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MAKING LOYALTY WORK FOR SMALL BUSINESSES

Making Loyalty Work For Small Businesses, a PYMNTS and Pollinate collaboration, provides an overview of the opportunity that streamlined and digitized loyalty programs present to local retailers across Australia, Brazil, the U.K. and the U.S. We surveyed 4,519 consumers from these four nations, with each sample being census-balanced, to learn how many of them currently use loyalty programs, the features they want such programs to provide and how many would like to use those that were offered by their local businesses, if they were available.



MAKING LOYALTY WORK FOR SMALL BUSINESSES



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Making Loyalty Work For Small Businesses was done in collaboration with Pollinate, and PYMNTS is grateful for the company's support and insight. PYMNTS.com retains full editorial control over the following findings, methodology and data analysis.

INTRODUCTION

Communities across the globe are still working to recover from the financial crises born of the COVID-19 pandemic, with the small and mid-sized businesses that form their financial backbone and collectively account for 60 percent to 70 percent of jobs worldwide anxiously awaiting the day when vaccinated shoppers will return to their stores.¹ It is not known exactly if or when that day will arrive, but it is clear that should that day come, brick-and-mortar businesses will be fighting an uphill battle to reconnect with their customers after more than a year of stay-at-home orders and capacity restrictions.

This emerging post-pandemic business environment is shaping up to be quite different from the one in place before the pandemic began, however. The pandemic has spawned a renewed interest in supporting all manner of small and family-owned businesses on streets in towns and cities across the globe. PYMNTS' research, sourced from the responses of 4,519 consumers in four countries, revealed that 53 percent of those living in the United States, the United Kingdom, Australia and Brazil believe it is more important to shop with these businesses now than it was before the pandemic began. This study was commissioned by Pollinate, a global innovation provider for banks and their business customers, and conducted between Feb. 25 and March 5, 2021.



A wish to support local businesses and help them thrive may be the majority's sentiment, but it is not yet the reality. PYMNTS' research shows that in practice just 18 percent of the consumers in these four countries buy primarily from local shops, while many others shop at mass merchants, online stores and national chain stores that provide greater product selection, access and availability. Those who shop locally may have traded other factors such as cost or convenience for the often unique, curated experiences that merchants in their own communities offer.

Making Loyalty Work For Small Businesses, a PYMNTS and Pollinate collaboration, examines what local business communities can do to attract and retain the business of those who live in and around their storefronts. A key finding centers on the importance of having a digital channel for communicating and connecting with local shoppers and how local businesses can reimagine their loyalty programs to meet their customers' needs and expectations. One of the study's aims was to discover how local businesses could more effectively engage with consumers and whether a trusted intermediary powering a rewards program would encourage them to shop locally.

¹ National Action Plans on Business and Human Rights. Small & medium-sized enterprises. 2021. <https://globalnaps.org/issue/small-medium-enterprises-smes>. Accessed May 2021.

This is what we learned.

01

Consumers want their local businesses to succeed now more than ever.

Forty-four percent of all consumers believe it is “very” or “extremely” important to shop locally, and 53 percent say it is more important to do so now than it was before the pandemic began.

The ongoing pandemic has placed local retailers in the limelight, and consumers are now more concerned about supporting the stores in their hometown shopping districts. Forty-four percent of consumers in the U.S., the U.K., Australia and Brazil (hereafter referred to as “surveyed consumers”) believe it is “very” or “extremely” important to shop with local retailers, in fact, and 53 percent say it is either “more” or “much more” important to shop with them now than it was before the pandemic began.

The extent to which consumers in these different markets believe it is important to shop with local businesses varies by country, however. Brazilian consumers are by far the most concerned with shopping locally: 52 percent of them say it is “very” or “extremely” important to shop with local retailers, and 65 percent say it is more important to do so now than it was before the pandemic began. U.K. consumers are among the least likely to consider it critical to shop locally, by contrast: 39 percent of U.K. consumers say it is “very” or “extremely” important to shop locally, and 46 percent say it is more important to do so now than it was prior to the pandemic’s onset.

02

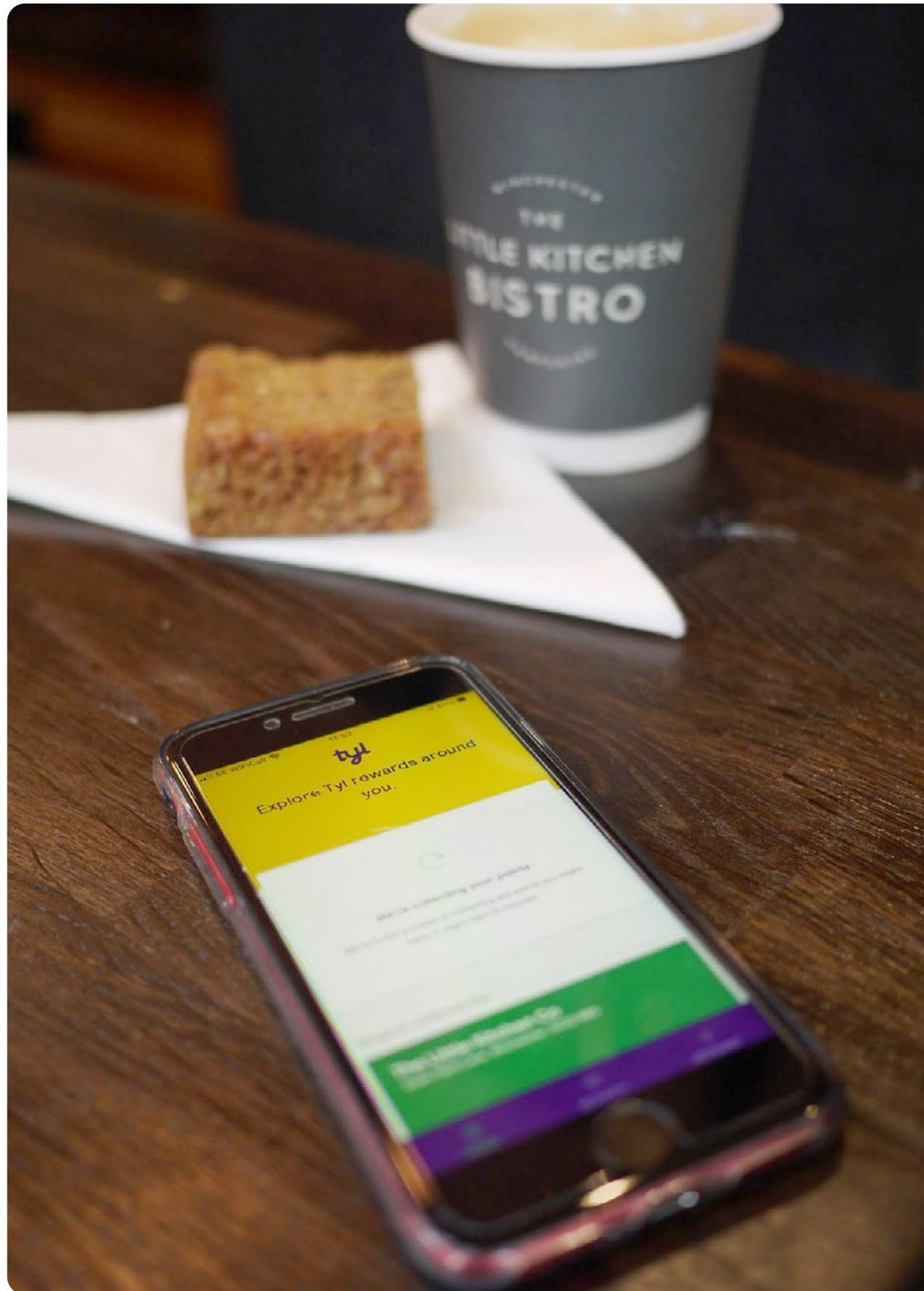
Shoppers across the world are keen to support their local merchants.

Fifty-seven percent of surveyed consumers — 277 million people across the U.S., the U.K., Australia and Brazil — want local loyalty programs.

Consumers’ desire to support local businesses in their time of crisis is driving a surge of interest in loyalty and rewards programs that could provide financial incentives to shop locally. Fifty-seven percent of surveyed consumers say they would be “very” or “extremely” interested in using such programs, in fact. This amounts to roughly 277 million consumers whom local merchants in these four nations could win over by simply providing loyalty and rewards programs.

This opportunity is even greater among consumers who shop principally with local retailers rather than with mass merchants, online stores or chain stores. These so-called local shoppers are the least likely to already be using loyalty programs, despite their demand for such programs being comparable to that of consumers who shop primarily with other types of retailers. Fifty percent of local shoppers currently use loyalty programs, below the survey average of 64 percent. This means that roughly 45 million shoppers are not currently using loyalty programs but could be attracted by small-town retailers that provide them.

Consumers’ interest in local loyalty programs also varies by country. Interest is highest in Brazil, where loyalty enrollment is at its lowest. Fifty percent of Brazilian consumers are currently enrolled in at least one loyalty program, and 66 percent would be “very” or “extremely” interested in using loyalty programs when shopping with local merchants. Seventy-six percent of U.K. consumers, by contrast, are already enrolled in at least one loyalty program, and only 46 percent would be “very” or “extremely” interested in using such programs if they were offered by their local businesses.



03

Loyalty programs can help incentivize consumers to shop with local merchants, but not all consumers want to use a different loyalty program for every merchant.

Most surveyed consumers would like to use local businesses' loyalty and rewards programs, but many also view the prospect of using different loyalty programs for each individual business as an inconvenience. Twenty-five percent of consumers who are not interested in using local merchants' loyalty programs say the chief reason for their lack of interest is that they would not get enough value out of such programs for them to be worthwhile, for example, while 13 percent say they primarily do not want to carry loyalty cards or coupons in their wallets. Seven percent say they do not use local shops enough to get use out of their loyalty programs, strongly suggesting that loyalty programs provided by local merchants themselves would not be able to deliver the types of loyalty experiences that consumers want.

This also helps explain why many consumers who do want to use loyalty programs when shopping with local businesses do not necessarily want those businesses to be the ones operating such programs. Our research shows that only 59 percent of consumers would want such programs to be supported by local businesses themselves. This is just slightly above the share of interested consumers in our survey who say they would want banks to operate their local merchants' loyalty programs, underscoring the trust that consumers have for banks and the role they play in their communities.

04

Consumers want to help drive sales in their local economies overall — not just champion the retailers they frequent themselves.

Forty-four percent of surveyed consumers who believe it is critical to shop with their local retailers say they want to help keep money in their communities.

The principal driver of interest in shopping with local merchants is not necessarily consumers' desire to purchase from any particular business but rather their interest in supporting their local economies overall. Forty-five percent of surveyed consumers who would like to shop with local retailers say they are motivated because they want to reinvest in their local economies, and 44 percent say it is because they want to keep money in their communities. We also found that 43 percent want to drive job growth in their communities, rounding out the top three drivers of interest in local shopping.

Consumers of different income brackets and in varied geographic locales tend to see shopping with local retailers as important for very different reasons, however. Those living in large and small towns and rural areas (those with 25,000 to 250,000 and those with less than 25,000 inhabitants, respectively) are more likely than others to say it is important to keep money in their communities, for example. Fifty-five percent and 58 percent of consumers in these communities, respectively, cite keeping money local as a key reason why supporting local business is critical. Consumers in metropolitan areas (those with more than 1 million inhabitants) are more likely to cite job creation.

THE FOUR TYPES OF SHOPPERS



LOCAL SHOPPERS:

Consumers who shop primarily with retailers that have brick-and-mortar shops in their communities



ONLINE SHOPPERS:

Consumers who shop primarily with online-only retailers



NATIONAL SHOPPERS:

Consumers who shop primarily with national chain stores specializing in particular retail products, such as clothing and accessories, sporting goods and home goods, including:



05

Banks are neck and neck with local merchants when it comes to those whom consumers trust to provide local loyalty programs. Fifty-five percent of surveyed consumers interested in using local merchants' loyalty programs want banks to deliver those programs, compared to 59 percent who want local businesses to manage their own programs.

Trust is a major factor driving consumers' interest in bank- and card network-enabled loyalty programs. Banks and card networks are two of the three most trusted organizations to deliver local merchant rewards — just behind local retailers themselves. Fifty-five percent of all consumers say they would be interested in having banks enable their local retail loyalty programs, and 44 percent say they would like such programs to be managed by card networks. Just 39 percent would be interested in having technology companies like Facebook or Amazon deliver local rewards programs, and 26 percent would like them to be delivered by local community organizations.

Consumers are two and a half times as likely to trust banks as they are to trust local businesses with their transactional data, in large part because consumers are already accustomed to trusting them with such data. The same can be said for the trust they place in card networks. Physical cards and cash are the most common ways that consumers pay in stores, and 21 percent also now use contactless cards and digital wallets to pay on-site. Thirty-one percent pay using digital wallets online and 67 percent pay online using debit, prepaid or credit cards. It follows that consumers would also trust these third-party payment enablers to be the ones to deliver local merchants' loyalty and rewards programs.



Consumers in Brazil and the U.S. share a stronger-than-average interest in using local merchant loyalty programs, but they trust very different organizations to handle the personal information needed to enable those programs. Brazilian consumers are more likely than their counterparts in the U.S. to trust banks with managing their personal data, for example, but they are less trusting of merchants themselves. Fifty-one percent of Brazilian consumers say they would trust banks to handle their personal data, while only 10 percent trust their local merchants with the same task.

JUST
39%

OF CONSUMERS
WOULD BE
INTERESTED IN
**HAVING
TECHNOLOGY
COMPANIES LIKE
FACEBOOK OR
AMAZON
DELIVER LOCAL
REWARDS
PROGRAMS.**

GLOBAL IMPORTANCE, LOCAL IMPACT

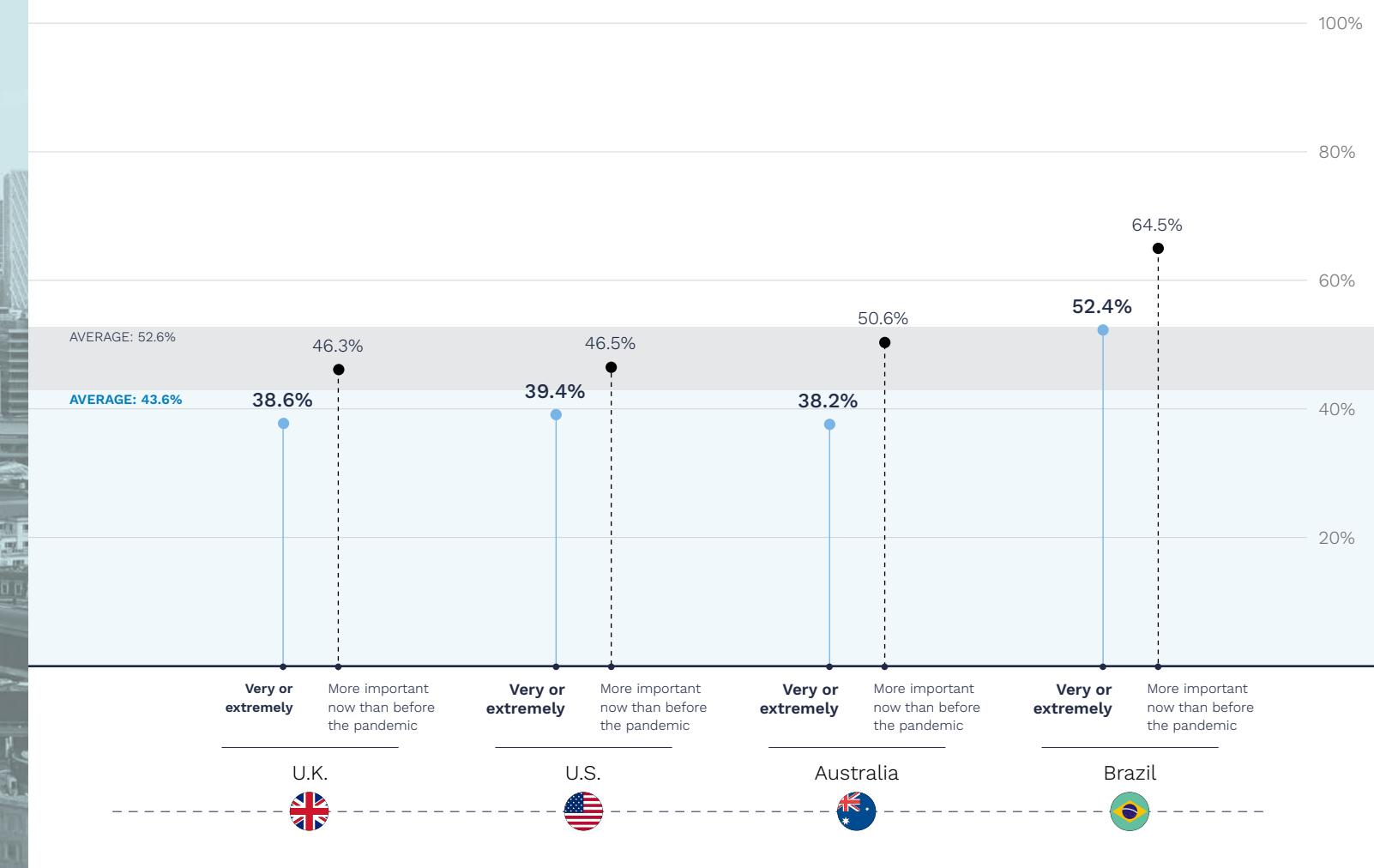


The COVID-19 pandemic has helped shed light on the role that local retailers play in their communities, and consumers across the globe are growing more passionate about supporting these retailers with their continued business. Forty-four percent of the consumers in our survey say they believe it is “very” or “extremely” important to shop with local merchants, in fact, and 53 percent say they consider it even more important to do so during the pandemic.

FIGURE 1:

How important consumers believe it is to purchase from their local retailers

Portion of consumers who say it is very or extremely important to shop from local businesses and more important to shop from them now than it was before the pandemic, by country



Source: PYMNTS | Pollinate Making Loyalty Work For Small Businesses



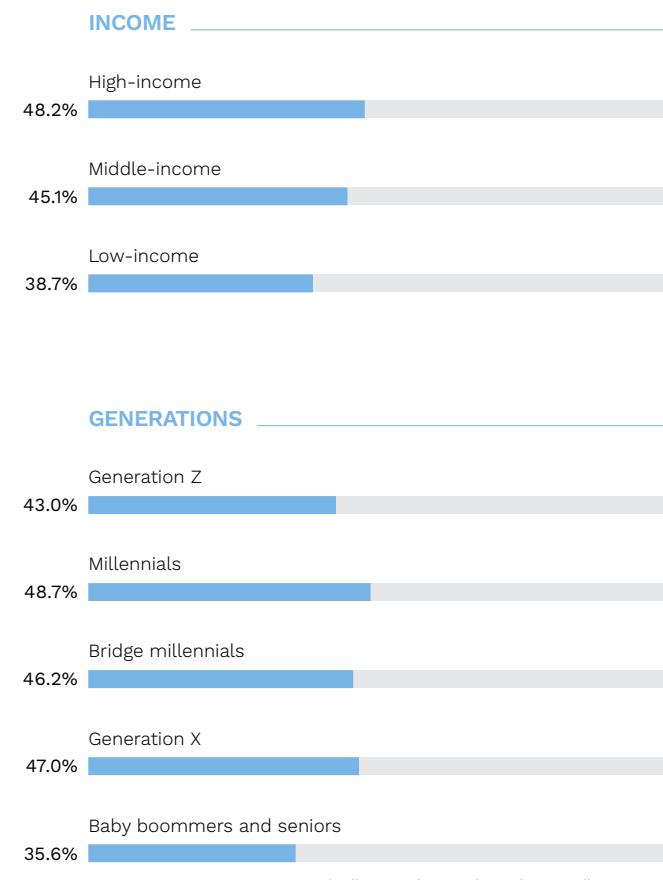
Consumers in different countries do not necessarily see eye to eye on the importance of shopping with their local retailers, however. More consumers in Brazil than in any other nation see it as a priority, for example: 52 percent of Brazilian consumers say it is “very” or “extremely” important to shop with the brick-and-mortar businesses in their local commercial districts, and 65 percent believe it is more important to do so now than it was before the pandemic’s onset.

These sentiments are also common among Australian consumers and U.K. consumers, though not to the same extent. Thirty-eight percent of Australian consumers consider it critical to shop with local retailers, and 46 percent of U.K. consumers believe it is more critical to shop with local retailers now than it was before the crisis.

The higher the consumer's income, the more likely they are to believe that it is critical to purchase from local retailers. Forty-eight percent of high-income consumers say it is “very” or “extremely”

FIGURE 2:
How important consumers of different demographic groups believe it is to purchase from their local retailers

Portion of consumers who say it is more important to shop from local businesses now than it was before the pandemic, by age and income level



Source: PYMNTS | Pollinate Making Loyalty Work For Small Businesses

important to shop at retailers with stores in their areas.² Forty-five percent of middle-income consumers and 39 percent of low-income consumers say the same, by contrast.

Consumers’ generational backgrounds appear to impact their views on the importance of shopping local. Millennials are the most gung-ho about the idea, with 49 percent of surveyed millennials considering it “very” or “extremely” important to purchase from local stores. Generation X consumers and bridge millennials round out the top three, with 47 percent and 46 percent saying it is “very” or “extremely” important to do so, respectively. This leaves Gen Z (43 percent) and baby boomers and seniors (36 percent) as the generations who feel the least strongly about the importance of shopping locally.

² Our survey classifies consumers as “high-income,” “middle-income” or “low-income” depending on how their earnings compare to those of their peers, as follows:

- U.S.: “High-income” consumers earn more than \$100,000 per year, “middle-income” consumers earn between \$50,000 and \$100,000 per year and “low-income” consumers earn less than \$50,000 per year.
- U.K.: “High-income” consumers earn more than £55,000 per year, “middle-income” consumers earn between £20,000 and £55,000 per year and “low-income” consumers earn less than £20,000 per year.
- Australia: “High-income” consumers earn more than \$100,000 AUD per year, “middle-income” consumers earn between \$30,000 AUD and \$100,000 AUD per year and “low-income” consumers earn less than \$30,000 AUD per year.
- Brazil: “High-income” consumers earn more than 125,000 reals per year, “middle-income” consumers earn between 15,000 reals and 125,000 reals per year and “low-income” consumers earn less than 15,000 reals per year.

REWARDING LOCAL COMMERCE



Our research shows that retailers that maintain a brick-and-mortar presence can attract more local shoppers by offering loyalty programs and special offers that would allow consumers to earn rewards and save money, yet the data suggests that these local retailers are not capitalizing on this opportunity. Far fewer local shoppers report using such programs than national chain store customers, mass merchant shoppers, national shoppers or even online shoppers. This is true regardless of whether they reside in Australia, Brazil, the U.K. or the U.S.

There are nevertheless clear differences in how many consumers in different countries use these loyalty programs. Australian consumers are the most likely to be using loyalty programs among those shopping primarily with local retailers, for example, though U.K. consumers come in at a close second. Sixty-seven percent of local shoppers in Australia use such programs, compared to 63 percent of consumers in the United Kingdom. Only among online shoppers are U.K. consumers the most likely to use loyalty programs, with 75 percent doing so.

TABLE 1:

How many consumers in different persona groups are currently enrolled in loyalty programs
Portion of consumers in select countries who are currently enrolled in loyalty programs, by primary retailer

				
	National chain	Online-store only	Local retail store	National mass merchant
AVERAGE	68.2%	65.4%	49.5%	69.4%
United Kingdom	72.4%	74.8%	63.4%	81.3%
United States	75.9%	70.2%	57.6%	71.3%
Australia	77.5%	73.3%	66.8%	81.7%
Brazil	54.9%	58.9%	39.5%	53.2%

Source: PYMNTS | Pollinate Making Loyalty Work For Small Businesses

Loyalty program usage appears to be the rarest by far in Brazil. Brazilian shoppers are less likely than those in Australia, the U.K. and the U.S. to be using loyalty programs. Only 40 percent of local shoppers in Brazil report using loyalty programs, in fact, along with 53 percent of mass merchant shoppers and 55 percent of national shoppers.

Brazilian consumers may be less likely to be enrolled in local loyalty programs, but they also appear to be more interested in such programs than consumers the U.K., the U.S or Australia. Fifty-six percent of Brazilian consumers are not using loyalty or special offer programs now, but they are nevertheless “very” or “extremely” interested in using them. Even more would like to receive their local merchants’ special offers, as 65 percent of Brazilian consumers who are not enrolled in such programs now would be “very” or “extremely” interested in using them. This would mean that retailers with locations in towns across Brazil could win over 45 million or 51 million local customers with loyalty programs or special offers, respectively.

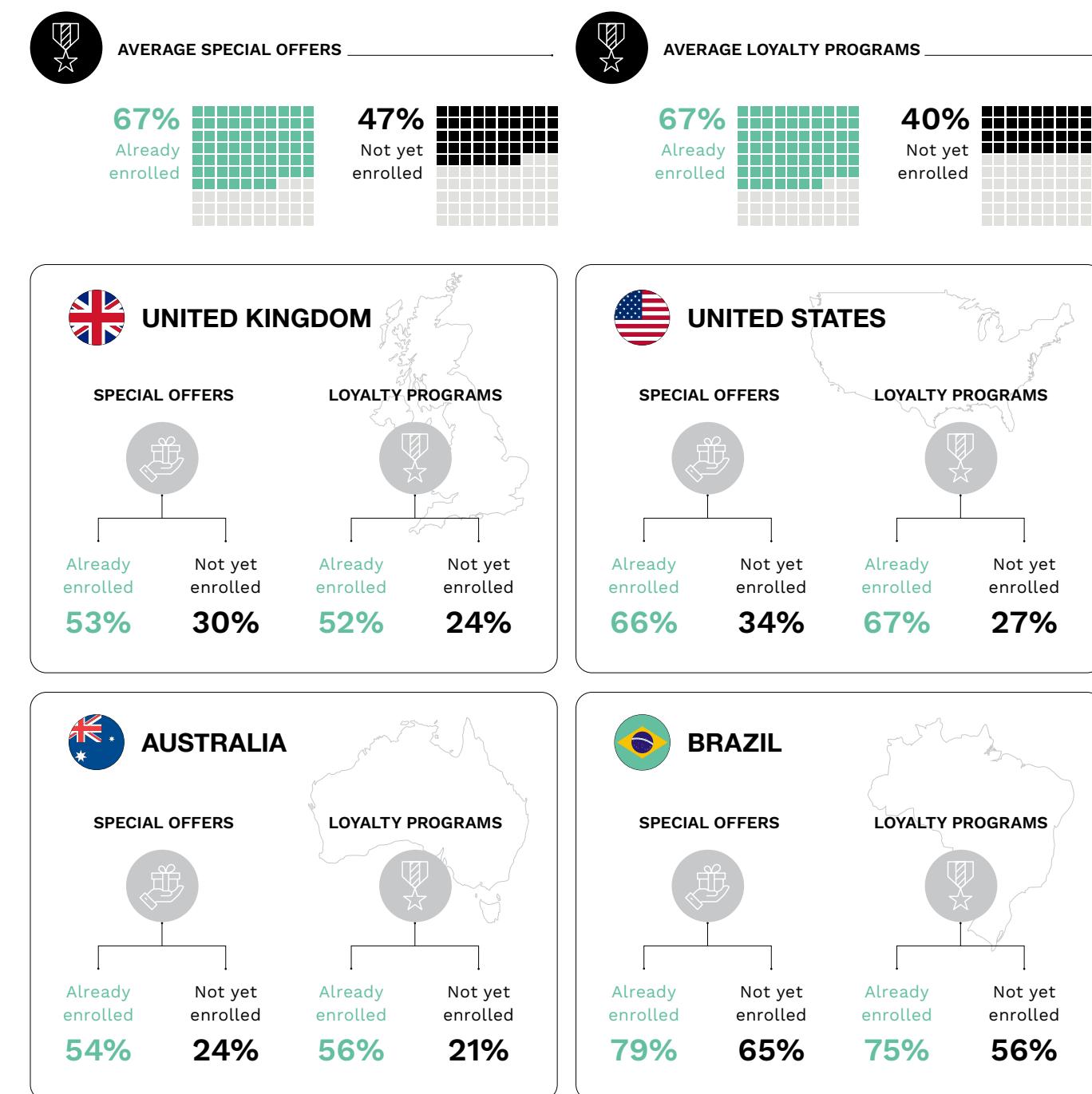
This is not to underestimate the opportunity that loyalty programs present for local merchants in Australia, the U.K. or the U.S., however. Consumers in these markets are more likely to already be using loyalty programs or to be receiving special offers from them, and consumers who already have access to such programs invariably express more interest in exploring other loyalty program and specialty offer opportunities going forward.

U.S. consumers are the second-most likely to express interest in using loyalty programs and receiving special offers from local retailers after those in Brazil, for example. Fifty-five percent of U.S. consumers — 139 million people — would be “very” or “extremely” interested in using loyalty programs that might be offered by local retailers. Fifty-six percent of U.S. consumers have the same level of interest in receiving special offers from local merchants — 143 million people. Interest in using more loyalty programs is as high as 67 percent among those who are currently enrolled in at least one type of local loyalty program, and 66 percent of consumers who are already enrolled would be interested in signing up to receive additional special offers and promotions for shopping local.

FIGURE 3:

How many consumers in different countries who would be interested in loyalty programs and special offers for shopping in their local communities

Portion of consumers who are very or extremely interested in services that would provide local loyalty programs or special offers, by country

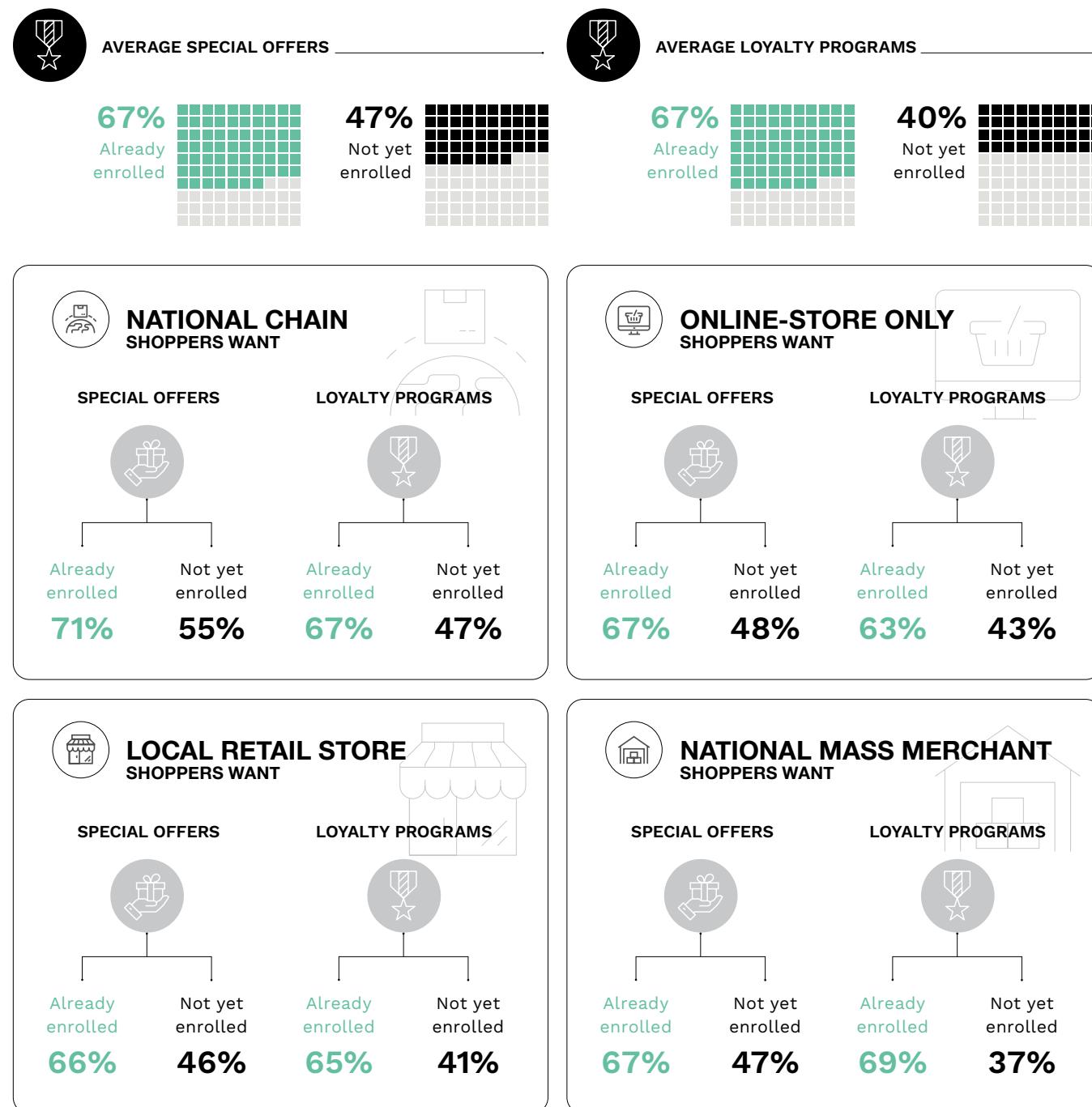


Source: PYMNTS | Pollinate Making Loyalty Work For Small Businesses

FIGURE 4:

The portion of consumers in different persona groups who would be interested in loyalty programs and special offers for shopping in their local communities

Share who are very or extremely interested in services that would provide local loyalty programs or special offers, by persona group



Source: PYMNTS | Pollinate Making Loyalty Work For Small Businesses

Consumers' interest in local merchant loyalty programs and special offers also varies depending on the types of retailers with which they shop most often. Local shoppers are the least likely to be currently enrolled in local retailers' loyalty programs and to receive their special offers, but many would like to sign up for both. Fifty-three percent of local shoppers from across Australia, Brazil, the U.K. and the U.S. say they would be "very" or "extremely" interested in using local retailers' loyalty programs, for example, even though only 50 percent currently do so. This leaves 41 percent of surveyed local shoppers not currently enrolled in such programs whom local businesses could attract by simply offering the programs. In other words, there are roughly 18 million local shoppers from all four nations in our study who might be encouraged to make more purchases from their local retailers if offered loyalty programs.



Consumers who already use at least one retailer's loyalty program would be very interested in having the same programs offered by local businesses.

Local shoppers represent a sizable chunk of the consumers who might be persuaded by loyalty programs to shop locally, but the true scale of the opportunity is greater still. Fifty-seven percent of all surveyed consumers say they would be "very" or "extremely" interested in loyalty programs when shopping with local businesses, if they were available. Sixty percent express the same level of interest in being able to receive special offers from local businesses. This works out to roughly 277 million consumers across Australia, Brazil, the U.K. and the U.S. whom local businesses could potentially attract by providing loyalty programs and 292 million whom they could attract by providing special offers.

WHAT CONSUMERS WANT FROM THEIR LOCAL LOYALTY PROGRAMS

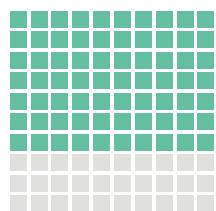
Consumers give countless reasons for being interested in using local businesses' loyalty and rewards programs, but saving money is at the top of the list. Discounts, cash back and free products are the most common reasons that surveyed consumers say they want to use loyalty programs.

MEETING CONSUMERS' LOYALTY PROGRAM DEMANDS

Consumers want:

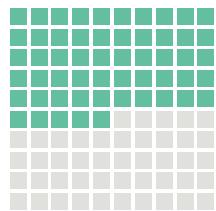
- **DISCOUNTS**

Average
70%



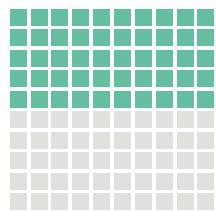
- **CASH BACK**

Average
55%



- **FREE PRODUCTS**

Average
50%



- **CUSTOMIZED REWARDS:**

Consumers' expectations for their local businesses' loyalty programs are as diverse as the consumers themselves, with each individual wanting a unique set of benefits.

WHAT CONSUMERS SAY THEY WANT FROM LOCAL BUSINESSES' LOYALTY PROGRAMS

"It needs to offer me discounts on products I buy regularly and points when I purchase goods or services."

"Cash back, earn points for future purchases or discounts. it would be simple to use and from shops that I buy regularly from."

"Cash back or a discount, preferably in a way that's exclusive to a particular card provider I use."



UNLOCKING LOCAL LOYALTY: VALUE, TRUST AND CONVENIENCE



Local merchants will need to provide loyalty programs that offer sufficient rewards, address their security concerns and do not clutter their wallets in order to deliver the experience their customers demand.

FIGURE 5:

Why some consumers in different countries are uninterested in local loyalty programs

Portion of surveyed uninterested consumers who cite select reasons for their lack of interest in loyalty programs



Source: PYMNTS | Pollinate Making Loyalty Work For Small Businesses

The potential benefit local businesses stand to gain from offering their customers loyalty programs and special offers is undeniable, but not just any offerings will do. Providing loyalty programs that require customers to carry cards, coupons or vouchers in their wallets, that are too complicated or that don't offer customers enough value can all work against a business's interests.

Some of the consumers in our survey cite their reasons for not being interested in using local retailers' loyalty programs or special offers at all. Twenty-five percent of all surveyed consumers say they would not be interested in such offerings primarily because they worry the size of the rewards may be insufficient to be worth their while. Data also shows that 20 percent of surveyed consumers worry about their personal data security and that 7 percent say they simply do not shop with local merchants often enough to make rewards programs or special offers worthwhile.

TABLE 2:

Why some consumers in different countries are uninterested in local loyalty programs

Primary reasons that surveyed uninterested consumers give for their lack of interest in loyalty programs, by country

				
	United Kingdom	United States	Australia	Brazil
• Insufficient size of rewards	26.3%	23.9%	27.9%	26.9%
• Security and personal data concerns	14.1%	17.3%	14.8%	30.2%
• Inconvenience of physical loyalty cards	9.6%	15.5%	12.7%	9.0%
• Too complicated to use	13.1%	9.1%	10.5%	11.3%
• Avoid tracking purchases	8.9%	11.5%	12.5%	7.6%
• Inconvenient to apply discounts at POS	10.6%	10.0%	8.9%	10.0%
• Infrequency shopping at local stores	11.8%	7.4%	7.3%	2.5%
• Other	5.5%	5.3%	5.3%	2.4%

■ Highest percentage for the country

Source: PYMNTS | Pollinate Making Loyalty Work For Small Businesses

It is also worth noting that some consumers are not interested in using local retailers' loyalty programs because they do not like having to stuff their wallets with coupons and cards to present at the brick-and-mortar point of sale — frictions that retailers could easily eliminate by providing digital loyalty programs instead. Thirteen percent of consumers who are not interested in such programs say they are uninterested because they do not want to carry around physical cards or

coupons or vouchers in their wallets, for example, and 10 percent say it is because they do not want to have to present such objects at checkout.

The reasons that consumers cite for being uninterested in local retailers' loyalty programs and special offers vary drastically between countries, however. Australian consumers are more likely than those in Brazil, the U.K. or the U.S. to worry that rewards might not be sufficient, while

Brazilian consumers are by far the most likely to be worried about the security of their personal data. Twenty-eight percent of Australian consumers who would not be interested in using such programs say it is because they worry they would not yield sufficient rewards, compared to the sample average of 25 percent, for example. The 30 percent of Brazilian consumers who worry about their personal data security is also far above the sample average of 20 percent.

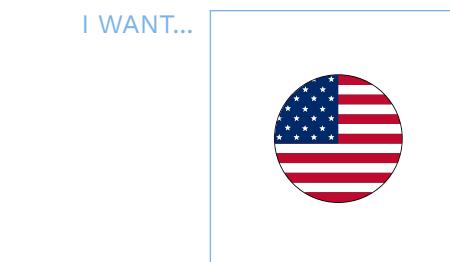
Small pockets of U.S. consumers say they are not interested in local retail loyalty programs because they worry the programs would be too complicated to use or because they simply do not shop locally enough. Thirteen percent of U.K. consumers who would not be interested in local loyalty programs think that the programs might be too complicated, and 12 percent cite worries about not shopping locally enough to make participation worthwhile as key reasons for their lack of interest.

U.S. consumers appear less concerned about most of these factors than consumers in other nations, being the most likely only to worry about carrying too many paper coupons and cards.

The numbers may vary by country, but the overall trend is the same: Many consumers would consider cumbersome, paper-based loyalty programs to be an inconvenience.

It is also worth noting that many of the factors that consumers say might dissuade them from using local retailers' loyalty programs and special offers can arise from using multiple programs offered by many retailers at once. Consumers' concerns about carrying around too much in their wallets can result from using loyalty programs of merchants that issue cards, coupons and other paper-based reward offerings. Worrying about not shopping with retailers frequently enough can also be a result of shopping with many more specialized local stores as opposed to shopping for a wider variety of items with larger merchants. Shoppers will simply make less use of loyalty programs if they visit the shops that offer them only on rare occasions.

Many consumers who say they are uninterested in local retailers' loyalty programs also have deep-seated data security concerns that — as we explore later in this report — stem from not trusting local retailers to handle their personal data.



“Just giving cash back or rewards points toward purchasing power is enough for me.”

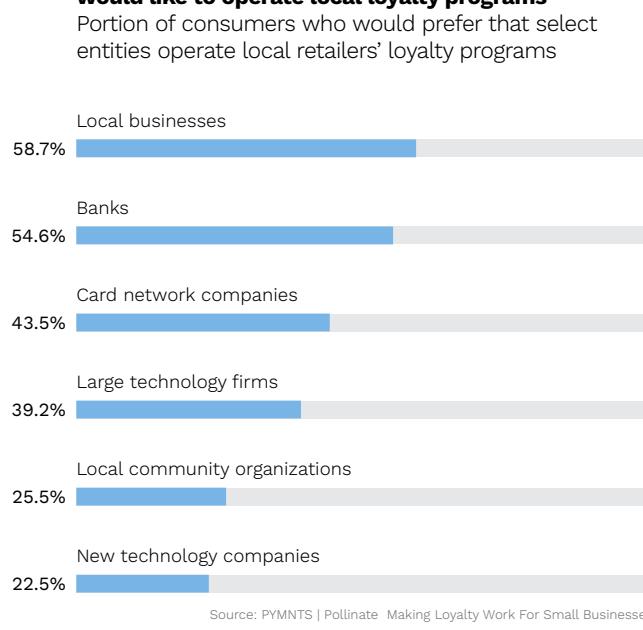
Consumers who use rewards programs from many local retailers at once might be able to avoid cluttering their wallets if those retailers' loyalty programs were digital, but this would mean that consumers would need to trust each and every retailer who offered a digital program with their personal data.

It follows that many consumers would not necessarily want local retailers to be the ones to manage local loyalty programs, preferring that such programs be operated by third-party entities instead.

Local retailers and banks are neck and neck when it comes to consumers' most trusted choice for managing their local retail loyalty and rewards programs. Fifty-nine percent of surveyed consumers say they would want such programs to be operated by local merchants themselves, while 55 percent say they would want them to be operated by banks.

Card networks like Mastercard, Visa and American Express are also high on the list of entities that consumers would like to enable local retail loyalty programs. Smaller shares of consumers said that they would like large technology firms,

FIGURE 6:
Which entities consumers in different countries would like to operate local loyalty programs



local community organizations and FinTechs to manage their local retailers' loyalty programs.

Consumers' interest in retail loyalty programs operated by different entities also varies depending on their nation of residence. Brazilian consumers appear the most open to using loyalty programs operated not only by banks, card networks and local businesses themselves but also by large technology firms and FinTechs. Local community organizations, in fact, are the only entity that consum-

ers in Brazil trust less for managing such programs than do consumers in Australia, the U.K. and the U.S.

U.S. consumers are the second-most likely, after Brazilian consumers, to say they would prefer to have their banks, card networks, large technology firms or FinTechs enable local rewards programs, while consumers in Australia and the U.K. are the most likely to prefer putting their local community organizations in charge of such programs.

TABLE 3:
Which entities consumers in different countries would like to operate local loyalty programs

Portion of consumers who would prefer that select entities operate local retailers' loyalty programs, by country

	United Kingdom	United States	Australia	Brazil
• Local businesses	51.7%	55.9%	58.4%	64.1%
• Banks	44.2%	49.1%	47.0%	65.0%
• Card network companies	29.1%	40.3%	38.1%	51.5%
• Large technology firms	27.1%	37.6%	25.6%	45.3%
• Local community organizations	30.0%	25.7%	32.1%	23.6%
• New technology companies	14.7%	18.9%	17.8%	29.4%

■ Highest percentage for the country

Source: PYMNTS | Pollinate Making Loyalty Work For Small Businesses

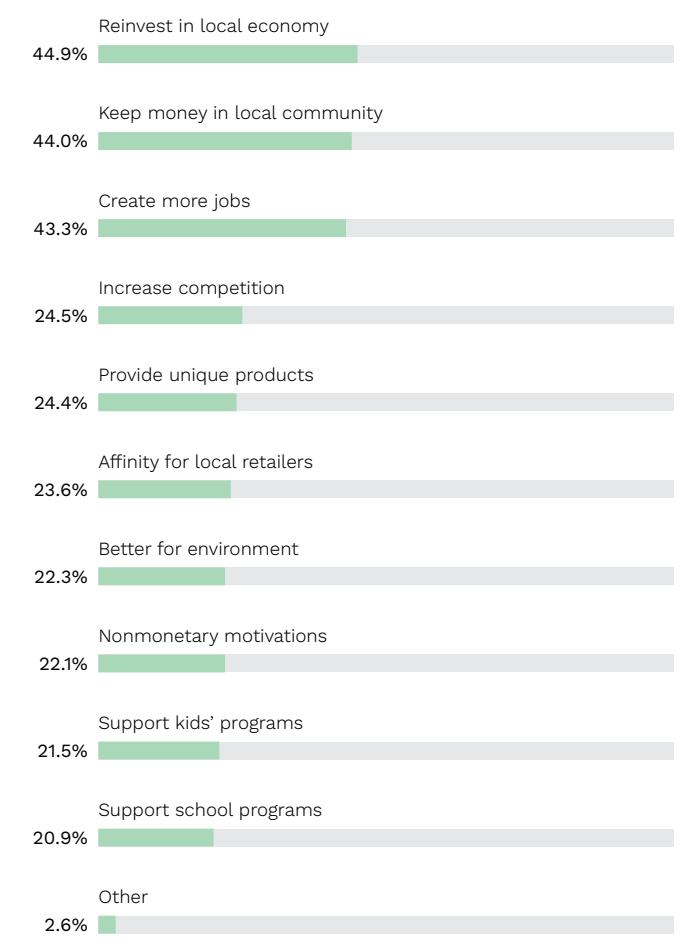
WHY BE LOYAL TO LOCAL?



FIGURE 7:

Why consumers believe it is important to shop with local retailers

Portion of consumers who consider it important to shop from local businesses for select reasons



Source: PYMNTS | Pollinate: Making Loyalty Work For Small Businesses

Another key reason that the local merchants may not find themselves in the best position to deliver their customers the loyalty programs they want is that the consumers in our survey are more attracted to the idea of financially supporting their communities as a whole than they are to the idea of shopping with any specific retailer. Our research shows that 45 percent of consumers believe it is critical to shop locally in order to reinvest in their local economies, for example, while 44 percent say it is important because doing so can help keep money in their local communities. Forty-three percent say that purchasing from local retailers is important because it can help expand local job opportunities.

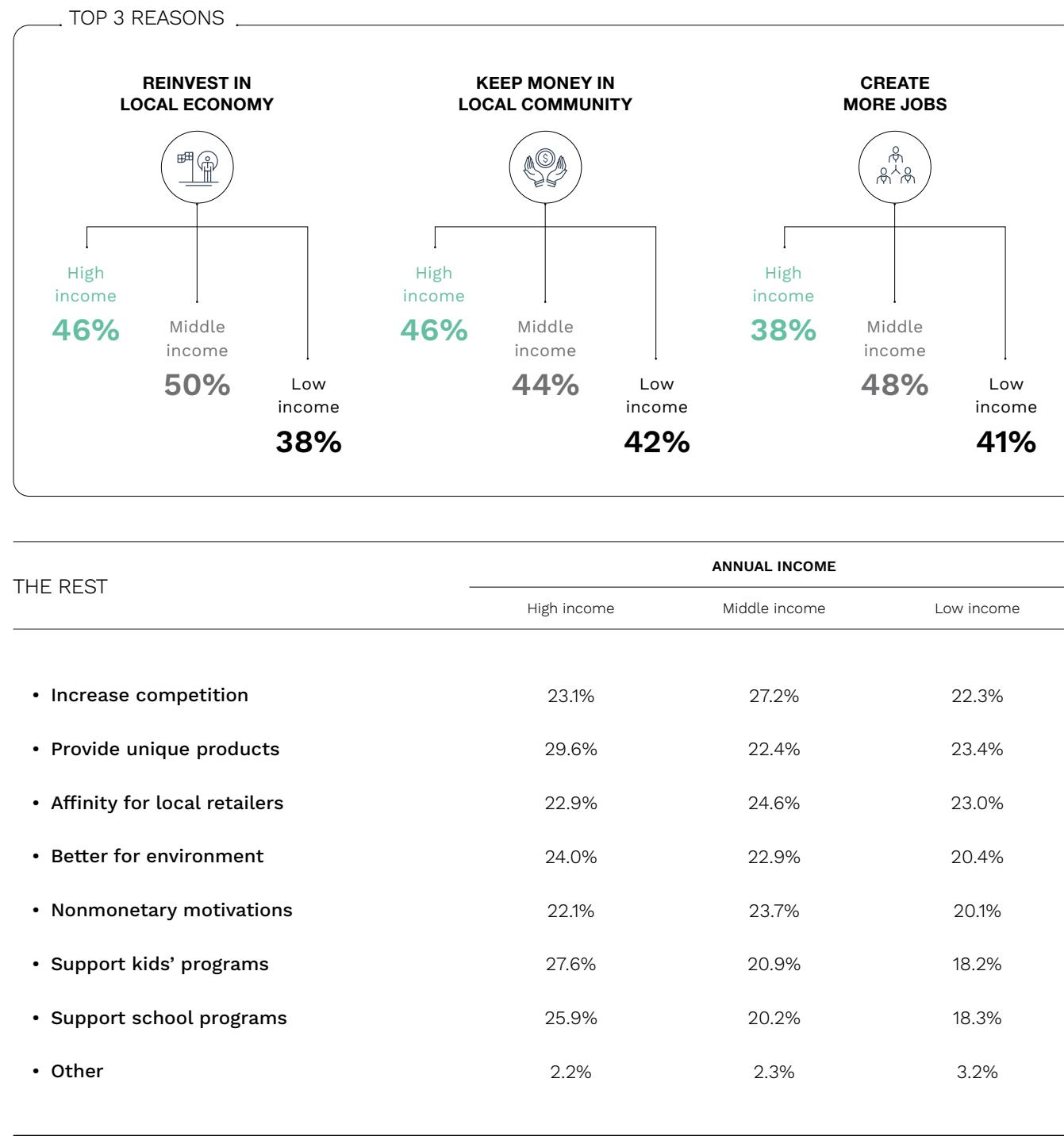


Increasing market competition and supporting local children's programs are only a few of the reasons why consumers feel it is crucial to shop with local businesses.

FIGURE 8:

Why consumers in different income brackets believe it is important to shop with local retailers

Portion of consumers who consider it important to shop from local businesses for select reasons, by annual income



Consumers generally agree that these three key factors are the top reasons why shopping locally is critical, but those in different income brackets and age groups prioritize these goals very differently. Middle-income consumers are the most likely to cite reinvesting in the local economy and job creation as reasons why they would feel motivated to purchase from local retailers, for example, with 50 percent and 48 percent saying so, respectively. Just 38 percent of low-income consumers cite reinvesting in the local economy and 41 percent of low-income consumers cite local job growth as motivations.

High-income consumers are the most likely to say they believe shopping with local retailers is important because doing so will keep money in their local communities, on the other hand. Forty-six percent of high-income consumers cite this as a factor that makes it critical to shop local. Forty-four percent of middle-income consumers and 42 percent of low-income consumers say the same.

45%

OF CONSUMERS
SAY THEY BELIEVE
**IT IS CRITICAL
TO SHOP FROM
LOCAL
MERCHANTS**
TO REINVEST IN
THEIR LOCAL
ECONOMIES.

Source: PYMNTS | Pollinate Making Loyalty Work For Small Businesses

Other common reasons that surveyed consumers cite for wanting to shop local include wanting to increase competition, believing that doing so is better for the environment, perceiving local merchants as less motivated by profit and wanting to support local children's and school programs.

Consumers' motivations for shopping locally vary by population density as well, but even then, the most common reasons residents of different areas say they believe it is important to shop locally include reinvesting in the economy, keeping money in their local communities and local job growth.

I WANT...



“Relevant benefits, no crumbs, the same offered without any [restrictions], everything is centralized in a single app with no expiration on benefits.”

Metropolitan and city residents tend to perceive local retailers as drivers of local job creation, by contrast — more so than their counterparts in towns and rural areas. Forty-eight percent of consumers living in metropolitan areas and 43 percent of those living in cities say that shopping locally is important for expanding job opportunities in their communities, in fact. Forty percent of those living in towns and 39 percent living in rural areas cite this job creation as a factor that makes shopping local an imperative.

Consumers with different incomes and living in other geographic areas may have varying reasons for wanting to purchase from the stores that line their neighborhood streets, but they all tend to share the same large-scale vision of how doing so can benefit their communities as a whole. Individual retailers may not be able to deliver the loyalty and rewards programs that can offer the kind of financial boost their customers want, but institutions exist that can.

TABLE 4:

Why consumers who live in different types of communities believe it is important to shop with local retailers
Portion of consumers who consider it important to shop from local businesses, by locations of residency

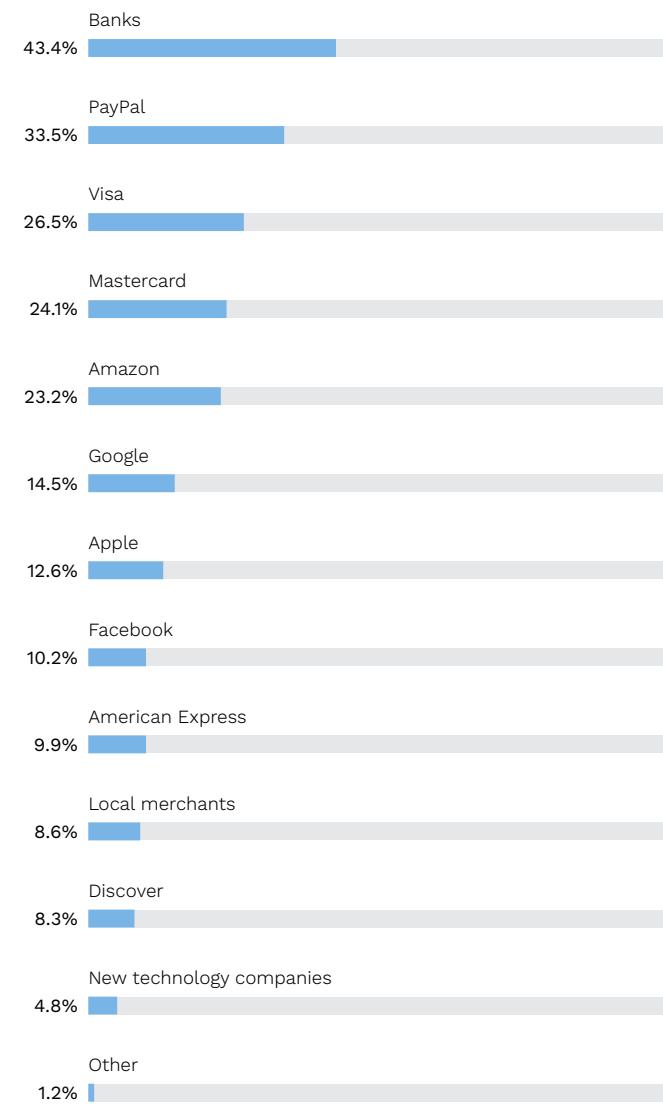
TOP 3 REASONS																																										
REINVEST IN LOCAL ECONOMY		KEEP MONEY IN LOCAL COMMUNITY		CREATE MORE JOBS																																						
Metropolitan area	City	Metropolitan area	City	Metropolitan area	City																																					
48%	41%	39%	36%	48%	43%																																					
Town	Rural or farming area	Town	Rural or farming area	Town	Rural or farming area																																					
49%	45%	55%	58%	40%	39%																																					
THE REST																																										
<ul style="list-style-type: none"> • Increase competition • Provide unique products • Affinity for local retailers • Better for environment • Nonmonetary motivations • Support kids' programs • Support school programs • Other 																																										
<table> <thead> <tr> <th></th><th>Metropolitan area</th><th>City</th><th>Town</th><th>Rural or farming area</th></tr> </thead> <tbody> <tr> <td>33.7%</td><td>23.7%</td><td>18.7%</td><td>16.6%</td></tr> <tr> <td>20.2%</td><td>24.4%</td><td>29.0%</td><td>25.7%</td></tr> <tr> <td>29.0%</td><td>25.3%</td><td>18.7%</td><td>15.5%</td></tr> <tr> <td>26.3%</td><td>20.9%</td><td>22.5%</td><td>17.3%</td></tr> <tr> <td>19.2%</td><td>20.8%</td><td>27.0%</td><td>23.6%</td></tr> <tr> <td>20.4%</td><td>18.1%</td><td>27.1%</td><td>24.2%</td></tr> <tr> <td>17.6%</td><td>20.3%</td><td>23.8%</td><td>24.6%</td></tr> <tr> <td>3.3%</td><td>2.6%</td><td>1.3%</td><td>3.3%</td></tr> </tbody> </table>							Metropolitan area	City	Town	Rural or farming area	33.7%	23.7%	18.7%	16.6%	20.2%	24.4%	29.0%	25.7%	29.0%	25.3%	18.7%	15.5%	26.3%	20.9%	22.5%	17.3%	19.2%	20.8%	27.0%	23.6%	20.4%	18.1%	27.1%	24.2%	17.6%	20.3%	23.8%	24.6%	3.3%	2.6%	1.3%	3.3%
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3.3%	2.6%	1.3%	3.3%																																							

Source: PYMNTS | Pollinate Making Loyalty Work For Small Businesses

IN BANKS AND CARD NETWORKS THEY TRUST

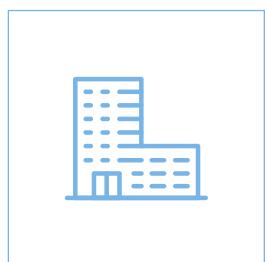


FIGURE 9:
Which institutions consumers in different countries would trust with their transactional data
 Portion of consumers who would trust select institutions to handle their shopping data



Source: PYMNTS | Pollinate Making Loyalty Work For Small Businesses

Third-party providers — financial institutions and card networks in particular — not only have the reach needed to empower the community-wide programs that surveyed consumers desire but also possess another critical factor: trust. Banks are uniquely positioned as trusted entities in communities throughout Brazil, the U.K., the U.S. and Australia. A greater share of surveyed consumers say they trust banks to handle their transactional data than those who trust any other business or organization to do so, in fact. Forty-three percent of all surveyed consumers say they would trust banks to manage this data, whereas only 8.6 percent say they would trust their local retailers to do the same.

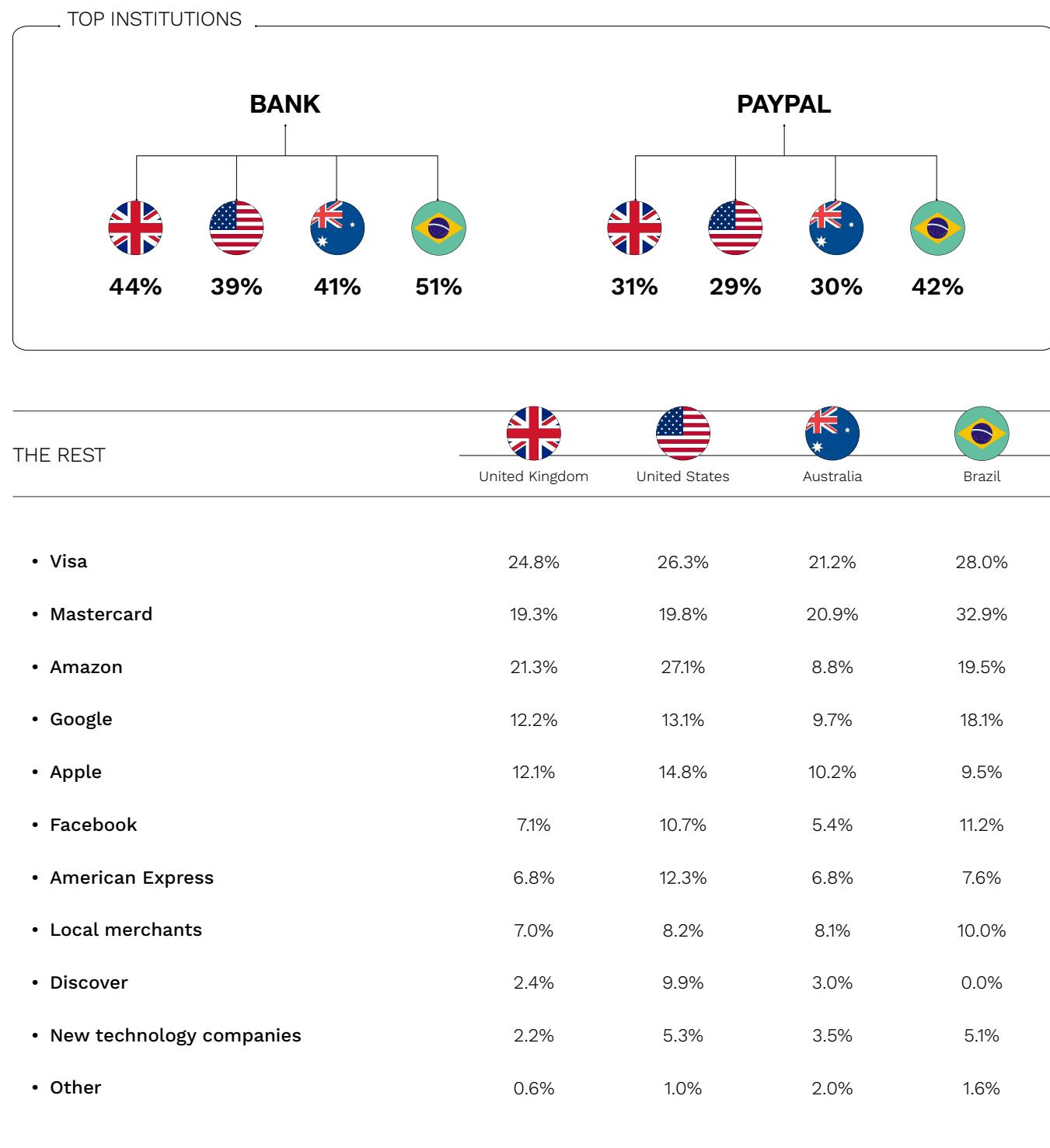


Banks are two and a half times more trusted with consumers' transactional data than technology companies.

TABLE 5:

Which institutions consumers in different countries would trust with their transactional data

Portion of consumers who would trust select institutions to handle their shopping data, by country



Source: PYMNTS | Pollinate Making Loyalty Work For Small Businesses

This strong trust in banks is observable across all four national markets in our study, being strongest in Brazil. Fifty-one percent of Brazilian consumers trust banks to manage their transactional data. The U.K. is second-most trusting of banks, with 44 percent of all U.K. consumers citing them as organizations they would trust with such data. Even in Australia and the U.S., consumers have more confidence in banks than any other type of organization to handle their data.

Card networks are not far behind banks in terms of overall trust, with 40 percent of all surveyed consumers saying they would trust at least one card network with their transactional data. Certain card networks are more widely trusted with this task than others, however. Visa and Mastercard are the two most trusted. Twenty-seven percent of surveyed consumers say they would trust Visa to manage their transactional data, and 24 percent would trust Mastercard for the same purpose. Trust in card networks is even higher in Brazil, where 33 percent and 28 percent of consumers trust Mastercard and Visa, respectively.

There is a clear reason why so many consumers in different nations trust banks and card networks to handle their transactional data: They already do. Not only do nearly all consumers in all four nations already have bank accounts, but the majority are also accustomed to using physical cards to pay for their purchases both online and in-store. Fifty-eight percent of all surveyed consumers use physical cards to pay for brick-and-mortar purchases, 21 percent use touchless cards and 21 percent use digital wallets that often link to their credit and debit cards. Cards are just as important for shopping online. Sixty-seven percent of surveyed consumers use their credit, debit or prepaid cards to pay online, and 31 percent use digital wallets.

I WANT...



“An app rather than a card. Special offers for loyalty members. Points that actually add up to money to spend.”

I WANT...



"Easy access within one central place (no separate apps/websites/newsletters for each business) for all small/local businesses."

There is one notable exception to this rule, however. Brazilian consumers are more likely to pay for brick-and-mortar purchases with cash than they are to use cards, contactless or otherwise, though only slightly. Sixty percent of Brazilian consumers pay in-store using physical cards.

The U.K. is also notable for its consumers' use of contactless cards. Sixty-three percent of U.K. consumers pay using contactless cards at the brick-and-mortar point of sale.

Consumers' use of credit and debit cards and contactless cards offers banks an

opportunity to reassert their place with consumers in transaction-based loyalty programs. By providing a trusted loyalty program linked to a consumer's card and participating local businesses, banks could offer a frictionless and compelling loyalty program experience.

TABLE 6:

How consumers in different countries pay when shopping in-store and online

Portion of consumers who use select purchasing methods when shopping in brick-and-mortar shops, by country

PHYSICAL	AVERAGE				
		United Kingdom	United States	Australia	Brazil
• Physical card	58.1%	37.1%	61.7%	52.4%	60.1%
• Cash	47.9%	35.3%	41.4%	44.1%	62.8%
• Contactless card	20.8%	63.0%	15.3%	41.2%	13.0%
• Digital wallet	20.5%	14.9%	20.8%	20.5%	21.9%
• Store credit	11.8%	6.2%	12.0%	6.2%	14.0%
• QR code	10.1%	4.5%	8.4%	6.4%	15.3%
• Check	6.2%	2.8%	10.1%	2.7%	1.4%
• Other	2.6%	0.6%	3.4%	2.7%	2.1%
Do not make in-store purchases	3.7%	6.6%	4.6%	2.0%	1.5%

■ Highest percentage for the country

Source: PYMNTS | Pollinate Making Loyalty Work For Small Businesses

TABLE 7:

How consumers in different countries pay when shopping in-store and online

Portion of consumers who use select purchasing methods when shopping on retail websites, by country

ONLINE	AVERAGE				
		United Kingdom	United States	Australia	Brazil
• Debit, credit or prepaid	67.2%	75.8%	71.9%	59.3%	58.0%
• Digital wallet	30.8%	33.8%	29.4%	38.3%	31.2%
• Store credit	11.9%	6.7%	15.3%	6.9%	8.7%
• QR code	9.1%	4.8%	7.8%	4.6%	13.2%
• Other	3.8%	2.6%	3.7%	5.1%	4.3%
Do not make online payments	8.7%	4.7%	8.2%	13.5%	10.3%

■ Highest percentage for the country

Source: PYMNTS | Pollinate Making Loyalty Work For Small Businesses

CONCLUSION

MAKING LOYALTY WORK FOR SMALL BUSINESSES

Consumers in Australia, Brazil, the U.K. and the U.S. share a desire to support their local economies by shopping with their community retailers, and loyalty programs can play a crucial role in incentivizing shoppers to purchase from the shops that line their main streets. Many consumers also have misgivings about trusting local retailers with their personal transactional data, however. This underscores a need for third-party providers to step in and serve as a trusted intermediary to unlock rewards programs' potential to drive growth in communities across the globe.

METHODOLOGY

YMNTS surveyed 4,519 consumers from Australia, Brazil, the U.K. and the U.S. about the types of retailers they frequent and their enrollment and interest in retail loyalty and rewards programs between Feb. 25 and March 5, 2021, to provide an overview of how retailers with brick-and-mortar locations in local communities can leverage such programs to boost their top-line performance. Respondents from each national market were balanced in accordance with local demographic data. Our final sample included 1,051 consumers from Australia, 1,106 consumers from Brazil, 1,115 U.K. consumers and 1,247 U.S. consumers. *Making Loyalty Work For Small Businesses* details the findings of our extensive research.

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Founded in 2017, **Pollinate** is a global business headquartered in London. It works with leading banks around the world, including NatWest Group (powering Tyl by NatWest) and National Australia Bank, offering a modern, cloud-based toolkit for SMBs. Agnostic to underlying infrastructure, the platform takes data feeds from any bank and from third-party systems. It gives merchants a single place to understand, manage and grow their businesses and is built with bank-grade privacy and security at its heart.

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