for *love* or *money*™ 2019

The research study taking the pulse on customer loyalty and loyalty programs in Australia

Executive Summary

Retain the Best. Grow the Rest.

THE Point of Loyalty

© COPYRIGHT The Point of Loyalty 2019

1. Tracking changes in the Australian loyalty program landscape

2. Attitudes to 'loyalty' and loyalty programs

3. Preferred loyalty program structures and benefits

4. Loyalty program data collection and use: a privacy and trust perspective

5. A deeper dive into loyalty program insights

For Love or Money™ 2019 - Australian edition

Contents

To find out more about the results and insights in this Executive Summary you can purchase the comprehensive report at www.thepointofloyalty.com.au or email adam@thepointofloyalty.com.au

1. Tracking changes in the Australian loyalty program landscape

2. Attitudes to 'loyalty' and loyalty programs

3. Preferred loyalty program structures and benefits

NEW

4. Loyalty program data collection and use: a privacy and trust perspective

NEW

5. A deeper dive into loyalty program insights

NEW

for *love* or **money**™ 2019

Welcome to For Love or Money™ 2019: The Australian edition

This is the Executive Summary of the seventh annual Australian consumer research study that tracks key trends and insights on customer loyalty and loyalty programs.

With benchmarks first established in 2013, the 2019 study continues to track changes in the Australian loyalty program landscape and build on trends and insights revealed in previous studies.

We also aim to uncover new insights for brands who want to know more about 'what loyalty is' – beyond enrolling in a loyalty program and the factors influencing the future of loyalty program success.

A first for New Zealand NEW

For the first time since the For Love or Money™ research studies started, we have also completed the research with New Zealand consumers and have released two new reports:

- A unique New Zealand report revealing insights on New Zealand consumers and their view on customer loyalty and engagement with loyalty programs

- A comparison report of Australian and New Zealand consumers and their view on customer loyalty and engagement with loyalty programs

All reports are available at **www.thepointofloyalty.com.au** as a complimentary Executive Summary and comprehensive reports are also available for purchase.

Research Methodology

The For Love or Money™ 2019 Australian edition research was commissioned by The Point of Loyalty and conducted independently by First Point Research and Consulting in the first quarter of 2019, 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 = 1000 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.

Interpreting the results: Throughout the report, significant differences have been highlighted as follows:
A result that is significantly **lower** is highlighted with **orange**.
A result that is significantly **higher** is highlighted with **green**.
The significant difference is the difference (higher or lower) for that consumer segment, compared with the 2019 total.

Use of term 'loyalty program' in the research

For simplicity and consistency the For Love or Money™ research studies asked consumers their point of view on 'loyalty programs'.
In the research we defined 'loyalty programs' as any type 'loyalty or rewards program, VIP club, frequent buyer, member benefits or discount program'.
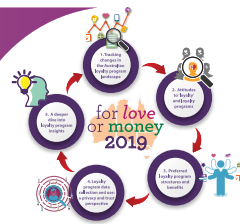
The For Love or Money™ 2019 Australian edition researched the following areas for insights:

1. Tracking changes in the Australian loyalty program landscape

1. Profiles of loyalty program members
2. Active participation in programs
3. Ranking Australian loyalty programs - 'doing a very good job'

2. Attitudes to 'loyalty' and loyalty programs

1. What is 'loyalty'? The consumers' point of view
2. Are loyalty programs valuable to a brand and business?
3. Why do members think brands offer programs?
4. Do brands need loyalty programs to keep customers loyal?
5. Member interaction, identification & payment integration
6. Are members making the most of their program memberships?
7. Member defection: % leaving, when and why

3. Preferred loyalty program structures and benefits NEW

1. Earn and redeem rewards within vs beyond the brand specific program?
2. Rewards for transaction vs tenure with a program?
3. Rewards that are quick & small vs more substantial rewards that take longer to earn?
4. Rewards with small value and no minimum spend vs larger value with a minimum spend?
5. Points vs cashback?
6. Tiered program structures vs no tiered programs?

4. Loyalty program data collection and use: a privacy and trust perspective

1. How do members feel about loyalty programs collecting and using their personal details?
2. Personalisation: Enhancing the member's shopping experience vs invading their privacy
3. (NEW) What do members consider when providing their data to loyalty programs?
4. (NEW) Level of concern about loyalty programs being hacked or subject to fraud
5. (NEW) Loyalty program Data and Trust = The Net Data Trust score (NDT)

5. A deeper dive into loyalty program insights (NEW)

1. The five loyalty program persona profiles
2. The four touchpoints impacting the 'last mile' of a member's interaction with a loyalty program
3. Insights into loyalty programs with a subscription fee
4. Do members think of points like cash?
5. Credit cards with rewards – are they still worth it?

"Thank you for your interest in For Love or Money™ 2019 Australian edition.

As you continue to enhance and build your customer loyalty strategies and loyalty programs, For Love or Money™ 2019 will provide you with observations and insights to guide you along the journey to success."

Adam Posner
CEO – The Point of Loyalty

THE Point of Loyalty

Retain the Best.
Grow the Rest.

For more depth on the results and insights in this Executive Summary you can purchase the comprehensive report at www.thepointofloyalty.com.au or email adam@thepointofloyalty.com.au

2.0

Profile of participants

2. Profile of participants

Gender

48%
52%

Age

18-24 years	13%
25-34 years	14%
35-44 years	21%
45-54 years	20%
55-64 years	16%
65 years +	16%

Household Structure

No children	36%
Children living at home	40%
Children NOT living at home	21%

Generational cohort

Boomers 31%   Gen X 30%   Millennials 39%

Location

1%
20%
10%
10%
31%
26%
2%

Income

Under $40,000	$40,000 – $99,999	$100,000 – $149,999	$150,000 or more
19%	39%	19%	12%

* Figures may not add to 100%. Missing figures accounted for by customers who 'prefer not to say'
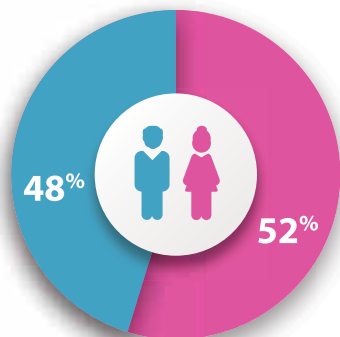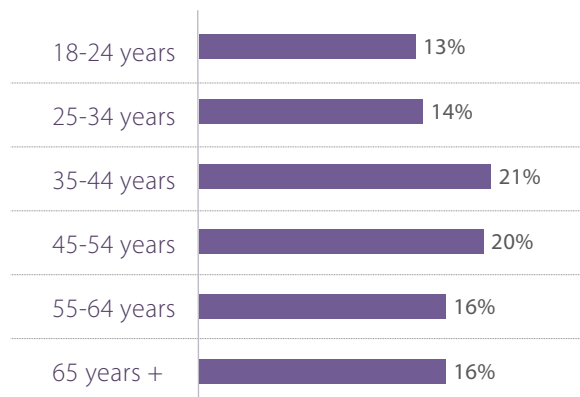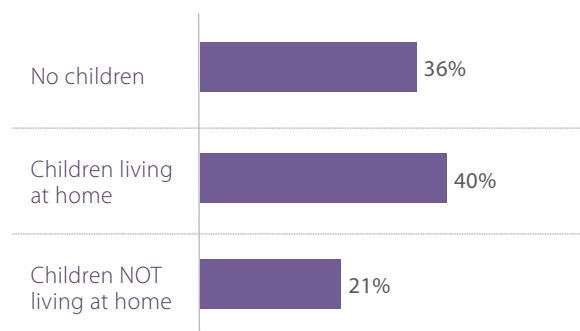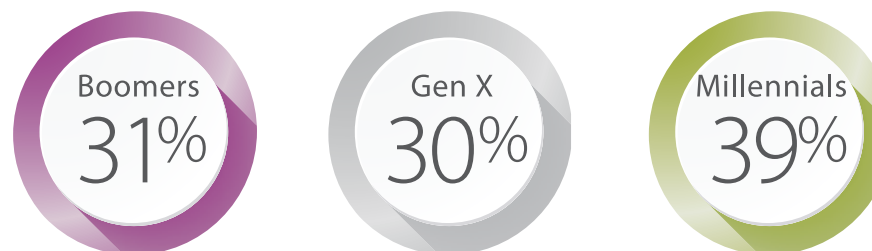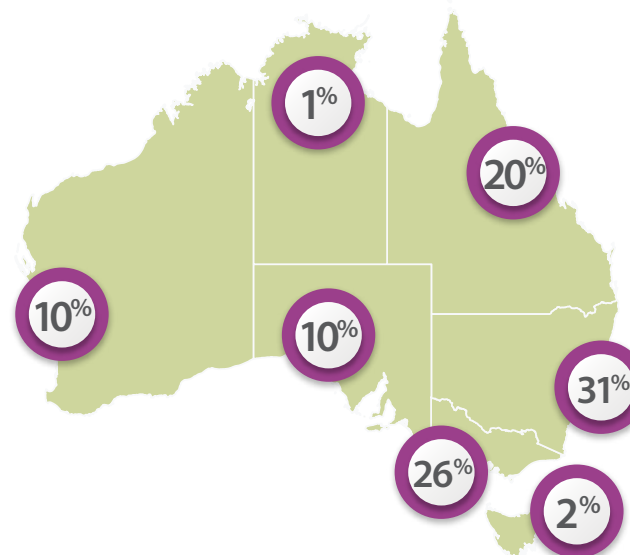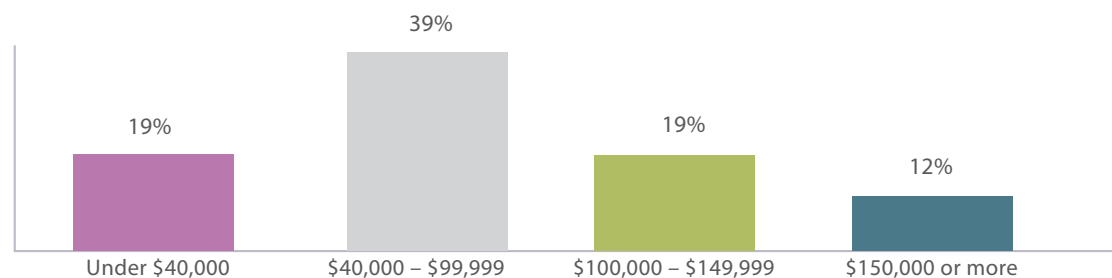
3.0

Executive summary of trends
and new insights

1. Tracking changes in the Australian loyalty program landscape

1. Membership

- In 2019, 89% of Australians over the age of 18 are enrolled in at least one loyalty program.
- The average number of memberships is 4.3.

The comprehensive report identifies insights on average memberships by gender, age, household income and the generations.

89%

Average number of memberships in 2019

4.3

2. Active participation in programs is declining

- 47% of Australian loyalty program members indicated they are active in all of the programs they are enrolled in, the lowest result in four years.

* An active member in the research was defined as 'having presented their card or membership number when making a purchase in the last 12 months'

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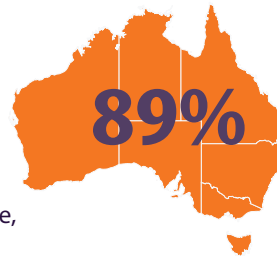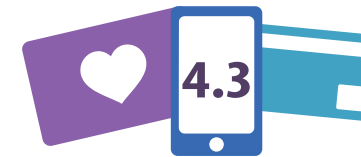

45% — 2013
59% — 2015
51% — 2016
50% — 2017
53% — 2018
47% — 2019

3. Ranking Australian loyalty programs (unprompted) – 'doing a very good job' – some new entrants

- flybuys is number one in 2019, although the % of members (30.4%) who report flybuys as 'doing a very good job' has reduced in comparison to 2018 results (35.0%).
- Woolworths Rewards is ranked number two (21%). Qantas Frequent Flyer which ranked third (6.8%) has had an increase in the number of members rating it as a program 'doing a very good job' in comparison to 2018 (5.6%).
- New entrants in 2019: Two new programs appear in the 2019 ranking - Event Cinema's Cinebuzz and Mecca's Beauty Loop.

Full results for 2019 and comparison to 2018 results are available in the comprehensive report, including the list of 49 other programs mentioned by members as 'doing a very good job'.

FOR LOVE OR MONEY 2019
Australian Ranking
2019
Loyalty Programs doing a very good job!
(UNPROMPTED)
www.thepointofloyalty.com.au

FOR LOVE OR MONEY 2019
49
Loyalty Programs doing a very good job!
(UNPROMPTED)
www.thepointofloyalty.com.au

To find out more about the results and insights in this Executive Summary you can purchase the comprehensive report at www.thepointofloyalty.com.au or email adam@thepointofloyalty.com.au

1. What is 'loyalty'? The consumers' point of view
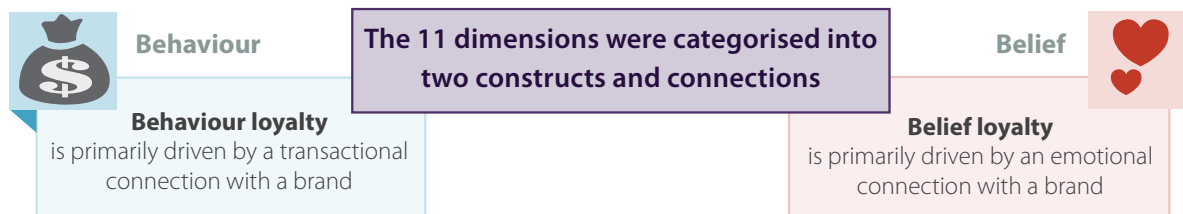
Customer loyalty is an ongoing source of debate and discussion, ignited by the ever changing technology, data, social and demographic landscape.

As brands and businesses continue to invest more in customer retention and loyalty, gaining clarity on what 'loyalty' is 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 For Love or Money™ research asked consumers – '*Beyond enrolling in a loyalty program, what does loyalty to a brand/business mean to you?*'. 11 dimensions of loyalty were assessed by members.

Behaviour

The 11 dimensions were categorised into two constructs and connections

Belief

Behaviour loyalty is primarily driven by a transactional connection with a brand

**Belief loyalty** is primarily driven by an emotional connection with a brand

The comprehensive report reveals the ranking of the 11 dimensions of loyalty based on 'behaviour loyalty' and 'belief loyalty'.

2. Are loyalty programs valuable to a brand and business?

One of the most powerful proof points of a loyalty program influencing purchase behaviour is when members purchase based on the desire to earn points and maintain program benefits.

- Over the last four years this has increased dramatically considering more than a quarter of Australian members (28%) in 2019 indicated they had purchased something they didn't really need in order to earn points or maintain benefits, which is significantly higher than the 2015 result (16%).

I have purchased something I didn't really need in order to earn points or maintain program benefits

28%
24%
16%

Significant increase 2015 to 2019

2019   2017   2015
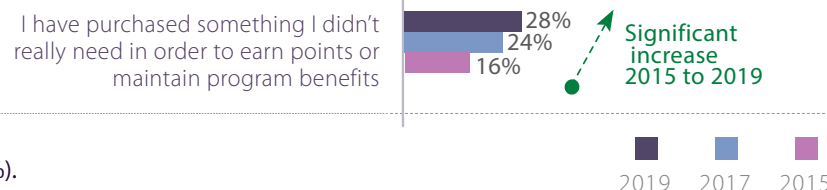
3. Why do members think brands offer loyalty programs?

Members are generally wise as to why brands offer loyalty programs.

- In 2019, 11 reasons that brands offer loyalty programs were ranked by members and the most important reason members believe brands/ businesses offer loyalty programs is to keep their spend away from the competition (24%).
- Ranked behind 'competitive advantage', the reasons members think brands offer loyalty programs are to encourage them to buy more often and to encourage them to spend more.

Competitive advantage   24%

To find out more about the results and insights in this Executive Summary you can purchase the comprehensive report at www.thepointofloyalty.com.au or email adam@thepointofloyalty.com.au

2. Attitudes to 'loyalty' and loyalty programs

4. Do brands need loyalty programs to keep customers loyal?

- Yes! 59% of members indicated that a brand or business needs a loyalty program to keep their customers loyal.

59% 'yes'

5. Membership interaction, identification & payment integration

- There has been a clear decline in the interest Australians have in interacting with their loyalty programs via a traditional card. While the majority of Australians (58%) still prefer to interact with a program via a traditional loyalty 'card', this is significantly lower than the 81% preference for a card as identified in For Love or Money™ 2017.

- At the same time, preference for various digital interactions (mobile app and payments integration) have increased significantly since 2017 with all details available in the comprehensive report.

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

- 58%
- 67%
- 81%

Significant decrease since 2017

6. Do members feel they are making the most of their program memberships?

- 62% of members in 2019 believe they are making the most of the rewards and benefits available to them through their programs.

62% 'yes'

7. Member defection - % leaving, when and why

- More than one in five Australian members (21%) have stopped participating in a loyalty program over the last 12 months.

- Of the 13 reasons for defection, the 'earn rate' – 'I wasn't earning points/rewards fast enough' remains the major reason for defection.

- Members tend to decide very early if a loyalty program is for them. Almost one in five members who stopped participating (17%), did so within the first 3 months of joining that program.

> **What's the cost of losing 17% of your member base in the first 3 months?**
> Cost to acquire: Number of members lost x cost to acquire = $?
> PLUS
> Revenue opportunity lost: Number of members lost x 12 month average revenue = $?
> TOTAL COST: cost to acquire + revenue opportunity lost

To find out more about the results and insights in this Executive Summary you can purchase the comprehensive report at www.thepointofloyalty.com.au or email adam@thepointofloyalty.com.au

3. Preferred loyalty program structures and benefits

Building a valuable loyalty program that is profitable to the business and meaningful to members requires consideration of different program structures and benefits.

In For Love or Money™ 2019, we conducted preference testing on six permutations of these.

1. Earn and redeem rewards within vs beyond the brand specific program?

2. Rewards for transaction vs tenure with a program?

3. Rewards that are quick & small vs more substantial that take longer to earn?

4. Rewards with small value and no minimum spend vs larger value with a minimum spend?

5. Points vs cashback?

6. Tiered program structures vs no tiered programs?

Results of these program structures and benefits by gender and the generations are available in the comprehensive report.
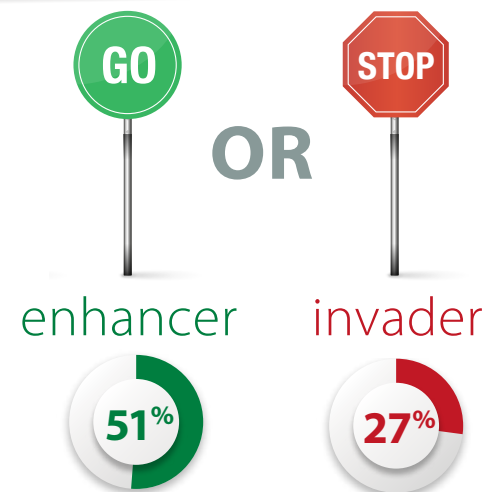

Small rewards that are quick to earn

Rewards with no minimum spend

Rewards based on spend and frequency (with rewards based on tenure as a bonus)

Cashback

Earn and redeem with partners

No tiers

3. Preferred loyalty program structures and benefits

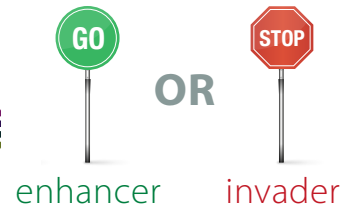## 4. Loyalty program data collection and use: a privacy and trust perspective

Data collection, personalisation and privacy are ongoing topics of deliberation for brands and specifically for those with loyalty programs. For Love or Money™ 2019 continues to dive into the topic of data collection and use.

1. **How do customers feel about loyalty programs collecting & using their personal details?**

- **Enhancer:** In 2019, 51% of Australian loyalty program members are comfortable sharing their information with loyalty programs **to enhance their shopping experience**. This is not convincing. More focus is required for programs to use the data they collect to enhance the member's shopping experience.

- **Invader:** More than one in four members (27%) in 2019, up from 23% in 2018, feel the collection of personal information by loyalty programs is an **invasion of their privacy**.

GO OR STOP

enhancer   invader

51%   **27%**

4. Loyalty program data collection and use: a privacy and trust perspective

To find out more about the results and insights in this Executive Summary you can purchase the comprehensive report at www.thepointofloyalty.com.au or email adam@thepointofloyalty.com.au

4. Loyalty program data collection and use: a privacy and trust perspective

1 Using purchase & personal data to provide personalised offers & benefits

2 Sending reminders to help members re-purchase items previously purchased

3 Providing special offers via smartphone based on shopping location

4 Using facial recognition technology in-store that connects members to their loyalty program data & provides them with unique offers and benefits

GO — enhancer **OR** STOP — invader

2. Personalisation: Enhancing the member's experience vs Invading their privacy

- Four dimensions of personalisation were researched again in 2019, with members generally tolerant of the use of data collection when it is being used to deliver personalised offers and benefits (51% agree this enhances their shopping experience).

Results of these dimensions of personalisation by gender and the generations are available in the comprehensive report.

Security

Use of data

Company reputation

Data value exchange

Control

Privacy policy

Knowing why

NEW

3. What factors are important to members when providing their data to loyalty programs?

- For the first time in the For Love or Money™ research studies, members were asked to identify the factors they consider important when providing their data to loyalty programs.
- Seven factors were put forward with the **top 3 ranked** by members as:

1. **Security:** Knowing how secure the data is
2. **Use of data:** Knowing how their data is used
3. **Reputation:** The reputation of the company asking for their details

To find out more about the results and insights in this Executive Summary you can purchase the comprehensive report at www.thepointofloyalty.com.au or email adam@thepointofloyalty.com.au

13

4. Loyalty program data collection and use: a privacy and trust perspective

NEW

4. Level of concern about loyalty programs being hacked or subject to fraud

- While only 3% of Australians have indicated they have been the victim of loyalty program fraud, the majority of Australians (52%) have expressed concern about their data being hacked or subject to fraud.

52%

NEW
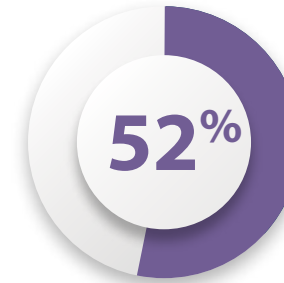
5. Loyalty program Data and Trust = The Net Data Trust score (NDT)

The Net Data Trust score (NDT) is a new metric introduced in 2019 to assess the level of confidence members have in loyalty programs to safeguard their personal details and data.

- **There is a trust issue!** The 2019 benchmark result of members trusting loyalty programs with their personal details and data is - 38.

The Loyalty Program
Net Data Trust score (NDT) = -38

-38 NDT

Results of the Net Data Trust score by gender and the generations are available in the comprehensive report.

To what extent do you trust the loyalty programs that you are a member of with your personal details and data? (Rating provided from 0 - 10)
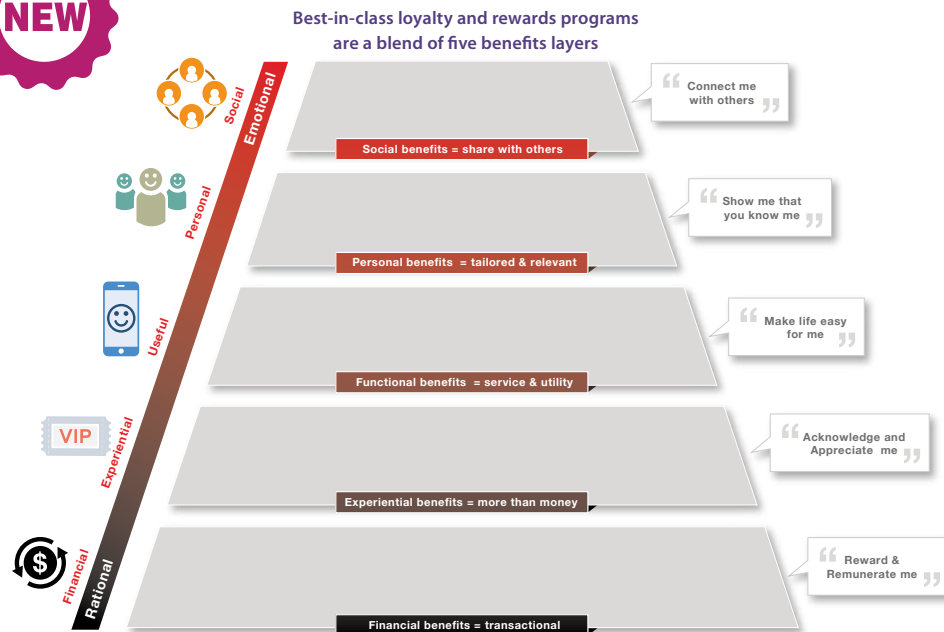
Least trusting

Ambivalent

Most trusting

50%

38%

12%

9 or 10   7 or 8   0 – 6
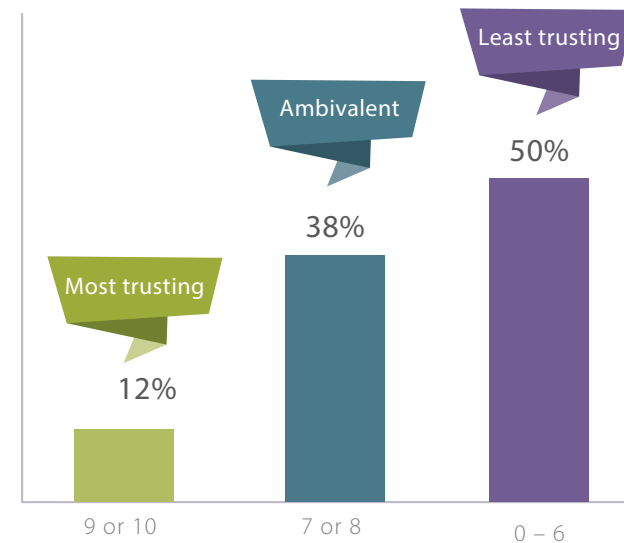
The NDT score is calculated by subtracting the proportion of members who are least trusting from the proportion who are most trusting.

To find out more about the results and insights in this Executive Summary you can purchase the comprehensive report at www.thepointofloyalty.com.au or email adam@thepointofloyalty.com.au

5. A deeper dive into loyalty program insights

1. The five loyalty program persona profiles

NEW

Best-in-class loyalty and rewards programs are a blend of five benefits layers

Social — Emotional
Personal
Useful
VIP — Experiential
Financial — Rational

Social benefits = share with others — "Connect me with others"

Personal benefits = tailored & relevant — "Show me that you know me"

Functional benefits = service & utility — "Make life easy for me"

Experiential benefits = more than money — "Acknowledge and Appreciate me"

Financial benefits = transactional — "Reward & Remunerate me"

The Point of Loyalty has developed The Five Benefits model for best-in-class loyalty and rewards programs. It provides the five benefit categories that every loyalty program should consider a blend of.

- The 2019 For Love or Money™ research study has now defined each of the Five Benefit categories as loyalty program persona profiles and has now quantified them.

All the findings for Australian loyalty program member persona profiles are in the comprehensive report.

2. The four touchpoints impacting the 'last mile' of member's interaction with a loyalty program

NEW

The four touchpoints researched were:

- Email alerts with offers to members
- Promotion of the program instore
- Localised (in or near store) mobile phone alerts with offers for members
- The team member serving you alerting you to member offers

61%
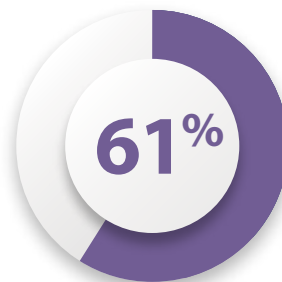
The most significant lever for influencing a member's interaction with loyalty programs is through email alerts to members, with 61% of Australian members identifying email as the touchpoint impacting their interaction with a program.

To find out more about the results and insights in this Executive Summary you can purchase the comprehensive report at www.thepointofloyalty.com.au or email adam@thepointofloyalty.com.au

15

5. A deeper dive into loyalty program insights

NEW

3. Insights into loyalty programs with a subscription fee

Members were asked if they prefer a loyalty program with free membership that provides access to a limited range of benefits and savings VS a loyalty program with a subscription membership fee that provides access to an extended range of benefits and greater savings. 74% of members in Australia prefer a program with free membership. This changes by the generational cohorts with more details in the comprehensive report.

74%
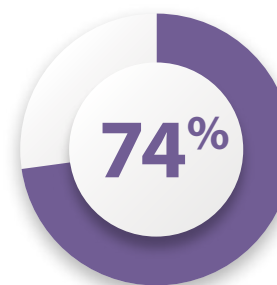
Subscription guilt

- Subscription guilt was researched based on members indicating their feeling of guilt for not using or accessing enough of the benefits offered through the subscription they have joined, with more details in the comprehensive report.

NEW

4. Do members think of points like cash?

- YES! The majority of Australian loyalty program members (60%) tend to think of the value of points in terms of their cash value.
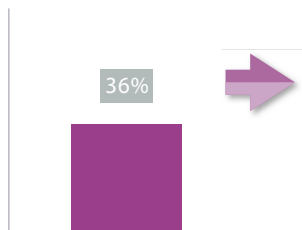
> When points expire, it's like taking cash away!

NEW

5. Credit cards with rewards – are they still worth it?

- More than a third of members have a credit card that accumulates reward points.

- That figure is significantly higher amongst men and Baby Boomers.

% who currently have a credit card with rewards that give points for purchases that can be redeemed for rewards

36%

Men	44%
Women	28%
Millennials	27%
Gen X	39%
Baby Boomers	43%

How do members feel about their credit card that has rewards ?

Members who have credit cards with rewards tend to attach significant value and importance to the potential rewards with 44% indicating "It (credit card with rewards) is important to me and I really value the rewards I can potentially redeem for".

44%
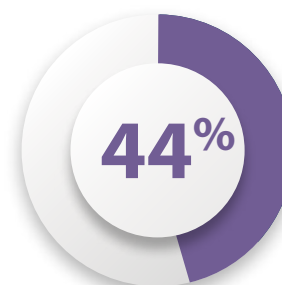
5.0

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 organisations retain their best customers and grow the rest through thriving loyalty and rewards programs.

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

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

Adam commissioned and authored the **2019**, **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 programs that are **profitable to the business** and **meaningful to the member**.

Specific loyalty and rewards program consulting services include:

- Senior leadership and team alignment on vision, goals and program measures of success

- Program models, types, structures and blend of benefits design to move members from transactional to emotional connections

- Customer and loyalty program member research based on benchmarks from our ongoing For Love or Money™ studies

- Partnership proposition strategy, assessment and evaluation

- Technology requirements specification and vendor selection

- Ongoing loyalty mentoring for program optimisation

He has developed robust methodologies to build and review loyalty and rewards programs:
- For new loyalty programs: The four-stage DNA framework for thriving programs.
- For existing loyalty programs: The future-proof diagnostic to ensure they remain a viable asset.

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'.

Adam 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.

To find out more about the results and insights in this Executive Summary you can purchase the comprehensive report at www.thepointofloyalty.com.au or email adam@thepointofloyalty.com.au

for *love* ♡ or *money*™ 2019

The research study taking the pulse on customer loyalty and loyalty programs in Australia

Executive Summary

For more information on this report please contact:

Adam Posner
CEO – The Point of Loyalty

t: AUS 1300 461 900
t: NZ 0800 000 015
e. adam@thepointofloyalty.com.au
w. thepointofloyalty.com.au

Retain the Best.
Grow the Rest.

THE Point of Loyalty

1. Tracking changes in the Australian loyalty program landscape

2. Attitudes to 'loyalty' and loyalty programs

3. Preferred loyalty program structures and benefits

4. Loyalty program data collection and use: a privacy and trust perspective

5. A deeper dive into loyalty program insights