

# Loyalty program analytics



Today's consumer and retail companies are facing numerous pressures, including digital disruption, changing consumer preferences, rising costs, increased competitive intensity and diminishing brand loyalty. One way to establish or reestablish brand loyalty and attract new customers/convert existing customers into repeat customers is through customer loyalty programs. The Economic & Statistical Consulting (ES) professionals in the KPMG Economic & Valuation Services (EVS) practice provide insight and practical knowledge for loyalty program analytics including breakage rate analysis for financial reporting purposes. Our value lies in our deep-bench strength of professionals and the experience we have gleaned working with our diverse client base across many industries.



## Breakage rate analytics

Breakage rate estimate is a critical input in determination of deferred liability for financial reporting purpose. Breakage rate can significantly affect the interim P&L of a company if the modeling exercise results in excessive fluctuations in breakage rates over time. Our team has experience in developing robust and statistically sound breakage models that withstands auditor scrutiny for financial reporting purposes.

KPMG has assisted commercial clients in performing breakage analysis for their mileage/reward loyalty programs as well as conducted statistical analysis to estimate account attritions for multiple commercial banks.

- KPMG performed statistical analyses to determine the bank account attritions for multiple commercial banks.
- KPMG has recently been engaged by a large corporation in the hospitality industry with international operations to assist the company with the estimation of breakage rate for its new customer loyalty program.



## Consumer analytics

KPMG helps our clients perform customer satisfaction surveys and conduct consumer analytics to understand the spending behaviors of the loyal/non-loyalty customers, responses to various marketing strategies and push notifications, and/or assess the effectiveness of loyalty programs. As part of the process, KPMG can:

- Conduct large-scale and cost-effective surveys to understand customer perceptions of the company brand, loyalty program offerings and marketing channels, and other key factors that affect customer decision-making.
- Develop quantitative metrics to assess effectiveness of loyalty programs and various marketing campaigns.
- Use Big Data to track and analyze transaction data at customer and/or product level to better understand customer behavior. Using this data, KPMG can:
  - Create customer segmentations based on historical spending/redemption patterns to inform targeted marketing campaign and promotion offerings.
  - Analyze customer responsiveness to promotion offerings to inform designs of personalized rewards and email notifications at the individual level.
  - Develop data-driven insights on key characteristics of low spending loyalty customers and/or non-loyalty members and design offerings that help increase customer retention/attraction.
  - Understand key differences between loyalty members and non-loyalty members to inform effective outreach channels and increase loyalty program participation.
  - Understand customer behavior related to prescriptions at pharmacy and develop predictive models that help inform fulfillment decisions at individual locations.
  - Automate customer analytics using real-time data and develop visualization dashboards to track customer spending behaviors and KPI trends (particularly at the inception of a new/restructure loyalty program)

## Contact us

### Uma Radhakrishnan

*Principal*

*Economic and Valuation Services*

**T:** 703-286-8726

**E:** [uradhakrishnan@kpmg.com](mailto:uradhakrishnan@kpmg.com)

### Elizabeth Shi

*Senior Manager*

*Economic and Valuation Services*

**T:** 703-286-8086

**E:** [liweishi@kpmg.com](mailto:liweishi@kpmg.com)

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