

Measuring and Understanding Public Opinion:

Loyalty cards

July 2016

Summary

The customer loyalty programme has grown over recent decades as technology has made them more practical to implement. These schemes can now be found throughout consumer markets. This short report examines the current participation and attitudes toward loyalty schemes among British consumers.

Around two-thirds of consumers engaging in one or more schemes, with many participating in multiple schemes. The number of cards in circulation is estimated to be in excess of 50 million.

Attitudes toward loyalty card schemes are generally positive and show a strong relationship to scheme behaviour (card ownership and usage).

Consumers can be segmented attitudinally; around a third of all adults show a high disposition toward loyalty schemes.

There is some evidence of demographic differences between attitudinal segments. Those with the highest orientation toward loyalty schemes are more likely to be: female, from younger age groups, and from higher socioeconomic groups.

Using this Research

This public opinion data has been collected and analysed by NEMS from a representative sample of 1001 UK adults, July 2015.

You are free to use the data, providing you acknowledge/reference the source as "NEMS Market Research, June 2016".

If you would like to know more about this or anything else research related, please get in touch; we would be happy to help.



Background

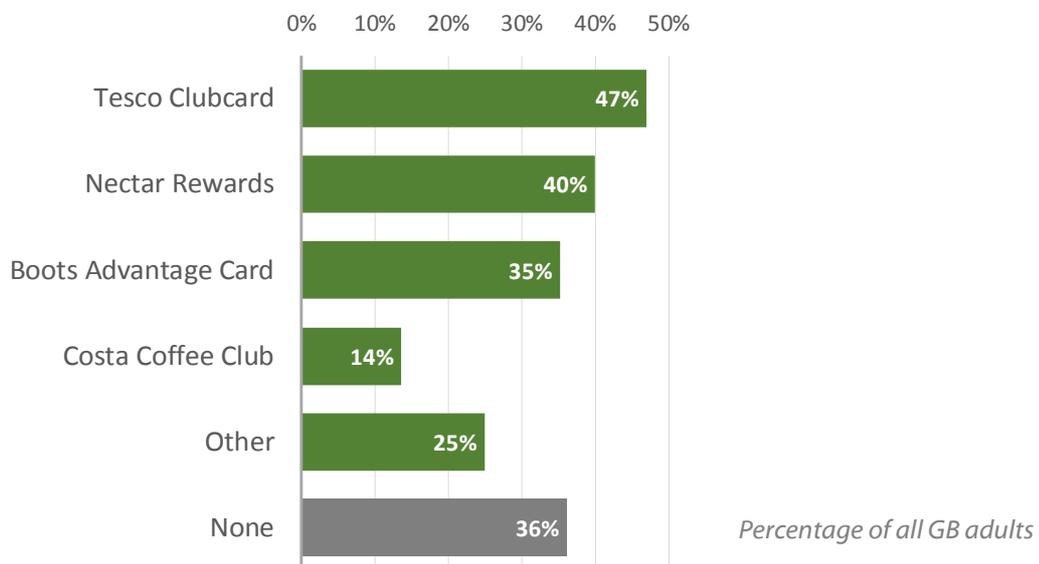
Since the early nineties, many firms have adopted customer focus through formal customer relationship management (CRM). Advances in technology enabled marketers to create new forms of CRM tactics, one such being the customer loyalty programme. These schemes can be found throughout consumer markets and typically offer financial and relationship rewards to customers.

This short report examines the current participation and attitudes toward loyalty schemes among British consumers.

Usage

Participation by consumers in loyalty schemes is widespread, with around two-thirds of consumers engaging in one or more schemes. The two most prevalent schemes are the Tesco Clubcard (47% of adults), followed by Nectar Rewards (40% of consumers).

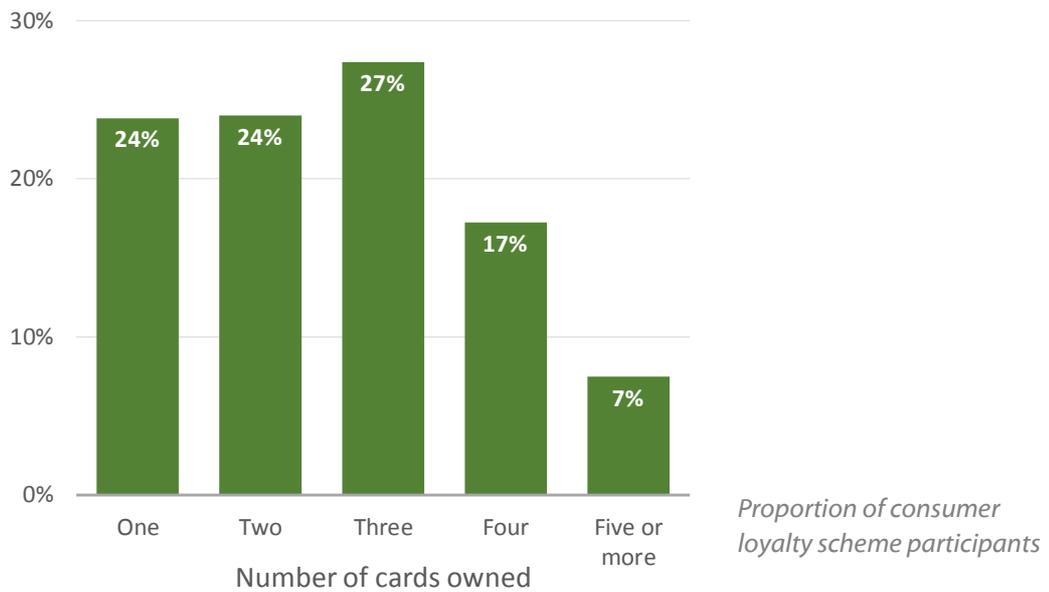
Chart 1: Participants in loyalty schemes – proportion of all adults



While around two-thirds of adults participate in loyalty schemes, some consumers are more engaged than others. Participants have an average of 2.6¹ cards, however, at the two extremes, around a quarter (24%) of scheme participants are only engaged with one scheme, while a small minority (7%) have cards for five or more different loyalty schemes.

¹ The proportion who participate in loyalty schemes and the average number of cards per participant, would put an estimate of the number of cards in circulation among British consumers in excess of 50 million

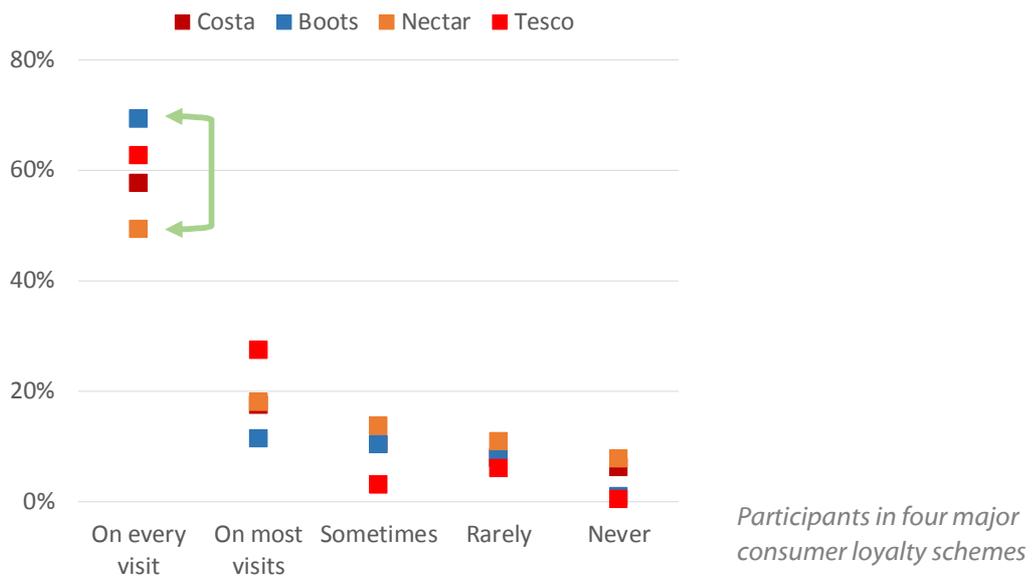
Chart 2: Number of cards owned by consumer loyalty scheme participants



Being a loyalty scheme member does not mean that the card is used on every visit to a participating outlet, with consumers showing differing likelihood to do so. While typically around six out of ten scheme participants will use their card on every visit to an outlet, there is considerable differences between schemes. For example, 69% of Boots Advantage card holders use their card on every visit to the store, compared to only 49% of Nectar Rewards participants.

Typically, around 6%-11% of scheme cardholders rarely or never use their card when visiting participating outlets.

Chart 3: Frequency of usage when visiting outlets



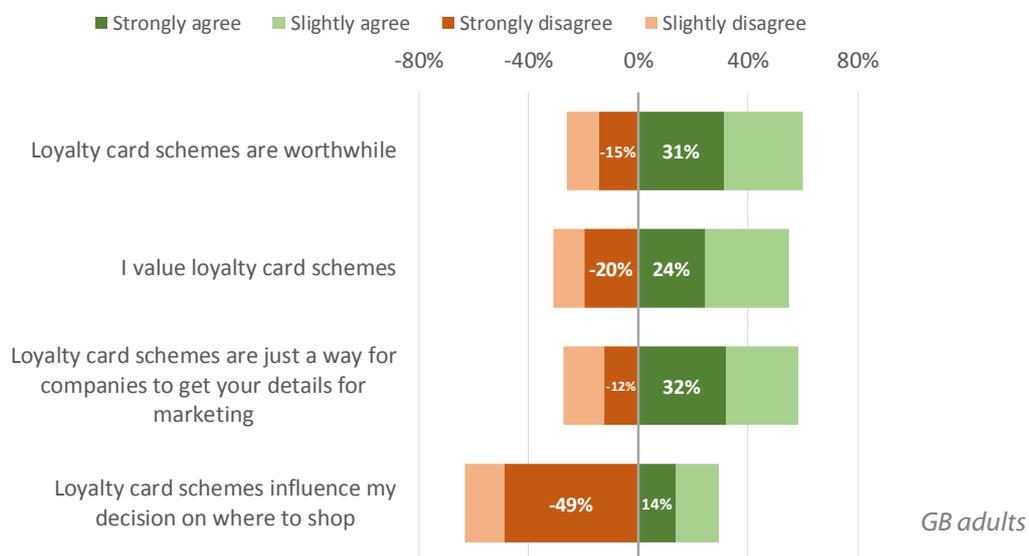
Loyalty cards

Attitudes

The perceived biggest benefits of partaking in the loyalty schemes differed between schemes. The top mentioned answer for two of the schemes was “can collect points for bigger rewards”, mentioned by 22% of Nectar Rewards card holders and 41% Boots Advantage card holders. Tesco Clubcard users were most likely to mention “discounted fuel”² (21% of card holders). For Costa Coffee Club members, “freebies (coffee, cake, etc)” were the main attraction, mentioned by over half (54%) of card holders.

A majority of consumers consider loyalty schemes to be worthwhile and value them. There is some scepticism as to the motivation behind such schemes, with notable numbers considering the schemes as just a way to get personal details for marketing. Only a small minority of consumers admit to (themselves and others) being influenced by card schemes when deciding where to shop.

Chart 4: Attitudes toward loyalty schemes among consumers

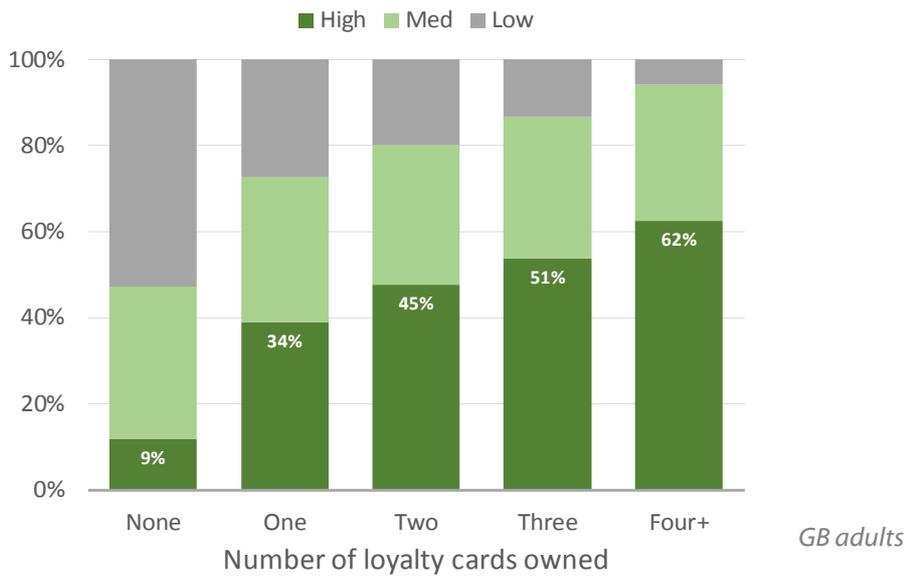


These four attitudes toward loyalty schemes, show significant correlation between them, and can be combined into one underlying latent variable as a measure of general attitude toward loyalty schemes. This general measure can then be subdivided into three groups or segments of consumers, who exhibit high (34% of all adults), medium or low orientation toward loyalty schemes.

The attitudinal segmentation into three groups, shows a strong relationship with actual behaviour. For example, those with a high orientation towards schemes make up only 9% of those who own no loyalty cards, while they make up 62% of those who own four or more cards.

² At the time of the survey Tesco Clubcard accrued fuel discounts (pence per litre). This offer has since been discontinued.

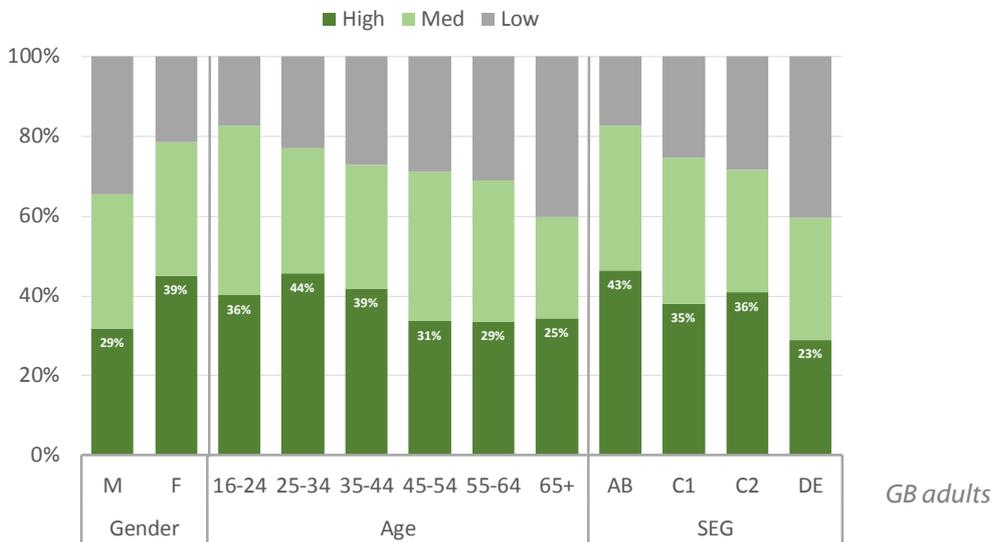
Chart 5: Relationship between attitudes and loyalty card ownership



Attitude Segment Profiles

There is some evidence of demographic differences between attitudinal segments. Those with the highest orientation toward loyalty schemes are more likely to be: female, from younger age groups, and from higher socioeconomic groups.

Chart 6: Attitude segments by key demographic groups



Some Interesting References

Barry Berman, "Developing an Effective Customer Loyalty Program", California Management Review, Vol. 49 Iss 1 pp. 123 – 148

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