Loyalty program analytics

Today's companies face numerous challenges and pressures, including generative artificial intelligence and digital disruptions, changing consumer preferences, rising costs, increased competitive intensity, heightened geoeconomic risks, and diminishing brand loyalty. One way to establish or reestablish brand loyalty and attract new customers/convert existing customers into repeat customers is through establishment and/or reform of customer loyalty programs. The Economic & Statistical Consulting professionals in the KPMG LLP (KPMG) Economic & Valuation Services practice provide organizations the data-driven insight and industry-specific knowledge in loyalty program analytics, including breakage rate estimation and reward liability valuation 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 different industries.

Breakage rate analytics

Breakage rate estimate is a critical input in determination and valuation of deferred liability for financial reporting purposes. Breakage rate can significantly affect the interim profit and loss 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 rate models that stand auditor's scrutiny for financial reporting purposes. KPMG assisted commercial clients in performing breakage analysis for their mileage/reward loyalty programs as well as conducting statistical analysis to estimate account attritions for multiple commercial banks:

- KPMG performed statistical analyses to determine the fair value of mileage credits for a large international airlines company. We estimated the fair value per mile and developed a breakage analysis to estimate the ultimate redemption rate of the miles and determined the corresponding award liability for financial reporting purposes.
- KPMG reviewed and/or developed parallel models for the breakage rate estimations using machine learning algorithms and other sophisticated forecasting models as part of an assessment of the breakage estimates multiple airlines developed for financial reporting purposes.
- KPMG performed breakage analysis for a large retail company's credit card program to estimate the percentage of the reward points that will be redeemed prior to expiration.
- KPMG performed statistical analyses to estimate the bank account and loan account attritions for multiple commercial banks.
- KPMG assisted a large corporation in the hospitality industry with international operations with development of a breakage rate model for the purpose of estimating breakage rate for its new customer loyalty program on a periodic basis.

KPMG assisted international cruise operators with estimation of breakage rates of various cruise credit programs for financial reporting purposes.

KPMG performed rewards payable valuations for multiple commercial clients as part of technical accounting support for merger and acquisition transactions. Breakage rate estimates were developed using the respective reward program data as a key input for developing a fair value estimate of the rewards payable liability for financial reporting purposes.

Consumer analytics

KPMG can help our clients perform customer satisfaction surveys and conduct consumer analytics to understand the spending behaviors of the loyalty program members/non-loyalty-program customers, their responses to various marketing strategies and push notifications, and/or assess the effectiveness of the loyalty program:

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 individual level

Develop data-driven insights on key characteristics of low-spending loyalty program customers and/or non-loyalty-program members and design offerings that help increase customer retention attraction

Understand key differences between loyalty program members and non-loyalty-program 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 location

Automate customer analytics using real-time data and develop visualization dashboards to track customer spending behaviors and key performance indicator trends (particularly at the inception of a new/restructure loyalty program)

Contact us

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