

PERSONALIZED OFFERS ARE POWERFUL

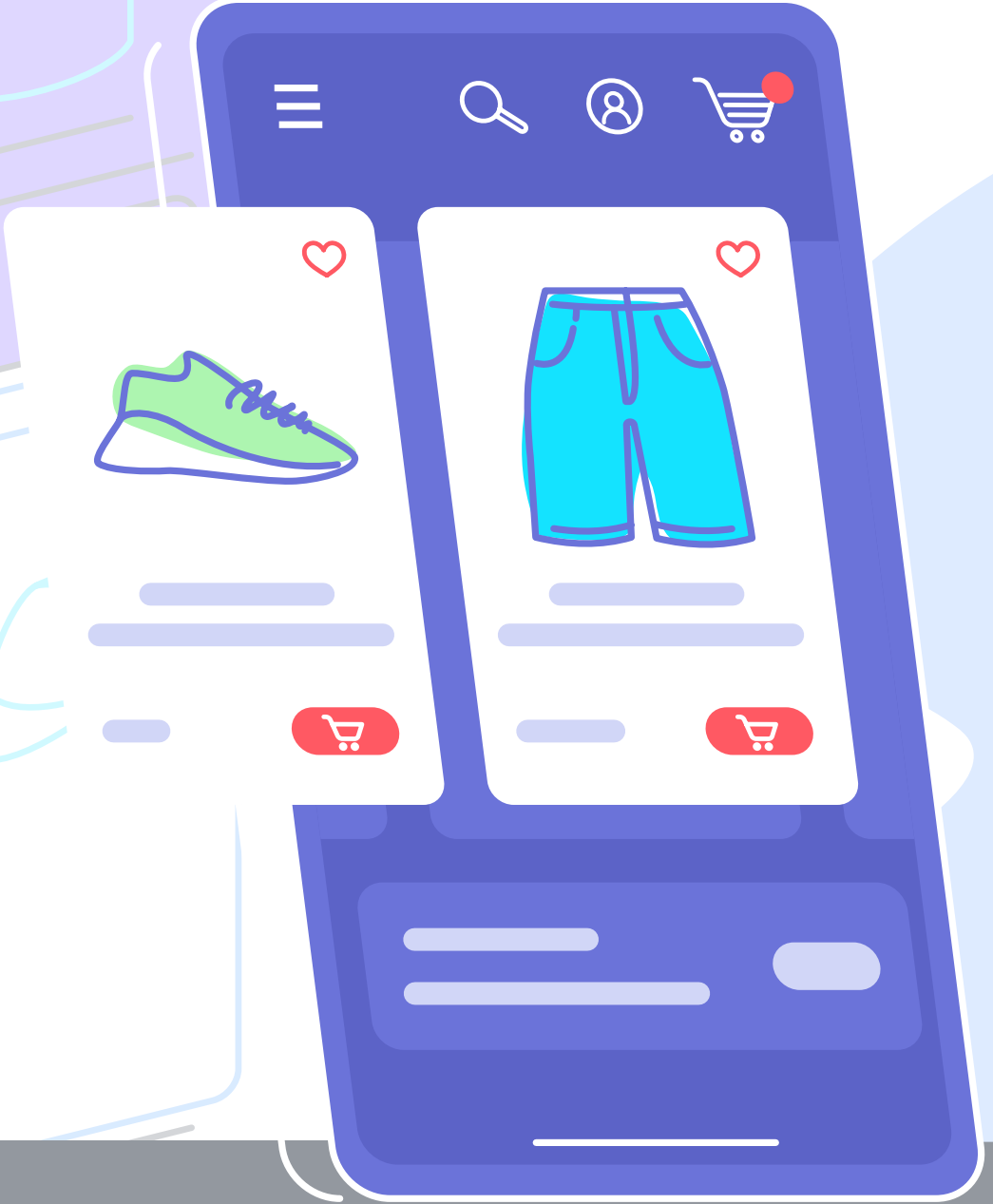
— BUT TOO OFTEN OFF-BASE

PYMNTS
INTELLIGENCE



January 2024

Personalized Offers Are Powerful — But Too Often Off-Base, a PYMNTS Intelligence and AWS collaboration, examines U.S. consumers' preferences regarding personalized merchant offers or credit card reward offers to investigate customer loyalty as a currency. We surveyed a census-balanced panel of 2,549 U.S. consumers from Oct. 11, 2023, to Oct. 26, 2023, to discover how they view the personalized offers they receive from merchants and what drives them to consider switching merchants.



PERSONALIZED OFFERS ARE POWERFUL

— BUT TOO OFTEN OFF-BASE

READ MORE _____



December 2023

Tracking the Digital Payments Takeover:

Consumer Familiarity Controls
Account-To-Account Payment Growth

PYMNTS
INTELLIGENCE



Personalized Offers Are Powerful — But Too Often Off-Base was produced in collaboration with Amazon Web Services, and PYMNTS Intelligence is grateful for the company’s support and insight. PYMNTS Intelligence retains full editorial control over the following findings, methodology and data analysis.

TABLE OF CONTENTS

Introduction	04
Key Findings	06
Conclusion	20
Methodology	21

Introduction

Personalized offers are emerging as a potential game changer for merchants, but despite this tactic's potential to provide a competitive edge and foster customer loyalty, crafting and distributing effectively personalized offers has remained elusive for merchants. PYMNTS Intelligence's latest data confirms that personalized offers can serve as powerful drivers of purchasing behaviors — but these offers often miss the mark with consumers.

Data shows that nearly half of consumers will likely switch to merchants that provide more relevant offers. Millennials, in particular, follow this trend and are 41% more likely than average to switch merchants in this situation. Personalization is not merely preferred but expected, and this evolution in consumer behavior means some merchants must update their capabilities to better meet individual customers' needs.

Why must these merchants strengthen their ability to make these offers? The data also highlights a crucial gap in personalization, with just 44% of consumers finding offers very relevant to their needs. It is not enough to be loosely personalized; merchants must have data-driven strategies to accurately understand and address the specific consumers they are targeting to enhance consumer engagement and foster loyalty in a competitive market.

Personalized Offers Are Powerful — But Too Often Off-Base, a PYMNTS Intelligence and AWS collaboration, examines U.S. consumer preferences about personalized merchant offers or personalized credit card rewards to investigate customer loyalty as a currency. The report is based on a census-balanced panel of 2,549 U.S. consumers surveyed from Oct. 11, 2023, to Oct. 26, 2023.

This is what we learned.

Nearly half of the consumers who receive relevant offers are likely to switch merchants to take advantage of those offers. Appropriately tailoring offers to a consumer's specific needs and interests doubles the chances the consumer will switch merchants.

One of the powers of personalized offers is the ability to incentivize consumers to break their routines and shop with new merchants specifically for the offer. Millennials have spearheaded this trend, as 41% report being likely to switch for better personalization, and Generations Z and X aren't far behind, at 34% and 26%, respectively. Baby boomers and seniors are the least incentivized to switch merchants based on offer personalization. Even so, roughly 1 in 8 would likely switch.

FIGURE 1A:

How consumers prefer to receive merchant offers

Share of consumers who prefer receiving personalized offers from merchants via select methods, by generation

	Baby boomers and seniors	Generation X	Millennials	Generation Z
• Email	65.1%	68.2%	62.9%	51.5%
• In the mail	39.9%	28.9%	20.9%	14.8%
• Text messages	21.2%	29.1%	33.0%	29.6%
• Mobile app notifications	8.5%	22.0%	29.3%	29.6%
• Social media ads	3.7%	11.1%	24.6%	24.3%
• Website pop-ups	4.8%	5.5%	11.8%	19.2%

Source: PYMNTS Intelligence

Personalized Offers Are Powerful — But Too Often Off-Base, January 2024

N = 2,549: Complete responses, fielded Oct. 11, 2023 – Oct. 26, 2023

41%

Share of millennials who report they are highly likely to switch to merchants providing personalized offers

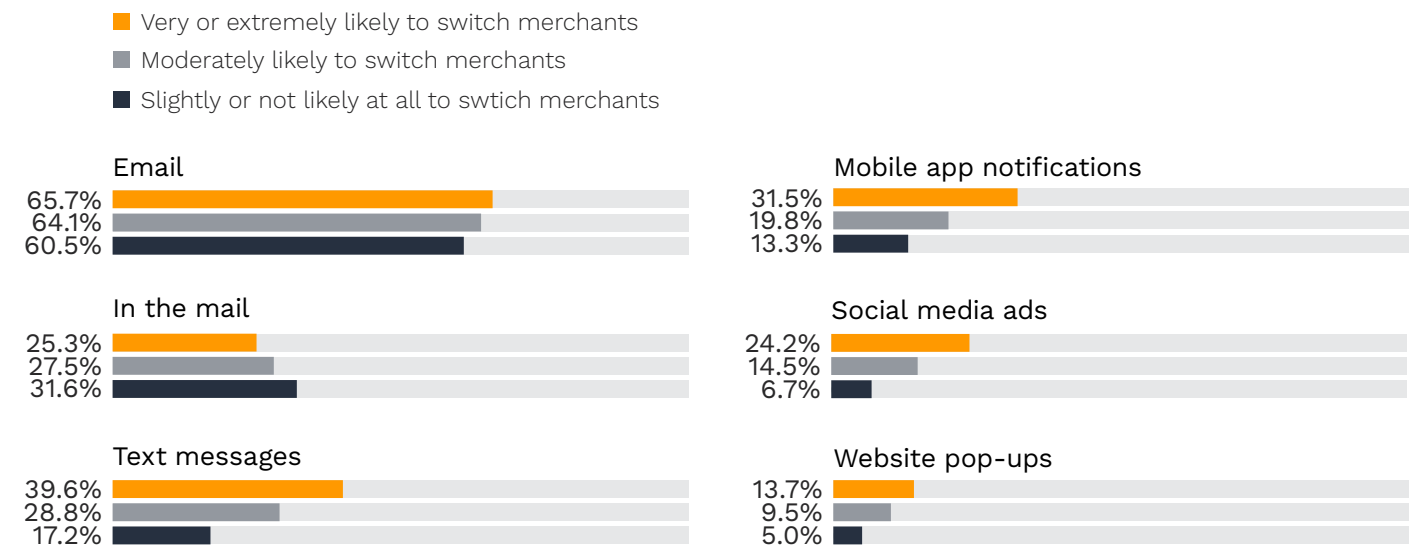
Consumers are more likely to switch merchants if the personalized offer is easy to act on, highlighting the importance of the delivery method. What is considered “easy” is also different across generations, with consumers gravitating toward platforms common to their generation. Although two-thirds of consumers prefer to receive an offer via email, a more nuanced cut of the data confirms what you would expect: Younger consumers gravitate to digital offer formats such as texts, apps, social media and even pop-ups, while older generations prefer receiving offers in the mail. These generational delivery preferences underscore why merchants must adapt their delivery methods to their audience, ensuring accessibility and appeal across the board.

Merchants should not just blanket customers with options via phone, mail, email and other outlets, however. On average, consumers prefer to receive offers across 1.7 channels, suggesting that some variety is welcome, but any more proliferation may yield diminishing returns for merchants.

FIGURE 1B:

How consumers prefer to receive merchant offers

Share of consumers who prefer receiving personalized offers from merchants via select methods, by how likely they are to switch merchants if offered more personalized rewards



Source: PYMNTS Intelligence

Personalized Offers Are Powerful — But Too Often Off-Base, January 2024

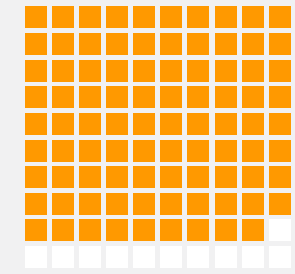
N = 2,549: Complete responses, fielded Oct. 11, 2023 – Oct. 26, 2023



Facial recognition and personalized offers garner significant consumer interest: One-third deem them crucial to their shopping experiences, especially millennials and high-income consumers.

The significant interest in receiving personalized offers — 83% of consumers are receptive to them — is spotlighting their growing importance to merchants. More than 7 in 10 consumers have received a personalized offer in the last 30 days, meaning they are becoming ubiquitous in the market. Just 17% of consumer respondents had no interest in receiving personalized offers, whereas one-third of all consumers consider personalized offers crucial to their shopping experiences. Again, this trend is particularly pronounced among millennials, with 45% considering personalized offers very or extremely important.

89%



Share of high-income consumers who receive and are extremely interested in personalized offers

Likewise, more than one-third of high-income earners are extremely interested in personalized offers. High-income consumers are also more likely than average to receive and be interested in receiving tailored offers, at 89%. For comparison, younger consumers also tend to place greater value on offer personalization, with 89% of millennials and 85% of Gen Z consumers expressing some interest in any offer.

This distinct preference for tailored offers among younger and more affluent consumers suggests a valuable opportunity for merchants to focus their marketing efforts on personalization to cater to these key demographic segments and build high-value customer engagement and long-term loyalty.

FIGURE 2A:

Consumer interest in personalized offers

Share of consumers expressing interest in receiving personalized offers

70.8%
Received personalized offers and are interested in them

12.8%
Did not receive personalized offers and are not interested

11.8%
Did not receive personalized offers, but are interested

4.6%
Received personalized offers, but are not interested

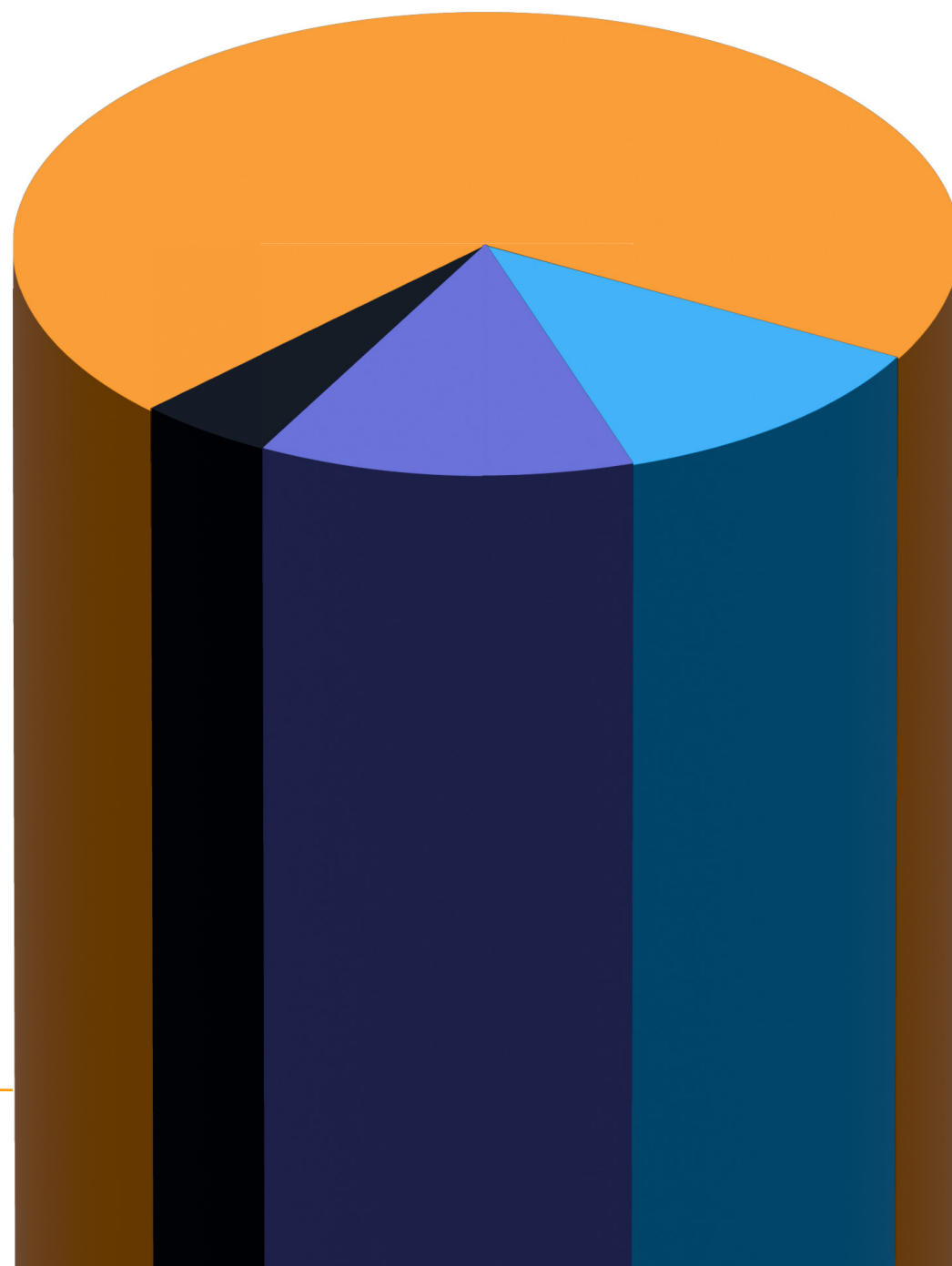
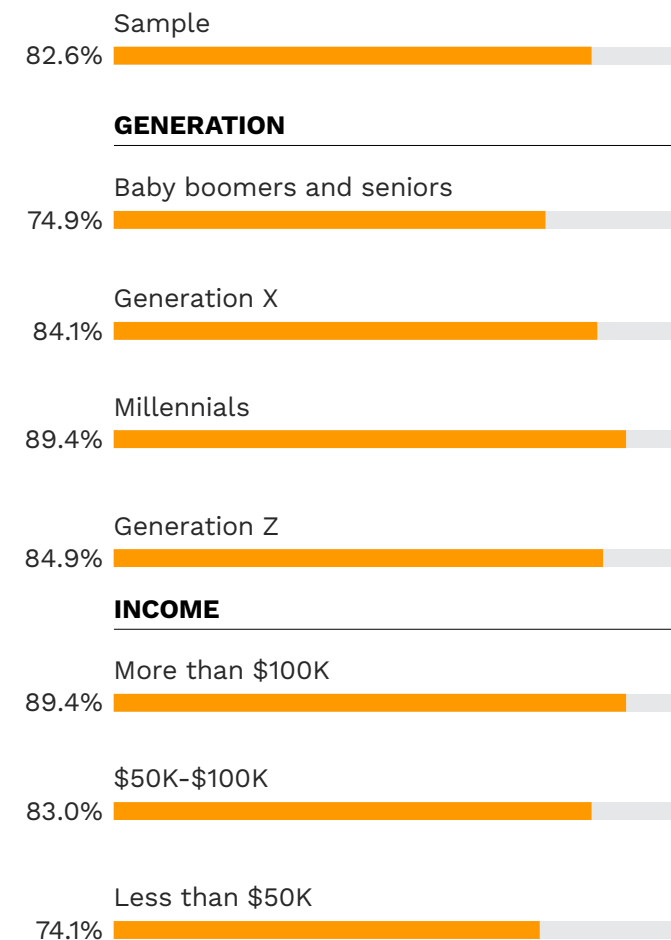


FIGURE 2B:

Consumer interest in personalized offers

Share of consumers interested in receiving personalized offers, by demographic



Source: PYMNTS Intelligence
Personalized Offers Are Powerful —
But Too Often Off-Base,
January 2024
N = 2,549: Complete responses,
fielded Oct. 11, 2023 – Oct. 26, 2023

Source: PYMNTS Intelligence
Personalized Offers Are Powerful —
But Too Often
Off-Base, January 2024
N = 2,549: Complete responses,
fielded Oct. 11, 2023 – Oct. 26, 2023

Just 44% of consumers who received tailored offers say the offers were very relevant to their needs, indicating that most offers need better personalization to be more effective.

We found that 24% of consumers rank personalization as an offer’s most important factor. This sentiment jumps to 36% among those who say merchants are not properly tailoring current offers to their needs. This dynamic reveals that consumers currently receiving poorly tailored offers tend to place greater weight on personalization. Therefore, improving the accuracy of the data that informs merchants how to successfully send personalized offers to targeted consumers could be key to effectively tapping prospective customer bases across demographics.

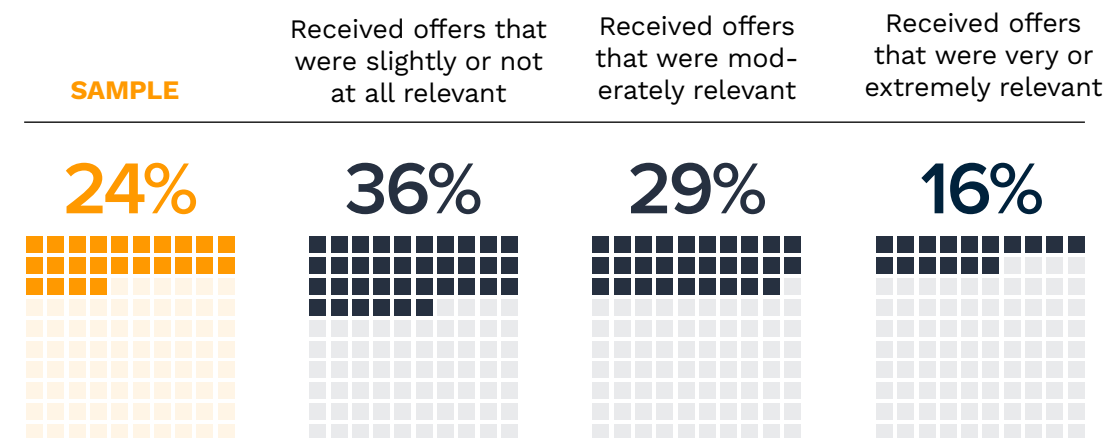
Forty percent of consumers find the offers they receive just somewhat relevant, and 17% deem them completely irrelevant. Moreover, consumers who believe they receive offers that are not relevant to them report that the discount amount of the offer is less of a purchase incentive than those who received well-tailored offers, indicating that personalization can be more effective than simple monetary discounts. This nuance suggests that the true value of personalizing an offer to a consumer lies in how tightly the merchant tailors it to that consumer’s preferences rather than how much the discount is.

Because data analytics are crucial for improving personalization accuracy, tools that can parse through large volumes of consumer data to identify patterns, preferences and behaviors will prove to be critical for merchants looking to create more precise and relevant marketing campaigns. Adopting a more targeted approach can lead to higher engagement rates, better conversion rates and a more efficient allocation of marketing resources to improve the return on investment for advertising efforts.

FIGURE 3:

The relevance of relevance

Share of consumers who cite “relevance” as the most important factor influencing their purchase decisions, by perceived relevance of the offers they receive



Source: PYMNTS Intelligence
 Personalized Offers Are Powerful — But Too Often Off-Base, January 2024
 N = 1,902: Respondents who received personalized offers from merchants in the last 30 days fielded Oct. 11, 2023 – Oct. 26, 2023

Monetary offers are the biggest purchase incentive for more than half of consumers. However, well-personalized, non-monetary offers can also build customer loyalty without handing out yet another discount.

While non-monetary incentives, such as exclusive access to new products or personalized recommendations, are appealing, another finding in our data is that they hold less sway than savings-based incentives. Fifty-eight percent of consumers express interest in discount and promotion offers, and 56% value free shipping. The most influential factors in past purchases are the discount amount, cited by 36% of consumers, and the offer's relevance to individual needs, cited by 24%. Finally, low-income consumers express little to no interest in non-monetary offers, such as exclusive access and personalized product bundles. Still, this demographic is the most likely to prefer free shipping over other alternatives.

FIGURE 4A:**Consumers' most wanted offers**

Share of consumers citing the personalized offers they are most interested in receiving from merchants in the next three months, by generation

	Baby boomers and seniors	Generation X	Millennials	Generation Z
• Discounts and promotions	49.2%	50.9%	43.0%	33.1%
• Free shipping	37.7%	31.5%	21.2%	33.5%
• Birthday or anniversary discounts	3.7%	3.8%	6.9%	3.9%
• Exclusive access to new products	0.3%	1.4%	8.2%	9.0%
• Location-based offers	3.0%	3.9%	5.2%	2.6%
• Product recommendations based on previous purchases	2.5%	2.2%	5.0%	6.1%
• Personalized product bundles	1.0%	1.7%	3.6%	7.5%
• Shipping upgrades	2.2%	2.7%	3.3%	2.4%
• Offers based on lifestyle changes or events	0.4%	2.0%	3.6%	1.9%

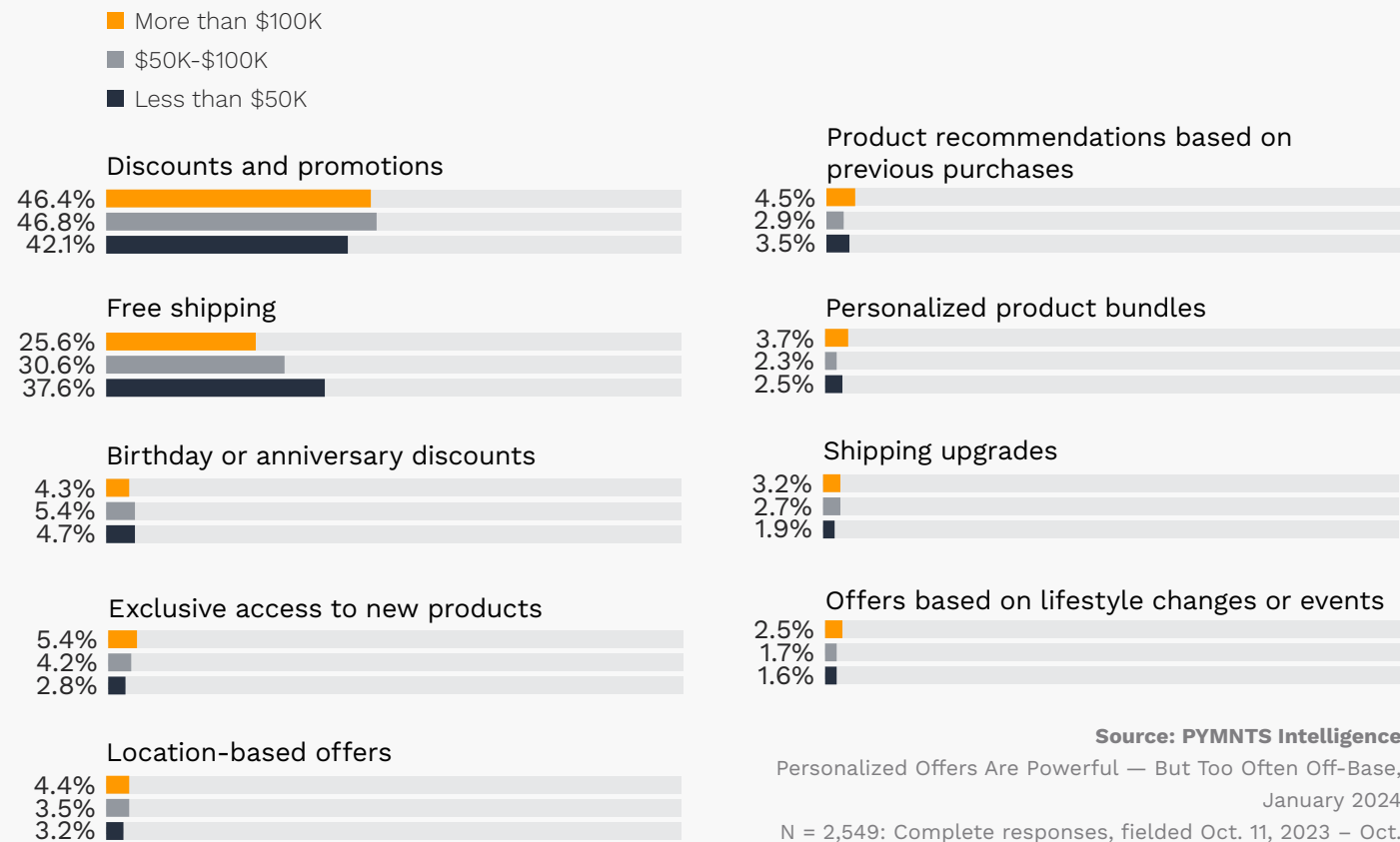
Source: PYMNTS Intelligence

Personalized Offers Are Powerful — But Too Often Off-Base, January 2024
N = 2,549: Complete responses, fielded Oct. 11, 2023 – Oct. 26, 2023

FIGURE 4B:

Consumers' most wanted offers

Share of consumers citing the personalized offers they are most interested in receiving from merchants in the next three months, by annual income



Source: PYMNTS Intelligence
 Personalized Offers Are Powerful — But Too Often Off-Base,
 January 2024
 N = 2,549: Complete responses, fielded Oct. 11, 2023 – Oct. 26, 2023

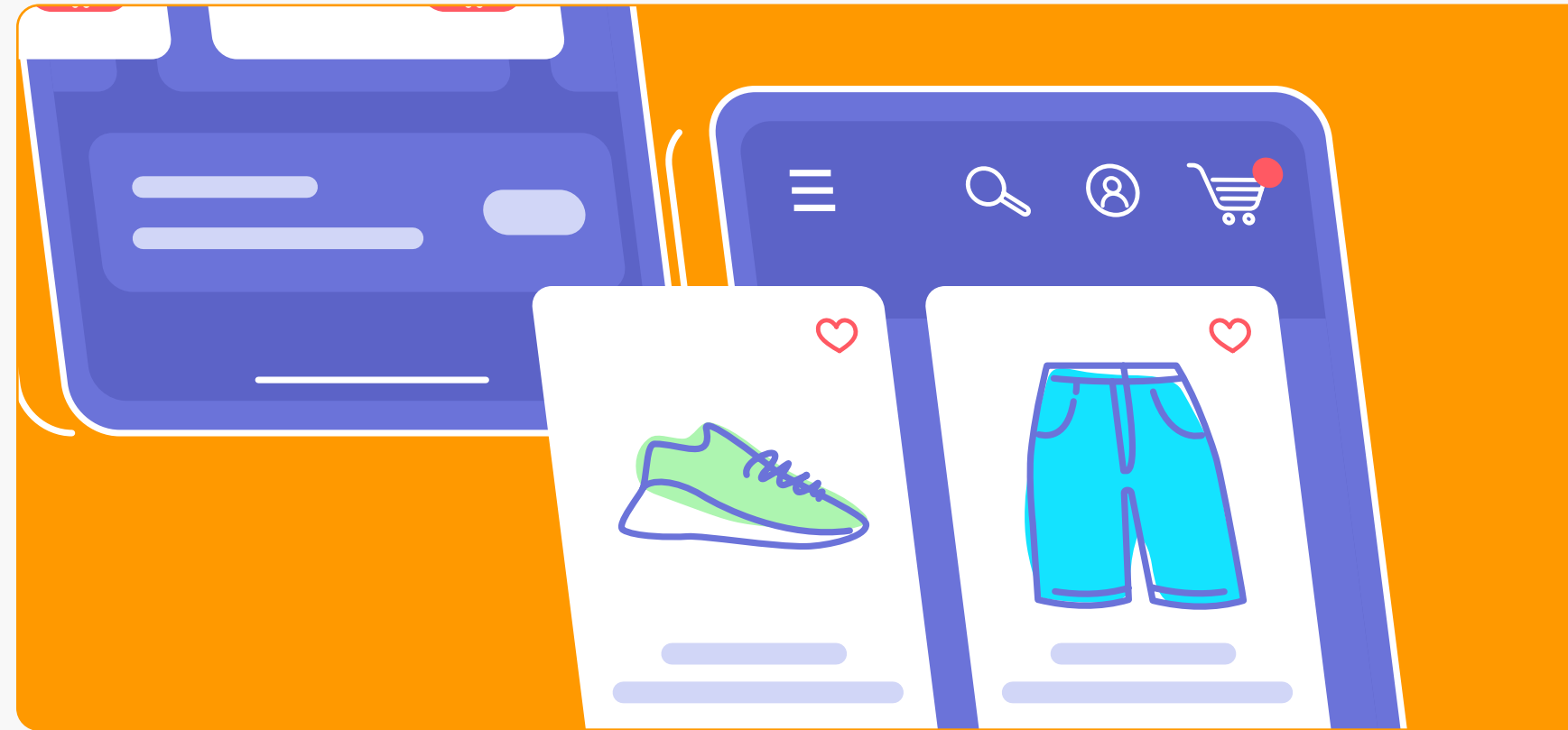
Gen Z and millennial consumers are more likely than other age groups to be interested in receiving offers with no monetary incentives: 9% of Gen Z and 8% of millennials say the most interesting offer they could receive is exclusive access to new products. They are also more likely to value product recommendations and personalized product bundles. Gen Z and millennial consumers are more than twice as likely as other generations to favor product recommendations. Ultimately, the data suggests that monetary and non-monetary incentives cooperate to impact consumers' decision-making.

“
 Gen Z and millennials are more likely than other age groups to be interested in receiving offers with no monetary incentives.
 ”

Conclusion

Successful personalization can pay dividends for merchants that take a comprehensive approach and integrate data management, customer segmentation and multichannel strategies to cater to diverse consumer groups. These moves can incentivize nearly half of customers to switch to them — if the offer is relevant enough. Although personalizing to this degree is crucial, implementing it is challenging, with potential roadblocks including difficulties gauging consumer needs and preferences and utilizing technology effectively to ensure a seamless and impactful consumer experience.

With just 44% of consumers finding offers very relevant to their needs, however, merchants must bridge the substantial gap currently present in effective personalization. For eCommerce platforms, this means prioritizing data-driven approaches that accurately gauge and respond to consumer preferences. By addressing these, businesses can unlock new avenues for customer engagement, driving both sales and long-term loyalty in a market that remains very competitive.



Methodology

Personalized Offers Are Powerful — But Too Often Off-Base, a PYMNTS Intelligence and AWS collaboration, examines U.S. consumer preferences regarding personalized merchant offers or personalized credit card rewards to investigate customer loyalty as a currency. We surveyed a census-balanced panel of 2,549 U.S. consumers from Oct. 11, 2023, to Oct. 26, 2023, to discover how they view the personalized offers that merchants send and what drives them to consider switching merchants. Fifty-one percent of respondents identified as women, 33% had a college degree, the average age was 47 and 38% annually earned more than \$100,000.

About



Amazon Web Services (AWS) is the world's most comprehensive and broadly adopted cloud platform, offering more than 200 fully featured services from data centers globally. Millions of customers — including the fastest-growing startups, largest enterprises and leading government agencies — are using AWS to lower costs, become more agile and innovate faster.

To learn more, visit <https://aws.amazon.com/>.



PYMNTS Intelligence is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts, and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multi-lingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

THE PYMNTS INTELLIGENCE TEAM THAT PRODUCED THIS REPORT

Scott Murray
SVP and Head of Analytics

Story Edison
Senior Analyst

Adam Putz
Senior Writer

Personalized Offers Are Powerful — But Too Often Off-Base may be updated periodically. While reasonable efforts are made to keep the content accurate and up to date, PYMNTS MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, REGARDING THE CORRECTNESS, ACCURACY, COMPLETENESS, ADEQUACY, OR RELIABILITY OF OR THE USE OF OR RESULTS THAT MAY BE GENERATED FROM THE USE OF THE INFORMATION OR THAT THE CONTENT WILL SATISFY YOUR REQUIREMENTS OR EXPECTATIONS. THE CONTENT IS PROVIDED “AS IS” AND ON AN “AS AVAILABLE” BASIS. YOU EXPRESSLY AGREE THAT YOUR USE OF THE CONTENT IS AT YOUR SOLE RISK. PYMNTS SHALL HAVE NO LIABILITY FOR ANY INTERRUPTIONS IN THE CONTENT THAT IS PROVIDED AND DISCLAIMS ALL WARRANTIES WITH REGARD TO THE CONTENT, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT AND TITLE. SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OF CERTAIN WARRANTIES, AND, IN SUCH CASES, THE STATED EXCLUSIONS DO NOT APPLY. PYMNTS RESERVES THE RIGHT AND SHOULD NOT BE LIABLE SHOULD IT EXERCISE ITS RIGHT TO MODIFY, INTERRUPT, OR DISCONTINUE THE AVAILABILITY OF THE CONTENT OR ANY COMPONENT OF IT WITH OR WITHOUT NOTICE.

PYMNTS SHALL NOT BE LIABLE FOR ANY DAMAGES WHATSOEVER, AND, IN PARTICULAR, SHALL NOT BE LIABLE FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, OR INCIDENTAL DAMAGES, OR DAMAGES FOR LOST PROFITS, LOSS OF REVENUE, OR LOSS OF USE, ARISING OUT OF OR RELATED TO THE CONTENT, WHETHER SUCH DAMAGES ARISE IN CONTRACT, NEGLIGENCE, TORT, UNDER STATUTE, IN EQUITY, AT LAW, OR OTHERWISE, EVEN IF PYMNTS HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

SOME JURISDICTIONS DO NOT ALLOW FOR THE LIMITATION OR EXCLUSION OF LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES, AND IN SUCH CASES SOME OF THE ABOVE LIMITATIONS DO NOT APPLY. THE ABOVE DISCLAIMERS AND LIMITATIONS ARE PROVIDED BY PYMNTS AND ITS PARENTS, AFFILIATED AND RELATED COMPANIES, CONTRACTORS, AND SPONSORS, AND EACH OF ITS RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, EMPLOYEES, AGENTS, CONTENT COMPONENT PROVIDERS, LICENSORS, AND ADVISERS.

Components of the content original to and the compilation produced by PYMNTS is the property of PYMNTS and cannot be reproduced without its prior written permission.