



A Q&A for financial institutions

How to make loyalty programs pay off

Unlock more value by embedding rewards deep in the payment experience



As card payments continue to move money in vast quantities between banks, consumers and businesses, loyalty programs now play a starring role in choosing a payment card. So, what's the key to helping your program shine brighter than the rest? FIS loyalty expert Mladen Vladic explains why rewards must be an integral part of the card payments ecosystem – and how they can unlock growth for your financial institution.



Q: How do today's payment cardholders feel about loyalty and rewards programs? And what do they expect from the loyalty experience?

A: Loyalty and rewards programs are increasingly important to cardholders – and, in fact, a major reason for choosing a particular debit or credit card. Research shows that 84% of cardholders not only have at least one reward card¹ but are also more likely to stick with a brand that offers a loyalty program.²

More than ever, consumers want their loyalty programs to be simple, so that rewards are easy to access and redeem at the point of sale, with minimal friction. But for optimal levels of engagement, your program should also offer either value (as in better prices or free shipping), convenience (next-day delivery) or purpose (whatever the cardholder is passionate about) – and ideally two or three of these benefits.

It almost goes without saying that your program needs to be accessible from a smartphone, as part of a smooth and accurate flow of funds and a seamless digital banking and payments experience. If it isn't, you run

the risk of making your brand less relevant to customers. And you could be wasting opportunities to extend your financial institution's relationship with cardholders.



Mladen Vladic,
FIS loyalty expert

Q: What stops financial institutions from getting maximum value from loyalty programs?

A: I would say the biggest obstacle to a successful loyalty and rewards program is thinking about it as a standalone tool; loyalty needs to be embedded deep in the banking experience as a whole. So, whenever customers interact with your brand, such as in a mobile app, they can view and access their rewards.

When that level of visibility and access isn't available, you're losing opportunities to promote and take full credit for the value that you're giving customers, whether they tell a friend or share their experience on social media. Loyalty programs cost your business money – and you can't afford to waste or not fully monetize your investments.

By embedding loyalty into the banking experience, you make it easier to think about the whole relationship you have with each customer. But for established, traditional financial institutions, fragmented legacy technology can be a major stumbling block.

If you manage card programs with disparate legacy systems from multiple vendors, it's more challenging to get a complete view of the customer's needs and provide a holistic, seamless banking, payments and loyalty experience. With their modern well-integrated technology stacks, non-bank fintechs typically do a much better job of embedding and getting value from loyalty programs.

1. PhocusWire, *Consumers Want More from a Loyalty Program than Racking Up Points*, February 2022

2. Queue-it, *107 Staggering Statistics That Show the Power of Loyalty Programs in 2024*, July 2024

Q: How can traditional financial institutions compete with fintechs and other banks to win and keep more customers?

A: As a financial institution, you need to start taking an enterprise approach to rewarding your customers. Many traditional institutions run loyalty programs that are very product-centric and transaction- or reciprocity-based – they award points for using a credit or debit card, or for making a certain number of transactions.

Through an enterprise approach, you'd instead reward the whole relationship that customers have with your institution, whether they switch from paper to digital statements, keep their deposits at a certain level or pay bills regularly from your digital app.


As I said, fintechs are great at rewarding customers in this holistic way, and they're not held back by aging, fragmented technology. But traditional financial institutions have their own competitive advantage – a much bigger range of services than most fintechs offer. So, if you get loyalty right, the scope of your program will also be much bigger – and so will the opportunities it brings your institution.

By unifying your technology and making loyalty an integral part of your payments ecosystem, you can go head to head with fintechs and beat them at their own game with a broader loyalty program. You'll not only synchronize and integrate your transactional activities with your program but also gain better insight on your portfolio of products from a single source of data. That way you can get to know your customers better and meet their expectations, now and in the future, with more relevant, engaging rewards.

It's also critical to differentiate your loyalty program from those of your competitors. Anyone can offer statement credits and gift cards, so you need to find ways to stand out.

One option is to deliver more "experiential" rewards, through a loyalty program that offers an experience. "Gamifying" your program, for example – adding the mechanics of video games to keep score of rewards and so on – is a cool way to improve customer engagement.

But you can be just as cool and differentiated by focusing on your own products and services. Your rewards don't have to be flashy; there may be something already in your portfolio that will set your institution apart from the rest.



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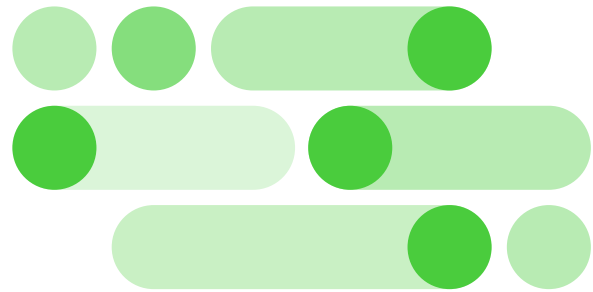
Q: How are advancements in technology helping drive loyalty?

A: It's no surprise that generative AI (GenAI) in particular is having a big positive impact on customer engagement. By using this ever-advancing technology to analyze your customer data, you can hyper-personalize the rewards that you offer each cardholder and the messages you communicate to customers.

GenAI is taking hyper-personalization mainstream and has the potential to revolutionize the customer experience. However, when it comes to loyalty as a whole, and even payments, I would argue that it's in your best interests to take an evolutionary rather than a revolutionary approach.

I don't make that comment lightly, because it's often tempting for financial institutions to try to change everything overnight. But what makes you exciting and cool for consumers this quarter may seem stale in the next, so you need to be steadily evolving your program and constantly coming up with innovative new offers.

Another important innovation for loyalty programs is integration with mobile wallets. Now it's possible for cardholders to redeem loyalty currency in real time through their wallet at the point of sale, wherever their wallet is accepted. It's a totally frictionless experience and all part of the drive to make rewards more accessible and relevant to customers. I believe that using loyalty currency as a payment tender will be an industry staple for many years to come.



Q: What's the role of loyalty programs in the cost of living crisis?

A: In today's tale of two economies, where one part of the population is thriving but the other is struggling to pay its bills and settle its credit card debts, we're seeing the return of the value-conscious consumer. And loyalty programs have an important role to play in meeting that customer's need to save money.

The ability to pay for everyday goods with loyalty currency is especially relevant to the value-conscious consumer, who doesn't want "nice to have" luxury rewards as much as \$10 off their groceries. Plus, by delivering tangible value at the point of sale, you can build a more meaningful, "stickier" connection with the customer over time.

Monetizing loyalty in this way, on a frequent, regular basis, will provide a constant reminder of the worth of your loyalty program and encourage customers to stick with you for longer.

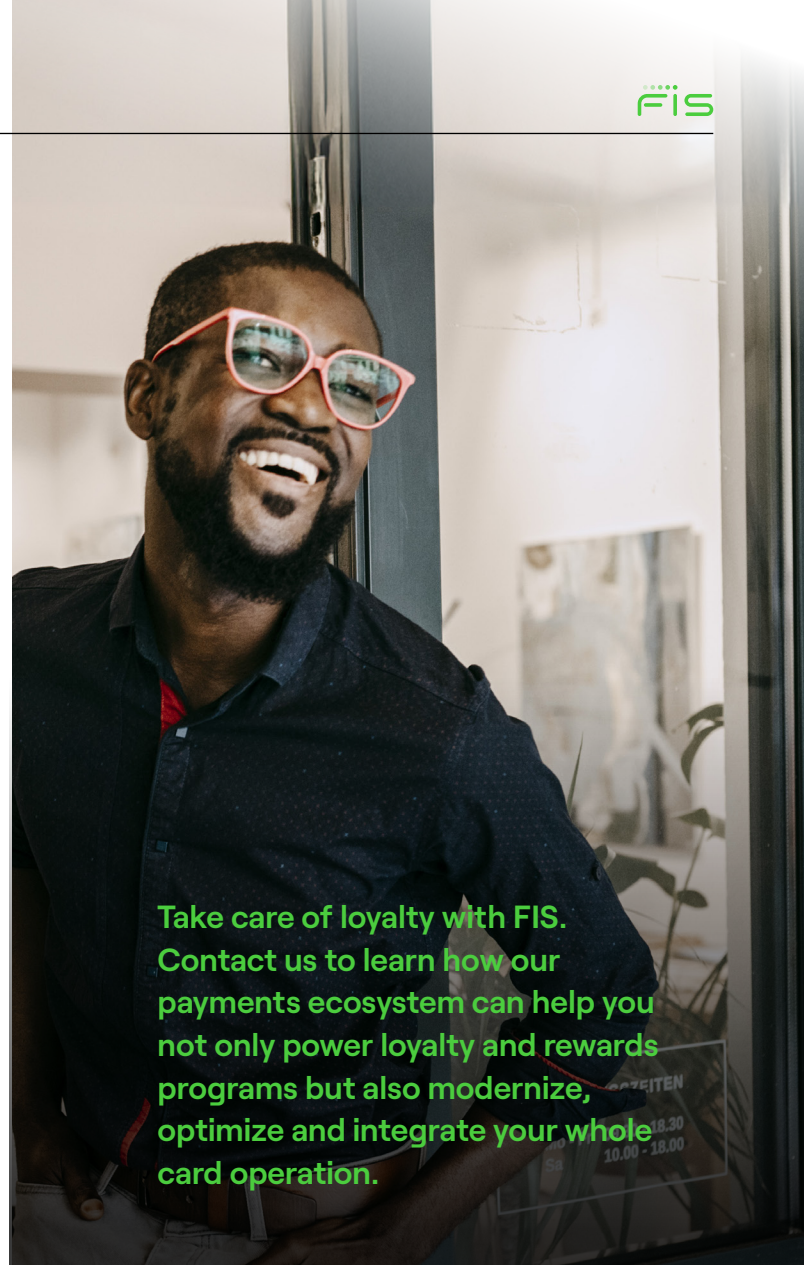


Q: How do loyalty and rewards solutions from FIS improve the overall payment experience for banking customers?

A: FIS offers a suite of loyalty and rewards solutions to help keep your most profitable customers coming back for more, with personalized experiences created by actionable insights. We provide a robust, configurable scoring engine, a redemption marketplace for creating tailored offers, fully customizable loyalty websites and apps – and the ability to both recognize and reward a customer's whole relationship with your financial institution.

For seamless integration with the rest of your card operations, we can deliver these solutions in harmony with the rest of our payments ecosystem. This one-stop suite of best-of-breed solutions and services will also help you automate the card issuing and processing lifecycle, support real-time card and person-to-person payments, design and run marketing programs and deliver mobile apps and controls for your cardholders.

In the payments ecosystem, you can unlock both a smooth and accurate flow of funds and the capacity to handle increasing volumes of payments – but without compromising accuracy or security. So, there's no better, easier way to cut your costs and risks, drive growth and increase your competitive edge over fintechs. And all with a single technology partner.



Take care of loyalty with FIS. Contact us to learn how our payments ecosystem can help you not only power loyalty and rewards programs but also modernize, optimize and integrate your whole card operation.

FIS loyalty solutions for rewarding customer experiences.

Our **technology** powers the global economy across the money lifecycle.



Money at rest

Unlock seamless integration and human-centric digital experiences while ensuring efficiency, stability, and compliance as your business grows.



Money in motion

Unlock liquidity and flow of funds by synchronizing transactions, payment systems, and financial networks without compromising speed or security.



Money at work

Unlock a cohesive financial ecosystem and insights for strategic decisions to expand operations while optimizing performance.