

FROM REWARDS TO SHOPPER ENGAGEMENT: making sense of UK retail loyalty strategies



Jonathan Reynolds

*Saïd Business School
University of Oxford
@oxondon*

1. A LONG
ROAD

2. THE NEW
RETAIL
LANDSCAPE

3. "IL BUONO,
IL BRUTTO,
IL CATTIVO"

4. THE JOURNEY
CONTINUES



1. A LONG ROAD



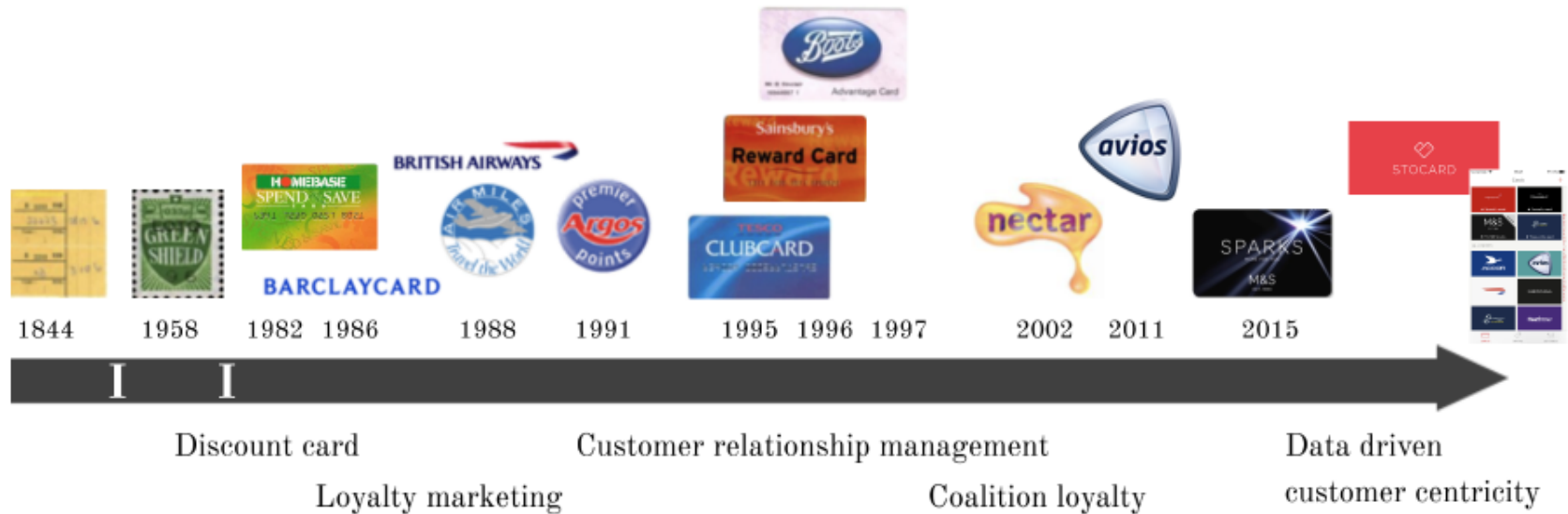
"The past is a foreign country: they do things differently there."
(L.P. Hartley, science fiction writer)

THE UK's
JOURNEY

ENDURING
PRINCIPLES

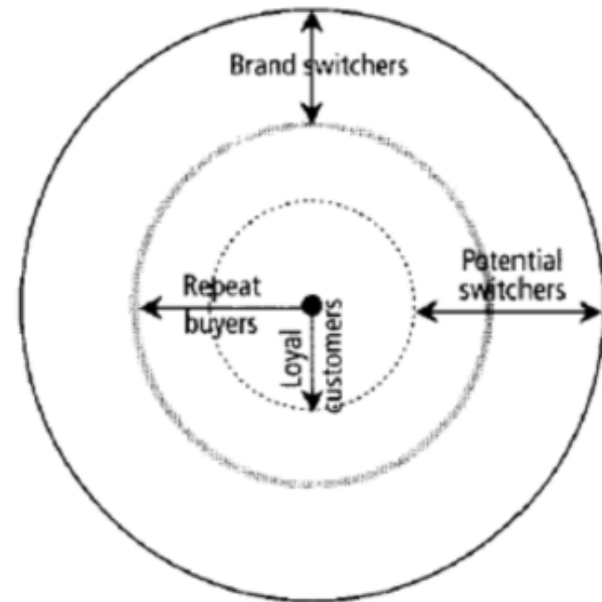
CURRENT
STATUS

THE UK's JOURNEY



ENDURING PRINCIPLES

- Monopoly loyalty (no alternative)
- Inertial loyalty (habit; can't be bothered)
- Cognitive loyalty (rational reasons)
 - Price or deal loyalty (discounts, bribery)
 - Incentivised loyalty (points mean prizes)
- Emotional loyalty
 - Affective (liking, relational)
 - Conative (potential for action, advocacy)
 - Action



Source: Oliver, 1999; IMP

UK: CURRENT STATUS

"59% think all brands should offer a loyalty programme."
(YouGov 2018)



"UK shoppers are amongst the most likely to belong to a loyalty scheme, but amongst the least likely to actually use them or be influenced by them."
(Nielsen, 2016)

"Only 28% say they feel emotionally connected to a brand to whose programme they belong." (YouGov, 2018)

Reasons for belonging

- to benefit from in-store/online discounts & offers **87%**
- to get discounts on other brands **55%**
- to get early access to the brand **23%**
- to be part of the community **6%**

(YouGov 2018)



Sources: YouGov/Mando-Connect, 2018; Nielsen, 2016)

2. THE NEW RETAIL LANDSCAPE



"The retail industry globally is in an era of profound, perhaps unprecedented, change."
(Reynolds & Treadgold, 2016)

CONSUMER

COMPETITION

UBIQUITOUS CUSTOMER INTELLIGENCE

Consumers' information search
efficiencies gained through

- new data sources
- capital substitution for labour
- crowdsourced insight (e.g. Pinterest, Amazon reviews)

Growth in personal productivity and
scope for rational behaviour

BUT partly because of paradox of choice,
consumption can take longer with
omnichannel

AND some new sources of influence

SO what impact on customer loyalty?



Meghan: A Hollywood Princess Kindle Edition

by Andrew Morton (Author)

★ ★ ★ ★ ☆ 10 customer reviews

See all 6 formats and editions

Kindle Edition	Hardcover	Paperback	Audiobook	Audio CD
£6.64	£8.00	£15.68	£0.00	£58.35
Read with Our Free App	6 Used from £7.85 22 New from £5.19	1 Used from £15.68	Free with your Audible trial	1 New from £58.35

The first in-depth biography of the American actress and humanitarian campaigner who will marry Prince Harry in May 2018, written by the world's best-known royal biographer.

When Meghan Markle and Prince Harry were set up by a mutual friend on a blind date in June 2016, little could they know that just sixteen months later the resulting whirlwind romance would lead to their announcement in November 2017 and marriage in May 2018.

Read more

Customer reviews

★ ★ ★ ★ ☆ 10

5.1 out of 5 stars



See all 10 customer reviews



STIMULATING NEW VARIANTS IN CONSUMER BEHAVIOUR

Instant gratification

- Pandora's Box - "now-focused"
- e.g. Amazon Dash, Prime

Mass vs personalisation

- e.g. Net-a-Porter

Social proof

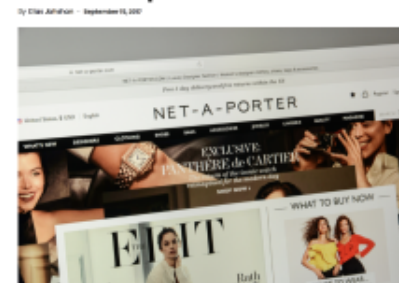
- e.g. ASOS

Attitudes to data privacy

- Personal data
- GDPR



Net-A-Porter named the best UK retailer for personalisation



amazon
Prime

"Customers trust their peers and other customers of the brand more than the brand."



@ASOS_HANNAH

Follow me for my unique take on LA vintage and oversized pieces



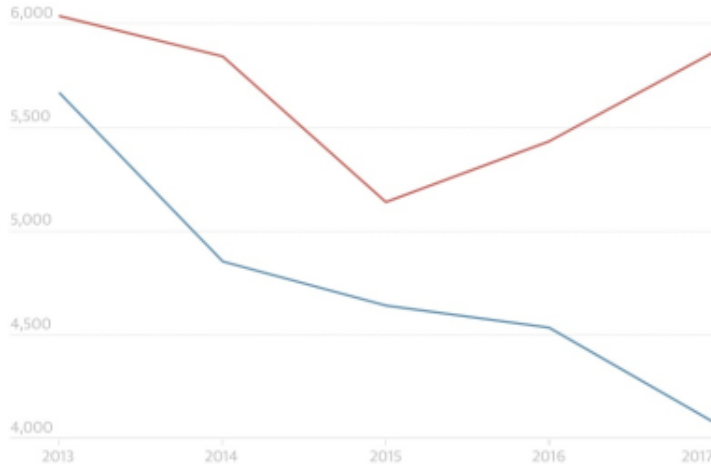
EXISTENTIAL COMPETITIVE CHALLENGES

The Amazon-Whole Foods Deal Means Every Other Retailer's Three-Year Plan Is Obsolete

by Durrell K. Highy

5,855 outlets closed on UK high streets in 2017, at a rate of 16 stores a day

■ Closures ■ Openings



Guardian Graphic | Source: The Local Data Company for PwC. Note: Openings and closures of multiples (national chains with five or more units) across the top 500 largest towns in UK in 2017

Fastest growing retailers, H1 2016 - H1 2017



Marks & Spencer to close 100-plus stores by 2022 in 'radical' plan

Retailer, which has already axed 22 outlets, reveals 14 more that will shut in the next year



UK retail sector

Closures

- Fashion & footwear
- Travel agents
- Estate agents
- Electricals

Openings

- Health & beauty
- Cafes
- Bookstores

3. IL BUONO, IL BRUTTO, IL CATTIVO



"Two hundred thousand dollars is a lot of money. We're gonna have to earn it." (Blondie)

THE BAD

THE UGLY




THE GOOD

THE BAD: UNDIFFERENTIATED SUPERMARKET LOYALTY SCHEMES

Are supermarket loyalty cards worth it?

By Ellie Simmonds

Our research shows that you'll typically receive £1 or 50p back per £100 you spend (£4 for Boots). However, this can easily be cancelled out if the supermarket you visit sells its products for slightly more in the first place.

Loyalty cards compared						
Loyalty card	Do you get points?	Points per £1 spent in store	Earn/use points through partners?	1 point's worth in store	Return on spend (%)	Spend £100, get... Spend £1,000, get...
 Morrisons More	Yes	5	No	0.1p	0.5%	50p £5
 Sainsbury's Nectar	Yes	1	Yes	0.5p	0.5%	50p £5
 Tesco Clubcard	Yes	1	Yes	1p	1%	£1 £10

- Companies scaling down the value of their schemes
- Prelude to moving from short-term promotions to longer-term relationship building
- But shoppers still prefer simple money-off rewards

Outrage as Tesco makes changes to Clubcard rewards scheme

The supermarket chain says it has "listened" to customers and "simplified" the scheme - but shoppers aren't happy.

06:00, UK,
Wednesday 17 January 2018



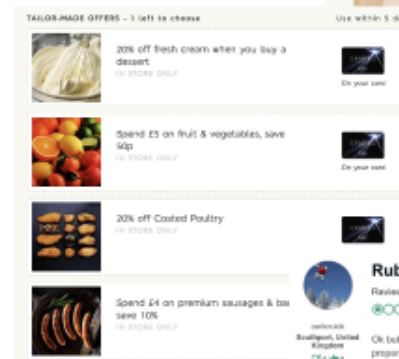
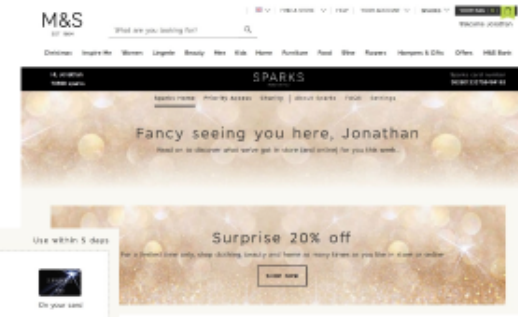
Sources: Consumers' Association 2018; Sky News, 2018

THE UGLY: MARKS & SPENCER SPARKS CARD

- Launched in 2015
- Focused on offers and events; cycle of food and non-food offers; top, core & occasional segments
- Criticised for:
 - being "overly confusing and difficult to understand"
 - excessive focus on "Mrs M&S" (female, 50+)
 - not meeting the needs or wants of regular M&S shoppers, who are also a limited pool
 - failing to capture sufficient insight on 'occasional' users



"Central to the strategic plan is the company's need to understand and engage more closely with customers."
(Steve Rowe, CEO)



To ask what is THE POINT of the M&S SPARKS card? (74 Posts)

Northernlurker Thu 02-Jun-16 20:56:13

[Add message](#) | [Report](#)

Because I can see no point at all. I got 20% off food when it started but since then all the offers have been unmitigated nonsense.

THE GOOD: PETS AT HOME VIP CLUB

What would your Very Important Pet really love?

10% off welcome voucher

Lifelines

Regular VIP exclusives

VIP Birthday Bonus

10% off welcome voucher

Friendly expertise

Vets4Pets

Groom room REWARDS

FREE My VIP Magazine

Join the VIP

6,000,000 VIP club members can't be wrong!

They are already enjoying a wonderful bundle of benefits with their pets – from regular savings and offers to tailored tips and advice. And now you can too.

Sign up now and we'll send you a welcome email with a 10% off code to spend online. It's simply to say thank you and should arrive 24 hours later. Then, once you've used the code – or shopped with us online or in-store – we'll post your welcome pack with another 10% off voucher to use in-store.



Pets at Home enjoys first quarter boost

The pet care business saw group revenue grow 8.1 per cent to £277.4m from March to July

Receive exclusive savings and tailored offers for your pet, direct to your phone. Plus... a special VIP Birthday Bonus!

Lifelines
So you can raise Lifelines to help your chosen animal charity

Find My Pet
Your 24/7 lost-finding service

Hello, pet lover!
Don't miss out on extra VIP benefits

Skip Next



THE JOURNEY CONTINUES



Much centres on the role of new actors in the retail ecosystem and a need to understand the new behaviours engendered, as well as considering the evolution of relationships between ecosystem members

INFLUENCE AND
ENGAGEMENT

KEEP IT SIMPLE,
STUPID

Involved Shoppers

- Fully engaged in the shopping process and in the businesses from which they purchase
- Actively seek to find out all they can about the products that interest them, the alternative choices they have and the attributes of the retailers they use
- Not content to rely solely on information sent to them
- Motivated and able to search out the information they feel they need in order to make fully informed choices

Influencer Shoppers

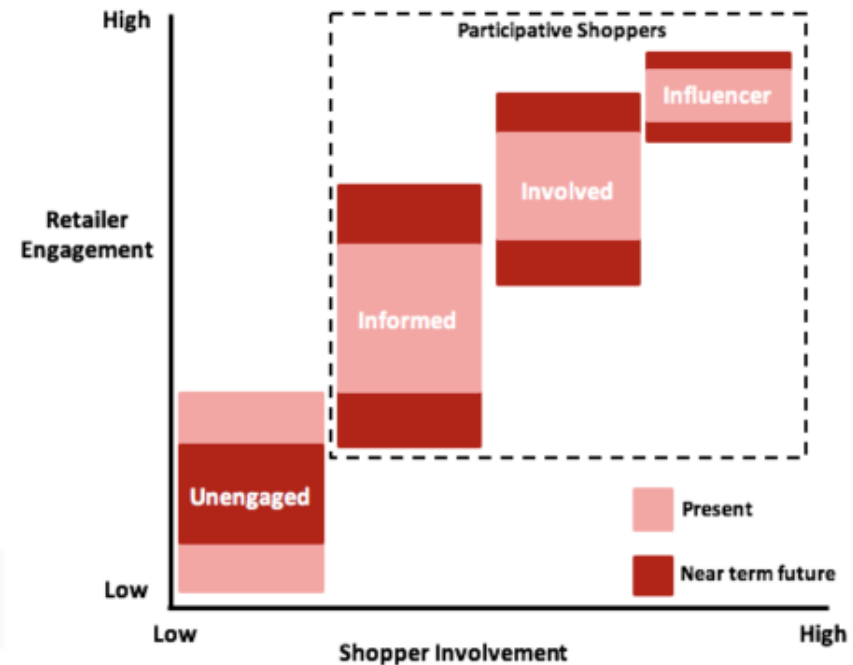
- Opinion-shapers
- Highly informed and highly involved in the shopping process
- Highly informed about the retailers they use and the products they purchase
- Active in shaping the opinions of others by sharing their experiences online amongst often-wide networks of contact groups



Zoella
12,017,392 subscribers

INFLUENCE AND ENGAGEMENT

Do all customers want to be actively engaged?



HOW TO CREATE THE EMOTIONAL BOND?

... we are only at the beginning of personalising engagement...



Coca Cola

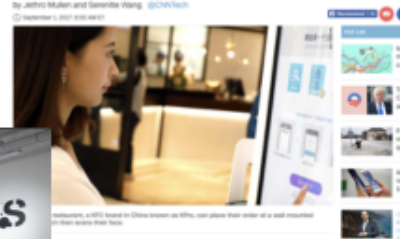


Converse

Marks & Spencer



Pay with your face at this KFC in China



Alibaba/KFC

... but are these solutions in search of problems, or just plain creepy?



Creepy or Cool Survey, 2017
<http://www.richrelevance.com/uk/>



"20 or 30 years ago it was us saying to them, 'This is how you shop with us'. Now it's the other way round. We are being led by the customer."

Hugh Raeburn
Head of Information Systems,
Reiss



"The era of channel [either online or store] is over. What we're really embarking on now is a world, where for consumers, channels are completely merged and we need to think that way."

(Paula Nickolds, MD, John Lewis Partnership)

John Lewis unveils details of new concierge shopping experience

By Nicky Johnson - 11 October 2017



INFLUENCE AND ENGAGEMENT

Invest in understanding the customer

"We cannot control social media but we want to be part of the conversation."

Jerry Black, Chief Digital Officer,
AEON Group, Japan



The role of the retailer in the new landscape is to create a **web of engagement possibilities** comprising multiple touchpoints, some virtual some physical, but always with the shopper at the centre of the engagement web and, therefore, at the centre of the retailer's world.

KISS: KEEP IT SIMPLE, STUPID

Uber personalisation

Pick Your Own **OFFERS**



Waitrose

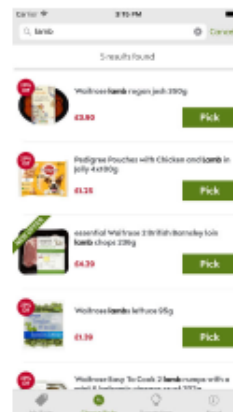
RetailWeek

Waitrose unveils 'game-changing' scheme that allows shoppers to pick their own offers

Waitrose has unveiled a "game-changing" personalised marketing initiative as part of the latest move in the supermarket price war.

Waitrose scraps 'confusing' loyalty perk - and customers are actually relieved

The food store is about to bin its '£260 million' Pick Your Own Offers scheme for a new vouchers incentive instead



Mobile wallets

