

# No more free coffee on your birthday? Companies rein in customer rewards programs — here's why



By WYATTE GRANTHAM-PHILIPS AP Business Writer

WASHINGTON (AP) — Reward programs, including birthday freebies and discounts, have long been a way for brands to build loyalty and incentivize spending. But now some companies are becoming a bit more stingy — and customers are taking notice.

Last fall, for example, many balked at Dunkin's decision to stop offering a free drink on their birthday and instead give them triple loyalty points on their purchase. On June 1, Sephora started requiring a \$25 minimum purchase for online customers looking to claim a free gift and 250 loyalty points during their birthday month. And Red Robin added a dine-in only and \$4.99 minimum purchase requirement for customers to get their free birthday burger.

Changes to birthday rewards or redemption requirements aren't new. Starbucks, which gives its rewards members a free drink or food item for their birthdays, progressively limited the timeframe for redeeming that gift over the years — from 30 days, to one week, to four days and, finally, to just the date of your birthday in 2018.

Some experts say the cost of maintaining loyalty programs, as well as recent impacts of inflation and changes in consumer behavior since the start of the COVID-19 pandemic, are among the reasons why companies may be pulling back.

"While we're assessing our own personal expenses, so are businesses," Marshal Cohen, chief industry advisor of Circana and retail expert, told The Associated Press. "Businesses have to look and say, 'Are these programs working? Are they working to full capacity? ... (And) is there another way of doing this that wouldn't cost us as much money?'"

For Sephora customers enrolled in its Beauty Insider birthday rewards, for example, they can still claim their free gift in person with no minimum purchase. But it costs the company money to ship products sold online, noted Leora Lanz, assistant dean of academic affairs and assistant professor of practice at Boston University's School of Hospitality Administration.

Sephora did not immediately respond to The Associated Press' request for comment.

Despite consumer pushback, some chains have argued adjustments to rewards programs simply reflect how customers behave. In a statement to The Associated Press, Starbucks said it “found that the vast majority of members were using their birthday reward on their actual birthday.”

Dunkin' argued that its new rewards program would give its customers more flexibility and a larger variety of food and drink options — and in a statement to The Associated Press last week, the company said the new program lets “members celebrate their birthday even longer,” pointing to the three-day window within which customers can triple their loyalty points on birthday purchases.

Still, the announcement felt off-putting for many Dunkin' customers, who shared frustrations online. In the months following Dunkin's announcement, dozens of Twitter users have expressed disappointment over learning that the free birthday drink was gone. Some joked that they “no longer run on Dunkin,” a dig at the chain's slogan, and others suggested that they might take their future business elsewhere.

Experts say the way companies communicate changes to rewards programs is key.

“What (brands) need to do is not make too many changes so often — because you're going to start rubbing your audience the wrong way and it could backfire — and you should be very thoughtful about it,” Lanz said. “They do need to communicate it so that it's not a complete surprise.”

Others say that drawing attention to what's “being lost” can also cause backlash — and it's better to provide clear alternatives for consumers to feel rewarded.

Red Robin, which said it began the dine-in only and \$4.99 minimum purchase requirements to its free birthday burger “to maintain the integrity of the promotion” and give guests “the best possible experience” by celebrating in restaurants — also introduced a half-birthday treat in 2023 “as an added gesture of appreciation.”

Consumers are likely to continue to see changes to birthday rewards and customer loyalty programs down the road, Cohen noted.

“The pie is getting smaller for a lot of these discretionary items,” he said, pointing to persistent high costs of living that consumers are facing and the increased competition among businesses vying for those limited dollars. “You're going to see a lot of (companies) assess their programs to try to figure out how to drive business in a more profitable way.”

It's possible this could mean a scaling back of more rewards programs. But there could also be an opposite effect, Julie Ramhold, consumer analyst with DealNews.com, said — noting that some retailers could offer “potentially better birthday rewards to encourage a return to spending on frivolous items.”

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Last update: 2023/07/18 07:05

