WHITE PAPER

CONLUMINO

RETAIL LOYALTY AND THE CONSUMER

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CONLUMINO AND SAS

RETAIL LOYALTY AND THE CONSUMER

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Guide to the report

Summary

Key findings from the research

In today's retail market, where organic growth is thin on the ground, securing the loyalty of existing customers has never been more important.

- In today's retail market, in order to achieve superior growth, retailers need to do two things: retain their existing customers, at the same time as attracting new ones from rivals. This battle for market share, or share of wallet, is particularly pronounced as organic growth is thin on the ground.
- The issue for many players is that this is a buyer's market. There is a proliferation of retail choice, offers and deals with far too little demand to go around. So how do retailers generate loyalty?
- From our research it is clear that loyalty cards are popular among consumers, with almost 95% of shoppers owning at least one card. It is also clear that those retailers without loyalty cards or schemes could be at a disadvantage, with some 40% of consumers saying they would be less likely to use a shop that did not offer them.
- However, the relative ubiquity of loyalty cards, and the fact that many people own more than one, does raise an important question of just how critical they are at driving loyalty. How much do they really differentiate and make consumers select one retailer over another?
- This question mark is reflected by the retailer view that, of all the things they use them for, loyalty cards are least successful at driving sales. Indeed, there appears to be a recognition among retailers that the point of a loyalty card isn't actually loyalty at all, but to collect and gather customer information – this can then be used to tailor the shopping experience which then drives loyalty. In other words, the relationship is an indirect one.
- Fortunately, retailers' desire for information and data is matched by a general willingness among consumers to share their details, especially if they feel they will receive some benefit as a result.
- The research reveals that nearly 40% are happy to opt in to receive marketing material. And while only 2% are prepared to receive marketing material via text messages, 30% admit they would be fairly or highly likely to take advantage of a relevant offer direct to a mobile phone while they're in store.
- Among consumers, the purpose of loyalty cards is clearly linked to the ability to get special deals or offers, often in the shape of money-off vouchers. This is, quite literally, their reward for sharing personal details and information with the retailer.
- That loyalty cards do offer price-related benefits should come as no great surprise. In terms of store selection, price comes out as one of the foremost factors in determining where people shop. Again, given the prevailing austerity mindset among shoppers this is to be expected.
- That said, price is not the only thing that drives custom. There is recognition among consumers that service and emotional connections drive repeat business. This can often be conveyed and stimulated by marketing activity.
- However, when it comes to marketing, large numbers of retailers feel that their own campaigns are unsuccessful in some way or another. Interestingly, a key solution to this is seen as having access to a greater depth of consumer insights which allows messages to be tailored and targeted more effectively.
- This brings us full circle to loyalty cards which, among other things, provide a great source of information and detail about consumer preferences and habits. The challenge for retailers is to be able to tap into these insights and use them effectively in their marketing and promotional activity.

SECTION ONE

LOYALTY CARD DYNAMICS

Loyalty card dynamics

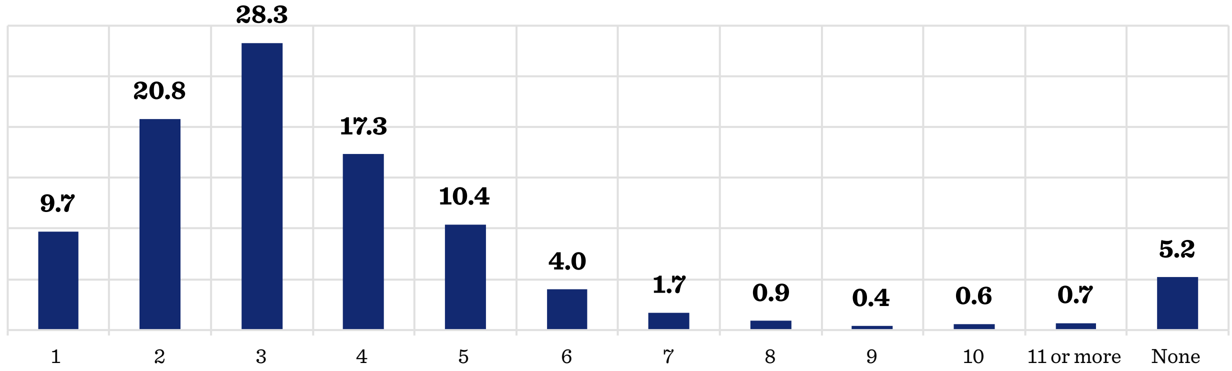
Ownership and use of loyalty cards

94.8%

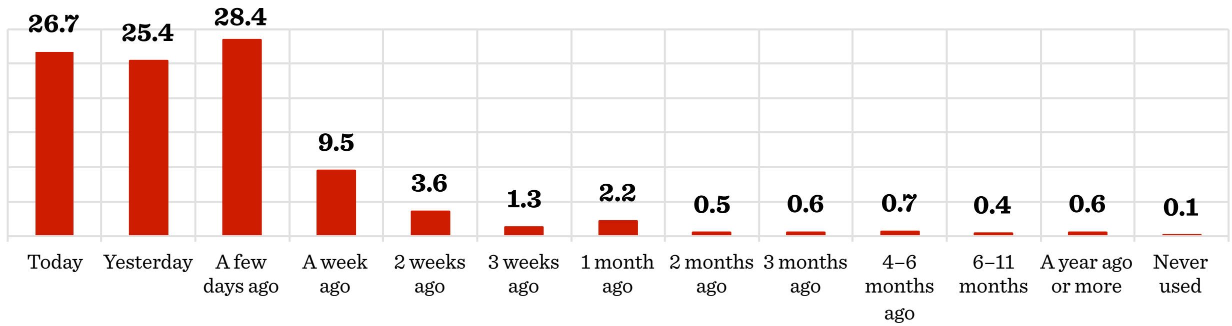
of consumers have at least one loyalty card.

The vast majority of consumers own at least one loyalty card, with many owning more than one. It is also clear that loyalty cards are not just collected and passively put to one side. At the time of the survey, well over a quarter of respondents had used them that very day, with 80% using them within the last few days.

In total, how many loyalty cards do you own?
Results from consumer survey, all figures are percentages



When was the last time you used a loyalty card?
Results from consumer survey, all figures are percentages



Loyalty card dynamics

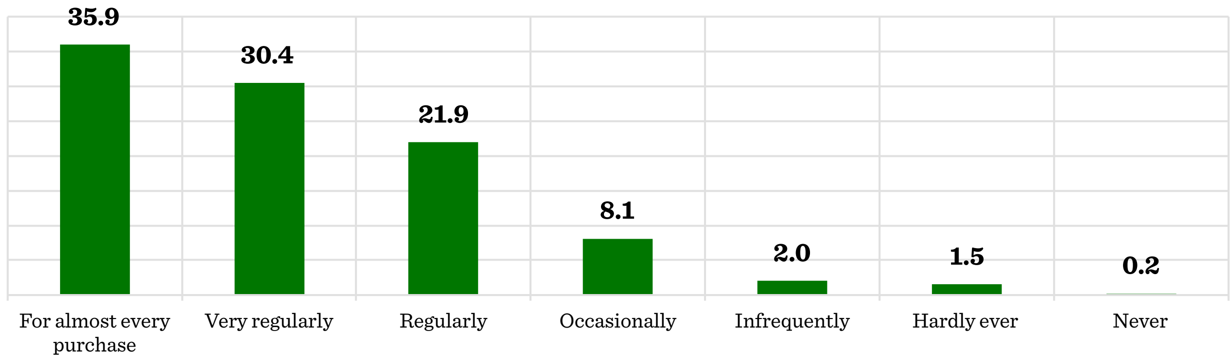
Use of cards

88.2%

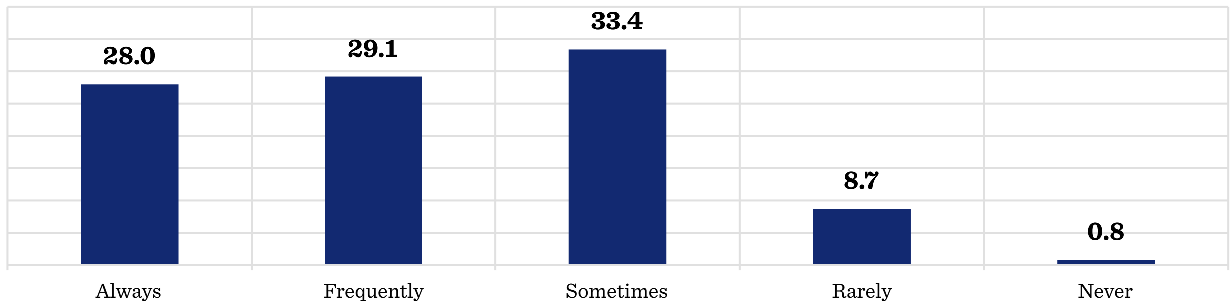
regularly use loyalty cards when shopping.

Consumers make regular use of loyalty cards when out shopping. To a degree, this is probably because using loyalty cards has become fairly habitual and is part of the shopping routine. However, the prospect of financial rewards or discounts is also important. Here, well over half of consumers are redeeming vouchers or points from cards or schemes either always or frequently. Hardly any consumers never redeem rewards.

On average, how frequently do you make use of loyalty cards when shopping?
Results from consumer survey, all figures are percentages



When it comes to redeeming points from loyalty programmes, how often do you do this?
Results from consumer survey, all figures are percentages



Loyalty card dynamics

Importance of cards

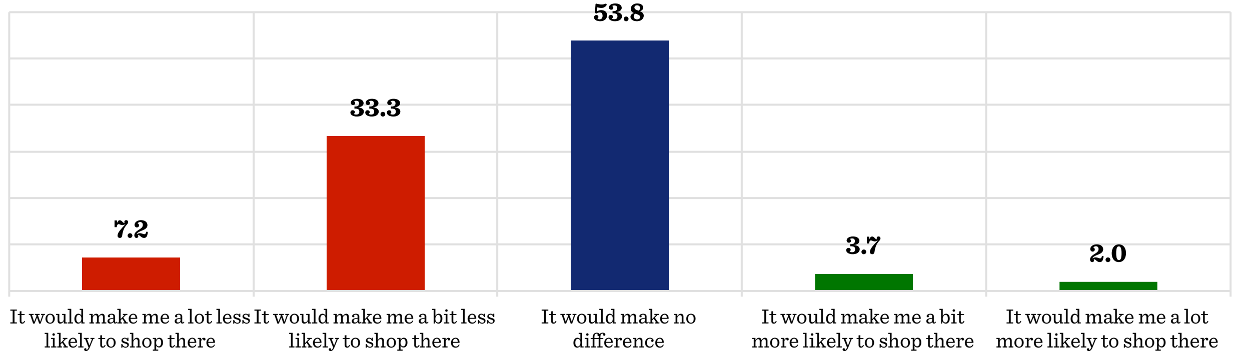
40.5%

of consumers say they would be less likely to use a retailer without a loyalty card.

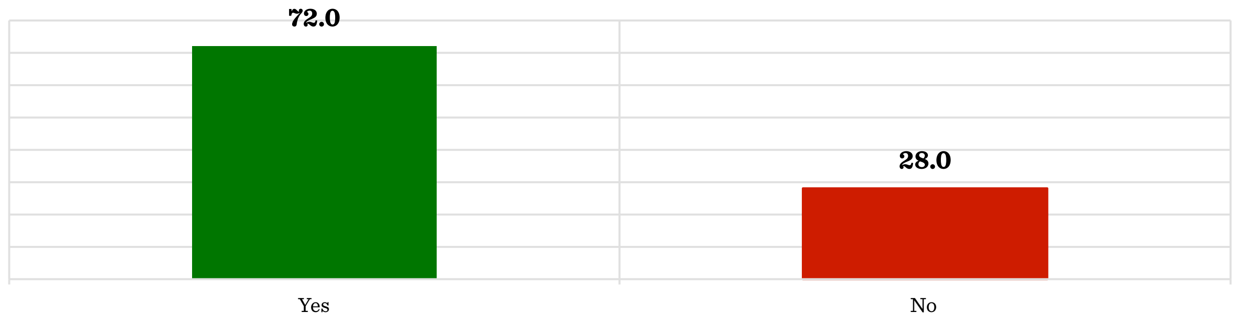
Although a lack of loyalty card would not affect the likelihood of using a retailer for the majority of consumers, a sizeable number still say they would be less inclined to use a company without one.

From the retailer side, the importance of loyalty cards is reflected by the fact that almost three-quarters of those interviewed said they currently offer some sort of scheme to their customers.

If a retailer did not offer a loyalty card, how would this affect your likelihood of shopping there?
Results from consumer survey, all figures are percentages



Do you currently offer any form of loyalty or incentive scheme to your customers?
Results from trade survey, all figures are percentages



Loyalty card dynamics

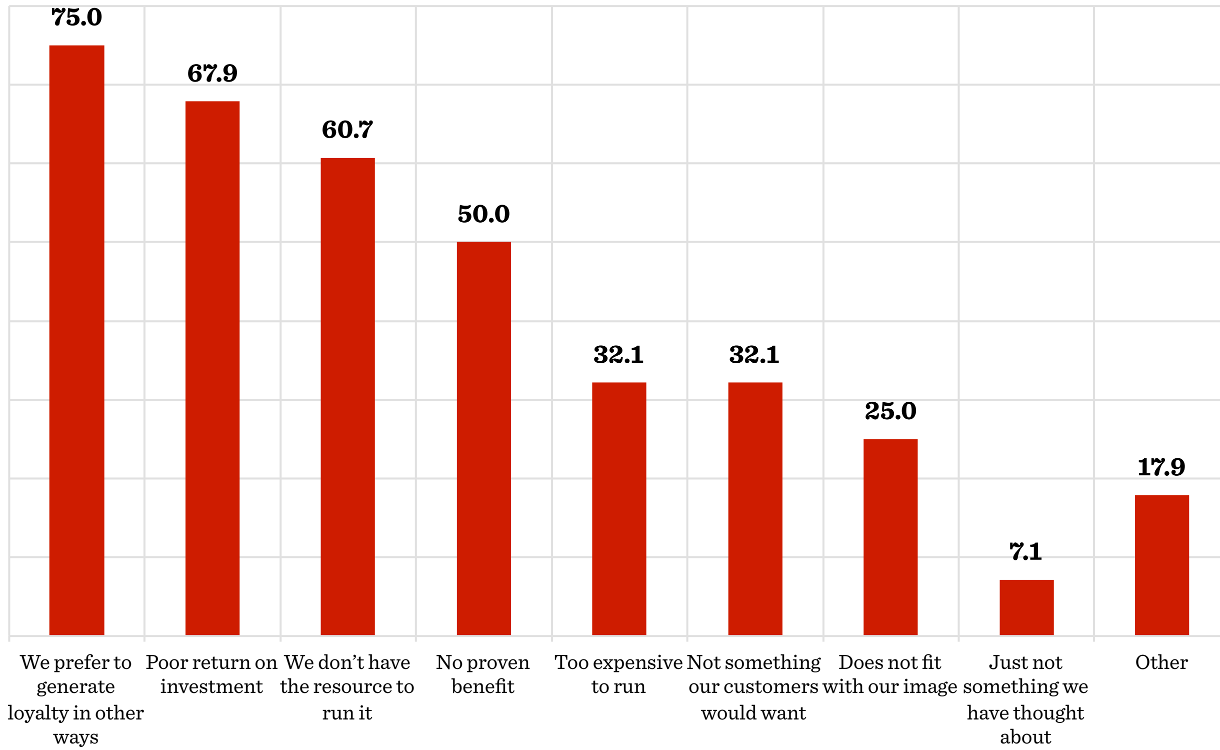
Barriers to offering cards

75%

of retailers not offering a loyalty card scheme say this is because they prefer to generate loyalty in some other way.

Among retailers that do not offer loyalty schemes or benefits, the vast majority say that one of the reasons for this is because they prefer to generate loyalty in other ways – perhaps through strong customer service or services personalised to a consumer's needs. Large numbers also see loyalty cards as representing a poor return on investment.

Why do you not offer a loyalty card programme or scheme?
Results from trade survey, all figures are percentages



Loyalty card dynamics

Features of cards

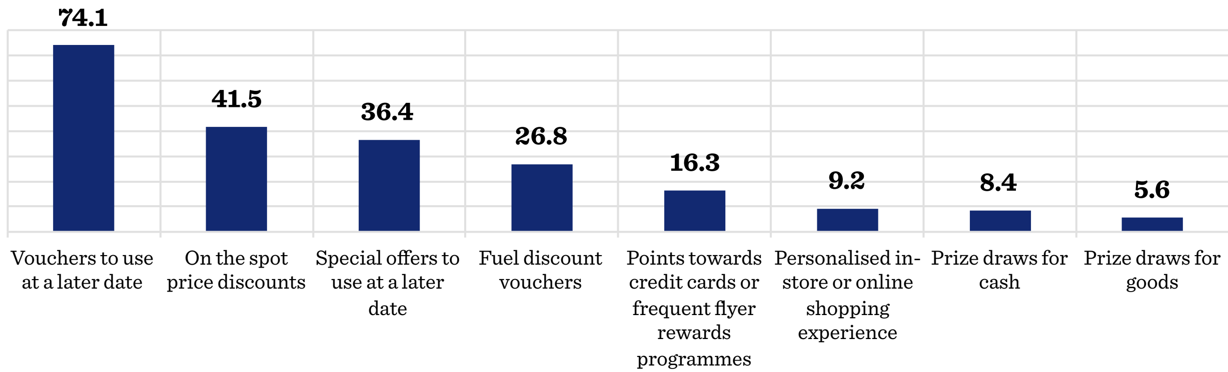
74.1%

of consumers say that vouchers to use at a later date are an important feature of loyalty cards.

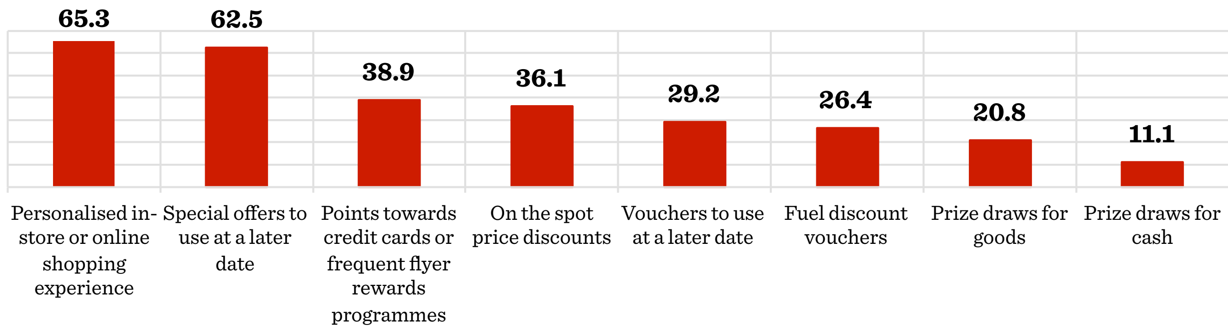
From the consumer point of view, the most attractive feature of a loyalty scheme is the provision of vouchers which can be used at a later date. Having on the spot discounts, as well as special offers to be used at a later date, are also popular features. Less popular are personalised experiences or prize draws. This consumer preference reflects the fact that many hard-pressed shoppers are looking for straight discounts or money saving initiatives.

Interestingly, most retailers seem to focus more on personalised experiences as part of their schemes, with far fewer offering vouchers to use at a later date. There is, therefore, somewhat of a mismatch between what consumers want and what retailers are offering.

What features of loyalty cards do you think are most important ? Select up to three.
Results from consumer survey, all figures are percentages



What sort of scheme or benefits do you offer?
Results from trade survey, all figures are percentages



Loyalty card dynamics

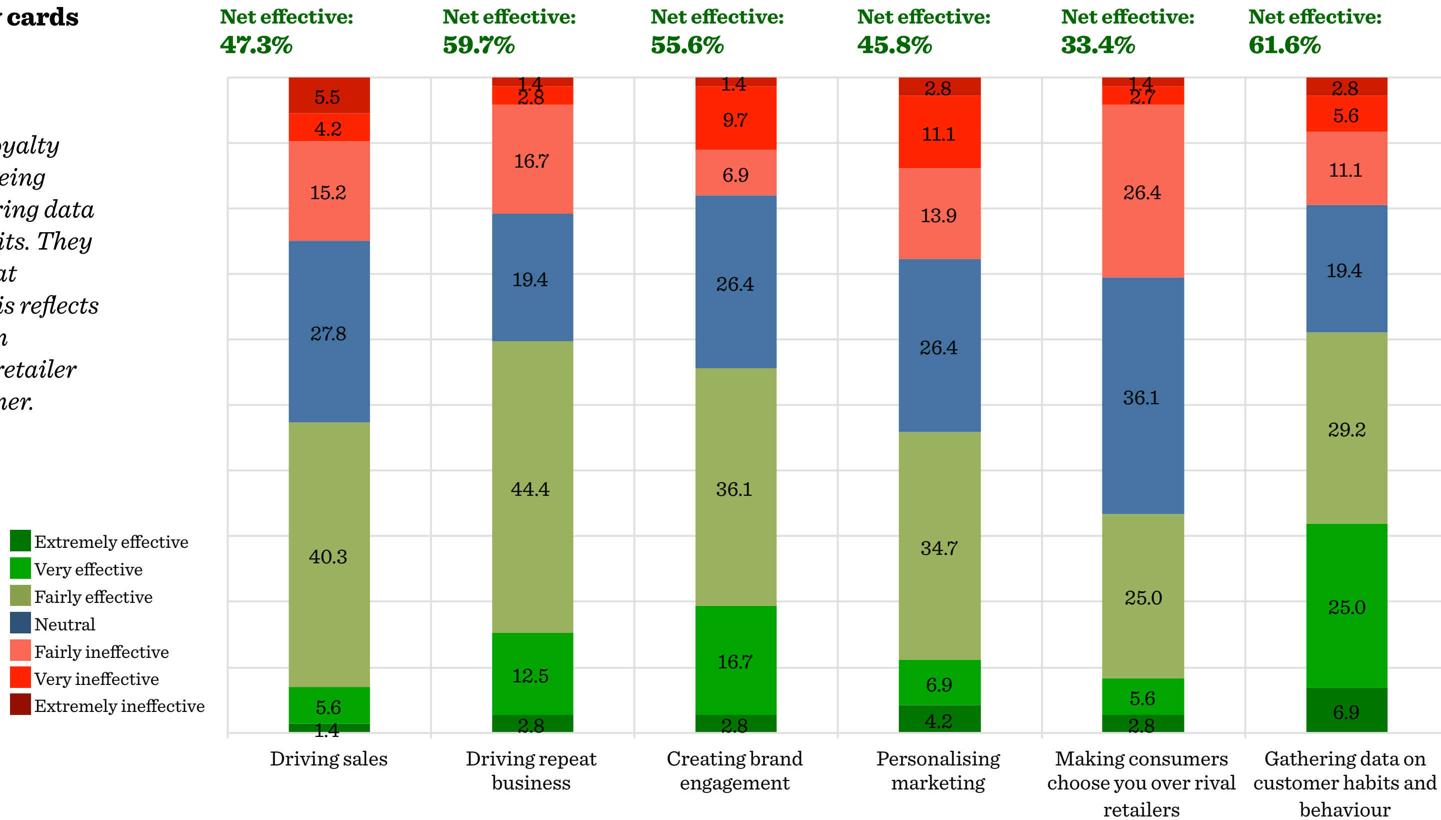
Retailer views on cards

61.6%

of retailers say that loyalty cards are effective in gathering customer data.

From the retailer perspective, loyalty cards and schemes are seen as being most effective in terms of gathering data on customer behaviour and habits. They are seen as being least effective at directly driving sales. Again, this reflects the view that loyalty cards mean something very different to the retailer from what they do to the consumer.

How effective would you say loyalty schemes or programmes are at doing the following?
Results from trade survey, all figures are percentages



Loyalty card dynamics

Concerns about cards

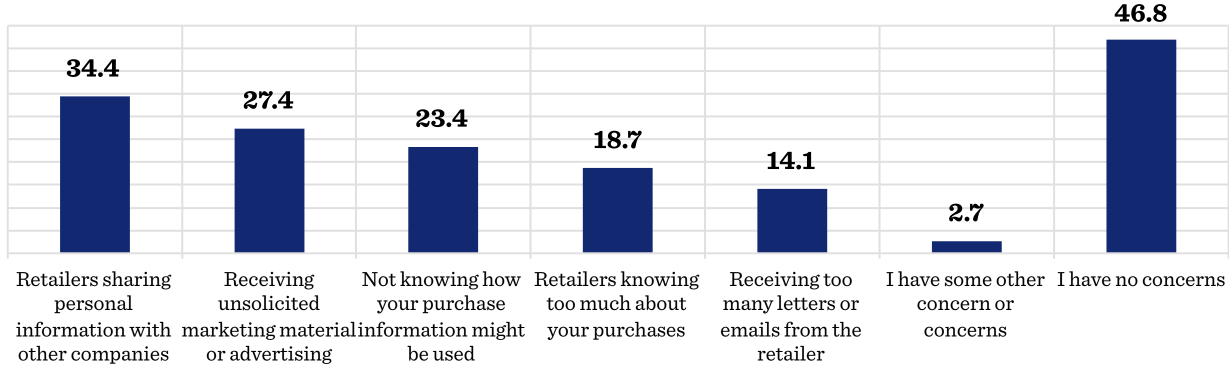
46.8%

of consumers have no concerns about loyalty cards.

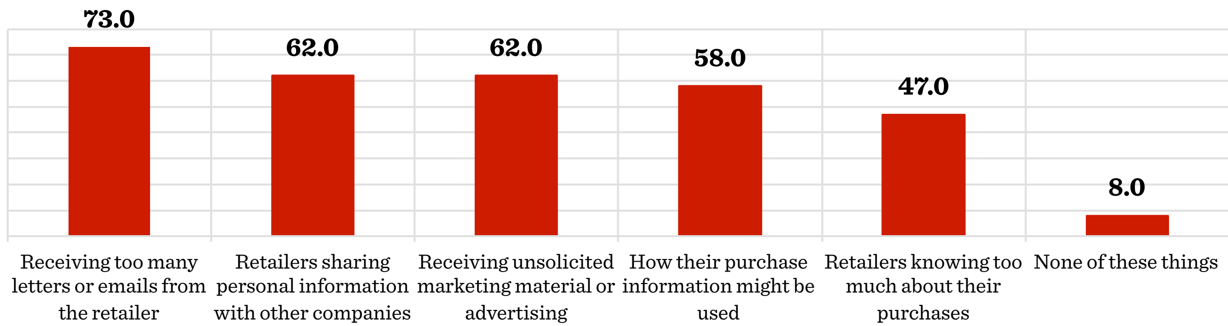
Given the ubiquity and longevity of loyalty cards, a large number of people have no concerns about them whatsoever. However, some residual concerns do remain. The main one is around the sharing of personal information with other companies. There is also a worry around receiving unsolicited marketing material.

From the retailer perspective, the main concern is the balance between providing offers to the consumer while not bombarding them with marketing materials and offers. There is also a recognition that the sharing of personal information will be a concern to shoppers.

Which, if any, of the following concerns do you have about loyalty cards?
Results from consumer survey, all figures are percentages



Which, if any, of the following concerns do you think consumers may have about loyalty cards?
Results from trade survey, all figures are percentages



Loyalty card dynamics

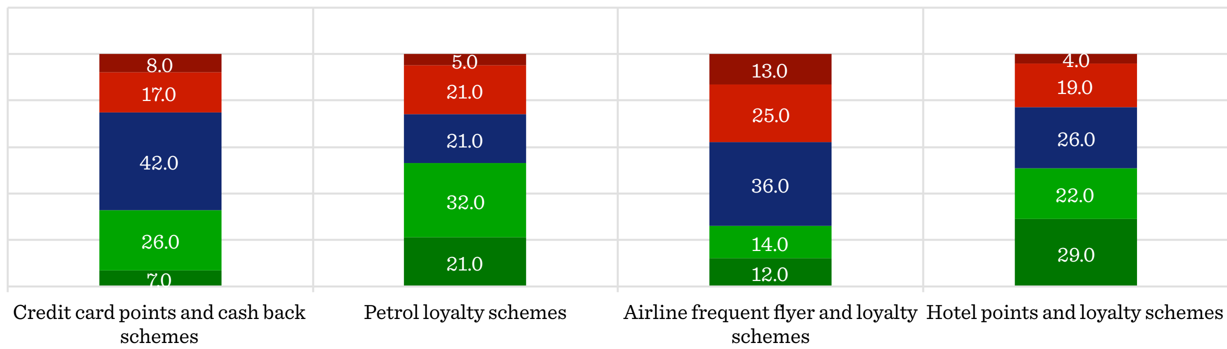
How do retail schemes and cards compare?

53%

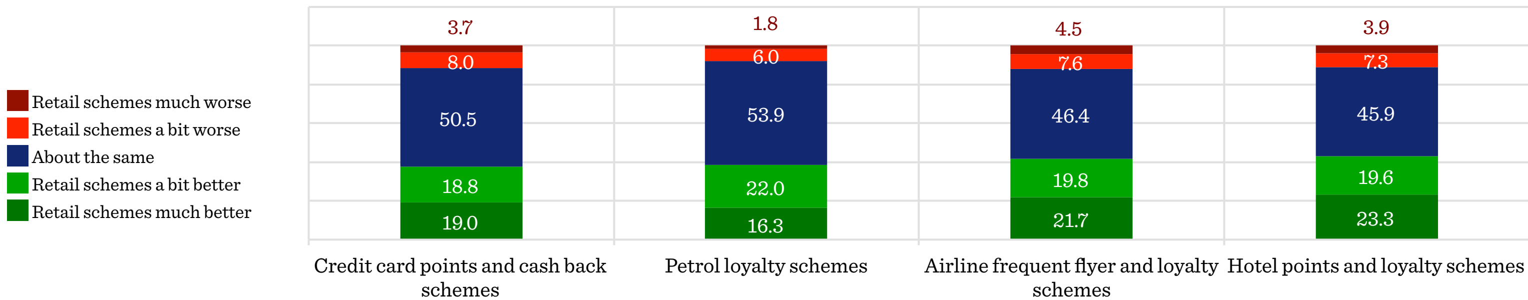
of retailers think that their loyalty schemes are better than petrol loyalty card schemes.

Generally, retailers are a little more negative than consumers when comparing their own schemes to those in different industries. This is most likely because retailers compare the efficacy and technical aspects of the schemes, whereas consumers tend to compare the rewards and benefits. Retailers tend to compare their schemes most favourably with petrol and hotel schemes.

How would you say retail loyalty schemes stack up against the following?
Results from trade survey, all figures are percentages



How would you say retail loyalty schemes stack up against the following?
Results from consumer survey, all figures are percentages



SECTION TWO

SELECTING STORES

Selecting stores

Drivers of store choice

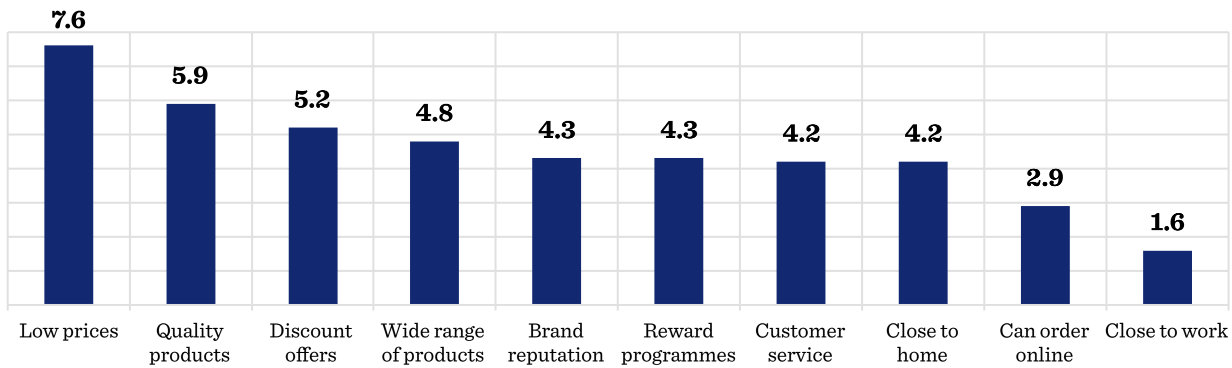
Low price

is identified by both consumers and retailers as the most important factor in driving store choice.

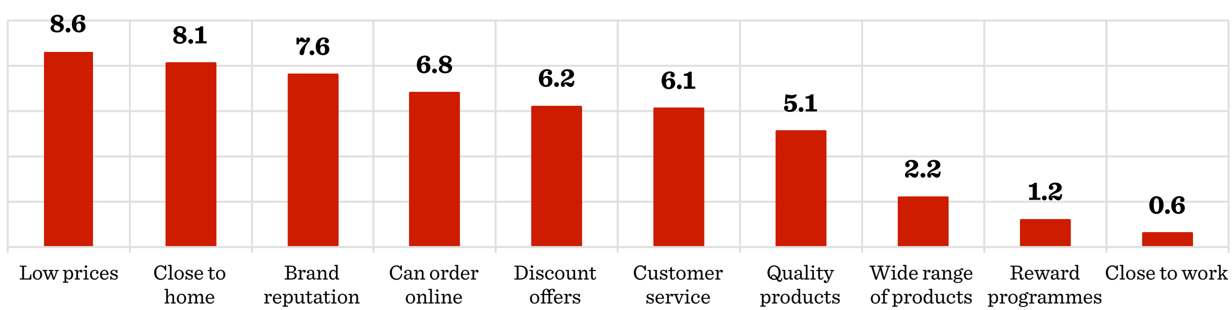
Although low price is identified by both retailers and consumers as being the main driver of store choice, there are a number of differences. From a consumer perspective, quality is the next most important factor, perhaps reflecting the fact that low prices combined with high quality products represent good value for money. Retailers tend to put quality far lower down the batting order, preferring to emphasise brand reputation.

Retailers also emphasise the ability to order online as being important, perhaps reflecting their own internal focus. However, consumers do not see this as a key differentiator and tend to take it for granted in terms of store choice.

What's important to you when picking which retailer to use? Rank from 1 (least important) to 10.
Results from consumer survey, all figures are mean scores for each attribute



What's important to consumers when picking which retailer to use? Rank from 1 (least important) to 10.
Results from trade survey, all figures are mean scores for each attribute



Selecting stores

Focus on price

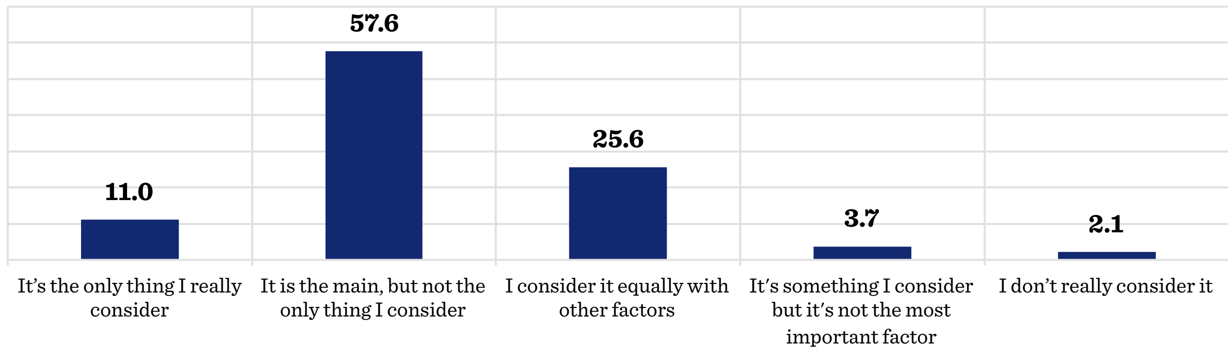
57.6%

of consumers say that price is the main, but not the only thing they consider when deciding where to shop.

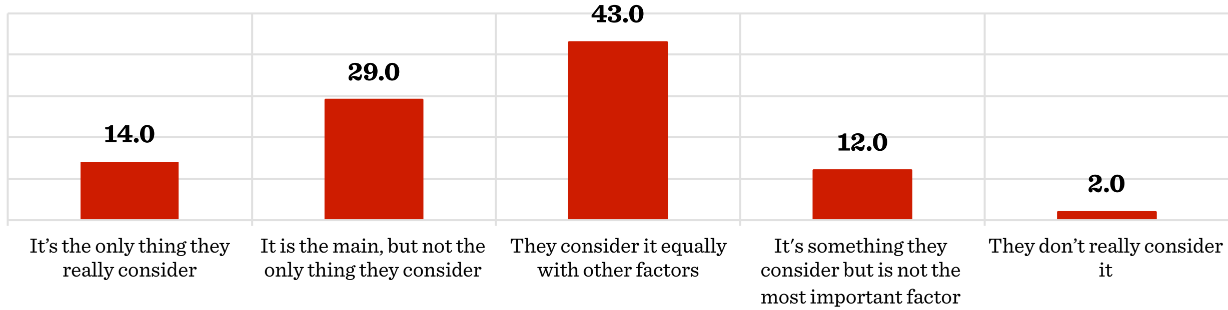
Some 68.6% of all consumers say price is the only thing they consider, or is the main but not the only thing they consider. Comparatively, retailers think that 43% of consumers make a store selection on this basis.

This underlines the fact that, while retailers recognise price as being important, they perhaps underestimate its significance in driving store choice and selection.

How important is price when deciding where to shop?
Results from consumer survey, all figures are percentages



How important do you think price is to consumers when they decide where to shop?
Results from trade survey, all figures are percentages



Selecting stores

Loyalty to retailers and companies

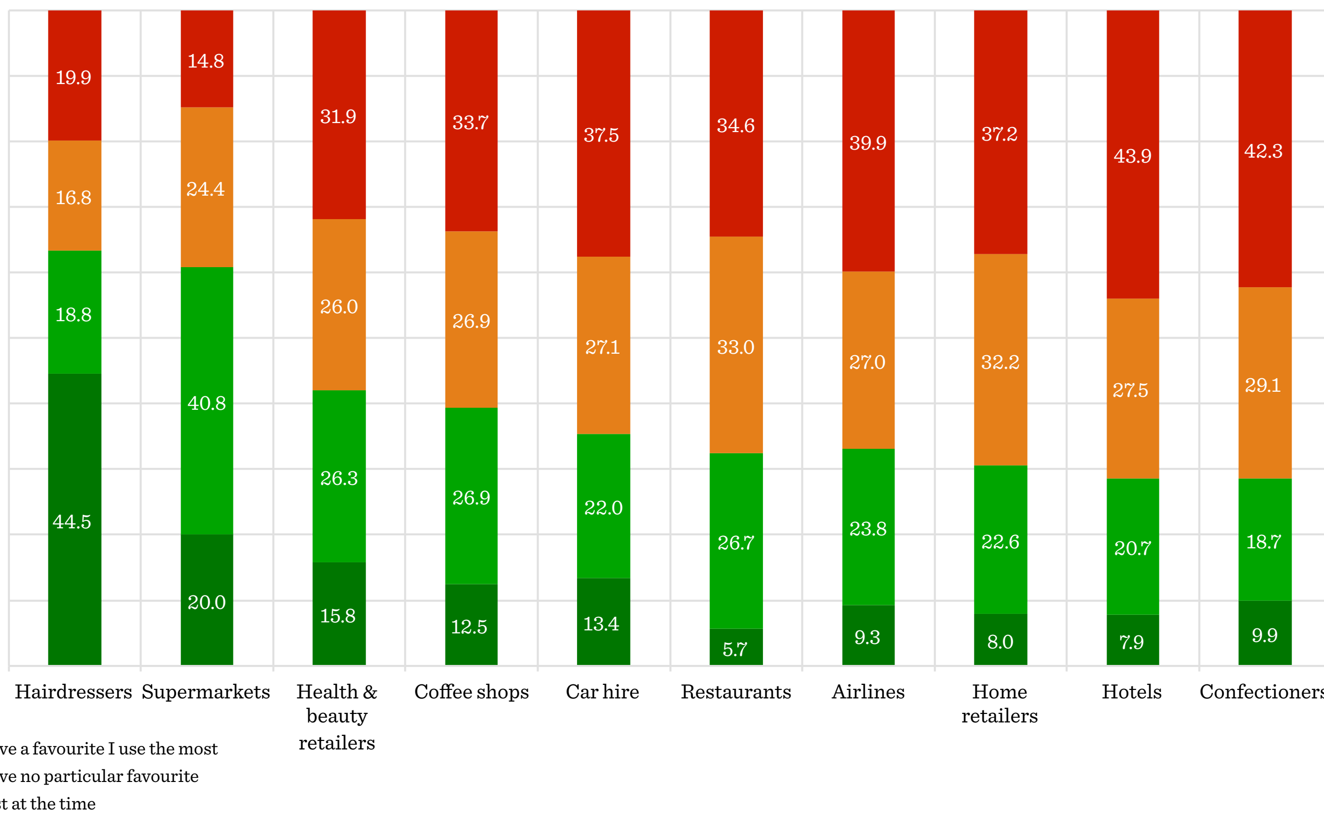
44.5%

of consumers always use the same hairdresser.

Of all the various industries and sectors included in the survey, hairdressers command the most loyalty among customers. Confectioners generate the least loyalty.

That hairdressers have such relatively high loyalty reflects the personal nature of the service and underlines the importance consumers attach to having a 'consistent' experience once they have found a hairdresser they like.

When using companies and retailers across these sectors, what describes your approach?
Results from consumer survey, all figures are percentages



Selecting stores

Loyalty to retailers

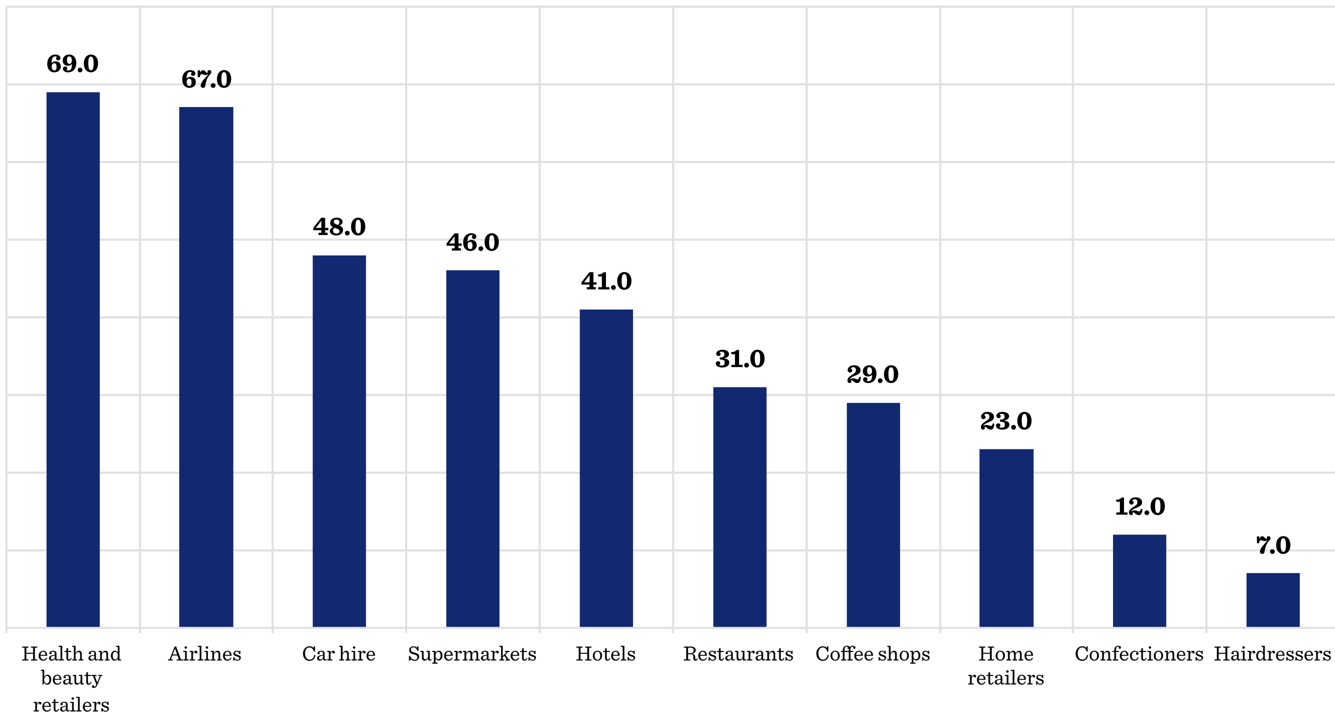
69%

of retailers think health and beauty players have done a good job at creating loyalty around their stores/brands.

Interestingly, when retailers were asked which sectors or businesses had done a good job at creating loyalty, hairdressers received the lowest score.

This perhaps underlines the extent to which retailers attach importance to big schemes and initiatives while ignoring the smaller, personal interactions that are critical in developing a sense of loyalty.

In which sectors do you think retailers have done a good job at creating loyalty around their brands?
Results from trade survey, all figures are percentages



Selecting stores

Emotional connections

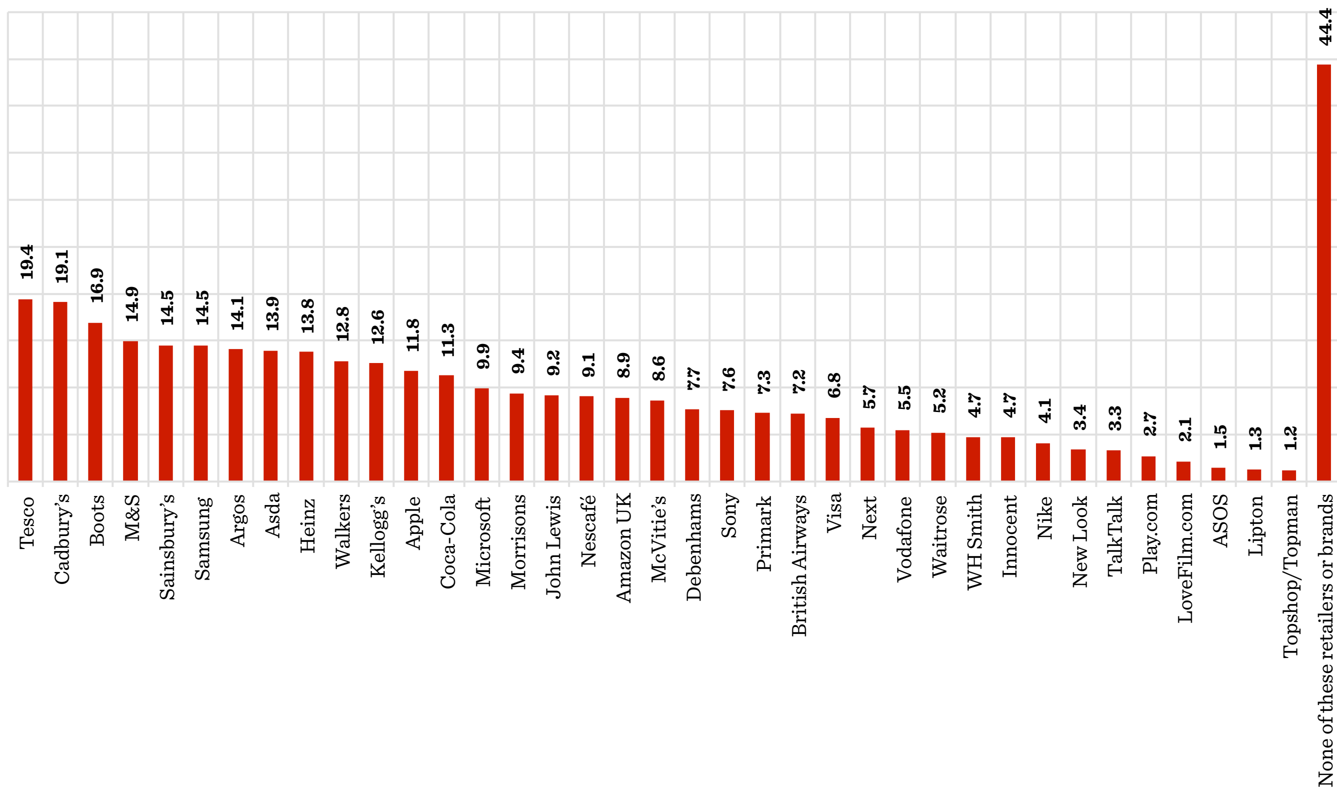
19.4%

of consumers say that they have an emotional connection to Tesco.

The most significant finding from the question about which brands or retailers consumers have an emotional connection to is that there is not one which emerges as a dominant player. Indeed, very large numbers of consumers say that they hold emotional connections with no brands/retailers whatsoever.

Significantly, emotional connection also appears to be linked to frequency or longevity of use, with brands like Tesco, Boots, M&S and Sainsbury's – all retailers consumers use regularly – featuring high on the list.

Which, if any, of the following retailers and brands would you say you have an emotional connection to?
Results from consumer survey, all figures are percentages



Selecting stores

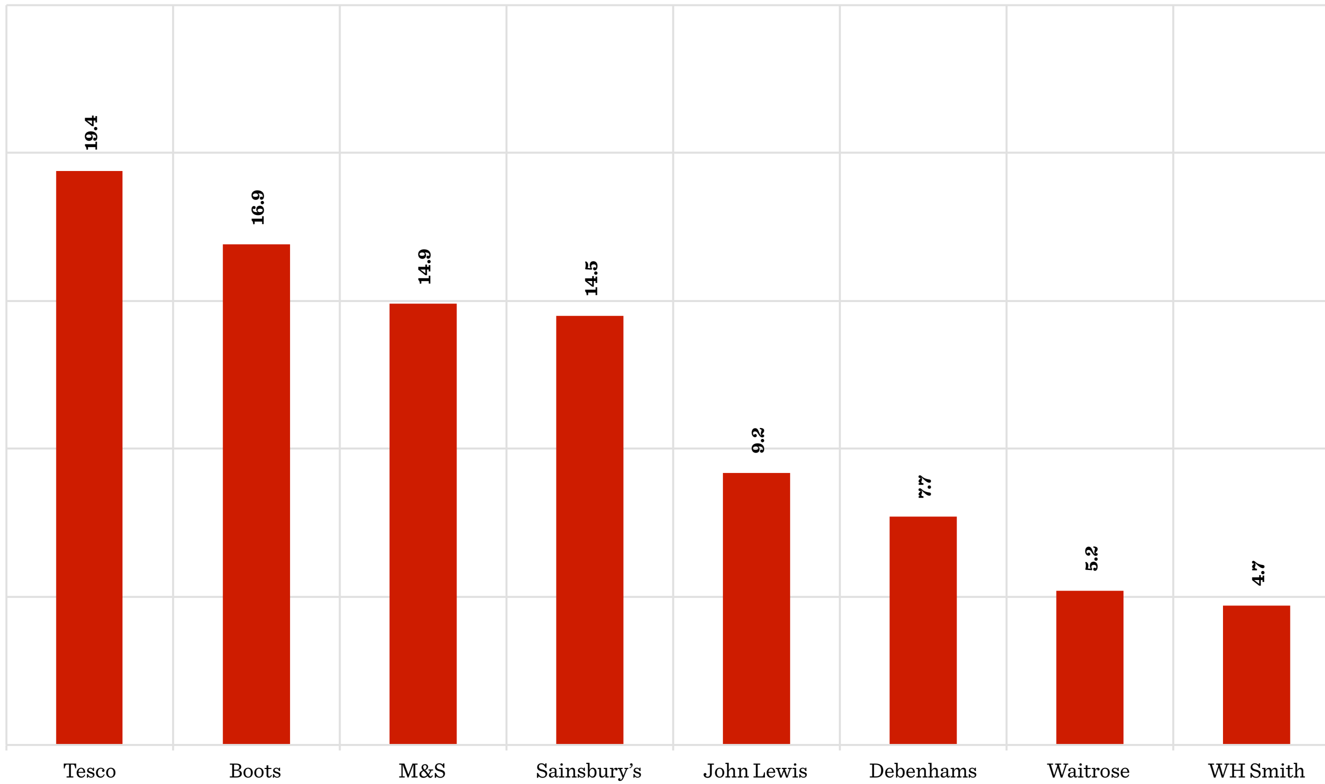
Emotional connections: companies with loyalty programmes

8

of the companies consumers say they have an emotional connection to have some form of loyalty programme.

Notably, the two top retailers consumers say they have an emotional connection to – Tesco and Boots – have very well established and well regarded loyalty programmes.

Which, if any, of the following retailers and brands would you say you have an emotional connection to?
Results from consumer survey – showing only companies that have loyalty programmes, all figures are percentages



Selecting stores

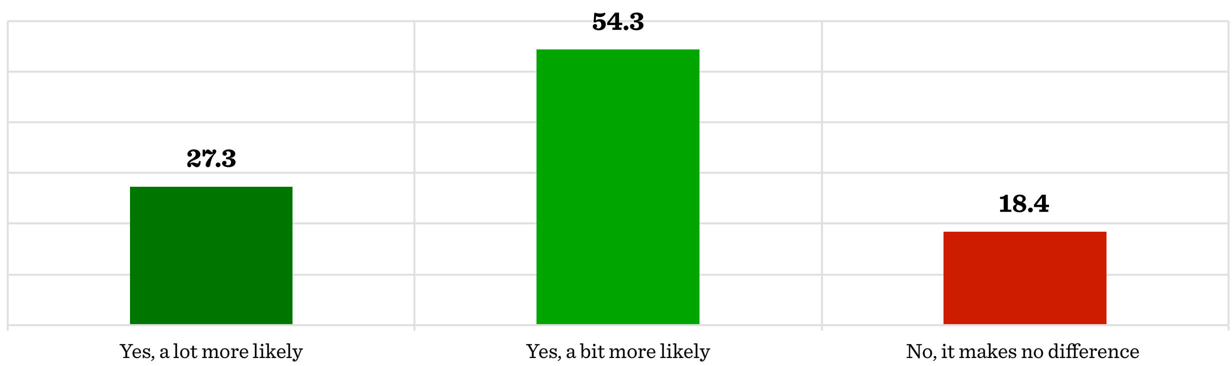
The value of an emotional connection

81.6%

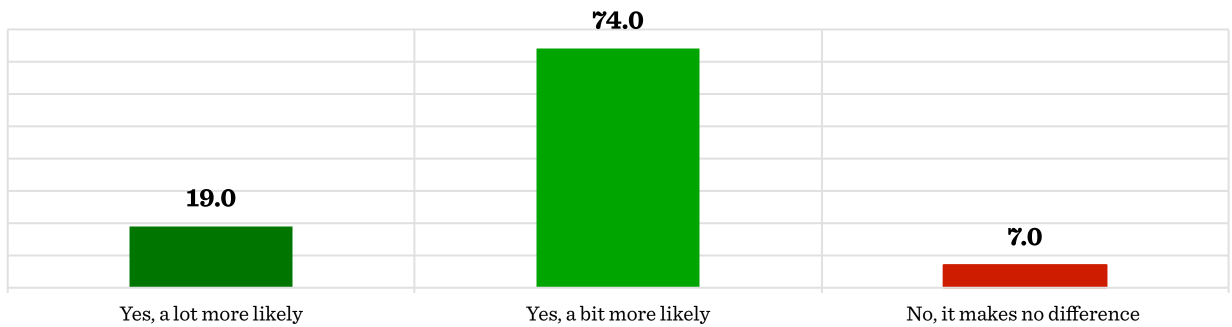
of consumers say having an emotional connection with a brand or retailer makes them more likely to purchase.

Among both retailers and consumers, the general view is that having an emotional connection to a brand is useful in terms of making a consumer more likely to use that firm to make a purchase.

Does an emotional connection to a retailer or brand make you more likely to purchase?
Results from consumer survey, all figures are percentages



Does an emotional connection to a retailer or brand make consumers more likely to purchase?
Results from trade survey, all figures are percentages



SECTION THREE

MARKETING ACTIVITY

Marketing activity

Consumer marketing preferences

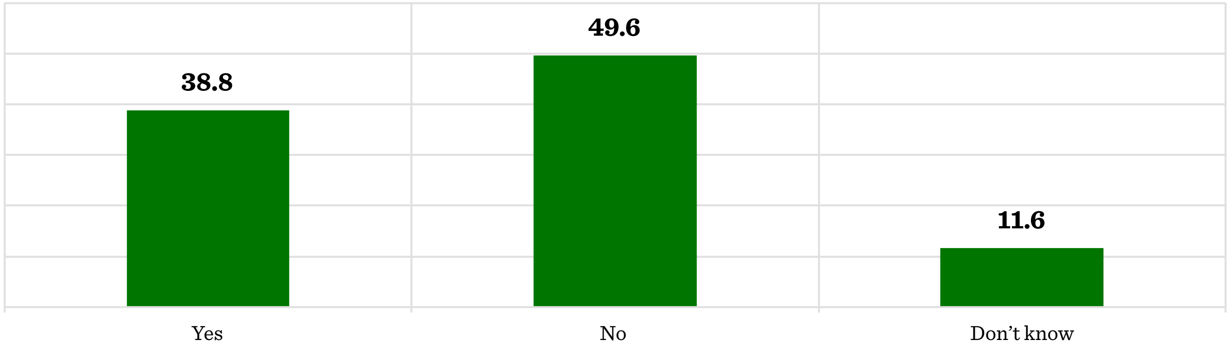
38.8%

of consumers opt in to marketing from retailers.

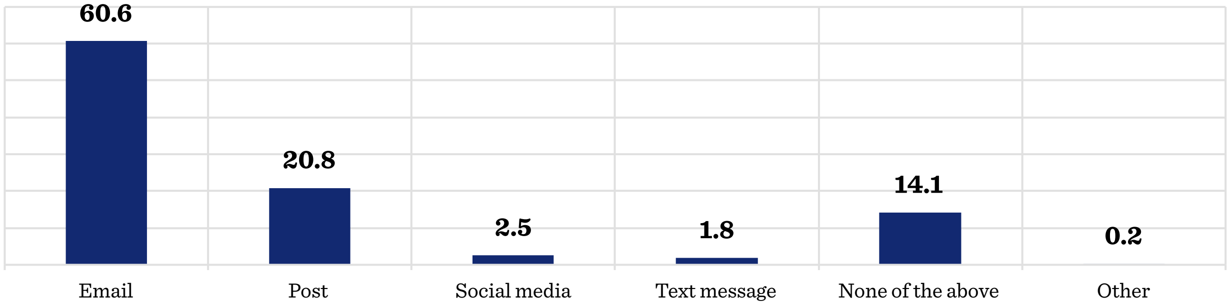
Just under 39% of consumers opt in to marketing from retailers; a higher number than many would expect.

There is also a clear hierarchy in terms of the preferred method of communication for receiving marketing. Email is seen as being the most acceptable method, followed by post. Comparatively, social media and text are seen as being largely unacceptable – unsurprising as both are often seen as very personal media for communication.

Do you currently opt in to receive marketing from any retailers?
Results from consumer survey, all figures are percentages



What's your preferred method of communication when receiving marketing from retailers?
Results from consumer survey, all figures are percentages



Marketing activity

Marketing and personalised offers

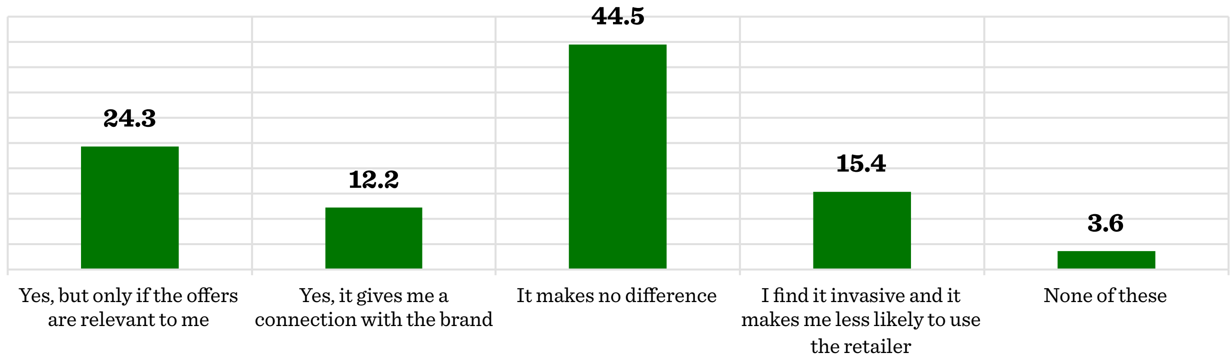
36.5%

of consumers say receiving marketing material makes them more likely to use a retailer.

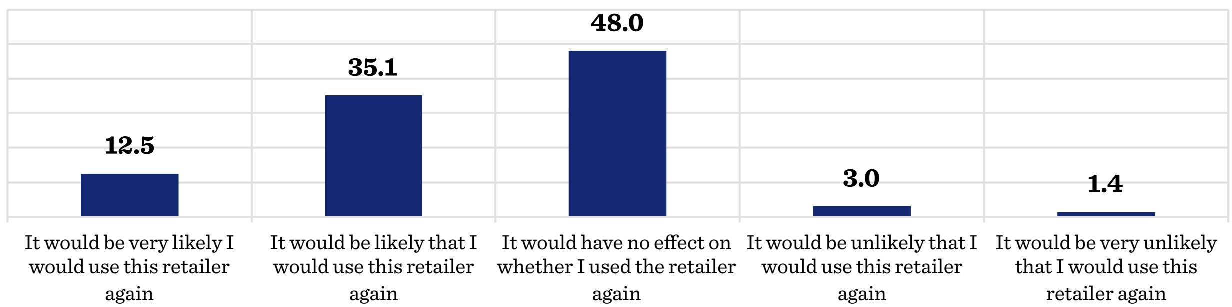
Generally, consumers are receptive to marketing. Well over a third say that receiving marketing material from a retailer makes them more likely to use that retailer.

The impact of personalised offers is even more pronounced. Here, just under half of consumers say that if a retailer provided them with personalised offers they would be very likely or likely to use that retailer again.

In general, does receiving marketing material from retailers make you more likely to use them?
Results from consumer survey, all figures are percentages



If you used a retailer that provided personalised offers, how likely would you be to use it again?
Results from consumer survey, all figures are percentages



Marketing activity

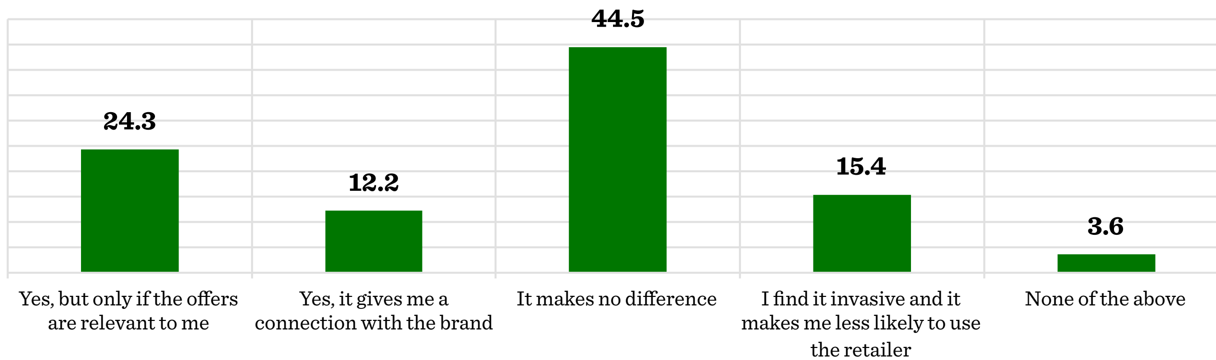
Likelihood of using

69%

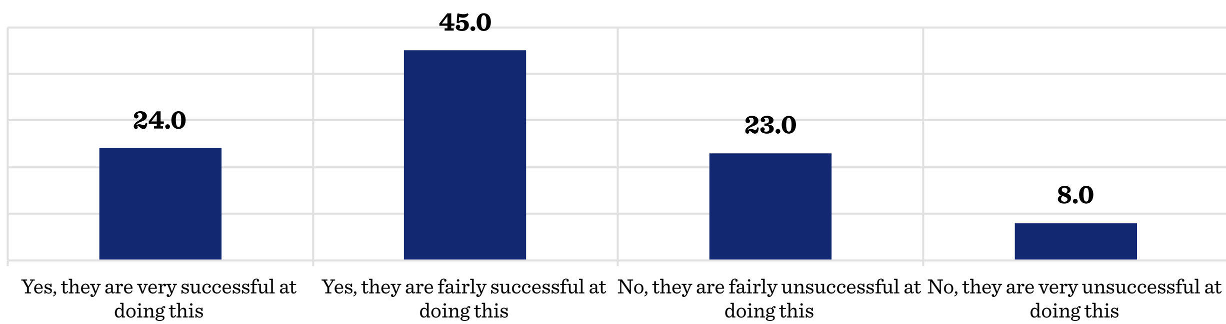
of retailers think marketing activity is successful in stimulating customers to purchase.

Although the majority of retailers believes that marketing makes consumers more likely to use them, this view is not shared by shoppers: only 37% of whom say they would be more likely to use a retailer because of marketing material. Indeed, the majority of consumers believes that marketing has no effect or a detrimental effect.

Does receiving marketing material from retailers make you more likely to use them?
Results from consumer survey, all figures are percentages



Do you think that marketing communications encourage consumers to purchase?
Results from trade survey, all figures are percentages



Marketing on mobiles

Receptiveness to offers while in store

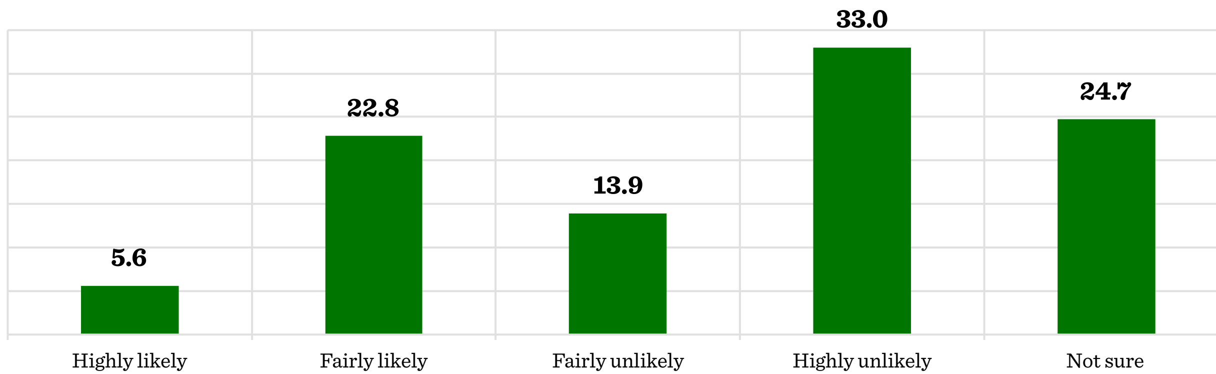
28.4%

of consumers say that they would be likely to take advantage of an offer they received on their mobile while standing in a store.

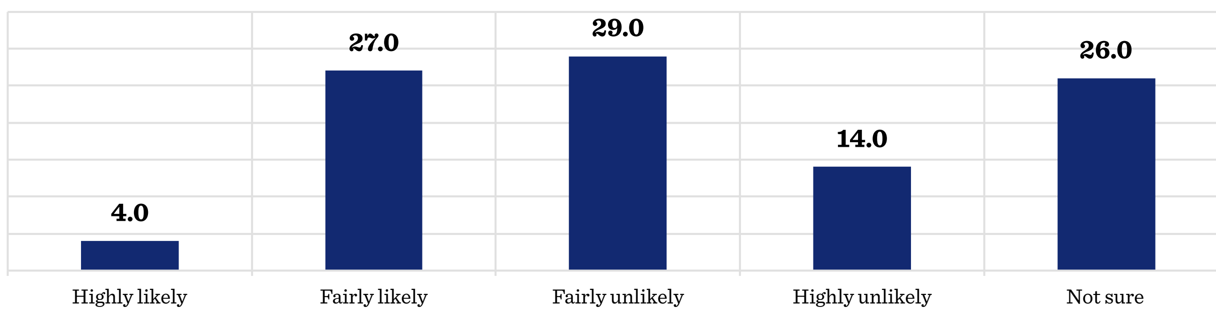
The importance of mobile to retail is evident in the sizeable number of consumers who would be receptive to offers delivered to their phone while they were in a store.

Retailers are equally positive, with 31% thinking consumers would be likely to take advantage of the offer.

If you received a relevant offer direct to your mobile phone while standing in a store, how likely or unlikely is it that you would take advantage of that offer?
Results from consumer survey, all figures are percentages



If you sent customers a relevant offer direct to their mobile phone while they were standing in a store, how likely or unlikely do you believe it is that they would take advantage of that offer?
Results from trade survey, all figures are percentages



Marketing activity

Retailer views

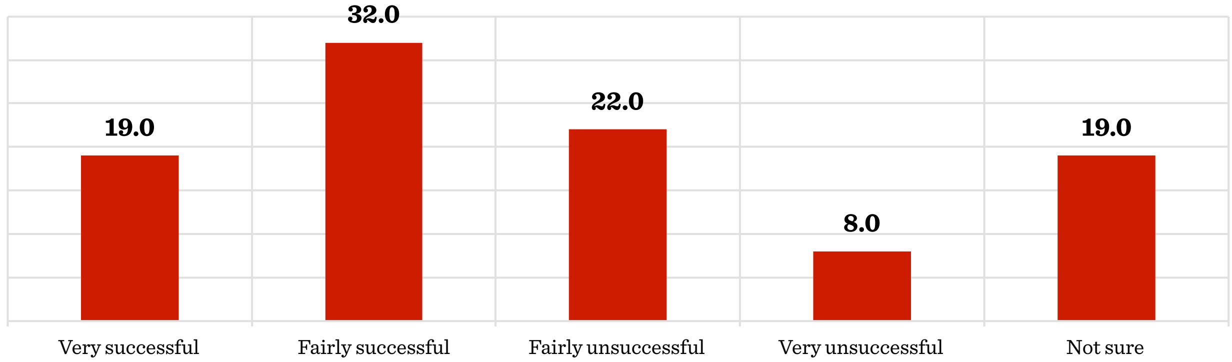
30%

of retailers view their own marketing efforts as being unsuccessful.

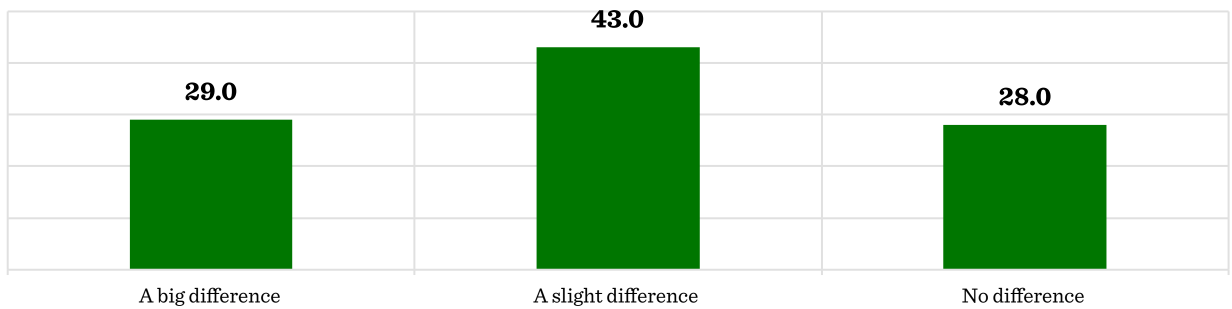
Almost half of retailers either are unsure about the effectiveness of their marketing campaigns or think that they are unsuccessful in some way.

A possible solution to making marketing more effective is having deeper insight into customers; 72% of retailers agree that having this would make either a big or a slight difference to their marketing efforts.

How successful are your own marketing campaigns at driving purchases or re-purchases?
Results from trade survey, all figures are percentages



If you had deeper insight into your customers what impact would it have on your marketing efforts?
Results from trade survey, all figures are percentages



SECTION FOUR

THE TURN-OFFS

The turn-offs

Consumer views

73.1%

of consumers say they would be likely or very likely to reuse a retailer that went out of its way to give good customer service.

Despite this, it seems that service alone is not enough for retailers to generate repeat usage. Having good customer service, but not always being the cheapest, means that only 39% of consumers would be likely or very likely to reuse a retailer.

Comparatively, the importance of price is once again brought to the fore. Well over three-quarters of consumers say they would be unlikely or very unlikely to reuse a retailer that was found to be overcharging for products.

If you found a retailer had ... how would it affect your use of that retailer in the future?
Results from consumer survey, all figures are percentages

	Would be very likely that I would use this retailer again	Would be likely that I would use this retailer again	Would have no effect on whether I used the retailer again	Would be unlikely that I would use this retailer again	Would be very unlikely that I would use this retailer again	Use again	Not use again
The retailer was found to be overcharging for goods	2.8	5.7	14.4	29.4	47.7	8.5	77.1
The retailer went out of its way to provide good customer service	30.1	43.0	24.0	1.8	1.1	73.1	2.9
The retailer provided good customer service generally but you found that it was not always the cheapest	7.7	30.9	45.3	14.2	1.9	38.6	16.1
The retailer was very convenient but you found it was not always the cheapest	6.3	28.3	46.5	16.4	2.5	34.6	18.9
The retailer was constantly discounting products	30.5	41.1	25.4	2.2	0.8	71.6	3.0
The retailer provided you with personalised offers	12.5	35.1	48.0	3.0	1.4	47.6	4.4

The turn-offs

Retailer views

45%

of retailers say consumers would be likely or very likely to reuse a retailer that went out of its way to give good customer service.

This is a less positive view than that of consumers, almost three-quarters of whom said it would encourage usage.

Retailers also take a less optimistic view around discounting. Here 38% think that constant discounting would drive repeat custom, compared to 71% of consumers.

Similar to consumers, overcharging was seen as a major turn-off.

If shoppers found a retailer had ... how would it affect consumers' use of that retailer in the future?
Results from trade survey, all figures are percentages

	Would be very likely to use this retailer again	Would be likely to use this retailer again	Would have no effect on whether the retailer was used again	Would be unlikely to use this retailer again	Would be very unlikely to use this retailer again	Use again	Not use again
The retailer was found to be overcharging for goods	0.0	0.0	12.0	57.0	31.0	0.0	88.0
The retailer went out of its way to provide good customer service	18.0	27.0	54.0	1.0	0.0	45.0	1.0
The retailer provided good customer service generally but it was found not always the cheapest	8.0	12.0	56.0	18.0	6.0	20.0	24.0
The retailer was very convenient but was found not always the cheapest	4.0	16.0	69.0	8.0	3.0	20.0	11.0
The retailer was constantly discounting products	15.0	23.0	41.0	14.0	7.0	38.0	21.0
The retailer provided personalised offers	19.0	32.0	43.0	5.0	1.0	51.0	6.0

Methodology

Survey details

The findings in this report are based on two surveys: one carried out with a UK representative sample of 2,109 consumers and the other carried out with a cross section of 100 UK retailers.

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