for *love* ♡ or *money* 2018

The Australian research study taking the pulse on customer loyalty and loyalty programs

Executive Summary

The Point of Loyalty

Retain the Best.
Grow the Rest.

for *love* or money 2018

Welcome to the Executive Summary of *for love or money 2018*, the sixth Australian research study that takes the pulse on trends and insights into consumers' relationships with loyalty programs and their impact on customer loyalty.

What's changed?

What actions generate loyalty?

The 3 motivations to join a program

The 24 SPV ingredients of a successful loyalty program

Interacting with a program – card, mobile, payments

Top Australian loyalty programs doing a very good job (unprompted)

What's new?

Cryptocurrency and loyalty programs – where's the opportunity?

The impact of Amazon on consumer buying behaviour

Have programs improved? Where do they need to improve in the future?

Are programs being recommended?

Are loyalty programs using data to enhance members' shopping experience or invade their privacy?
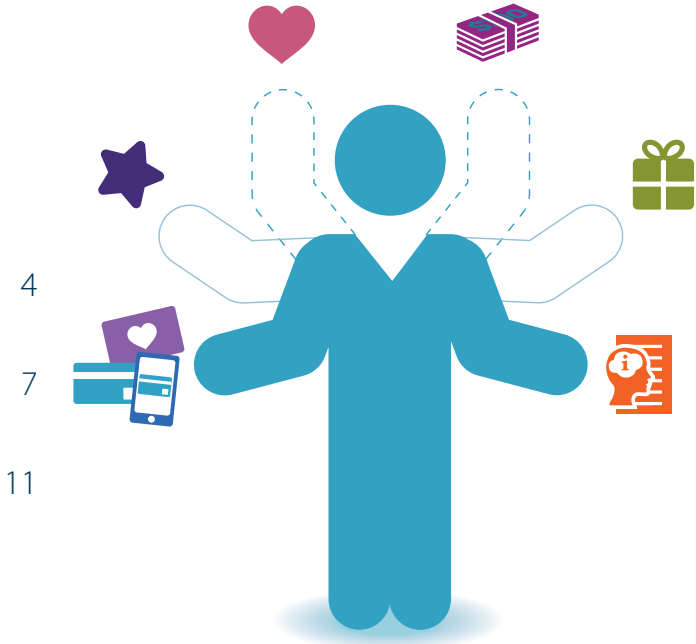
To find out more about *For Love or Money 2018* or purchase the full 90+ page report, visit www.thepointfloyalty.com.au or email adam@thepointofloyalty.com.au

Contents

To find out more about these results and insights you can purchase the full 90+ page report at www.thepointfloyalty.com.au or email adam@thepointofloyalty.com.au

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Introduction

Welcome to *for love or money 2018*

This is the Executive Summary of the **sixth** edition of the research study to follow the 2017, 2016, 2015, 2014 and 2013 research reports available at **www.thepointofloyalty.com.au.**

What's in the full 90+ page report that will make a difference to your customer loyalty strategies and loyalty program success?

This research study continues to track changes in the Australian loyalty landscape and build on trends and insights revealed in previous studies including:

- Memberships of loyalty programs (volume and demographics)
- Active engagement in programs
- Who is doing a very good job – top programs for 2018 (unprompted)
- The 3 motivations to join a loyalty program
- The 24 ingredients of successful loyalty programs
- Interacting with a program – card, mobile, payments
- Recommendation of programs
- Ranking the top excellent programs

Understanding loyalty to invest in loyalty

As brands and businesses continue to invest more in customer retention and loyalty, gaining clarity on the meaning of loyalty, helps to determine why it is important for a business to invest in customer loyalty as a growth strategy and how to achieve it as a profitable outcome.

The 2018 study continues to track changes on the benchmark insights from 2017 in the three areas of:

1. What is loyalty?
Beyond enrolling in a loyalty program, what does loyalty mean to consumers?

2. What actions generate loyalty (or greater loyalty) from consumers?
What actions taken by a brand/business lead consumers to be loyal (more loyal) to the brand/business?

3. What influences longer term purchases from a brand/business vs similar competitor options?
What are the three reasons and their respective importance that motivate consumers to purchase over the

for love or money 2017

for love or money 2016

for love or money 2015

share the love 2014

for love or money 2013

What's new *2018*

This research study looked for new insights to help improve our understanding of the changes in the wider market impacting consumer behaviour and where relevant the connection to loyalty programs:

What's NEW in 2018

- Cryptocurrency and loyalty programs – where's the opportunity?

- The impact of Amazon on consumer buying behaviour

- Have loyalty programs improved? Where do they need to improve in the future?

- Loyalty program data collection and use: Enhancing members' shopping experience OR invading their privacy?

- Are programs being recommended?

Insight for program managers:

Through out the report we have looked for insights, identifying opportunities or challenges to build valuable loyalty programs – those that are profitable to the business and meaningful to the member.

"As you continue to enhance and build your customer loyalty and retention strategies and loyalty program success, *for love or money 2018* provides you with observations and insights to guide you along that journey."

Adam Posner
CEO – The Point of Loyalty
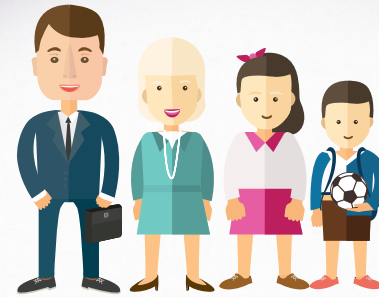
THE Point of Loyalty
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2.0

Research
methodology
and profile of
participants

Who gave their
point of view?

The *for love or money 2018* research was commissioned by The Point of Loyalty and conducted independently by First Point Research and Consulting in the first quarter of 2018, through an online panel of Australian consumers (men and women aged 18 years +) who are all members of at least one loyalty program.

The research was structured to gain quantitative results with comparative analysis.

Open text responses were included to gain actual feedback and comments from loyalty program members.

The total sample of N = 1009 provided a margin of error of +/- 3% at a 95% level of confidence.

Broad quotas were placed on the sample to ensure an appropriate distribution of responses by gender and age.

A note on this tracking study: Consumer tracking studies are generally designed to 'track' any shifts in consumer sentiment or behaviour over time. They are sometimes conducted 'continuously' (i.e. daily or weekly), or may be 'ad-hoc' or periodic measures, as is the case with this series of loyalty studies.

Tracking studies are generally conducted with large sample sizes so that the data is reliable and robust and conclusions can be drawn confidently about any statistically significant shifts in response to questions from one point to another. The sample size is an important indicator of the confidence we can have in the data. With a sample of around 1,000 Australians in our studies, we expect the results to deliver the same result (within +/- 3% of the observed result) on 95% of occasions. The implication of a sample with a 95% confidence interval is that the results, assuming identical questions, WILL and SHOULD be very similar from one period to another. This is an indicator of high data integrity. Any significant shift in results can be attributed to a genuine shift in consumer sentiment or behaviour that is likely to be a reflection of one of many factors including (but not limited to): A change in the economy (eg. Higher interest rates or rise in unemployment rates); A change in competitive conditions (eg. New arrivals in the market place); A change in marketing or advertising activity (a new product, innovation or campaign highlighting new features or USP).

	2018	2017	2016	2015	2014	2013
Female	51%	55%	56%	60%	53%	52%
Male	49%	45%	44%	40%	47%	48%

STATE	2018	2017	2016	2015	2014	2013
NSW/ACT	34%	30%	31%	30%	36%	35%
VIC	28%	25%	23%	25%	26%	25%
QLD	19%	21%	19%	17%	15%	18%
WA	9%	13%	15%	16%	11%	10%
SA	7%	9%	8%	8%	9%	9%
TAS	2%	2%	3%	3%	2%	3%

AGE (YEARS)	2018	2017	2016	2015	2014	2013
18-24	12%	10%	11%	6%	10%	9%
25-34	18%	18%	19%	18%	24%	29%
35-44	21%	21%	22%	18%	20%	21%
45-54	19%	17%	17%	19%	15%	16%
55-64	17%	15%	15%	20%	20%	17%
65+	13%	18%	17%	19%	10%	8%

Base: Total sample
Age % do not add up to 100% due to small % of respondents choosing not to provide age

Loyalty programs and the generations

The Millennials, Gen Xers and Baby Boomers are well represented across loyalty program memberships, with Generation X the main cohort of members.
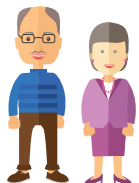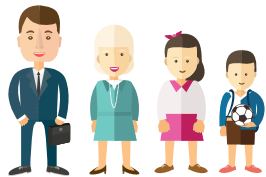
GENERATIONS	2018	2017	2016
Millennials (Under 35s)	30%	28%	30%
Generation X (35-54 years)	40%	38%	38%
Baby Boomers (55 years+)	30%	34%	32%

Loyalty programs and the household

Participation in loyalty programs is heavily skewed towards households with kids.

HOUSEHOLD	2018	2017
Single/no kids	21%	22%
Couple/no kids	12%	12%
Single or couple with kids	40%	35%
Empty Nesters	23%	26%
Prefer not to say	4%	5%

Base: Total sample

Loyalty program members and household income

INCOME	2018	2017	2016	ABS Household Income*
Up to $20,999	20%	23%	21%	Low annualised household income = $21,164
$21,000-$39,999				
$40,000-$59,999	38%	41%	42%	Median annualised household income = $43,888
$60,000-$79,999				
$80,000-$99,999				
$100,000-$149,999	30%	23%	27%	High annualised household income = $105,924
$150,000-$199,999				
$200,000 or more				
Prefer not to say	12%	13%	10%	

Base: Total sample

* Source: Australian Bureau of Statistics: 6523.0 - Household Income and Wealth, Australia, 2013-14

In real terms, the average equivalised disposable household income in 2013–14 was $998 per week, this increased from $964 per week in 2011–12. This has increased over the last decade from $746 per week in 2003–04. The median weekly equivalised disposable household income was $844 per week, similar to 2011–12 ($830 per week). Equivalisation accounts for increased consumption needs as household size increases.

The average weekly equivalised disposable household income for high income households rose from $1,903 to $2,037 between 2011–12 and 2013–14. The income share of high income households was 41% in 2013–14, similar to 2011–12. For low income households, their average weekly equivalised income rose from $395 to $407 between 2011–12 and 2013–14.

Most members of loyalty programs are in the median household income band with high income households representing 30%, an increase from 23% in 2017.
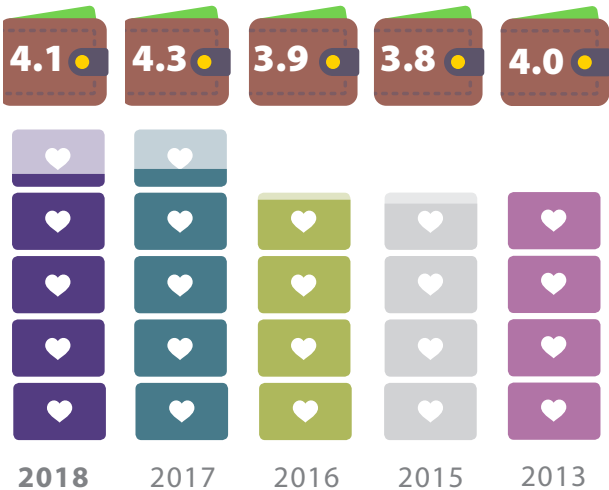
3.0

Executive Summary

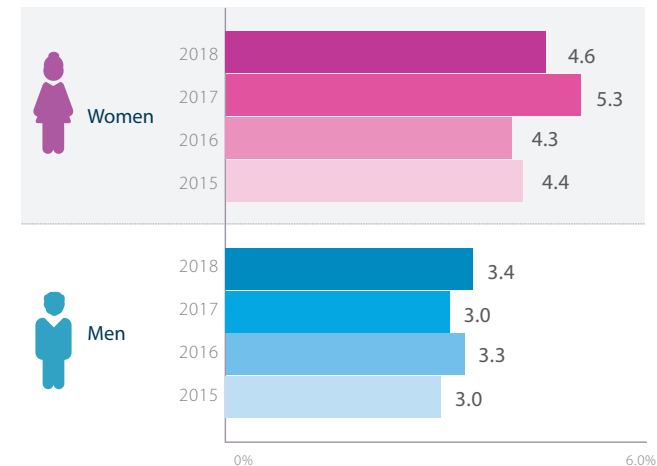Key findings, results, and new insights

4.1 **4.3** **3.9** **3.8** **4.0**

2018 2017 2016 2015 2013

Memberships of loyalty program remain steady

In 2018, the average number of memberships remained steady at just over four per member with women reducing and men increasing their number of memberships.

Women
Year	Value
2018	4.6
2017	5.3
2016	4.3
2015	4.4

Men
Year	Value
2018	3.4
2017	3.0
2016	3.3
2015	3.0

0%   6.0%

% who are
active in 'ALL' of the loyalty programs they are enrolled in

Year	Value
2013	45%
2015	59%
2016	51%
2017	50%
2018	53%

Under $40,000
Year	Value
2018	3.5
2017	4.0
2016	3.2

$40,000-$99,000
Year	Value
2018	3.8
2017	4.4
2016	3.5

$100,000 or more
Year	Value
2018	5.1
2017	4.7
2016	5.0

0.0   6.0
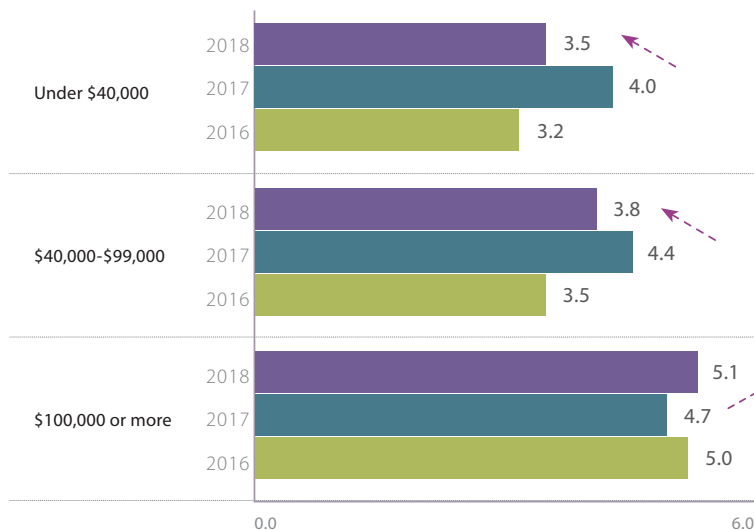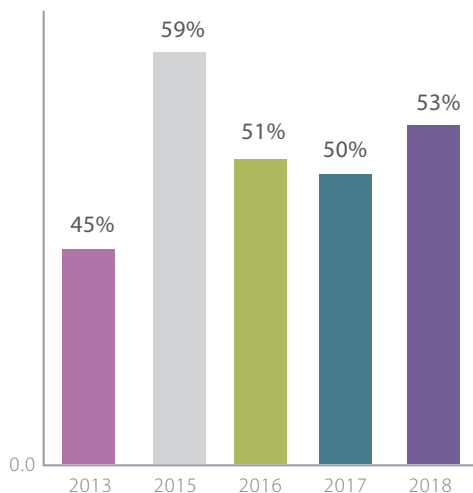
Membership by household income

Higher income households are enrolled in more loyalty programs than lower income households (5.1 vs 3.5).

It is apparent that higher income households have significantly increased their average number of memberships.

'Active' participation in loyalty programs

Active participation in loyalty programs has remained stable over the last three years. Australians are active in around half of the programs in which they are enrolled.

Note: 'Active' is defined as a member making a purchase in the last 12 months.

To find out more about these results and insights you can purchase the full 90+ page report at www.thepointofloyalty.com.au or email adam@thepointofloyalty.com.au

Coles flybuys is number one in 2018, however there has been a significant improvement in the perception of Woolworths Rewards doing a 'very good job' by members with a jump in the number of votes Woolworths Rewards received in 2018 vs 2017.
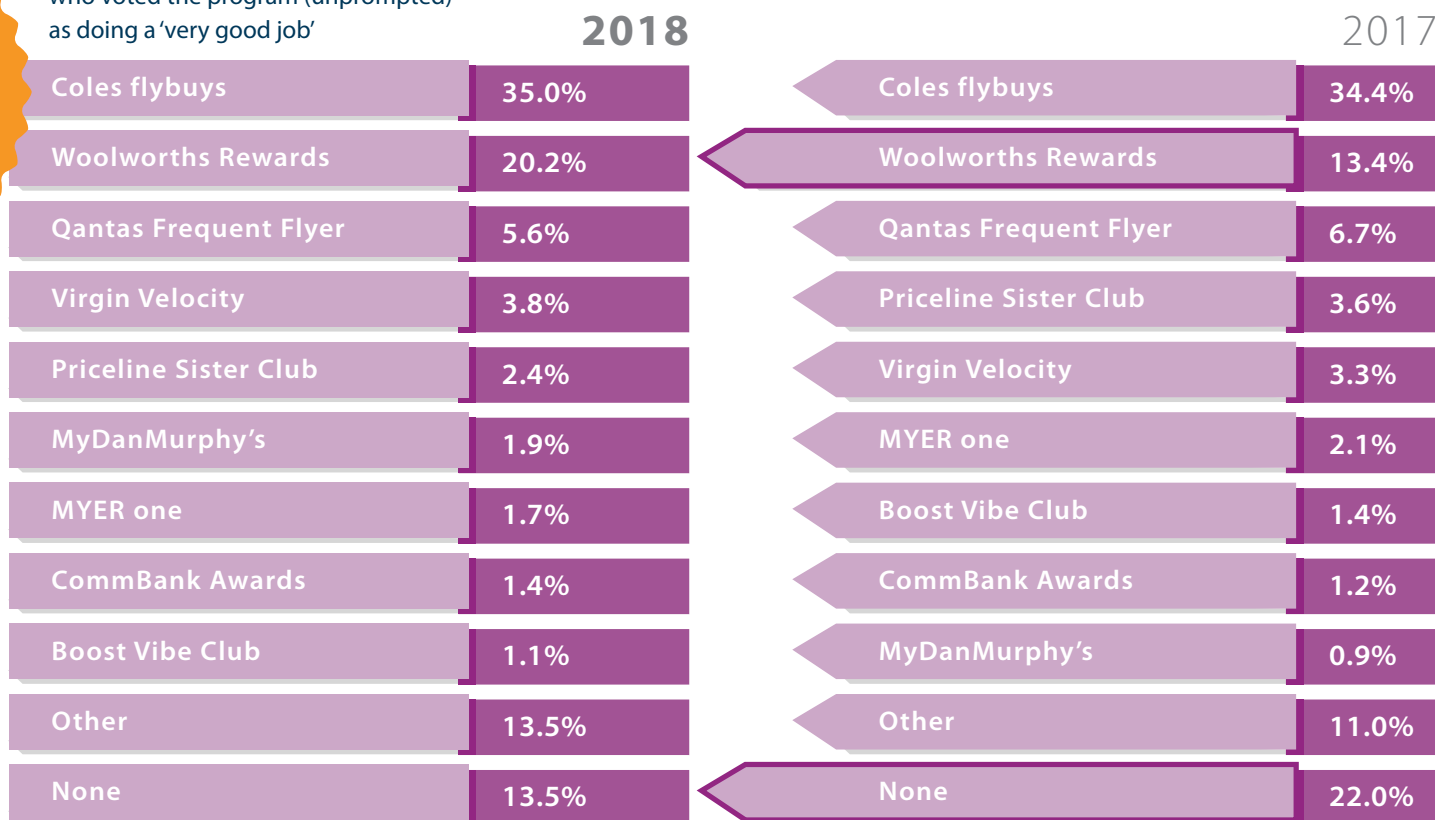
Interesting the choice of "none" ie no programs selected as doing a very good job, has reduced significantly in 2018, indicating that the popular programs are lifting their game.

FOR LOVE OR MONEY 2018
Australian Ranking
TOP
Loyalty Programs doing a very good job!
(UNPROMPTED)
www.thepointofloyalty.com.au

Ranking based on the volume of members who voted the program (unprompted) as doing a 'very good job'

	2018		2017
Coles flybuys	35.0%	Coles flybuys	34.4%
Woolworths Rewards	20.2%	Woolworths Rewards	13.4%
Qantas Frequent Flyer	5.6%	Qantas Frequent Flyer	6.7%
Virgin Velocity	3.8%	Priceline Sister Club	3.6%
Priceline Sister Club	2.4%	Virgin Velocity	3.3%
MyDanMurphy's	1.9%	MYER one	2.1%
MYER one	1.7%	Boost Vibe Club	1.4%
CommBank Awards	1.4%	CommBank Awards	1.2%
Boost Vibe Club	1.1%	MyDanMurphy's	0.9%
Other	13.5%	Other	11.0%
None	13.5%	None	22.0%

The full report provides a further comparative analysis of flybuys vs Woolworths Rewards by demographics and the generations.

To find out more about these results and insights you can purchase the full 90+ page report at www.thepointfloyalty.com.au or email adam@thepointofloyalty.com.au

Three motivations to join a loyalty program

There has been a significant change in 2018 in the profile of the three motivations to join a loyalty program. 'Transactional' benefits have become significantly MORE important to Australians over the last 12 months and are now almost on par with the importance of 'Convenience'.

Changes in the three motivations to join a loyalty program by gender, age and the generations are covered in the full report.
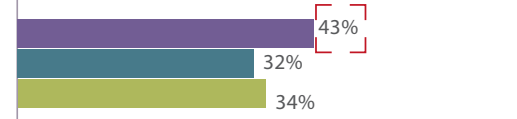
CONVENIENCE

I purchase from the brand/business anyway so I might as well get rewarded
- 47%
- 57%
- 55%

TRANSACTIONAL

The benefits and rewards offered are worthwhile
- 43%
- 32%
- 34%

EMOTIONAL

I love the brand and its products/services
- 9%
- 10%
- 10%

0% ————— 70%

2016 2017 2018

* Percentages may not add to 100%. Missing figures account for people who said 'I don't know'

The 24 SPV ingredients of a successful loyalty program

There has been no significant change in the top 7 (out of 24) ingredients of a successful program since 2017.

- ✔ Simple
- ♥ Personal
- ◆ Valuable

% rated as Very or Fairly important (5 point scale)

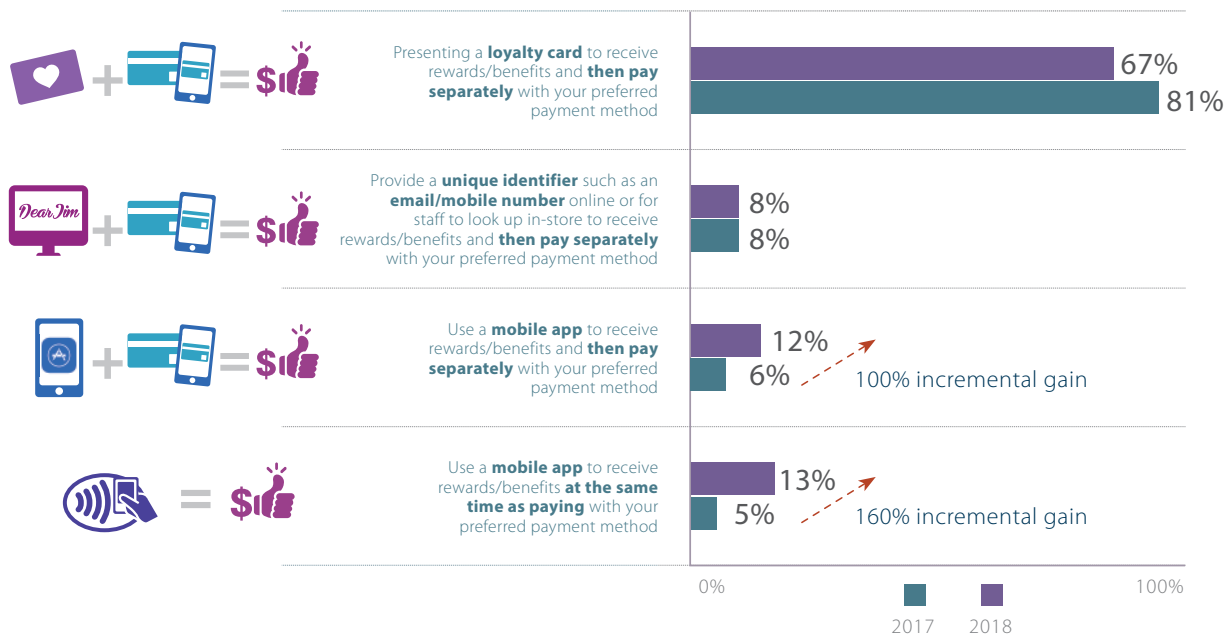|	2018	2017
My rewards/benefits/points do not expire	85%	86%
The program is easy for me to redeem rewards & benefits	85%	85%
The rewards/benefits/points are easy to earn	84%	83%
I can accumulate points over time that can be redeemed for benefits or rewards	81%	82%
The program is easy to understand	80%	83%
The program is easy to interact with in-store	75%	74%
I can earn rewards and benefits based on how much I buy	75%	73%

The ingredients of a successful program that have changed and become more important to members since 2017 are covered in the full report.

To find out more about these results and insights you can purchase the full 90+ page report at www.thepointfloyalty.com.au or email adam@thepointofloyalty.com.au

14

Membership identification and payment integration

Presenting a **loyalty card** to receive rewards/benefits and **then pay separately** with your preferred payment method
67%
81%

Provide a **unique identifier** such as an **email/mobile number** online or for staff to look up in-store to receive rewards/benefits and **then pay separately** with your preferred payment method
8%
8%

Use a **mobile app** to receive rewards/benefits and **then pay separately** with your preferred payment method
12%
6%   100% incremental gain

Use a **mobile app** to receive rewards/benefits **at the same time as paying** with your preferred payment method
13%
5%   160% incremental gain

0%   100%
2017   2018

While two in three members still prefer to interact with a loyalty program via a traditional loyalty card and make their payments separately, there has been a significant decline in preference for the card in the last 12 months.

As digital platforms continue to improve and offer enhanced convenience for members, there has been a steady but significant increase in preference for digital interactions.

The full report highlights all the results and by demographics and generations.

47%
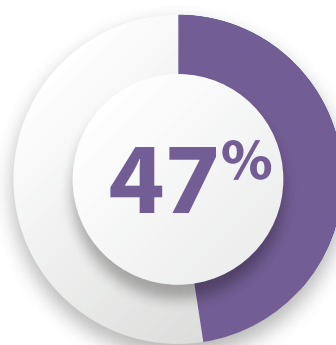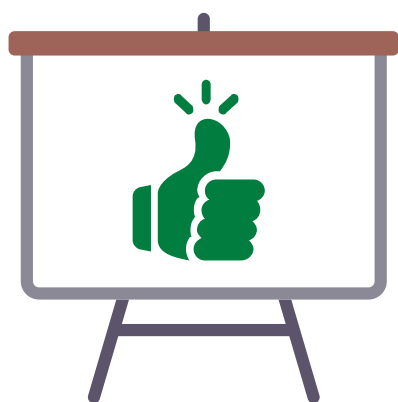
Recommending a loyalty program

Only 47% of members have recommended a loyalty program.

If recommending a program is an indication of love for the program, there is room for improvement.

To find out more about these results and insights you can purchase the full 90+ page report at www.thepointofloyalty.com.au or email adam@thepointofloyalty.com.au

What is loyalty? The consumers' point of view

Is loyalty about **love** or **money**?

Is loyalty an **emotional** connection or a **transactional** connection?
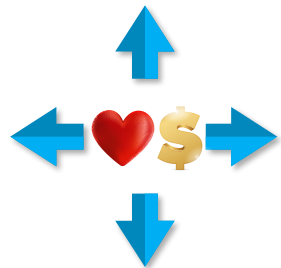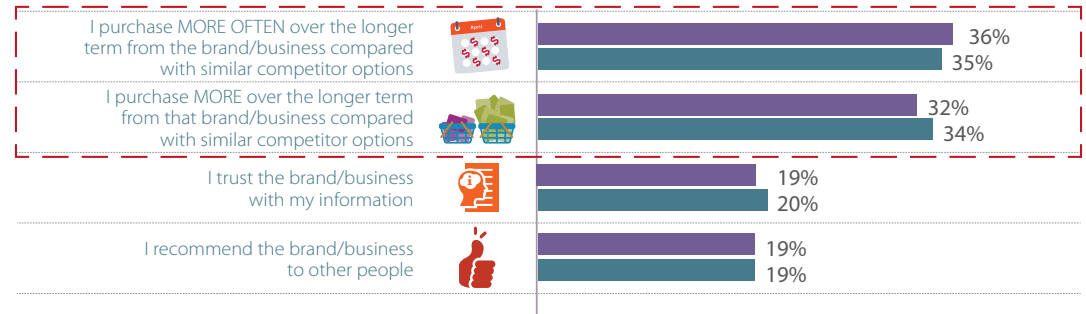
Is loyalty a **behaviour** or a **belief** ?

A definition of 'loyalty' is provided in the full report.

Beyond enrolling in a loyalty program, what does loyalty mean to consumers?

There have been no significant changes in the last 12 months. 'Purchase frequency' and 'purchase value' are the key constructs used by consumers to assess their loyalty to a brand or service.

% who identified that loyalty means:

	2018	2017
I purchase MORE OFTEN over the longer term from the brand/business compared with similar competitor options	36%	35%
I purchase MORE over the longer term from that brand/business compared with similar competitor options	32%	34%
I trust the brand/business with my information	19%	20%
I recommend the brand/business to other people	19%	19%

What actions generate loyalty (or greater loyalty) from consumers

With an understanding of what loyalty means to consumers, we continued to research deeper into the actions that a brand/business can take to generate loyalty (or greater loyalty) from consumers.

We put forward 14 options for consumers to rank three.

The full report highlights all the results and by demographics and generations.

% who ranked that variable Number 1

|	2018	2017
They offer value for money	27%	27%
They offer me a loyalty/rewards program	17%	16%
The quality of the product or service	14%	16%
It is convenient to purchase from them	11%	12%

2017   2018

To find out more about these results and insights you can purchase the full 90+ page report at www.thepointofloyalty.com.au or email adam@thepointofloyalty.com.au

1. Are loyalty programs improving?

What's NEW in 2018

59%
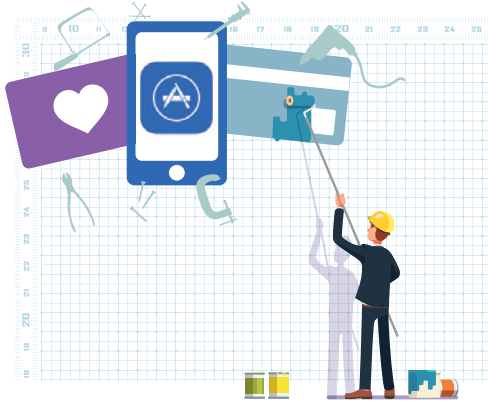
Yes, there has been an increase in the proportion of members who think loyalty programs have improved.

% who agree that

'Loyalty programs have improved a lot in recent years and tend to offer good rewards and benefits to members.'

51% — 2017

59% — 2018

Areas of improvement to date

1 Earn rate **2** Simplicity **3** Use of Technology

The full report highlights the other areas of programs that have improved, by demographics and generations.

Members also reveal which programs have improved and why.

Areas of improvement to focus on in the future

1 Earn rate **2** Surprise and delight **3** Innovative rewards – Non financial

The full report highlights the other areas still in need of improvement, by demographics and generations.

Members also highlight which programs have improved and why.

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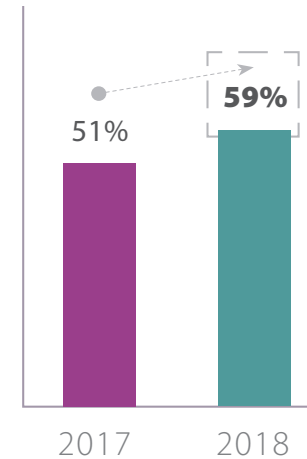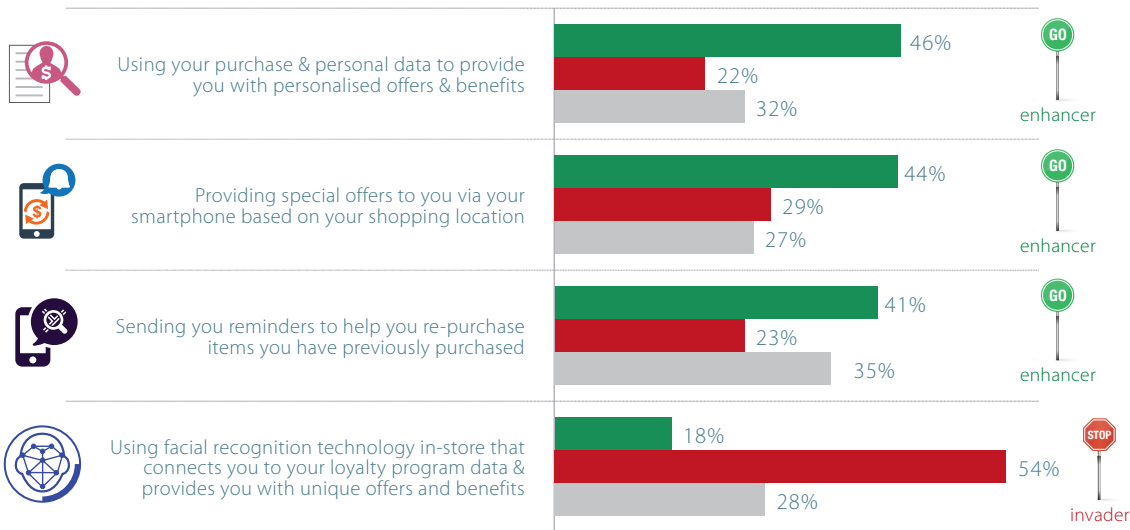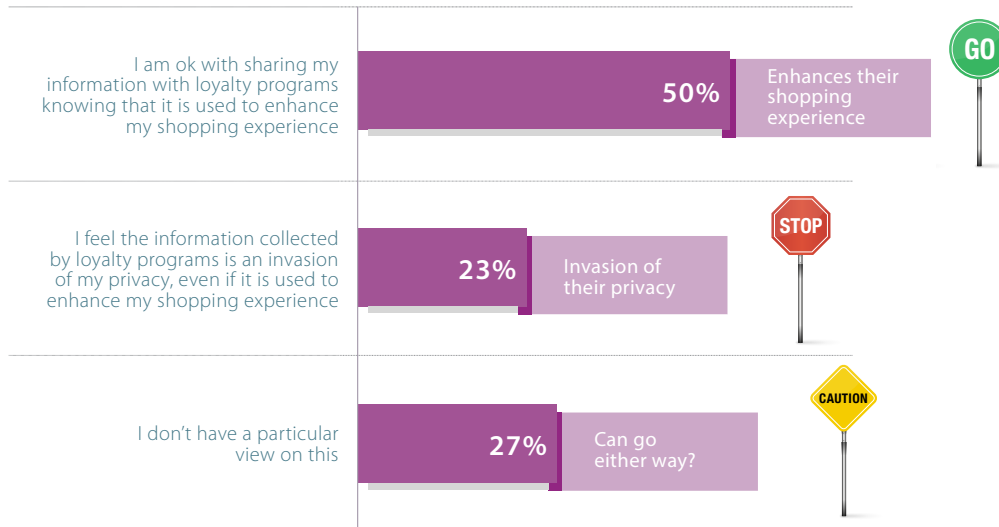
2. Loyalty program data collection and use:
Enhancing members' shopping experience OR invading their privacy?

What's NEW in 2018

GO **STOP**

I am ok with sharing my information with loyalty programs knowing that it is used to enhance my shopping experience — **50%** Enhances their shopping experience — **GO**

I feel the information collected by loyalty programs is an invasion of my privacy, even if it is used to enhance my shopping experience — **23%** Invasion of their privacy — **STOP**

I don't have a particular view on this — **27%** Can go either way? — **CAUTION**

Using your purchase & personal data to provide you with personalised offers & benefits — 46% / 22% / 32% — **GO** enhancer

Providing special offers to you via your smartphone based on your shopping location — 44% / 29% / 27% — **GO** enhancer

Sending you reminders to help you re-purchase items you have previously purchased — 41% / 23% / 35% — **GO** enhancer

Using facial recognition technology in-store that connects you to your loyalty program data & provides you with unique offers and benefits — 18% / 54% / 28% — **STOP** invader

- 🟩 It enhances my experience
- 🟥 It is an invasion of my privacy
- ⬜ No particular view

Once members understand how loyalty programs use their data, they are generally accepting of the variety of ways their personal and purchase information can be used by loyalty programs to enhance their shopping experience.

New technology advances – such as the use of facial recognition technology as part of identifying program members and delivering unique offers and benefits – is seen by only 18% of members as enhancing their shopping experience. More than half of members believe this would be an invasion of their privacy.

The full report highlights all the results and by demographics and generations.

To find out more about these results and insights you can purchase the full 90+ page report at www.thepointfloyalty.com.au or email adam@thepointofloyalty.com.au

3. Connecting cryptocurrencies with loyalty programs - where's the opportunity?

What's NEW in 2018

To identify the opportunity for connecting cryptocurrencies to loyalty programs, the research approached this topic in 3 parts, to gain insights on:

1

KNOWLEDGE
Setting a benchmark and wider view on the knowledge consumers have (as members of loyalty programs) regarding cryptocurrencies.

2

OWNERSHIP
Understanding ownership (current or past) of cryptocurrencies to provide an insight into engagement with these digital currencies.

3

AN ALTERNATIVE TO LOYALTY POINTS
The research then specifically focused on identifying the opportunity for loyalty programs based on members being rewarded in cryptocurrency as an alternative to 'loyalty points'.

14%
of members have a **good to excellent** knowledge of cryptocurrencies

7%
of members **currently own or have previously owned** cryptocurrency

36%
of members **express a level of interest** in being rewarded with cryptocurrency instead of loyalty points

To find out more about these results and insights you can purchase the full 90+ page report at www.thepointofloyalty.com.au or email adam@thepointofloyalty.com.au

4. Amazon's influence on purchase behaviour

What's NEW in 2018

Why will Amazon change consumer buying behaviour?

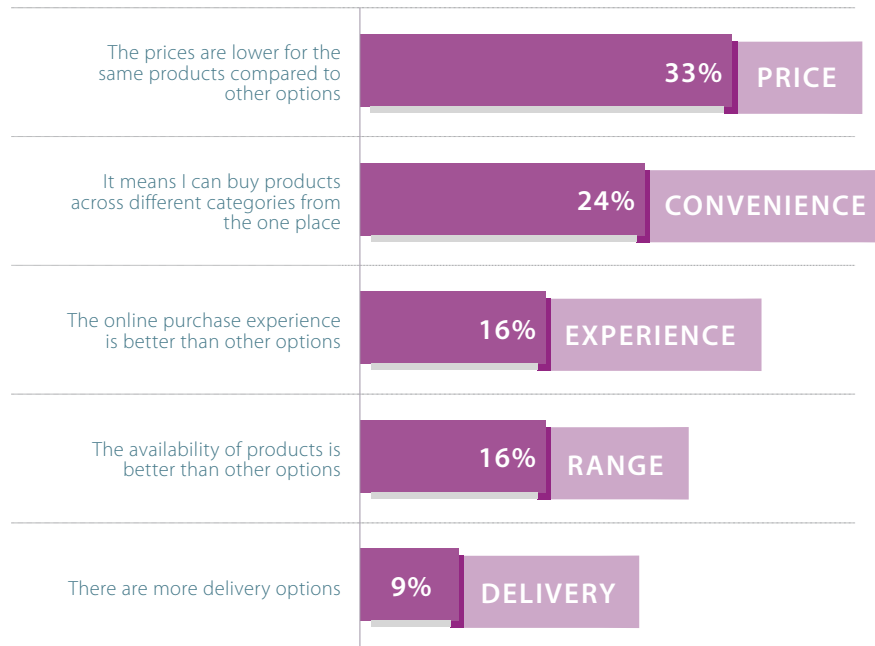|		
The prices are lower for the same products compared to other options	**33%**	PRICE
It means I can buy products across different categories from the one place	**24%**	CONVENIENCE
The online purchase experience is better than other options	**16%**	EXPERIENCE
The availability of products is better than other options	**16%**	RANGE
There are more delivery options	**9%**	DELIVERY

While there is no specific correlation to a loyalty program (Amazon Prime as a subscription membership was not covered in this research), Amazon was included in this study to give those brands with similar products an insight into Amazon's impact on changing shopping behaviour.

We researched:

1. Who has made a purchase from Amazon since its Australian launch?

2. Will Amazon change shopping behaviour over the next 12 months?

3. What are the main drivers of that change in shopping behaviour?

4. Which product categories are consumers most likely to purchase from Amazon?

All results are available in the full report.

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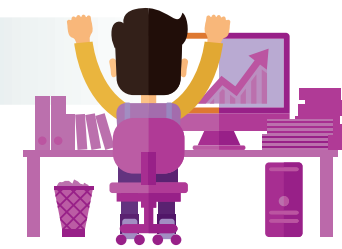
7.0

Behind the
research

Who loves loyalty?

**Retain the Best.
Grow the Rest.**

THE **Point** of **Loyalty**

Adam Posner is founder and CEO of The Point of Loyalty, a strategic customer loyalty consultancy that helps business increase the care and currency of existing customers.

Established in 2017, The Point of Loyalty (a divisional brand of Directivity – est. 2007) provides customer loyalty and retention strategies and programs and strategic loyalty research.

These have been provided for retail (various), hotels and accommodation, financial services, leisure and entertainment, education and cryptocurrency coalition loyalty programs.

Adam commissioned and authored the **2018**, **2017** and **2016** *for love or money* research studies and co-authored the research studies *for love or money 2013*, *2015* and *Share the Love 2014*.

He is a customer loyalty and retention program specialist helping business build customer loyalty and retention strategies and programs that are **profitable to the business** and **meaningful to the member**.

He has developed and utilises the proven and best-practice loyalty and retention program methodologies:

- *"What is loyalty?"* a proprietary diagnostic to determine what loyalty means to the business vs what it means to customers and the gap or alignment.
- *'Do you really need a loyalty program?'* is a diagnostic to gain alignment and clarity on whether a program is right for the business and for their customers.
- The *'9 steps to a valuable loyalty program'* for developing new programs.
- These support the *3 step and 11 stage - Align & Define, Design and Deploy* execution process for profitable and meaningful customer loyalty and retention programs.
- The *'3 Motivations of Loyalty'* model that identify levers to move members to be more engaged with brands (with and without a loyalty program).

He is also the author of one of Australia's only practical books on loyalty programs – 'Give-back to Get-back – 9 steps to a profitable loyalty program'.

He has been widely interviewed on customer loyalty and loyalty programs including on radio (3AW and ABC Radio National – Money Show), TV (Channel Nine News) and published in Marketing Magazine, The Age, SMH, CMO, eConsultancy and SmartCompany.

for *love* ♡ or **money** 2018

Executive Summary

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Retain the Best.
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