

Incorporating ESG (environment social governance) into customer loyalty initiatives

According to Zsuzsa Kecsmar, Chief Strategy Officer at Antavo, customer loyalty is going to have much more weight as we navigate waves of uncertainty during the current economic recession.

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Loyalty programs are a proven way of attracting customers. Market research from 2022 stated that the loyalty management market will grow to \$18.2B by 2026. But in an economic downturn, it's all about retention; and a loyalty initiative can be the difference between your best customer staying or going elsewhere.

Businesses are aware of this Based on our Global Customer Loyalty Report 2023, 88.5% said they trusted customer loyalty initiatives to help them overcome the inflation crisis and potential recession. And for a good reason: the same research discovered that companies with a successful loyalty program generate 4.9 times more revenue than they cost. But can loyalty programs benefit more than just the company that owns them?

In the aforementioned report, 78.6% of respondents said they were likely to revamp their current program. They pointed at supporting ESG (Environmental, Social, and Governance) causes as one of three priorities. That's because by incorporating ESG into your program, you can engage in a far deeper and more impactful way with your customers. As Adam Posner, CEO and founder of The Point of Loyalty said: "...Loyalty

programs can and must keep evolving from one-dimensional rewards for transactional behaviours to giving members more choice with how they earn and redeem their rewards for the greater good of their members' lives and society."

These programs make it easy for people to do good and to feel good about it. This sentiment is backed up by *a PWC report*, timed around COP26, found that 83% of consumers "think companies should be actively shaping ESG best practices."

Companies lighting the way for ESG include *Patagonia*, who allow customers to trade in old clothes for credits; *Etihad Airways* whose Guests rewards program supports sustainability; *BrewDog*, who offers special badges for those who offset their carbon footprint by purchasing eco-friendly products, as well as *Bergzeit*, who offers bonus points to members who achieve new mountaineering milestones. Companies need to follow in the footsteps of these brands and research their membership to *find an ESG proposition* that resonates with their core audience..

One thing is clear: customers appreciate these kinds of efforts. According to a 5W PR's report, *83% of millennials say* it's important for them that the companies they buy from align with their beliefs and values. Indeed, it goes further than that. In the same survey, 76% of consumers said that they would discontinue relations with companies that treat employees, communities and the environment poorly. ESG now plays a role in helping people select companies that they want to give their custom.

This isn't a call to throw a huge amount of money at creating a loyalty program - especially in today's economic climate. With a little creativity, you can even save money. Companies need to hone down what they want to achieve from their program and once the concept is nailed down; you can then think about how ESG can be incorporated. Getting rid of plastic loyalty cards is a great starter as is looking at what other companies are

doing in your sphere.

I would add that launching and running such a forward-thinking loyalty program shouldn't be just one department's responsibility. In order to succeed, multiple experts from multiple departments should collaborate. Amongst them, business analysts are key as they can give companies the insight into what matters to customers - whether present or future.

Also remember that loyalty is not a one-time investment. Companies must continuously spend on management, but also the technology needs to be evolved and revamped over time. This will also ring true for ESG offerings as companies need to react to the changing concerns of their customers. Data analytics and customer surveys are absolutely key in this as is keeping on top of world developments and news.

In the present climate, it isn't really a question of whether companies *should engage in ESG* but how and when. PWC stated in its 2021 report, *Beyond compliance*, that 91% of business leaders say they believe their company has a responsibility to act on ESG issues. With the added benefits of retaining customers; building loyalty and, despite the economic conditions, potentially attracting new customers; this is a win for all companies as well as the causes they choose to support.

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