on budget almost as much as their favorite stores. They are saving up for a free drink at their go-to coffee shop and encourage their friends to do likewise.

Across our three key retail categories, a **majority of consumers (between 55% and 60%) are preference-first**, with high brand affinity and high price sensitivity. We also find that between 10% and 20% of respondents in any of these categories are brand-first. This tracks with previous Upside research showing that roughly 80% of consumers are uncommitted.

In each category, the majority of consumers have high brand affinity and price sensitivity.

Fuel & c-store

1. Preference-first (56%)
2. Convenience-first (19%)
3. Price-first (15%)
4. Brand-first (11%)

Grocery

1. Preference-first (60%)
2. Price-first (16%)
3. Convenience-first (15%)
4. Brand-first (10%)

Restaurant

1. Preference-first (58%)
2. Brand-first (20%)
3. Convenience-first (15%)
4. Price-first (8%)

* Values may not add to 100 due to rounding

upside

LOYALTY MEMBERS ARE NOT ALL BEHAVING LOYALLY

Keep in mind that preference-first customers are still highly price-sensitive. They have favored brands, but often switch for better value.

That helps to explain why price-first customers make up only 15% of the fuel and convenience population here. Years of data tell us that consumers see fuel as a commodity, and their buying decisions are less swayed by brand. Plus, had we surveyed fuel and c-store customers separately, it's likely we would see a larger price-first segment for fuel.

Certain consumers are most motivated to use loyalty, but not who you think.

Returning back to our critical criteria — price sensitivity and brand affinity — we find that consumers with high marks in each category are most likely to sign up for a loyalty program. That means preference-first consumers are most likely to join your program.

Now, wouldn't you think brand-first consumers were most likely? We know that they make regular trips to their favorite retailers. But in reality, brand-first consumers are not the most likely to join loyalty in any of our key categories.

That means we have a disconnect between the consumers that most programs target and the consumers most readily influenced by loyalty.

The most influenceable shoppers sit in the persuadable middle of the market.

That "middle" is treated as a monolith, and the shoppers within it don't get what they need to behave differently. But doing just that can help retailers break past the loyalty plateau.

04

Breaking out of the loyalty plateau

Earlier in this report, we outlined four stages of loyalty maturity and found that most programs are stuck in Stage Two — the loyalty plateau.

When every competitor operates a comparable program, differentiation becomes nearly impossible.

The question for retailers is straightforward: what does it take to reach Stage Three?

Several factors determine the effectiveness of a retailer's loyalty program:

Stage 03

Differentiated value

Market relevance
Early re-launch

Program structure
Advanced

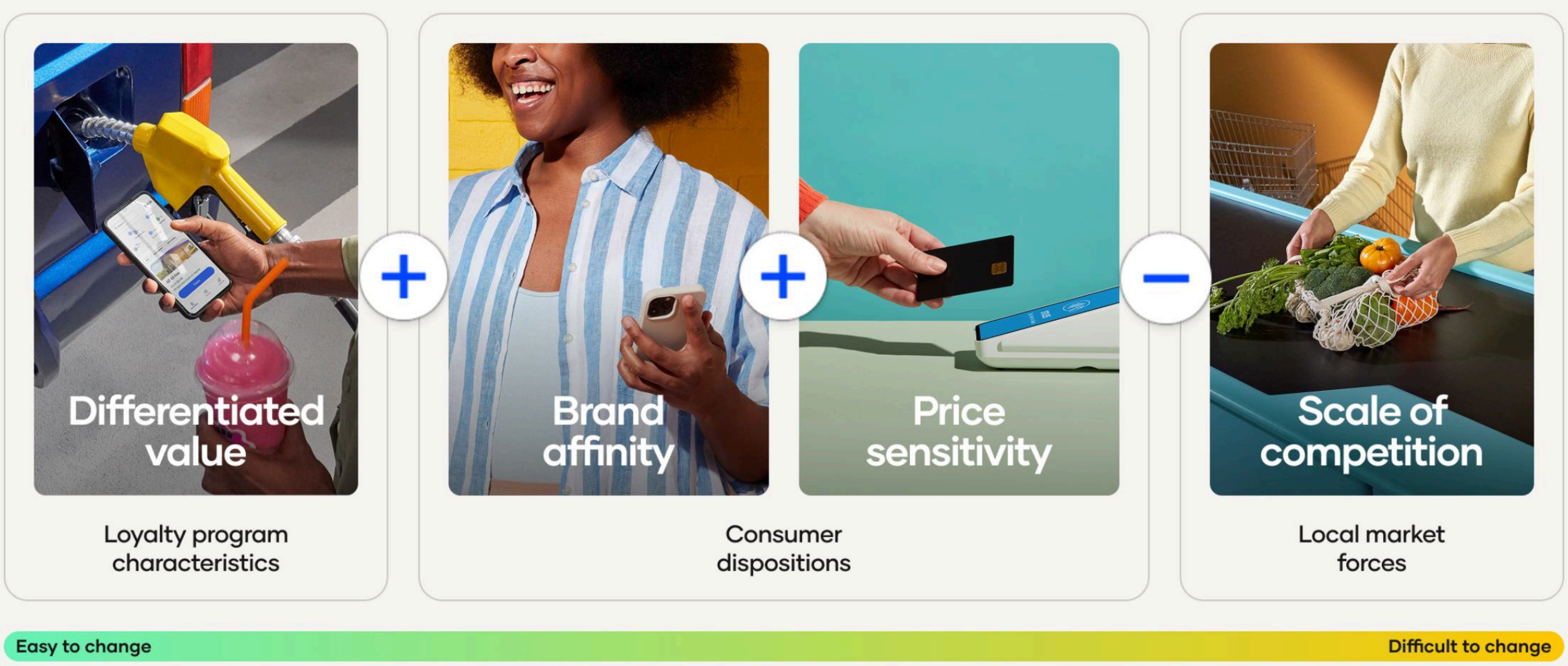
Number of sign-ups
Moderate

Consumer value
Moderate

Personalized rewards
Yes

Examples
Starbucks Rewards
Nike Membership
Marriott Bonvoy

Loyalty program impact equation



We've covered consumer affinity and price sensitivity. In addition, the retailer's competition matters considerably.

For two comparable retailers with highly differentiated value and many preference-first consumers, differing levels of competition could still create very different loyalty outcomes. But it's very difficult to change aspects of your competition, and we'll primarily focus here on factors within retailers' control.

The key to moving from Stage Two (loyalty plateau) to Stage Three (differentiated value) is in the name: differentiation. But what really makes a loyalty program different?

A few examples of differentiation include the following:

Advanced personalization

"Advanced" means more than simply sending members a "happy birthday" message. It's about understanding what each individual consumer cares about, then generating and serving relevant content and offers.

New digital engagement channels

These new channels can be omnichannel order methods like online pickup and delivery; they can also include virtual alternatives to in-person functions like mobile check cashing, virtual ticketing, and facilitating returns.

Expanded member experiences

Some retailers invest in premium perks for members who pay additional fees or maintain high annual spend — exclusive lounges, priority access, and other high-touch benefits that make the membership feel meaningfully different.

Who's doing this today? Starbucks is one such brand. Starbucks Rewards delivers value to members through personalized offers and AI-powered mobile ordering, among others. Nike Membership is another program delivering differentiated value. Unlike a traditional points-based system, Nike focuses on experiences, with its members getting early access for exclusive merch, among other perks.

These programs create stronger engagement, but they don't just appear overnight.

Retailers can build such programs themselves, maintaining that commitment over time to create something world-class. But doing so typically requires significant product investment, advanced data capabilities, and ongoing spend well after launch to maintain the value of rewards. It's not a coincidence that Nike and Starbucks are each conglomerates worth tens of billions of dollars.

Another way for retailers to extend their influence over consumer behavior is to achieve differentiation beyond their own loyalty program. They can do that by tapping into an existing marketplace — a product or platform that users visit frequently.

These broader marketplaces shape everyday spending decisions, allowing retailers to:

Reach consumers outside their owned channels or categories

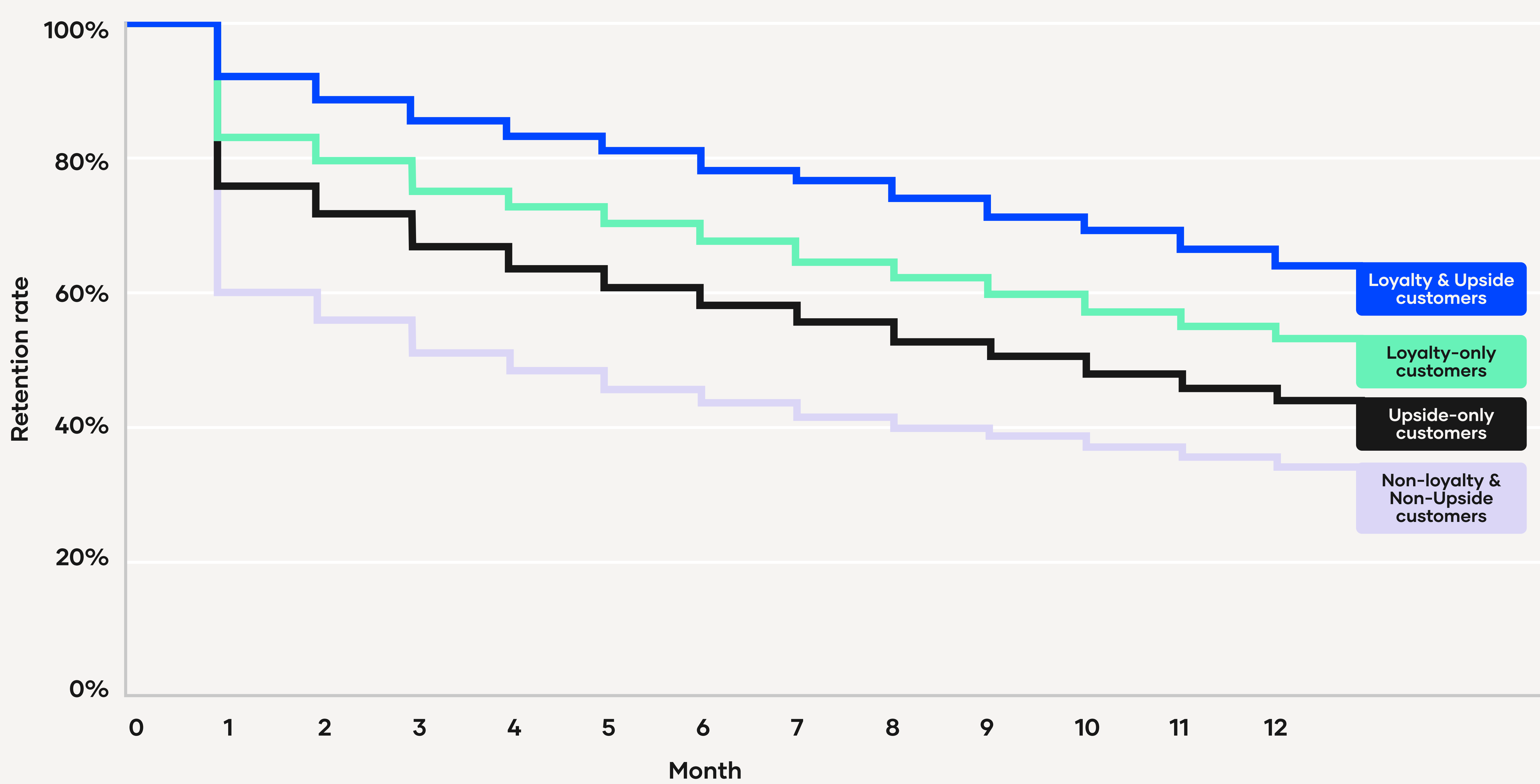
Capture attention while consumers go about their daily routines

Build habits and win more visits from uncommitted shoppers

Across billions of retail transactions through Upside, for example, we've seen over time how participating in a marketplace can drive stronger consumer retention.

The following chart plots consumer retention rates by the type of programming they use. It shows the impact that initiatives like loyalty and Upside have on retention, particularly in overcoming a key churn hurdle early in their experiences with the brand.

Customers using loyalty & Upside are most likely to return



Source: Upside transaction data from 5,543,997 customers at 2,589 grocery stores and fuel stations from March 2022 to February 2025. Retention rates calculated as sector averages.

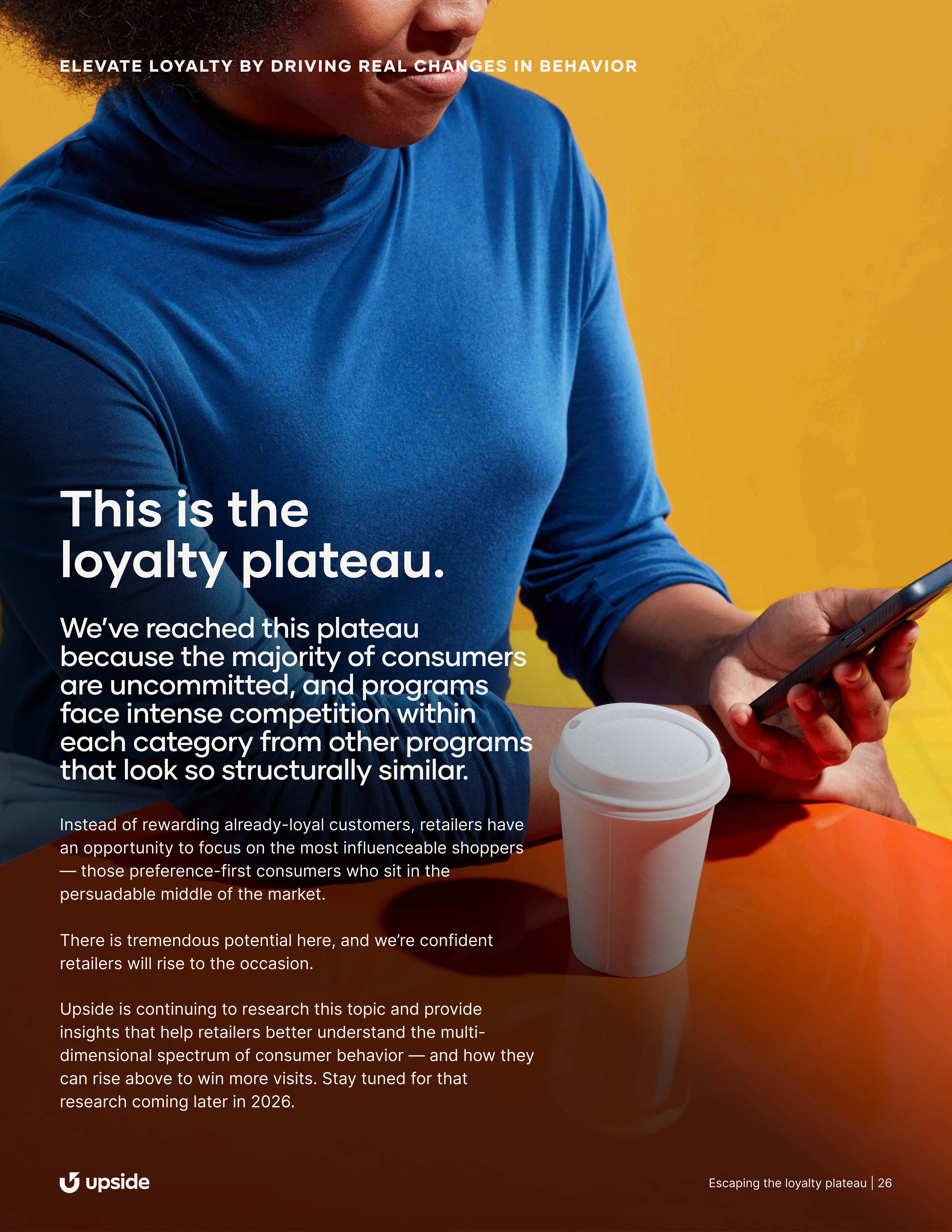
Independently, both loyalty and Upside are effective at reducing consumer churn. Together, though, they have the greatest impact — cutting down month-one churn by more than **30 percentage points** compared to general consumers.

05

Elevate loyalty by driving real changes in behavior

Consumers have made it clear: They expect their preferred brands to have a loyalty program. For that reason, retailers are right to invest in them.

Loyalty programs were originally designed to influence customer decision-making. Today, many programs now compete on enrollment rather than influence, leading to high participation but weaker behavioral impact. Therefore, they're not generating the kind of revenue that justifies the investment.



This is the loyalty plateau.

We've reached this plateau because the majority of consumers are uncommitted, and programs face intense competition within each category from other programs that look so structurally similar.

Instead of rewarding already-loyal customers, retailers have an opportunity to focus on the most influenceable shoppers — those preference-first consumers who sit in the persuadable middle of the market.

There is tremendous potential here, and we're confident retailers will rise to the occasion.

Upside is continuing to research this topic and provide insights that help retailers better understand the multi-dimensional spectrum of consumer behavior — and how they can rise above to win more visits. Stay tuned for that research coming later in 2026.

APPENDIX

1. **Consumer survey**
   a. The insights in this report are based on an Upside survey of 3,409 adult U.S. consumers from the general population, conducted from July 25 to August 10, 2025.
2. **Loyalty influence**
   a. Net influence score is calculated as the average of sum(agreement) - sum(disagreement) across the below five statements. A score of 100 occurs when all consumers agree to all statements, meaning their most-used loyalty program always influences their behavior. A score of -100 when all consumers disagree to all statements, meaning their most-used loyalty program never influences their behavior.
      i. Survey question: "Think about the loyalty program for [CATEGORY] that you use most often. How much, if at all, do you agree or disagree with the following statements?"
         1. Statements:
            a. "I choose to spend more to maximize the benefits I receive."
            b. "I select specific items to maximize the benefits I receive."
            c. "I choose when I shop to maximize the benefits I receive."
            d. "I have recommended the loyalty program I belong to, to others."
            e. "Since joining this loyalty program, I have purchased more often from this brand/ business."
3. **Consumer categorizations**
   a. To calculate each consumer's **price sensitivity** and **brand affinity**, we asked them to react to five statements for each factor. Each answer is scored on the Likert scale (below), and the consumer's final score for each factor is the average of their five answers.
      i. Strongly agree = 1
      ii. Agree = 0.5
      iii. Neither agree nor disagree = 0
      iv. Disagree = -0.5
      v. Strongly disagree = -1
   b. **Price sensitivity** statements
      i. "I regularly compare prices before purchasing from gas stations or convenience stores."
      ii. "I consider myself a careful spender at gas stations or convenience stores."
      iii. "Price is the main factor when I decide which gas stations or convenience stores to purchase from."
      iv. "I go out of my way to use promotions or discounts at gas stations or convenience stores."
      v. "Even if I like the current gas stations or convenience stores I purchase from, I would switch if I find a cheaper option."
   c. **Brand affinity** statements
      i. "I speak positively to my friends and family about the gas stations or convenience stores I purchase from."
      ii. "I trust gas stations or convenience stores that I'm familiar with more than ones I've never visited."
      iii. "I feel an emotional connection to certain gas stations or convenience stores."
      iv. "I feel proud to purchase from gas stations or convenience stores I really like."
      v. "The gas stations or convenience stores I purchase from have my interests at heart."
   d. **Brand affinity** statements
      i. "I speak positively to my friends and family about the gas stations or convenience stores I purchase from."
      ii. "I trust gas stations or convenience stores that I'm familiar with more than ones I've never visited."
4. **Survival analysis**
   a. Methodology
      i. In order to answer questions about how long a consumer will keep shopping and what factors predict higher or lower retention, Upside conducted a survival analysis. Survival analysis is an entire class of tests and models, but they all try to understand and predict some time-to-event which in this case is a time until a consumer churns.
      ii. The step functions are survival curves (aka "Kaplan-Meier estimators") that show the share consumers retained at each period of time. The primary, specific analysis is the Cox proportional hazard regression that calculates the marginal impact of a one-unit change in a variable on an outcome (e.g., one additional Upside transaction decreases churn by x%) while controlling for other variables.
      iii. The dependent variable is when a consumer churns, but where possible we look at retention instead (1 - % churn). Cox regression also produces confidence intervals and statistical significance.
      iv. We use a Static Cox regression, which predicts churn from consumer behavior at each store, aggregated across the entire year (i.e., one observation per consumer-site pair). This approach focuses on how program membership reduces churn.
         1. We exclude the event-defining transactions like the first transaction of the first month (since that identifies a consumer as a consumer) and, if present, the transaction in which they churn (since churn is defined as when the last transaction occurs). Excluding these event-defining transactions negates the problem of reverse causality where we try to measure the impact of transactions on churn when churn is defined by some of those same transactions.
         2. We include in the Cox regression controls for the unique effect of each store on retention as well as each retailer. (Note: Because we control for site and retailer effects, baseline retention rates from the model will not be the same as historical retention rates.)
   b. Data
      i. Our data for this analysis comes from transaction logs from grocery stores, restaurants, and gas stations open all months from March 2022 through February 2025.
      ii. Specifically, we narrow the analysis to the cohort of consumers who transacted in March 2023 and considered their 12 months of activity beforehand and 23 months afterwards:
         1. Look-back window: We define a consumer type (i.e., "new", "infrequent", "occasional", or "regular") from prior shopping behavior (12-month period).
         2. Measurement window: We observe the consumer's behavior, including the opportunity to churn (12-month period).
         3. Look-forward window: This is the maximum available time needed to define churn (12-month period).
      i. We focus on consumer-site pairs with each consumer identified either by an anonymized card ID. The total numbers of unique IDs and sites are the following:
         1. Grocery: 335 unique sites and 2,755,841 unique card IDs
         2. Fuel: 2,254 unique sites and 3,376,161 unique card IDs
         3. Restaurant: 1,498 unique sites and 2,140,237 unique card IDs
      ii. Note: counts are smaller when considering a subset (e.g., only new consumers).
   c. Limitations
      i. This analysis follows a single one-month cohort over a fixed time horizon. This means it does not take into account the seasonal differences about when a consumer transacts.
      ii. Additionally, the card-level analysis excludes cash and does not link to other cards from a shopper. This means a single consumer can be included at the same site within multiple cards. We repeated the analysis using loyalty IDs (not included in this report), with the results directionally the same, so we have high confidence that card ID in this analysis approximates the behavior of a true consumer.
      iii. Generally, we have limited access to high-quality loyalty data from retailers, so we were not able to break our analysis out by type of loyalty program.

About Upside

Upside is a digital marketplace that helps brick-and-mortar retailers reach 35+ million consumers nationwide. Through our personalized promotions, retailers can influence where customers choose to shop, redirecting more trips and spend to their stores. These targeted, one-to-one offers help retailers create meaningful value for different types of shoppers while maintaining profitable growth. For more information, get in touch with our team of retail experts.

Get in touch