

Consumer Insights



Gen Z preferences signal a potential shift in consumer loyalty programs

Successful brands understand how to use social media and gamification to get on younger consumers' radar, but using them to earn their trust may be the key to staying there. By leveraging these tools as part of a targeted loyalty program, businesses can forge meaningful connections with Gen Z—a demographic poised to drive virtually all spending growth through 2035 (Fig. 1).

While traditional credit card rewards such as points and cash back are popular with other generations, the one-size-fits-all approach is a turn-off for Gen Z consumers, 41 percent of whom say they are dissatisfied with current reward structures.¹ Gen Z gravitates toward brands and rewards that speak to them on a more personal level by recognizing their life stage, sharing their values, engaging them on their preferred devices and social media platforms, and offering exclusive in-person experiences or tailored flash sales.² Conventional loyalty programs, rooted in transactional exchanges, are ripe for a makeover.

Soaring costs of living and a growing emphasis on sustainability and social responsibility may also be fueling the demand for loyalty programs that resonate on a personal and emotional level. Millennials, already at the prime of their purchasing power, and Gen Z, rapidly approaching it, are prime targets for businesses seeking to adapt.

August 2024

Bruce Cundiff
Vice President
bcundiff@visa.com

Michael Nevski
Director
mnevski@visa.com

Mariamawit Tadesse
Global Economist
mtadesse@visa.com

Key Points:




-  41 percent of Gen Z cardholders are dissatisfied with their credit rewards
-  Gen Z will account for virtually all spending growth through 2025
-  Social media platforms may provide a conduit to more emotionally-driven rewards and brand loyalty

Fig. 1: Gen Z spending growth through 2025
Annual average growth in U.S. real personal consumption expenditures by generation, 2022-2035

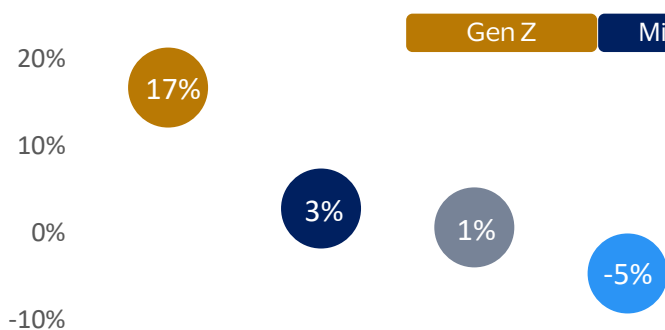
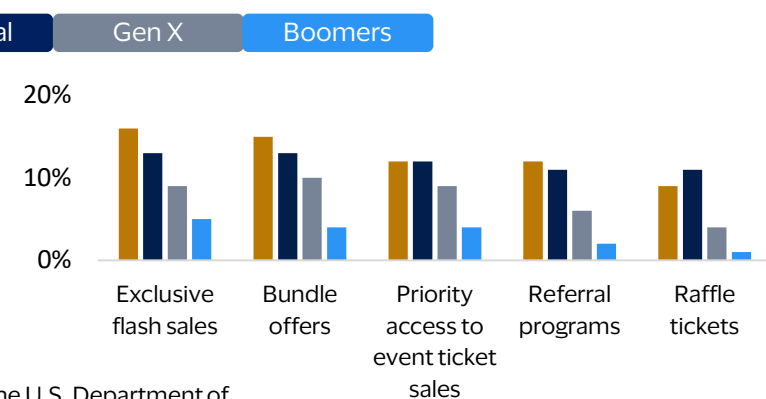


Fig. 2: Generational interest in reward types
Share of consumers who want card providers to offer select credit card rewards, by generation



Sources: Visa Business and Economic Insights analysis of data from the U.S. Department of Commerce, U.S. Department of Labor, and Congressional Budget Office; PYMTS Intelligence.



Evolving from transactional to meaningful exchanges

Businesses have already begun to embrace this shift, elevating their rewards programs from mere financial incentives to cherished experiences, thereby fostering loyalty that transcends the transactional. Various innovative loyalty program strategies are emerging to cater to changing consumer preferences and behaviors, such as:

- **Green loyalty initiatives** incentivizing sustainable choices, such as offering cash back for renting eco-friendly vehicles through partnerships with environmentally conscious brands.
- Brands embracing **Web 3.0 technology**, engaging digitally savvy consumers through novel approaches like offering NFT collectibles.
- Loyalty programs supporting **local businesses**, which resonate with consumers who value community involvement, fostering stronger connections and retention.
- Travel companies shifting focus to **leisure travelers**—despite slower recovery in business travel post-pandemic—through lifestyle loyalty schemes, rewarding activities rather than purchases. Several airlines have partnered with non-travel companies to maintain customer loyalty.

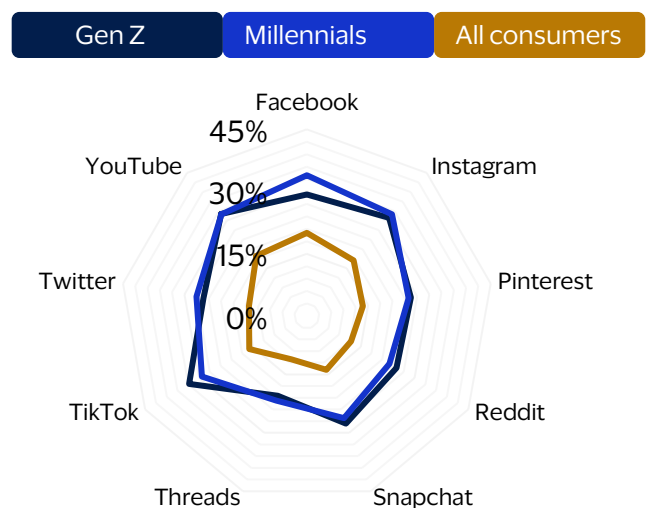
Social media as a conduit to gamification and commerce

Social media exposes consumers to new products, trends, and user reviews, making shopping on social media marketplaces an inherently interactive and emotionally engaging process. Social media platforms are increasingly evolving into e-commerce hubs, creating a new retail landscape known as social commerce. By 2025, social commerce is projected to triple traditional B2C e-commerce growth.³ This transition enables consumers to interact with brands, influencers, and shop within the same platform, revolutionizing the consumer journey and redefining social media as the shopping mall of the 21st century.⁴ Social media payment is more prevalent among Gen Z and millennials (Fig. 3). According to yStats, social commerce is forecast to grow at a 26 percent CAGR, hitting \$1.2 trillion by 2025, with millennials and Gen Z forecast to account for 62 percent of this expenditure.⁵

Used in combination with gamification, social media-based loyalty programs can enhance user engagement and interaction, transforming social commerce by providing a unique shopping experience. Gamification, a concept largely pioneered by the gaming industry, underscores the role of emotional engagement in modern business models. This innovative approach applies game-design elements and principles to non-gaming contexts, subtly influencing various aspects of our lives. For instance, fitness applications utilize gamification to promote regular physical activity by tracking user progress, offering achievement badges, and facilitating friendly competition, as exemplified by fitness rings' closing system. By incorporating gamification and emotionally rewarding experiences, businesses can open new avenues for customer engagement, drawing valuable insights from behaviors and preferences demonstrated within gaming communities. Virtual banks, for example, are reaching younger demographics by offering gamified rewards similar to popular gaming loot boxes, effectively capitalizing on the gaming propensity of Gen Z and millennials.

As both the influence of the Gen Z consumer and emotional loyalty programs evolve, businesses can lean into many new consumption models that create new opportunities for engagement with consumers as their preferences and behaviors continue to advance over time.

Fig. 3 : Social media purchase frequency
How often do you make purchases from social network apps? Every day, several times per week or several times per month?



Source: Visa Business and Economic Insights U.S. Quarterly Consumer Survey, April 2024



Footnotes

1. PYMTS Intelligence, The Credit Economy: The Role of Reward Programs in Consumer Credit Usage, January 2024
2. PYMTS Intelligence, The Credit Economy: The Role of Reward Programs in Consumer Credit Usage, January 2024
3. yStats, Global Social Commerce Market and Trends 2023, February 2023
4. Mercator Advisory Group, Social Commerce and Its Impact on Payments, July 2022
5. yStats, Global Social Commerce Market and Trends 2023, February 2023



Forward Looking Statements

This report may contain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are generally identified by words such as “outlook”, “forecast”, “projected”, “could”, “expects”, “will” and other similar expressions. Examples of such forward-looking statements include, but are not limited to, statements we make about Visa’s business, economic outlooks, population expansion and analyses. All statements other than statements of historical fact could be forward-looking statements, which speak only as of the date they are made, are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond our control and are difficult to predict. We describe risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, any of these forward-looking statements in our filings with the SEC. Except as required by law, we do not intend to update or revise any forward-looking statements as a result of new information, future events or otherwise.

Disclaimer

The views, opinions, and/or estimates, as the case may be (“views”), expressed herein are those of the Visa Business and Economic Insights team and do not necessarily reflect those of Visa executive management or other Visa employees and affiliates. This presentation and content, including estimated economic forecasts, statistics, and indexes are intended for informational purposes only and should not be relied upon for operational, marketing, legal, technical, tax, financial or other advice and do not in any way reflect actual or forecasted Visa operational or financial performance. Visa neither makes any warranty or representation as to the completeness or accuracy of the views contained herein, nor assumes any liability or responsibility that may result from reliance on such views. These views are often based on current market conditions and are subject to change without notice.

Visa Business and Economic Insights Staff

Wayne Best, Chief Economist	wbest@visa.com
Bruce Cundiff, Vice President, Consumer Insights	bcundiff@visa.com
Simon Baptist, Principal Asia Pacific Economist	sbaptist@visa.com
Michael Brown, Principal U.S. Economist	michael.brown@visa.com
Adolfo Laurenti, Principal European Economist	laurenta@visa.com
Richard Lung, Principal Global Economist	rlung@visa.com
Mohamed Bardastani, Senior CEMEA Economist	mbardast@visa.com
Dulguun Batbold, Senior Global Economist	dbatbold@visa.com
Weiwen Ng, Senior Innovation Economist	weiweng@visa.com
Joel Virgen Rojano, Senior LAC Economist	jvirgenr@visa.com
Jennifer Doettling, Director, Content and Editorial	jdoettli@visa.com
Michael Nevski, Director, Consumer Insights	mnevski@visa.com
Travis Clark, U.S. Economist	wiclark@visa.com
Hannah Heeran, European Economist	heeranh@visa.com
Woon Chian Ng, Asia Pacific Economist	woonng@visa.com
Mariamawit Tadesse, Global Economist	mtadesse@visa.com
Sean Windle, U.S. Economist	swindle@visa.com
Jen Petosky, Analyst, Content and Editorial	jepetosk@visa.com
Michelle Yi, U.S. Economic Analyst	michyi@visa.com
Juliana Tang, Project Coordinator	jultang@visa.com

For more information, please visit us at [Visa.com/EconomicInsights](https://www.visa.com/EconomicInsights) or VisaEconomicInsights@visa.com.

