

IDC MarketScape: Worldwide Retail Loyalty Software Providers 2024 Vendor Assessment

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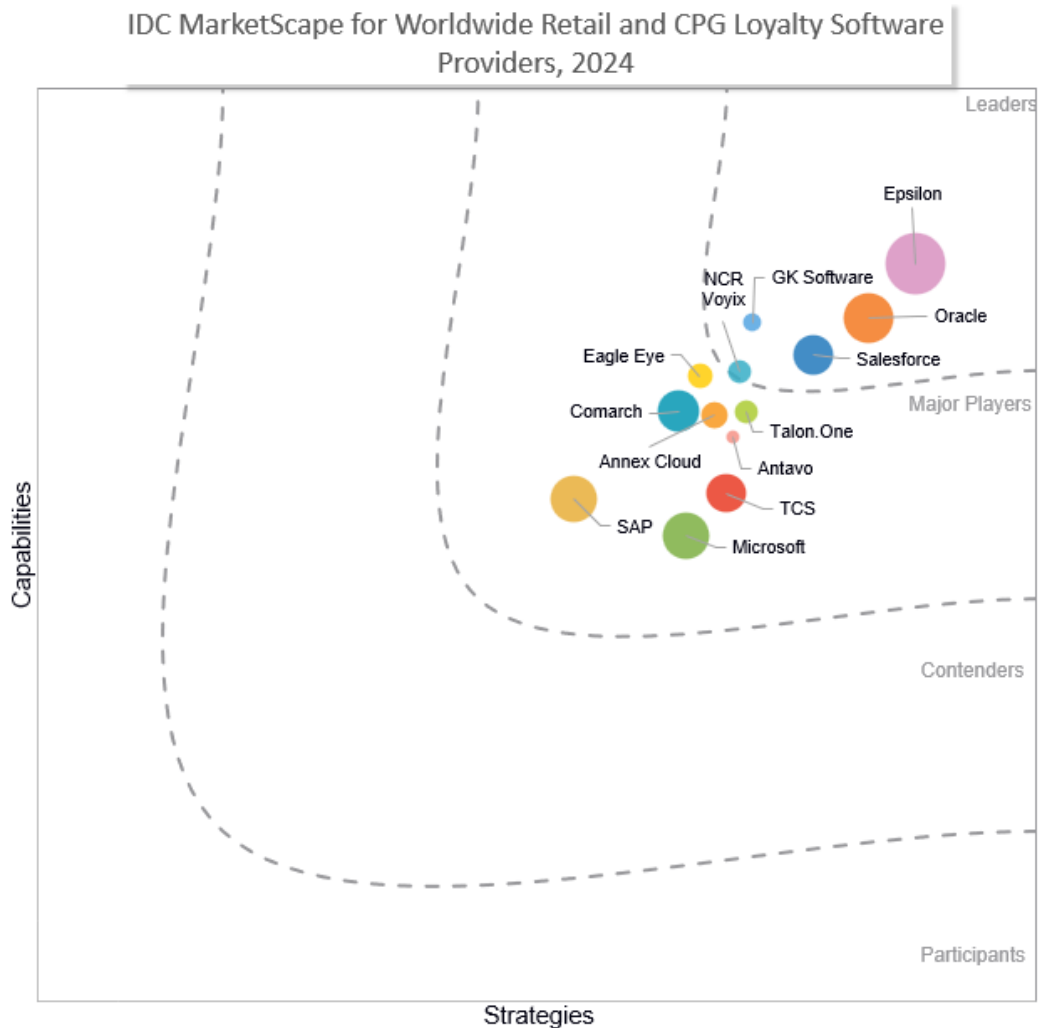
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THIS IDC MARKETSCAPE EXCERPT FEATURES SALESFORCE

IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape for Worldwide Retail Loyalty Software Providers 2024



Source: IDC, 2024

Please see the Appendix for detailed methodology, market definition, and scoring criteria.

IN THIS EXCERPT

The content for this excerpt was taken directly from IDC MarketScape: Worldwide Retail Loyalty Software Providers 2024 Vendor Assessment (Doc # US51234024). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC MarketScape Vendor Inclusion Criteria, Essential Guidance, Vendor Summary Profile, Appendix and Learn More. Also included is Figure 1 and 2.

IDC OPINION

According to the results of our recent retail survey, an increasing number of retailers and consumer brands are planning to allocate their 2024 customer experience (CX) investments toward loyalty applications and technologies. IDC's *Future of Customer Experience Survey*, conducted in June 2023, reveals that 69% of retailers worldwide will prioritize CX investments in customer satisfaction and trust over the next 12 months. This includes key areas such as brand sentiment analysis, customer loyalty management, and the security of customer data privacy and transactions. In today's uncertain economic climate, retailers must face increasingly price-sensitive customers and intense competition from online incumbents that often offer unbeatable prices. Cultivating real customer loyalty has become imperative for retail organizations seeking to distinguish themselves from competitors and achieve sustainable growth, especially in this challenging environment.

In 2024, loyalty is no longer driven by mere instrumental logic or price/discount-led exchanges. In the context of empathetic relationships between consumers and brands, the value of loyalty is being measured in terms of contextualized and personalized experiences as loyalty results in customer retention and repetitive purchases. Retailers such as Nike, Starbucks, and Sephora have succeeded in leveraging AI to power their loyalty programs, personalizing offers, recommendations, and exclusive content/experiences to keep customers engaged with their brands across online and offline channels. Ensuring that loyalty points, rewards, and offers are accessible and redeemable – whether customers shop online, in store, or through a mobile app – is also of critical importance. This is especially relevant for the new generation of customers, who interact with brands across multiple touchpoints and expect a consistent and cohesive customer experience.

Today, retailers are finally perceiving loyalty not as a separate activity but as a key component and outcome of the overall retail customer experience. As a result, they must seamlessly integrate loyalty within their ecosystems of CX and marketing technologies, including customer data platforms (CDPs), CRM, and data analytics. The synergy between CDP and loyalty promotion execution is critical for empowering advanced personalization strategies, especially today, as data management is the essential prerequisite to harness the power of AI and generative AI (GenAI) for loyalty management and contextualized engagement use cases. However, IDC data shows that insufficient data management capabilities and persisting data silos are still preventing retailers from making the most out of their CX and loyalty investments. The proliferation of CX tools is also increasing the complexity of retailers' tech stacks and challenging the responsiveness of their legacy infrastructures.

This IDC MarketScape profiles software vendors whose retail-specific loyalty offerings range from digital-experiential loyalty management technologies to more transaction-based promotion engines that also seamlessly connect to omni-channel in-store technology systems. Furthermore, some vendors assessed in this document have a modular strategy, while others are offering retailers a more unified CX platform, embedding capabilities that span data management, loyalty, and analytics. Based on our assessment of retail loyalty vendors' offerings for this IDC MarketScape, there are some key milestones that characterize the definition of loyalty platform and selection criteria. These relate to:

- **Partnering attitude in the achievement of customer-centric retail CX strategies.** This refers to a holistic approach that puts customer data at the core of the retail strategy, including retail operations, customer-facing processes, product/marketing strategies, and

organizational/technology choices. The use of predictive analytic, especially with the advancements in AI/GenAI and ML, enables retailers to provide proactive/intelligent responses to changing consumer demands, ensuring that their strategy aligns with current market trends.

- **AI/machine learning analytics foundations.** Modern loyalty platforms are leveraging or have in their road map the development of advanced AI/ML capabilities to provide personalized offers/recommendation that are tailored to individual customer needs. Personalization increases customer satisfaction and loyalty by making customers feel valued and understood, resulting in higher engagement and conversion rates. At the same time, AI/ML plays a pivotal role for marketers in understanding and predicting customer behavior, helping retailers anticipate needs and proactively offer rewards and incentives. For example, a loyalty program might use predictive analytics to identify customers who are at risk of churning and offer them targeted promotions or exclusive rewards to re-engage them to prevent defection.
- **Assisting retailers in the achievement of multilevel and multipartner loyalty strategies.** Loyalty incentives must include strategic rewards and benefits within the convenience-emotional continuum. With multilevel loyalty strategies that are grounded in zero- and first-party customer data such as purchase history and channel preferences – operationalized by AI and ML algorithms – retailers will be able to achieve higher levels of personalization, enhancing the effectiveness and relevance of their current loyalty strategies. Today, comprehensive loyalty schemes are evolving toward multilevel/membership and multipartner programs. This is achieved through the collaboration of retailers with strategic partners (e.g., co-branding partners, suppliers) to enhance loyalty offerings and customer experiences. These practices enable retailers to expand the range of rewards and experiences available to customers through joint promotions and partnerships, enriching their loyalty programs engagement and relevancy.

At the same time, we have also considered new and/or strong trends shaping the retail industry:

- **Retailers are approaching the phaseout of third-party cookies.** Now that consumer privacy regulations are more stringent and big tech platforms restrict the use of third-party cookies, the success of retailers' loyalty strategies becomes fundamental to collect rich first-party customer data. For this reason, loyalty solutions must provide retailers with first-party data collection methods such as customer surveys and pools.
- **The emergence of non-fungible tokens (NFTs) and immersive rewards.** Immersive rewards are emerging as innovative components of loyalty solutions in retail, offering a new way to engage the customer of the future (i.e., Alpha and Gen Z). For example, Web3 can support use cases related to loyalty, community building, and gamification such as token-gating experiences, treasure hunts, and access to exclusive product releases/events. Retailers such as Ralph Lauren and Lacoste have already adopted NFT-based rewards while embedding immersive rewards that including augmented reality (AR), virtual reality (VR), or mixed reality (MR) interactions in their loyalty strategies. These technologies provide a unique and interactive way to reward and entertain customers, fostering a stronger emotional connection to the brand.
- **CDPs and the integration of data clean rooms as key enablers for collaboration to improve the effectiveness of retail marketing and loyalty strategies.** In the context of multilevel or multi-partnered loyalty strategies, CDPs and data clean rooms enable retailers to share and collaboratively analyze anonymized transaction data in a way that complies with privacy regulations such as the GDPR. By analyzing a combined data set, retailers and their partners can gain deeper insights into customer behavior, preferences, and purchasing patterns. This results in more accurate personalization and in the establishment of effective cross-promotional strategies and rewards that appeal to a broader audience.

IDC MARKETSCOPE VENDOR INCLUSION CRITERIA

In this IDC MarketScape, IDC Retail Insights assesses the capabilities and strategies of enterprise software vendors in serving the needs of retail companies worldwide across industry segments (food and nonfood retail).

To be included in this report, IDC Retail Insights analysts stipulated that vendors should meet the following minimum criteria:

- The vendor should have worldwide geographic coverage. The provider demonstrates evidence of strong market penetration through direct presence and knowledge of the U.S., EMEA, and Asia/Pacific business contexts.
- The provider can fulfill or enrich their portfolio of capabilities through proven collaborations with external partners. In such cases, the provider must demonstrate its active role in supporting the client as well during the delivery of the services provided by its partners.
- The software provider must have relevant experience in the retail and consumer brands industry, in the broadest possible set of industry processes and segments. Providers with no relevant experience will not be included.
- Only software and specialty loyalty platform capabilities providers are considered for this assessment.
- The vendor also has the capability to provide AI foundations embedded in the loyalty platform's core capabilities. Vendors can fulfill one strategic priority gap – and eventually enrich some capability that is part of their services – through proven collaborations with external partners.

ADVICE FOR TECHNOLOGY BUYERS

Generating loyalty is becoming a top priority in today's increasingly competitive retail environment, and technology can greatly help in fostering deeper customer engagement and retention. As retail organizations evaluate and plan investments for introducing or enhancing their loyalty solutions, IDC recommends that they consider the following:

- **Closely examine loyalty providers ability to offer, now and in the future, AI and GenAI capabilities.** AI and analytics form the backbone of personalization and optimization in loyalty programs. It is therefore crucial for retailers to collaborate with vendors that offer a robust, future-oriented, and comprehensive AI road map. Selecting a solution that incorporates AI and GenAI capabilities is essential to achieving highly personalized and context-specific rewards. This enhances the effectiveness and relevance of loyalty strategies. Simultaneously, it is only through sophisticated AI capabilities that retailers can integrate price and promotion strategies, thus delivering dynamic and personalized pricing for each customer, tailored to their specific phase or context within their journey.
- **Evaluate the scalability and flexibility of loyalty solutions.** As loyalty programs grow and evolve through time, the chosen technologies should be able to accommodate emerging needs, such as increasing customer volumes, new features and functionalities support, and continuous adaptation to changing business needs. Retailers should consider user-friendly and self-service loyalty interfaces; an intuitive front end for internal and external customers will facilitate ease of use, reduce training requirements, and enhance overall customer engagement.
- **Consider integration capabilities.** Seamless integration of new loyalty technologies with existing systems such as CRM, ecommerce platforms, or point-of-sale (POS) systems will ensure a smooth flow of data and provide a unified view of customer interactions across touchpoints.
- **Ensure the highest standards in data management capabilities and data security.** As data is the foundational element of loyalty programs, retailers should ensure that the chosen technology solution can offer robust data management capabilities, including security

measures, transparent data privacy policies, and the ability to derive meaningful insights and analysis from customer data. Retailers should also consider compliance with industry- or region-related regulations or requirements, ensuring to protect appropriately customer information. Today, customers are increasingly concerned about how retail brands handle their personal data, so ensuring trust and transparency on data privacy policies is critical to maintain customer loyalty.

- **Select technology providers that can offer comprehensive analytics and reporting features to track and measure the performance of the loyalty programs.** Due to today's economic instability and the persisting risk of looming recession, proving the business value of CX and loyalty investments is key. Many retailers have still inconsistent CX metrics/KPIs across business functions that translates in difficulty to prove the return on investment (ROI) of their CX initiatives. Thus, today's loyalty solutions must enable marketers to measure and track the profitability of their loyalty strategies. AI-driven advanced data analytics and predictive performance capabilities will be of paramount importance for retailers to monitor how customers behave in response to their promotions/rewards, with the aim to increase customer lifetime value (CLV) and incremental revenue.
- Prioritize technology vendors that offer – natively or through their ecosystem of partners – a wide range of experiential loyalty capabilities such as gamification, immersive rewards, and social integration. User-generated content (UGC) and social media are key strategic components of modern experience-based loyalty strategies. Therefore, loyalty solutions must offer retailers the possibility to design and manage loyalty programs that reward customers for their social behavior and stimulate a sense of community toward the brand. Through social integration, retailers can significantly increase the engagement and interactivity of their loyalty schemes as they launch social media challenges, contests, and referral programs. Sharing UGC on social media fosters a sense of authenticity and trust, especially for new generations of customers, resulting in increased loyalty.

VENDOR SUMMARY PROFILE

This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. While every vendor is evaluated against each of the criteria outlined in the Appendix, the description here provides a summary of each vendor's strengths and opportunities.

Salesforce

After a thorough evaluation of Salesforce's strategies and capabilities, IDC has positioned the company in the Leaders category within this 2024 IDC MarketScape for worldwide retail loyalty platform software providers.

Salesforce is a publicly held software vendor founded in 1999 and headquartered in San Francisco, California. Salesforce is widely acknowledged for its CRM solutions, with a large customer base in retail, including fashion and apparel, eating and drinking, and CPG companies with a consumer-first strategy, can be associated with its native loyalty offering.

Salesforce's B2B and B2C Loyalty Management strategy focuses on "knowing the customer," aiming to optimize engagement ROI and loyalty programs. Its Salesforce Loyalty Management suite is a horizontal, industry-agnostic set of capabilities that leverage CDP, sales and industry cloud, marketing cloud, experience cloud, commerce cloud, and service cloud. Beyond B2C, Salesforce's loyalty capabilities include consumer goods, D2C, and B2B-dedicated templates (through configuration patterns), that are prebuilt based on industry practices, where Mulesoft is Salesforce Connector. Salesforce Loyalty Management follows a flexible and modular-type of framework, leveraging a low-code/no-code approach, and cloud connectivity between and across the different loyalty-related components, that is, Sales and Services, Data Cloud (Loyalty Data Bundle and Audience Sync for promotions), Loyalty Cartridge, Marketing Cloud Connect, and Content Builder Component.

Quick Facts About Salesforce

- **Employees:** Around 79,000
- **Reach:** Global presence, mainly in the U.S.

Highlights on Salesforce's Distinctive Loyalty Platform Capabilities

- **Focus on security and privacy:** The solution supports multiple programs, loyalty program partners (to redeem point reward with partners), and loyalty program engagement attributes by creating segments based on customers' eligibility in terms of loyalty tiers, campaigns, and events. Moreover, Salesforce's loyalty suite includes a five-level consent management data model.
- **Loyalty-specific road map:** Salesforce's Loyalty Management vision of bringing together data and trust value is reflected into the loyalty-related product releases. The company's road map includes numerous use cases such as global promotions management, gamification, intelligent receipt scanning for loyalty rewards, membership clubs, member choice benefits (for certain loyalty status tier groups), loyalty mobile SDK enhancements, intelligent fraud detection, and promotion recommendations.

Strengths

Salesforce's Loyalty Management architecture is integrated to a set of comprehensive CX capabilities, such as commerce, engagement, and personalization, as well as industry data sources and its suppliers/partners ecosystem. This confirms that the overall company's loyalty strategy is in line with retail market trends and consumer brands' CX development toward an integrated approach between pricing and loyalty promotion.

Clients praised the vendor for its customer-centric approach. More specifically, a retail client highlighted the collaborative customer success management team's attitude that actively works with the assigned client in developing and improving the loyalty solution.

Challenges

Among the vendors assessed in this IDC MarketScape, Salesforce offers one of the comprehensive loyalty products, particularly linked to CX and commerce services. A customer highlighted that Salesforce's services cost of ownership is on the higher mark and that more flexibility would be appreciated, though the high costs are justified in the high quality of the services it provides.

Salesforce offers a broad and deep portfolio of products and CX-related services, preferred for long-term approaches to loyalty in large companies. Small and medium-sized consumer companies looking to leverage standalone capabilities might find it complex to navigate the vendor's portfolio as well as purchase and leverage isolated capabilities. However, Salesforce's microservices approach might be more suitable for SMBs' needs.

Consider Salesforce When

Retail companies looking for a retail/B2C industry template to be embedded into the overall company's loyalty tools mix or platform should consider working with Salesforce. The solution fits with Salesforce's customer experience and personalization set of capabilities, such as CDP, Industry Cloud, Marketing Cloud, Commerce Cloud, and Service Cloud.

APPENDIX

Reading an IDC MarketScape Graph

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the Y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the X-axis or strategies axis indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the individual vendor markers in the IDC MarketScape is based on IDC Retail Insights' estimates of each vendor market share for loyalty within the specific market segment being assessed.

IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants and end users. Market weightings are based on user interviews, buyer surveys and the input of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information and end-user experiences to provide an accurate and consistent assessment of each vendor's characteristics, behavior and capability.

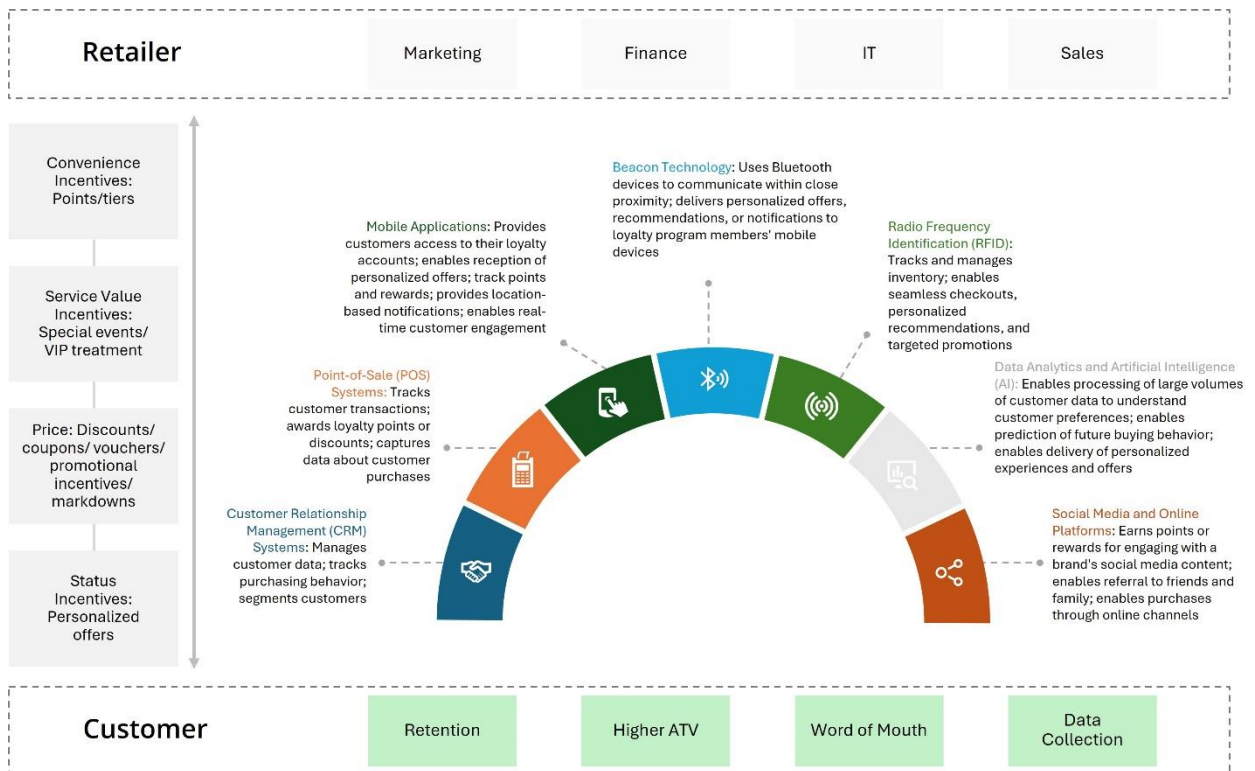
Market Definition

This IDC MarketScape study assesses the capabilities and strategies of software vendors in serving the specific needs of retail companies and consumer brands worldwide across industry segments (food and non-food retail and CPG).

The loyalty solution that is taken as a reference includes all the core platform capabilities that enable customer experience differentiation, along with the required operational efficiencies for profitability, data sharing and peers/suppliers' collaboration, and business model agility. The retail loyalty system relies on a cloud-first architecture (with possibility of on-premises, or public, private, hybrid cloud delivery, when necessary) and provides development services and API-based integration with enterprise services, data services, and consumer services, while delivering business loyalty and retail commerce-related services. At the same time, it is leveraging artificial intelligence, machine learning, or an advanced analytics foundation.

FIGURE 2

The Retail Loyalty Platform



Source: IDC PlanScape: Customer Loyalty in Retail (IDC #US50024023, June 2023)

Key advantages that retailers can enjoy when investing in loyalty programs include:

- **Increased customer retention and purchases.** Loyal customers tend to stick with a retailer and continue making purchases over time, resulting in a steadier revenue stream. This leads to higher customer retention rates and reduces the need to constantly acquire new customers – acquiring new customers can be more expensive than retaining existing ones, as loyal customers require less marketing and promotional efforts to maintain their engagement. Moreover, returning customers tend to become less price sensitive, guaranteeing higher average transaction value (ATV) and preferably directing their attention to the overall value and experience provided by the brand.
- **Higher CLV.** Since loyal customers make repeated purchases and tend to spend more over their lifetime, they have a higher customer lifetime value. This means the retailer can generate more revenue from each loyal customer compared with one-time buyers.
- **Customer data collection.** Loyal customers provide valuable data and insights that retailers can leverage to enhance their marketing strategies and product offerings. By analyzing purchasing patterns, preferences, and feedback, retailers can personalize their offerings and improve overall customer satisfaction.
- **Overall competitive advantage.** Building customer loyalty can differentiate a retailer from competitors.

If customers have a strong emotional connection and trust with a particular brand, they are less likely to switch to a competitor solely based on price or promotions.

LEARN MORE

Related Research

- *The Impact of Generative AI on Retail Customer Experience* (IDC #EUR152067924, April 2024)
- *The Renewed Role of Customer Centricity: What Retail Customer Experience Looks Like in 2024* (IDC #EUR151926124, March 2024)
- *The Price of Loyalty: Incentives* (IDC #US50805322, June 2023)
- *IDC PlanScope: Customer Loyalty in Retail* (IDC #US50024023, June 2023)

Synopsis

The IDC MarketScape evaluates leading software providers by quantitatively and qualitatively assessing their capabilities and strategies regarding their loyalty offerings for retail businesses. With an emphasis on personalized and contextualized experiences, this report provides a worldwide perspective on the way retailers can leverage AI to enhance loyalty programs and integrate loyalty as a core component of the overall retail customer experience (CX). It also discusses the challenges of data management and the complexity of technology stacks, while profiling key technology partners in the loyalty space.

"As the retail landscape evolves, loyalty is paramount for measuring customer lifetime value and increase retention. The shift toward empathetic customer-brand relationships highlights the growing importance of CX investments in loyalty applications and technologies among retailers," said Ornella Urso, research director, IDC Retail Insights. "Loyalty software providers play a key role in fostering collaboration within and across retail organizations, by unlocking the value of loyalty – such as moving from transactional to experiential rewards – through AI and GenAI as well as improving data accuracy and visibility."

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. With more than 1,300 analysts worldwide, IDC offers global, regional, and local expertise on technology, IT benchmarking and sourcing, and industry opportunities and trends in over 110 countries. IDC's analysis and insight helps IT professionals, business executives, and the investment community to make fact-based technology decisions and to achieve their key business objectives. Founded in 1964, IDC is a wholly owned subsidiary of International Data Group (IDG, Inc.).

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