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Loyalty Frequency: Who’s Tuning In?

A STUDY BENCHMARKING THE LEVEL TO WHICH LOYALTY SCHEMES ACROSS DIFFERENT SECTORS ARE ABLE TO ENGAGE THEIR CUSTOMERS

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Key Findings

GI Insight Loyalty Frequency: Who's Tuning In?

- The vast majority of UK consumers (94%) belong to at least one loyalty scheme with many belonging to multiple programmes across different sectors, according to a survey of more than 1,000 people encompassing all regions of the country
- The research reveals that, according to respondents belonging to at least one loyalty scheme, on average the programmes are used frequently by just under half of members, but the companies offering the schemes are only effectively analysing needs and sending relevant offers to about a quarter of their members on average
- The benchmark survey shows that companies in the supermarket sector are by far the most popular loyalty scheme providers, as more than three quarters of respondents are members of at least one supermarket loyalty programme
- There is a huge drop-off between supermarkets and the rest of the pack in terms of loyalty scheme membership, with other sectors centred on high-frequency and relatively low-value transactions – or those incorporating transactions across a range of businesses – the next most popular
- None of the categories outside the supermarket sector has even half the proportion of members that players in that industry do, but multiple brand schemes and chemist/ beauty/ health retailer programmes come the closest, with just under 40% of consumers belonging to such schemes
- Supermarkets are also far ahead in terms of analysing customers data and sending them offers they want, with 71% of consumers who are members of a supermarket loyalty scheme saying their brand analyses their needs correctly and sends them offers that are relevant
- Number two in the analysis and insight table at 40% is the child/baby/maternity sector, followed by multiple brand schemes, book/music/video/computer game sellers and department stores
- Active participation in loyalty schemes across sectors is at roughly the 50% rate on average, leaving ample opportunity for companies in most industry categories to further leverage their loyalty programmes in order to foster stronger relationships with customers – particularly those the data indicates are the most profitable
- Supermarkets have by the far the highest percentage of active members with the proportion frequent users approaching 90%
- The next four sectors with the most active participation are multiple brand schemes, petrol stations, chemist/ beauty/ health retailers, and banks – all of which have more than 50% active members but still lag behind supermarkets by a considerable margin
- The research shows that women are more likely to be members of loyalty schemes than men, who are twice as likely to not belong to any scheme
- When it comes to active participation, on average, 54% of the loyalty scheme members in the 25-44-year-old age range use them frequently – a greater proportion than all other demographics

Loyalty schemes and the battle for consumer hearts and minds across sectors

Loyalty Schemes have become a crucial weapon in the arsenal of many major retailers throughout the UK, as well as a huge number of businesses in other sectors. For the vast majority of consumers, membership in loyalty schemes has become the norm. Survey results announced by comparison website Gocompare.com in May showed that 95% of UK adults belong to at least one loyalty scheme[1], while research released by YouGov last November revealed that three-quarters of consumers carry between one and five cards "with them at all times"[2]. In fact, there appears to be a strong case to be made that loyalty programmes are not simply a nice-to-have marketing tool but an essential platform for building stronger customer relationships.

Pioneered by Homebase, Toys R Us, Boots, Tesco, and a few others in the 1990s and picked up by other leading brands since then, the modern loyalty scheme differentiated itself from previous continuity collection programmes such as Green Shield Stamps and Esso Tiger Tokens in that it did not just provide a mechanism for delivering promotional discounts but a cost-effective means of tracking and responding to customer behaviour. As those running loyalty schemes like to point out, they give supermarkets and other big operations the ability to relate to their customers in the same personalised way that market stall sellers did in an earlier era: knowing most customers by name, what they usually buy and when their personal circumstances, like the addition of a new baby, have changed – and giving them a bit of discount now and then to keep them coming back.

The key to the modern loyalty programme is that it provides a stream of data that a company can use to analyse and understand patterns of customer behaviour, and then employ that information to segment the database and send specific groups highly tailored and targeted offers and communications. The aim is not only to foster loyalty, but to chart a customer journey based on the consumer's needs and preferences, engaging with each individual more effectively and encouraging that person to buy more and more often, while opening the way to upselling and cross-selling opportunities. The idea is to make the scheme provider the consumer's go-to brand in its respective sector and maintain that position – especially with the best and most profitable customers. When they succeed, loyalty schemes then drive incremental revenue for the associated business.

[1] Hannah Nemeth, *Have you claimed your loyalty points*, Moneywise.co.uk, 28 May 2014
[2] Editor's Picks, *British shoppers in love with loyalty cards, YouGov.co.uk*, 7 November 2013

Introduction

Increasingly, a sophisticated loyalty scheme is perceived as a must-have for consumer-oriented businesses – and even some B2B operations. In the last two years, the UK has seen long- established retail stalwarts that previously seemed to feel little need to join the loyalty fray, launching their own programmes, including department store John Lewis and supermarket Morrisons. At the same time, relatively newer businesses, including retailer Pets at Home, pizza chain Papa John's and shoe brand Ecco, have quickly established schemes aimed at solidifying bonds with their customer bases, while online players such as fashion brand ASOS have also made forays into loyalty. A wide spectrum of brands across high streets, retail parks and the web have embraced the loyalty programme as a platform for understanding and interacting with their customers.

Indeed, loyalty schemes today extend far beyond the supermarket space – and outside the retail sector. Banks, airlines, hotels, restaurants, cinemas, booksellers, music and video merchants, leisure centres/ health clubs and mobile service providers are among the broad range of businesses joining the ranks of retailers employing loyalty schemes to build stronger bridges to customers. In the era of Big Data, when consumers of all ages can leave deep digital footprints, finding a way anchor the plethora of available consumer information and secure all the necessary permissions to use it more effectively is vital for any business. And when executed successfully, the loyalty programme provides a welcome conduit to customers and gives businesses a big competitive advantage over many rivals.

While surveys such as those cited above have demonstrated the overall popularity of loyalty schemes with the card-carrying public, they do little to shed light on who is having the most success with them on sector-by-sector basis. We know that lots of people hold a number of cards, but do they use them? Are supermarkets still king? Which sectors are the challengers in today's loyalty marketplace? Are scheme providers using the data in the right way? In this research report, the first in a three-part series on the power of the loyalty scheme in the UK today, we look at these questions and provide a sector by sector benchmark of loyalty programmes. We also break down the results by gender and age, analysing how various demographics differ in their take-up, use of, and feedback on loyalty schemes in each sector.

Methodology

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- 1,008 UK consumers were surveyed in May and June 2014
- The survey sample was broadly representative of the UK according to gender, age, region and social class
- The respondents were asked to:
  - list the sectors in which they belong to a loyalty scheme
  - identify which of those schemes they use frequently
  - name the sectors in which the scheme providers use their information to effectively analyse their needs and send them relevant offers
- Margin of error: plus/minus 3%

The supermarket is still king of the loyalty world

The survey shows that 94% of consumers are a member of at least one loyalty programme. The findings on respondents belonging to at least one scheme show that loyalty programmes are used frequently (by the respondents own estimation) by just under half (47%) their members on average, but scheme providers are effectively analysing needs and sending relevant offers to only about a quarter of their members (27%) on average.

On a sector level, the research confirms – perhaps unsurprisingly – that supermarkets are by far the most popular loyalty scheme providers across all demographics. Over three quarters of respondents (79%) are members of at least one supermarket loyalty scheme. Of those consumers, 88% say they use the scheme frequently, but only 71% feel the retailer is using their data effectively to evaluate their needs and send them offers that are pertinent to them.

There is a huge drop-off between supermarkets and the rest of the pack in terms of loyalty scheme membership (see figure A). Other sectors centred on high-frequency and relatively low-value transactions – or those incorporating transactions across a range of businesses – are the next most popular

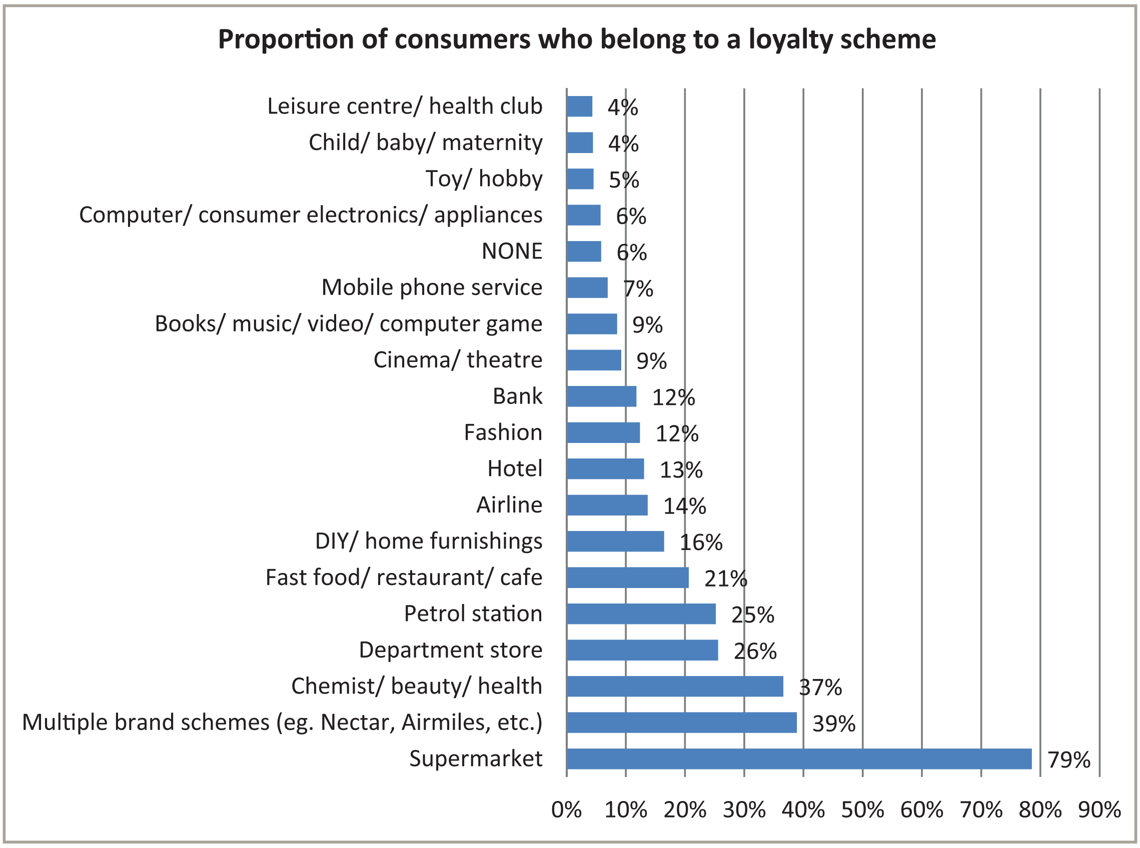

Figure A – Loyalty Scheme Membership by Sector among consumers, but none of these has even half the membership that the supermarket schemes do.

Of the runners-up, 39% of those surveyed identify themselves as a member of a multiple brand scheme such as Nectar or Airmiles (now Avios) and 37% say they belong to a chemist/ beauty/health retailer programme – again a sector in which the customer is making essential everyday purchases. These are followed by department stores (26%), petrol stations (25%) and fast food/restaurant/café chains (21%). None of these sectors really involve the range of purchases, volume of transactions or even – in most cases – the personal engagement that supermarkets do with their most loyal customers, some of whom are buying from them several times a week, which might explain why they still lag so far behind.

Certain loyalty programmes tied to irregular and/or high value purchases are less popular: just 6% of respondents are a member of a computer/consumer electronics/appliance loyalty scheme, although a healthier 17% belong to schemes run by DIY/home furnishings retailers. This finding is hardly earth-shattering: it indicates that consumers see much less advantage in joining a scheme with a company from which they only make sporadic, sometimes expensive purchases. The more fundamental question companies in sectors running a programme with a low membership rate should ask themselves is what percentage of transactions does the scheme represent – if it is less than 50%, and the scheme is not still its early stages, then they need to look more seriously at how to engage members.

Other sectors that are less transaction based – banks (12%), mobile phone service providers (7%) and leisure centres/health clubs (4%) – have low scores, which are to be expected in areas in which the customer base might struggle to see the need or benefit of joining a loyalty scheme. Again, in these cases the companies running the underprerforming schemes need to find ways to engage their customers and turn it into a more effective means of building an ongoing relationship with them.

Londoners more likely to be members of airline and hotel schemes

In a similar vein, just 14% of those surveyed belong to an airline programme and only 13% a hotel scheme, with a significantly higher proportion of consumers in Greater London reporting membership in these (26% and 20% respectively) – undoubtedly because more people working in the City of London and within big companies in other parts of the capital push up the proportion making regular business trips. This was one of the very few noteworthy regional variations.

Some of the more unexpected results are for schemes run by fashion retailers (12%), cinema/ theatre operators (9%), book/music/ video/computer game sellers (9%), toy/hobby shops (5%) and, perhaps most surprisingly, child/baby/maternity brands (just 4%). One might expect all of these sectors to score better in terms of membership in loyalty schemes, given the relatively high purchase frequency, emotional interest and potential for creative rewards and extras to be earned though programmes. It seems that too many companies in these sectors do not operate loyalty schemes, or those that do are not doing enough to engage consumers with creative or well-positioned propositions – or consumers are simply too promiscuous in their purchasing in these areas. This final possibility still suggests that loyalty offerings are simply too weak.

Supermarkets have insight

Using the customer data collected on preferences and needs through loyalty scheme registrations, transactions and other interactions, providers should be able to get the personalisation, tailoring, targeting and timing of offers and other communications close to dead on. This level of precision is central to the success of a loyalty programme. And yet, on average, are getting this element right just 27% of the time, the research indicates.

Supermarkets again sit at the top the pile – far above any other sector – when it comes to analysing customers and sending them offers they want. A whopping 71% of consumers who are members of a supermarket loyalty scheme believe that the company operating the programme analyses their needs correctly and sends offers that are relevant, illustrating that supermarkets are far and away doing the best job of applying transactional and other data they gather to produce valuable insight and relevant communications.

40% of child/ baby/ maternity scheme members say insight is on the mark

Number two in the analysis and insight table at 40% is the child/baby/maternity sector in another unexpected finding – but one which should perhaps be less surprising, given the wealth of information revealed by the specifications of most products purchased (baby/child's age and sometimes gender, expectant mother's stage of pregnancy, etc.). So while its recruiting to loyalty schemes appears to be among the worst all sectors, the child/baby/maternity retailers that do run loyalty programmes appear to make the best use of the information outside of the supermarkets.

The operators of multiple brand schemes, book/music/video/computer game sellers, department stores, and those in the chemist/ beauty/health sector make better than average but not spectacular use of their data to connect with the recipients of offers and other communications. Given the low base of loyalty programme membership in some of these sectors, the use of data to analyse customer needs, reflect preferences and reach them with appropriate messages is laudable but far from impressive.

Fashion retailers are exactly average at 27% – not a good finding for a sector that, given the frequency and nature of purchases, should be able to use transactional information and other available data to create offers that hit the mark. Clearly the gathering, analysis and application of data is lacking with far too many schemes in what is a highly competitive industry in which firms should strive to steal whatever competitive edge they can get. There is a glut of just below average sectors with between 21% and 26% (see figure B) that likewise need to get their use of data right and do a better job of connecting with their customers.

Active participation healthy

Below that, banks, hotels, airlines and DIY/ home furnishings retailers and leisure centres/ health clubs come up short in their crafting of relevant, welcomed offers. While a relative lack of actual transactional data might hamper the bank and leisure centre/health club schemes in their tailoring and targeting of messages, hotels, airlines and DIY/home furnishings retailers have little excuse for coming so low. Petrol companies, which are at the bottom of the effective data use table, have very regular transactions but may need to show more ingenuity in data collection and analysis, given the limited nature of their core business, if they are to do more with their schemes.

Active participation in loyalty schemes across many sectors appears to be strong (see Figure C), with 47% of members of individual programmes identifying themselves

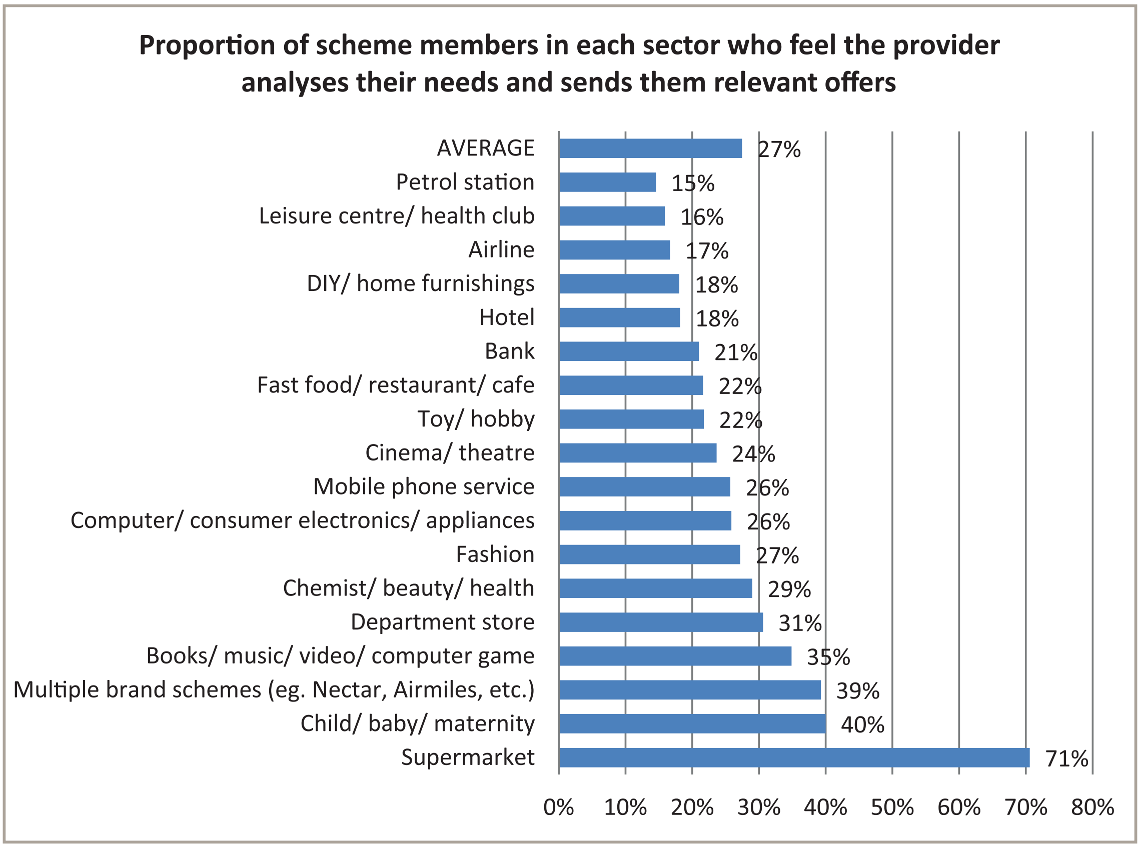

Figure B – Level of Insight by Sector

[3] Due to the nature of the research – a consumer survey – 'active' members/ 'frequent' users of loyalty schemes were self-defined and subject to consumers' own perceptions of what that means, which may differ from the definition of what an 'active member' is according to the company operating the programme

as frequent users of the scheme[3]. While, on average, just over half of scheme members in general are dormant, there is still clearly ample opportunity for companies across most sectors to leverage their loyalty programmes in order to foster stronger relationships with customers – particularly those the data indicates are their best customers. With many consumers today joining multiple schemes, the likelihood that they will be frequent users of all the programmes they belong to has become remote. It is therefore incumbent on operators of loyalty schemes to use the data to find ways to engage occasional customers and reactivate lapsed members.

With close to 90% active participants in their programmes, supermarkets are clearly ticking all the right boxes in terms of rewards and using data to create properly targeted, effectively tailored and well-timed activity that keeps their customers engaged. These schemes are generally sophisticated, well-established in the minds of customers and finely honed so that they hit all the right notes in playing to their target markets. Londoners are the most likely to make frequent use of the supermarket loyalty schemes they are part of, with an overwhelming 94% of scheme members in this area classing themselves as 'active'.

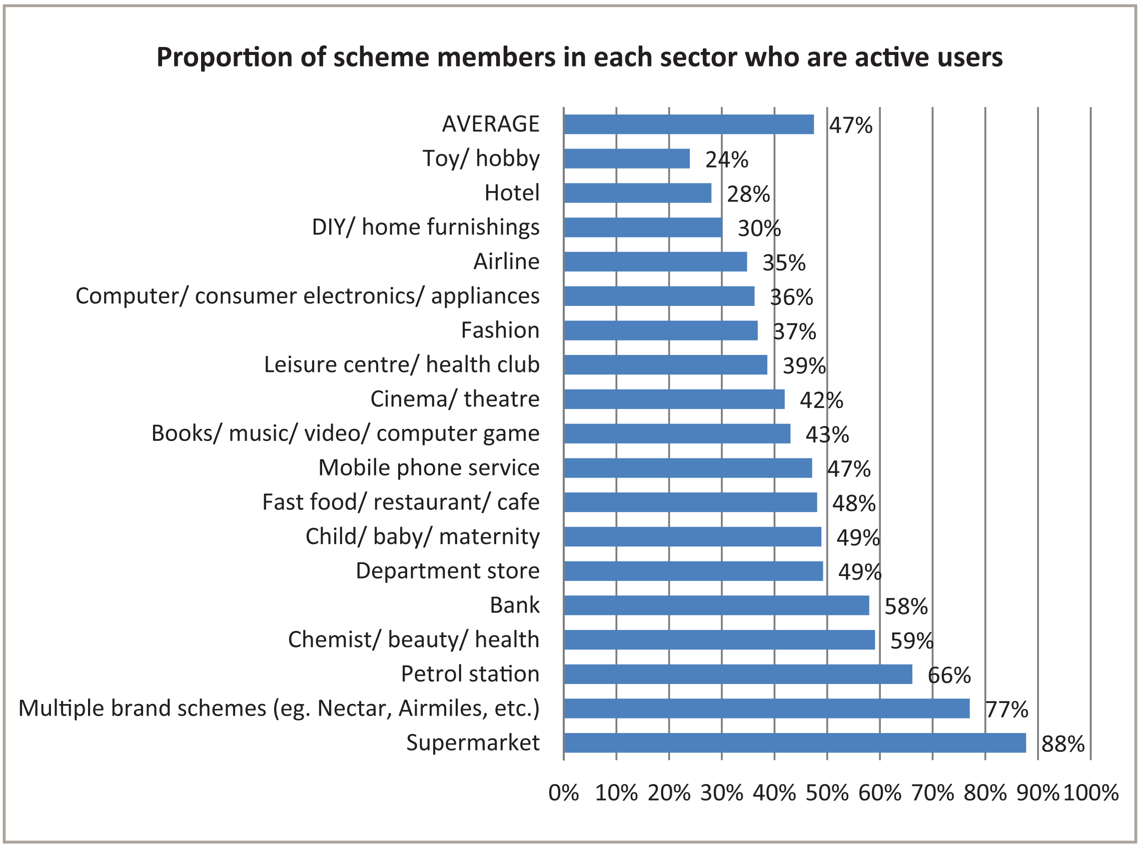

Figure C – Active Participation by Sector

Other sectors close gap with supermarkets when it comes to active participation

The next four in the active participations table come closer to rivalling the mighty supermarket schemes (88% active members) than they do in the other benchmark areas, but they still lag behind by a considerable margin. Nonetheless, multiple brand programmes' 77% of active members is an impressive figure and, as these schemes generally offer participation by a range of companies offering everyday goods and services that consumers need on a regular basis, this result is not surprising. Petrol stations' 66% participation rate makes sense, given the relentlessness of the transactions cycle. At nearly 60%, retailers in the chemist/ beauty/health sector appear to be getting a good return on their programme investment and at 58% participation banks are making the most of their relatively limited scheme membership numbers.

Close to half of the members of schemes run by department stores (49%), child/ baby/maternity retailers (49%), fast food/ restaurant/and café outlets (48%), mobile phone services (47%) are active, leaving these sectors with programmes that are demonstrating a healthy level of success with abundant room to improve things further. These sectors either feature regular transactions (the first three) or at least frequent use and contact (mobile), providing companies in these sectors with opportunists to effectively engage loyalty programme members. Plainly much of their targeting is working but it can be further developed to close up the gap with other sectors in which players are getting higher participation rates.

Falling just below the average for participation are book/music/video/computer game retailers (43%), cinema/theatre operators (42%), leisure centres/health clubs (39%). These, again, are sectors in which regular transactions (the first two) or frequent use (the latter) should feed participation but some of the schemes appear to be failing to keep a majority members using them, indicating perhaps better analysis and application of data is needed.

Even more disappointing, however, was once more the fashion sector (37%), where frequent transactions and the regular introduction of new product lines with each season should provide any scheme provider with plenty of opportunity to engage members – as long as the data is being properly collected, effectively analysed and used to inform offers and other communications. Evidently this is not being done in far too many cases in this sector. Other retail sectors that appear to suffer similarly low participation rates are DIY/ home furnishings (30%), computer/ consumer electronics/ appliances and toy/ hobby. All these types of retailers can achieve better participation in their loyalty schemes with more effective data use. Likewise, airlines (35%) and hotels (28%) languish near the bottom of the participations table despite having all the tools to track and understand patterns of customer behaviour, and then craft offers and other segmented communications that respond to it.

Gender differences

In general, the research shows that women are slightly more likely to be members of loyalty schemes than men – just 3% of female respondents eschew membership in any loyalty scheme, while double the proportion of men (8%) do not belong to any scheme. This would seem to reinforce the age-old perception that women are keener shoppers, but many also take on a bigger share of domestic purchasing responsibility, leading them to be more inclined to have established brand relationships with retailers than men.

As such, it is little surprise that women are much more likely than men to hold a membership across a range of retail-based loyalty schemes. A higher proportion of female consumers belong to a loyalty programme offered by a supermarket (81% versus 76% of men), which seems logical in light of the fact that many women bear responsibility for the weekly family shop and top-ups. Women are also considerably more likely to belong to a scheme for a child/baby/maternity retailer (7% versus 2% of men) for similar reasons.

More twice as many women belong to fashion and chemist/ health/ beauty schemes

Women are also much more likely to belong to loyalty programmes that relate to their appearance and 'me-time' regimens. Thus, a much higher proportion of female consumers belong to a scheme in the chemist/beauty/ health sector (51%, compared to just 21% of men), which makes sense given that these retailers sell more women's products such as make-up, skin creams and high-end hair products. Fashion and department store loyalty scheme memberships are also largely the domains of female consumers (17% of women compared to 8% of men, and 32% women versus 19% of men respectively) – also areas

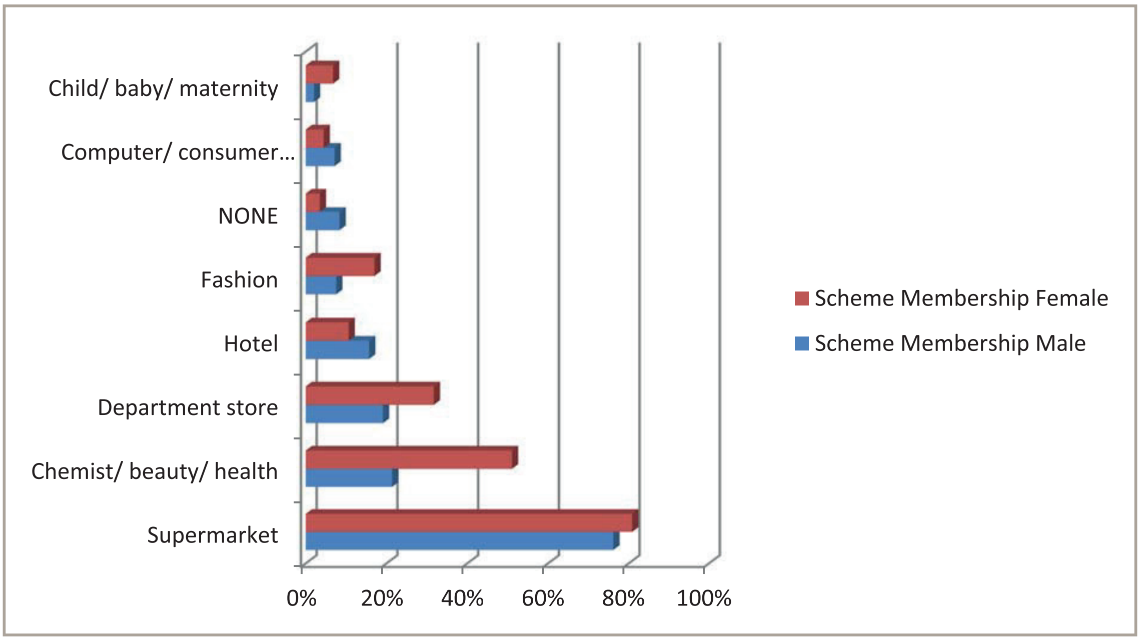

Figure D – Loyalty Scheme Membership in Noteworthy Sectors by Gender in which the brands and variety of product lines are far more geared to female consumers.

There are a few areas, however, in which men are more likely to be loyalty programme members than women. The hotel sector is more male dominated with 16% of male consumers belonging to schemes, compared to 11% of women – perhaps because a slightly higher proportion of men take frequent business trips requiring hotel stays. Men are also more likely to belong to schemes for a computer/consumer electronics/appliance retailer (7% versus 4% of women), which supports the old stereotype that the boys are fascinated with their toys (ie. gadgets).

While women are more likely to join loyalty programmes, the companies that run them are more apt to understand and address the needs of male scheme members. The survey makes clear that men feel they are better targeted: on average 30% of male loyalty scheme members on average say that programmes are effectively analysing their needs and sending them relevant offers versus 25% of female scheme members on average. More men say they are getting effectively tailored and

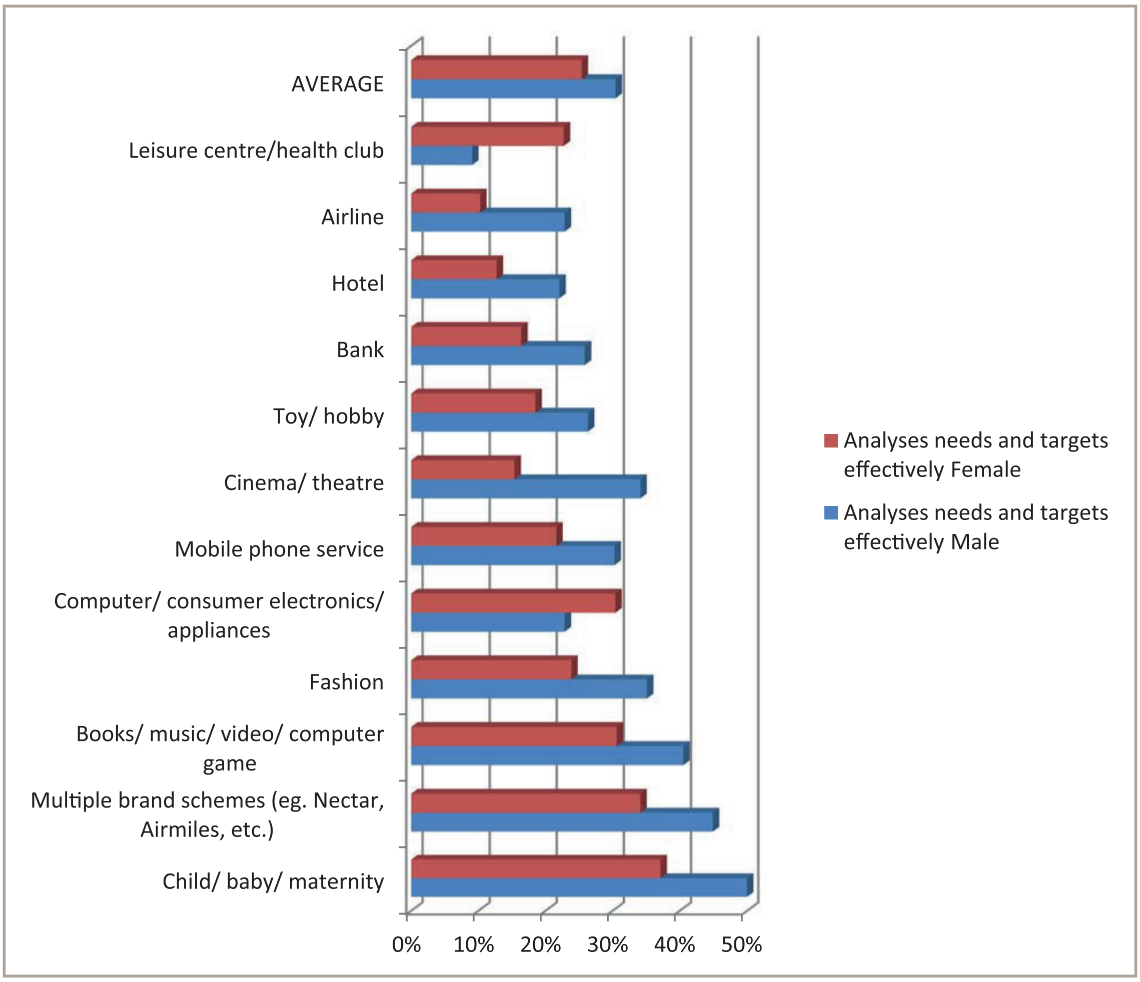

Figure E – Level of Insight in Noteworthy Sectors by Gender targeted offers from schemes in a broad range of sectors, with the difference ranging from as much as 19 percentage points in the cinema/ theatre sector.

More men than women say fashion retailers understand their needs and get targeting right

Other interesting areas in which providers seem to have more insight into men than women include fashion, where 35% of male consumers say their needs are understood and addressed by offers compared to 24% of females, and child/baby/maternity where the split is 50% to 37%. The unusual split in these areas may be at least partly accounted for by higher expectations in terms of insight and communications among women, whose needs may be more complex and difficult to address than those of men.

On the other hand, the boys and their toys line of thinking takes a hit with the results for the computer/consumer electronics/appliances sector, as scheme operators there seem to do a much better job of understanding and addressing women's needs with the right offers than men's (30% versus 23%). Women are also more likely to feel that leisure centres/health clubs get the measure of them and talk to them more effectively (23% versus 9% of men).

When it comes to active participation, the

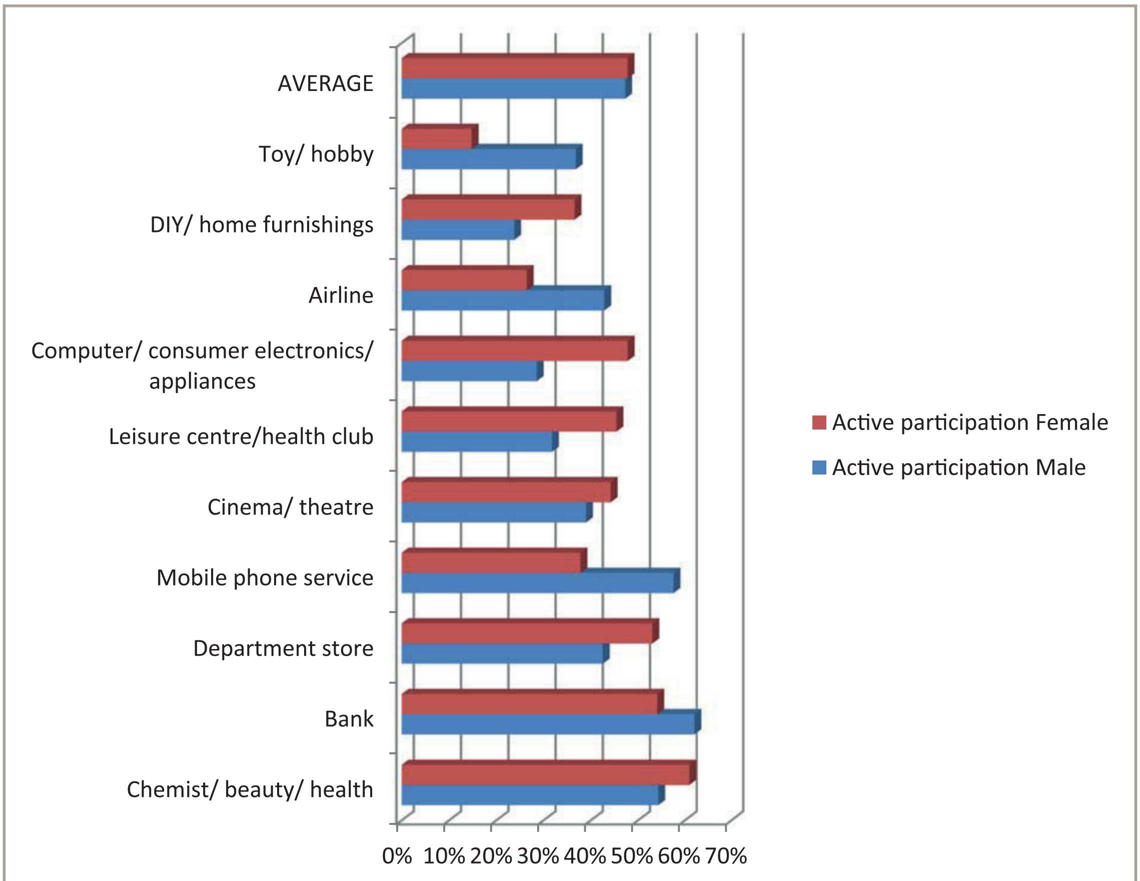

Figure F – Active Participation in Noteworthy Sectors by Gender split between the genders was pretty even on average (48% for women, 47% for men) but there were differences with specific sectors. Women were more likely to frequently use the memberships in schemes connected with: DIY/home furnishings (37% compared to 24% of men), computer/consumer electronics/ appliances (49%-29%), leisure centres/ health clubs (45%-32%), cinemas/ theatres (61%-54%), department stores (53%-43%) and chemist/ beauty/health retailers (61%-54%). Most of these, with the exception of leisure/health, involve a degree of selection or shopping, engaging the imaginations of their customers, which may appeal more to women than men. Male consumers, on the other hand, were more likely to participate in schemes in service-oriented sectors, including banks (62% of men versus 54% of women), mobile service providers (58%-38%), and airlines (43%-25%) – with the exception of toy/hobby retailers, where the appeal of genuine play seems to have men in its grip.

Age group variations

There is some variation between age groups when it comes to membership in loyalty schemes, but nothing jarring. The age group with the lowest proportion of consumers belonging to any loyalty programme is the 35-44 demographic, in which 92% are a member of at least one scheme (compared to 94% overall). The highest membership rate is among 45-54-year-olds, 55-64-year-olds and the 65+ age group at 95%. The 18-24 age group and 25-34-year-olds fall in the middle, with overall membership rates of 93% and 94% respectively.

The age group that leads scheme membership in the most sectors is the 25-34 demographic, which tops in the league table in the following sectors: mobile phone (with 12% of this group belong to a scheme in this sector), leisure centre/health club (10%), hotel (18%), airline (19%), child/baby/maternity (15%), toy/hobby (11%), and computer/ consumer electronics/appliances (10%). Clearly this group is having babies, with roughly three times the proportion joining child/baby/maternity and toy/hobby schemes as in UK population overall (just 4% and 5% respectively). This group also appears to feature keen travellers with higher disposable income and more stable employment than their younger 18-24 counterparts, of whom just 7% and 8% hold a loyalty scheme membership with a hotel group or an airline – lowest for those categories.

18-24-year-olds more likely to belong to schemes linked to the fun and trendy

Consumers aged 18-24 years, however, lead the pack when it comes to membership in loyalty schemes centred on food, fashion and personal entertainment purchases. These younger customers are arguably the demographic with the greatest amount of leisure time to spend socialising, visiting coffee shops and restaurants, whilst also earning a lower income and seeking to take advantage of offers and discounts. This age group therefore dominates activity in schemes offered by department stores (34%), fast food/restaurant/café outlets (32%), cinemas and theatres (15%), fashion brands (26%), book/music/video/computer game retailers

(12%) and, along with the 25-34s, computer/ consumer electronics/appliances (10%).

Those aged 65+ dominate membership in schemes in five sectors, including petrol stations (37%), chemist/ beauty/ health brands (52%), banks (15%), multiple brand schemes (53%) and DIY/ furnishings retailers, (23%). With greater amounts of spare time to undertake DIY projects and renovations – and more time spent at home – this age group is clearly keen to make the most of such schemes.

The age demographics to lead in the fewest sector categories were 35-44-year-olds (none), the 45-54s (none) and the 55-64 age group, which had the highest percentage of memberships in only one – albeit and important on – category: supermarkets. An impressive 87% of consumers in this age group hold at least one membership in a scheme in this sector, followed by 85% of 45-54-year-olds. Many of these will have mature families and spend a considerable amount on weekly shops, making a supermarket scheme with their regular brand in this sector a logical choice.

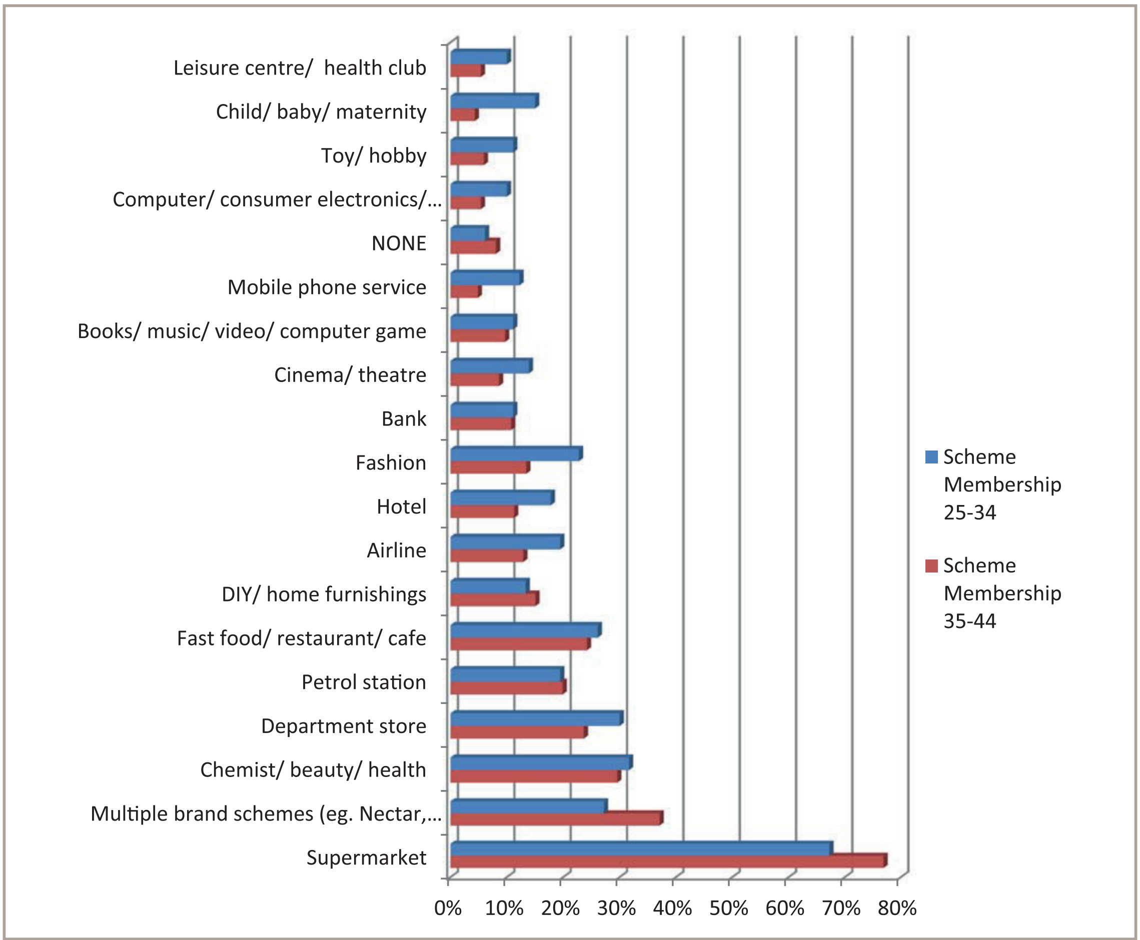

Figure G – Loyalty Scheme Membership by Key Age Group

Research overview

GI Insight Loyalty Frequency: Who's Tuning In?

The providers of loyalty programmes seem to have the best insight into the group with the highest proportion belonging to schemes: the 25-34-year-olds. On average, 35% of scheme providers are effectively identifying these customers' needs and sending them appropriate offers – a higher proportion than any other age group. This demographic is more likely to recognise that scheme operators are analysing and targeting them effectively with offers, as a higher percentage assert this is the case in more sectors than any other age group: supermarket (83%), fashion (44%), computer/ consumer electronics appliances (39%), mobile phone service (36%), hotel (25%) DIY/home furnishing (29%), leisure centre/health club (28%) and petrol station (31%).

63% of 35-44-year-old in child/ baby/ maternity schemes say messaging on target

Next in this benchmarking area comes the 18-24 age group, with a higher proportion reporting good insight and relevant offers in the four categories: department store (42%), chemist/beauty/health (70%), fast food/ restaurant/café (35%) and bank (46%). Then come 35-44-year-olds, who are getting the insight and communications they need in two industry categories: child/baby/maternity

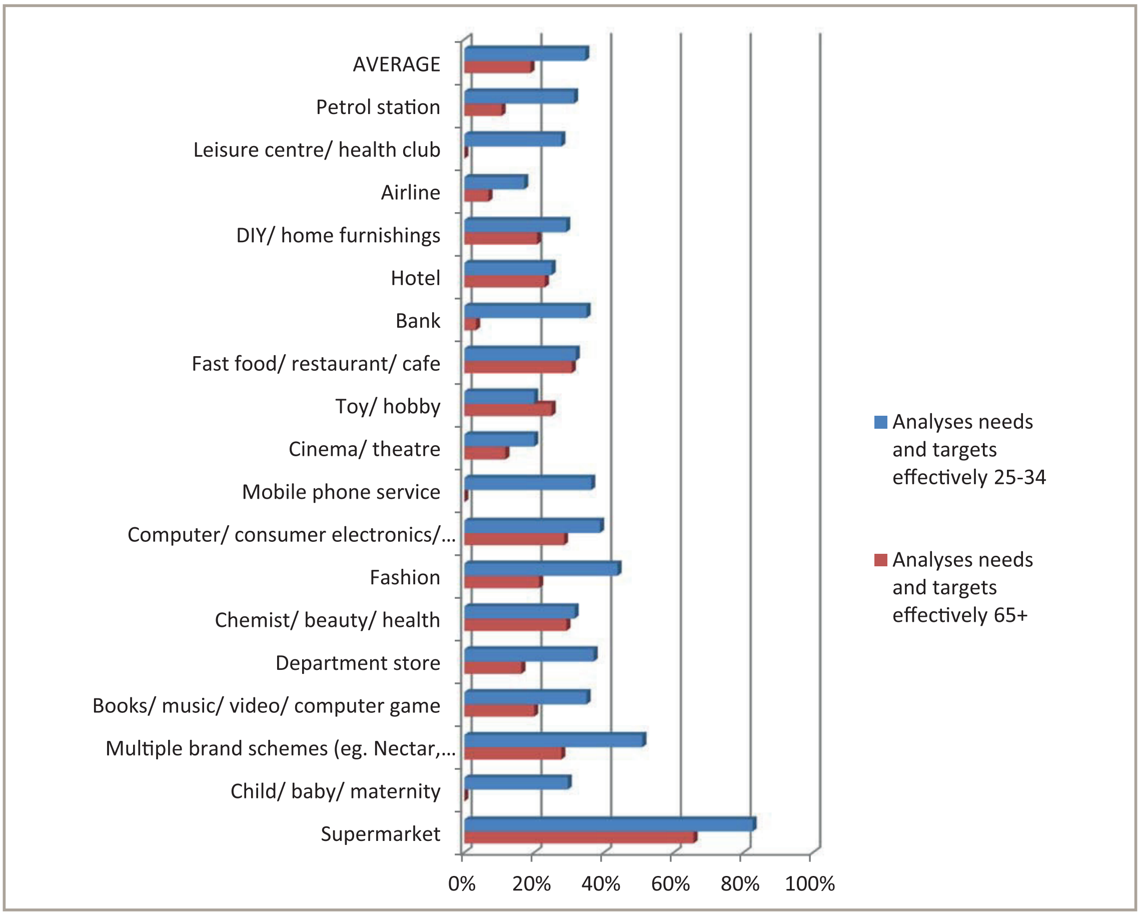

Figure H – Level of Insight by Key Age Group

(63%) and cinema/theatre (63%). The 55-64 age group also leads in two sectors: toy/hobby (67%) and airline (26%).

The only area in which the consumers aged 45-54 feel that membership schemes understand them and send them relevant messages is in the books/music/video/computer game (56%) sector, perhaps indicating that retailers in this area have a better grasp of the needs and habits of those who are not really part of the download generation and still likely buy CDs, DVDs and paper books. Consumers aged 65+ fail lead the way in acknowledging insight and relevant offers in any category – even though schemes should have considerable historical data on these older consumers.

54% of 25-44-year-old loyalty scheme members are active participants

When it comes to active participation, on average, 54% of the loyalty scheme members in the 25-44-year-old age range use them frequently – a greater proportion than other demographics. The 35-44-year-olds lead the way in active participation across the most categories (nine): baby/ child/ maternity (63% who hold a membership in this sector are frequent users of it), mobile phone service

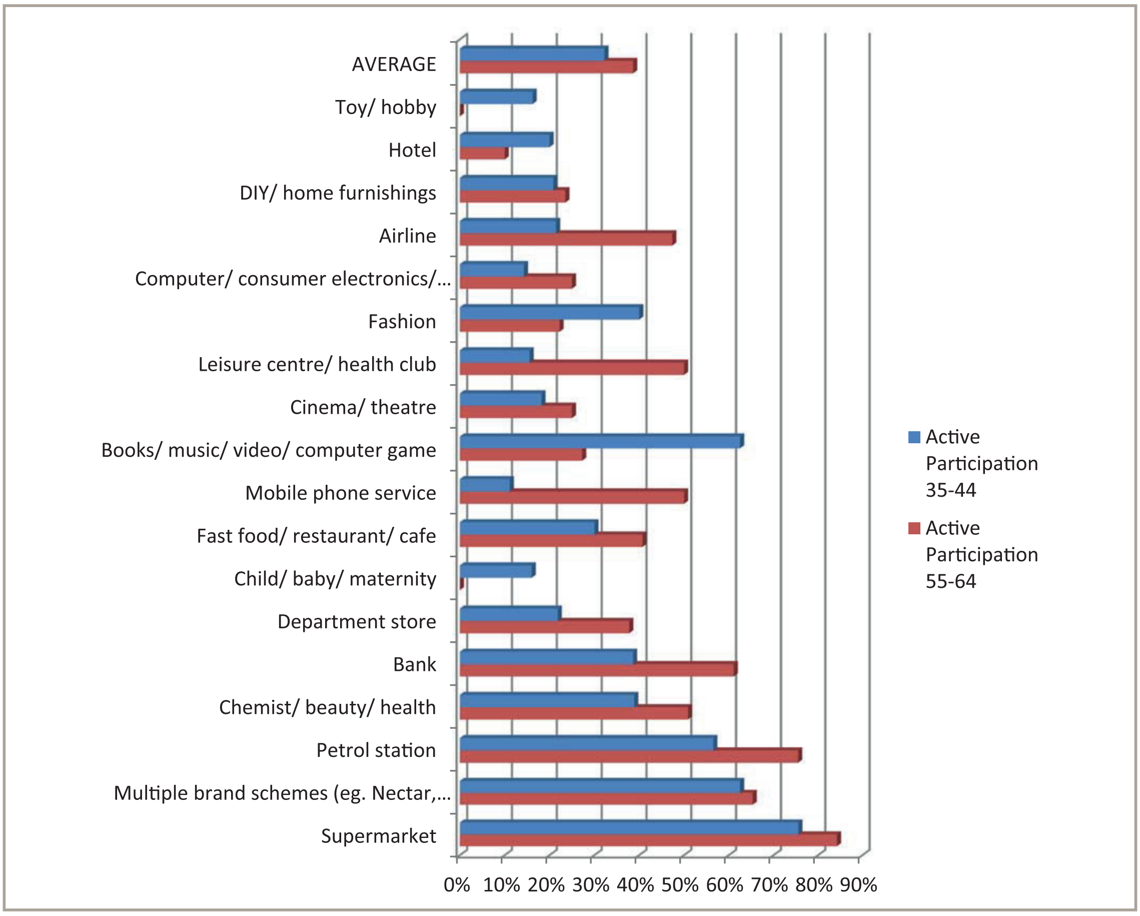

Figure I – Active Participation by Key Age Group

(56%), cinema/theatre (50%), fashion (44%), computer/consumer electronics/appliances (60%), airline (46%), toy/hobby (36%), books/music /video/computer game (56%) and multiple band schemes (84%). The next most active group are the 25-34s, who lead in six sectors: supermarket (93%), bank (75%), department store (65%), fashion (tied with the 35-44s at 44%), DIY/ home furnishings (50%, followed by the 65+ demographic at 35%) and hotel (47%).

In the middle are 18-24-year-old consumers, who have the highest participation rate in the chemist/beauty/ health and fast food/ restaurant/cafe sectors (89% and 66% respectively), and the 45-54-year-olds, who lead in the books/music/ video/ computer game category (tied with the 35-44s at 56%) – again, an indicator of old-school entertainment consumption habits – and the leisure centre/ health club sector (50%). Consumers aged 55+ are least likely to actively participate in the schemes they belong to (just 39% in each scheme on average are frequent users) with those aged 55-64 only the most active in one category: petrol stations (76%) – and indicator that a higher than usual proportion in this group are likely regular drivers.

Big room for growth

The research demonstrates firmly that modern loyalty schemes are a formidable tool for building customer relationships across a range of sectors, now stretching far beyond the high profile supermarket successes.

While the supermarket is still king of the hill in the loyalty marketplace – dominating in terms of the percentage of consumers who are members, remain active and recognise the brand's ability to effectively analyse their data to deliver relevant and useful offers.

The survey also reveals, however, that there is massive room for growth and improvement across just about every industry category outside the department store sector. Membership can and should be expanded in a number of categories with frequent and middle or low cost transactions, and brands need to do a considerably better job of leveraging the insight gleaned from all the data that feeds into a loyalty scheme – again, particularly in marketplaces where there is a high volume of purchases and other interactions.

Active participation by members in schemes appears robust in the UK, where many consumers hold multiple loyalty memberships and may only frequently use some of those. Nonetheless, there again appears to be an opportunity in this area for the companies running loyalty programmes to boost participation – even among supermarket schemes – and, consequently, improve the flow of data that enables them to identify and target their best and most loyal customers.