

Loyalty schemes double in a decade

Contrary to popular belief the number of loyalty schemes in operation has doubled in the last ten years. In fact, over a third of top companies now operate a loyalty scheme, according to new research commissioned by Total DM.

The survey, which was conducted amongst the 250 top firms across key sectors reveals that despite a crisis of confidence between 1998-2000, there are now more loyalty schemes than ever before, and the rate of growth is accelerating. It found that most new loyalty initiatives are concentrated in the Mobile Telecoms and Credit Card sectors, as well as three retailing subsectors - Music/Leisure, Fashion and Telecoms/Electronics.

So, while perceptions of loyalty schemes, both by the businesses and consumers, have gone through a crisis, they have come out the other side stronger than ever. In the late 1990s, hardly a week would go by without a newspaper or a broadcaster denigrating the humble loyalty scheme, ridiculing the notion that possessing a fistful of loyalty cards could benefit anyone but the suppliers of loyalty card technology. This crisis came to a head around the millennium, when HSBC closed its credit card loyalty scheme, ASDA pronounced its loyalty test a failure, and both Safeway and Do-it-All walked away from the technique.

The chill wind of the post-millennial downturn brought directors to their senses. Revenues shrank and marketplaces became crowded with new entrants. Everyone had to fight much harder for the consumer's business. And that meant that every bit of intelligence that could improve campaign response rates, marketing strategies and conversion to sale rates became gold dust.

Information from the loyalty scheme was suddenly recognised as having seminal value in taking the business forward. In the retail sector, the loyalty scheme remains about the only way of even knowing who the individual customer is in the first place. A loyalty scheme helps to track what each scheme member buys. That transactional information could be linked to customer profile data so that acquisition, up-selling and cross-selling initiatives could be directed at the people a business should be fostering.

Loyalty schemes are back on the block - but only if they are delivering the utility and metrics described here. Many players still have to ask themselves the fundamental question. - what is it that loyalty schemes deliver? Is the outcome actually 'loyalty', or something that uses the word 'loyalty' simply as a convenient label? It is now accepted that loyalty schemes are more about: identifying who the customer is; understanding their tastes and preferences; understanding who is valuable and how that value is changing (+/-); and providing the customer with obvious value and relevance to encourage them to stay with a supplier - and spend more with them.

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