

# The Imperatives for Customer Loyalty

**The British Customer in early 2009**

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# Introduction

# Introduction

Britain's top bosses – our “Captains of Industry” - were very clear about two things as they entered the New Year.

First, and for the first time for many years, they were gloomy about prospects *for their own business*.

And second, they stressed the importance of focusing the efforts of their organisation on their *existing customers* – on retention rather than acquisition.

With this in mind - and the economic climate - many expect 2009 to feature a greater focus on getting to grips with the dynamics of customer relationships. This includes getting to grips with ‘Loyalty’ and what it means for the industries we are working in and customers we serve.

In many ways, we could characterise “Loyalty” as a fairly mature concept. Many, many organisations have loyalty schemes in place. *Scoring Points* is well established on executive reading lists. Loyalty and customer satisfaction measures are reported to most boardrooms. Market research companies have developed a range of tools and techniques to help their clients move beyond simply measuring their customer satisfaction scores. The emphasis is on moving towards a more rounded understanding of loyalty, the customer experience, and the potential benefits to the bottom line.

This document presents the findings of research conducted by Ipsos MORI and the Logic Group in January 2009. By taking a Britain-wide snapshot we asked customers what they were doing in the first month of the New Year, and asked them about their take on Loyalty – what they feel loyal towards, and what they think of the schemes they are members of. In doing so we have sought to complement the detailed work that is being conducted in organisations up and down the country.

The intention here is to present a “stock take” of some of the issues, and to serve as a starting point for discussion and further investigation. We hope you find the results useful and that they give food for thought as you think about the issues facing your organisation.

We have developed our report under a number of themes:

1. An overview on the nation's mood at the start of 2009, reminding us both of the collapse in confidence about the economy, and just how quickly the mood has changed
2. A reminder of some of the “vital statistics” of the British customer – an ageing population, with extensive (but far from universal) access to broadband internet, which places increased emphasis on honesty and good customer service from the organisations they “do business with”
3. A pen-portrait of our behaviour as consumers during December and January – where we shop and how we do it
4. Our instincts – which organisations we feel loyal towards at particular stages of our lives
5. The current state of Loyalty schemes – including a general verdict for some key sectors and some pointers as to what customers say is important to them in a scheme
6. Some final thoughts, including questions for the future

We look forward to your comments. A dedicated website will shortly be on stream which will provide fuller analysis and insight, and the opportunity to participate in the debate.

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March 2009

# 1. Britain in early 2009

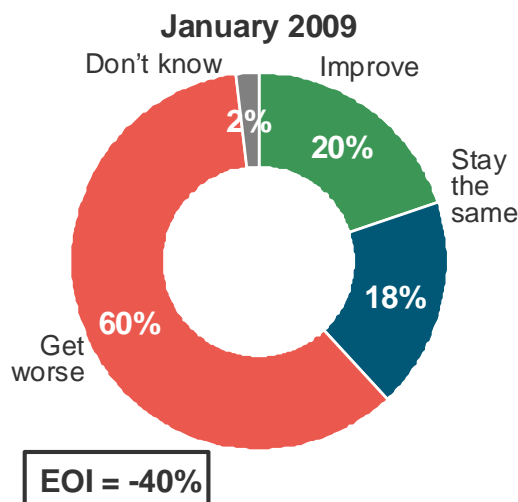
# Britain in early 2009

It hardly seems 'news' to report how gloomy the public feel about the state of the economy.

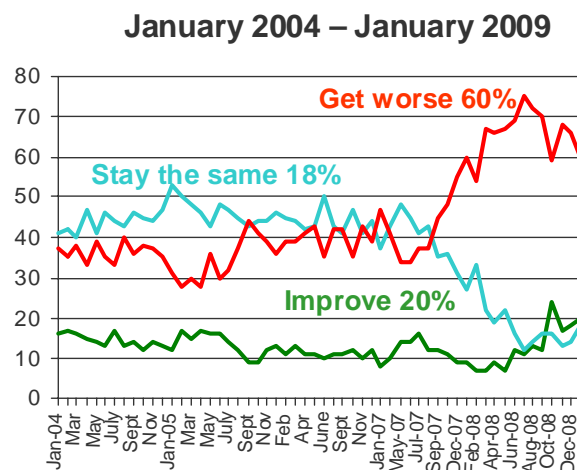
But a look back at recent trends shows that this still *is* news. News in the sense that it wasn't very long ago (i.e. mid 2007) that people expected the (then) benign economic conditions to continue. What we have seen since is a dramatic turnaround in public confidence, with the recession now looking rather more serious in magnitude than observers expected, even compared with a month or two ago.

## The mood is gloomy...

*Do you think that the general economic condition of the country will improve, stay the same or get worse over the next 12 months?*



Ipsos MORI Base: 1,005 British adults, 16th-18th January 2009

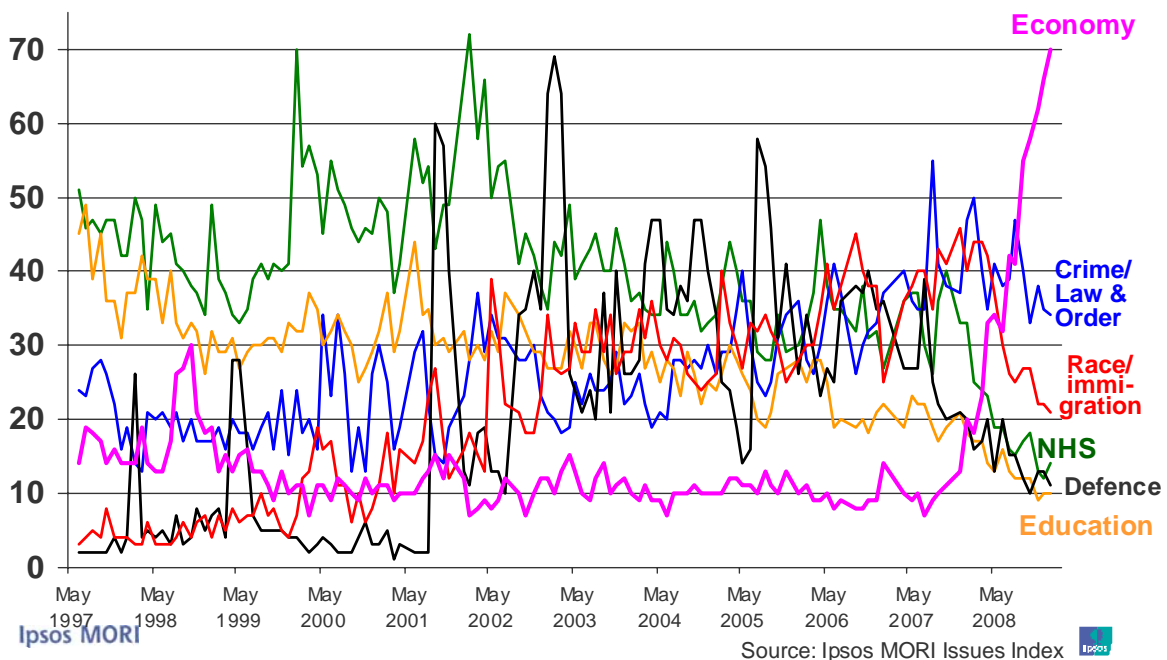


Source: Ipsos MORI Political Monitor

Still on the subject of stark trends, the rise in the position of "the economy" on the nation's list of worries is dramatic. Each month we ask people to think about what they see as the most important issues facing Britain. Each month respondents mention two or three issues. We don't give them a list - it's the 'top of mind' concerns we are looking for. The chart overleaf illustrates.

The pattern for the last 10 years is that we haven't been worrying about "The Economy". That's all changed...

*What do you see as the most/other important issues facing Britain today?*



Two points to watch in these numbers.

As we look to the future, we need to keep an eye on the number of people mentioning unemployment. This has been relatively slow to take-off, but recent months suggest it is now starting to rise as an issue of concern.

And as we look back at trends over time, it is striking to think about just how unusual the last ten years have been. This has been a period where the public have been concerned first about public services (education and health particularly, under the first Blair administrations) and then about immigration. What has been missing has been concern about the state of the economy, unemployment, inflation etc. These concerns were the norm for post-war Britain – but not the norm of the last 10 years.

Fifty years ago, Harold MacMillian told the British public "you've never had it so good". Perhaps that is a more fitting description – at least in terms of the economy and apparent personal financial circumstances – of the period 1997-2007.



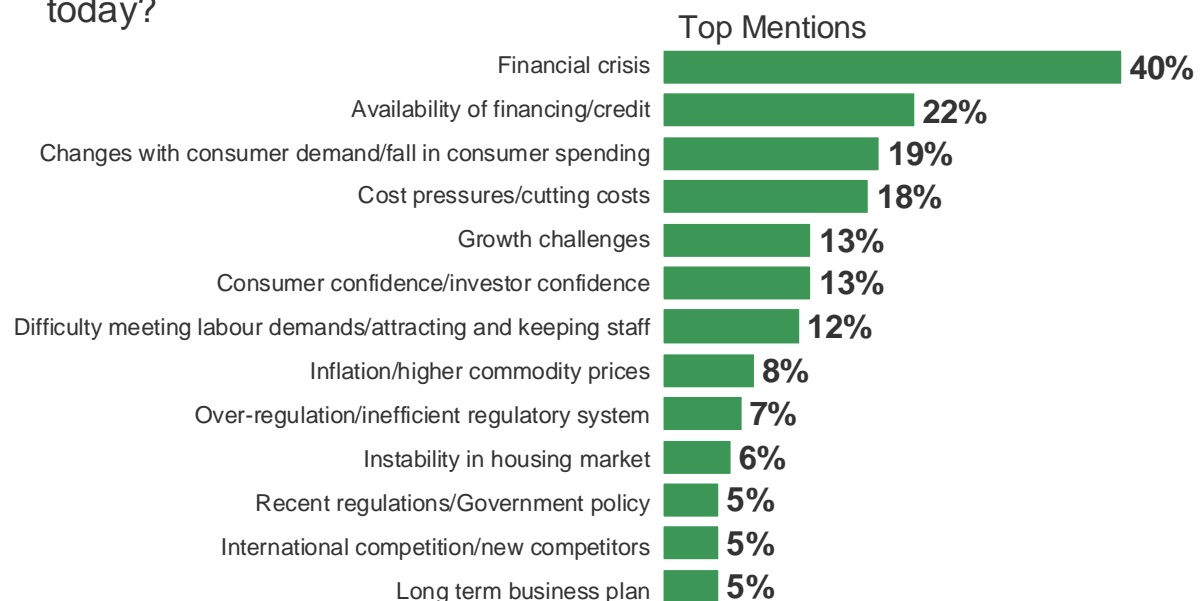
## The view from the boardroom

If we move from the shop (or rather office) floor, to the boardroom, we can also see some pretty stark patterns.

Britain's Captains of Industry – questioned in our annual survey of their views and aspirations – are suddenly gloomy. We are not talking about the economy here (though they are gloomy about that too), but about their assessments of *their own company's prospects*. Normally they are fairly bullish, even at times when there are real concerns about the economy. This year, they are feeling distinctly queasy.

### There's only one issue in Britain's boardrooms too....

And what are the most important problems facing your company today?



Ipsos MORI Base: British Captains of Industry (100), interviewed Sep-Dec 2008

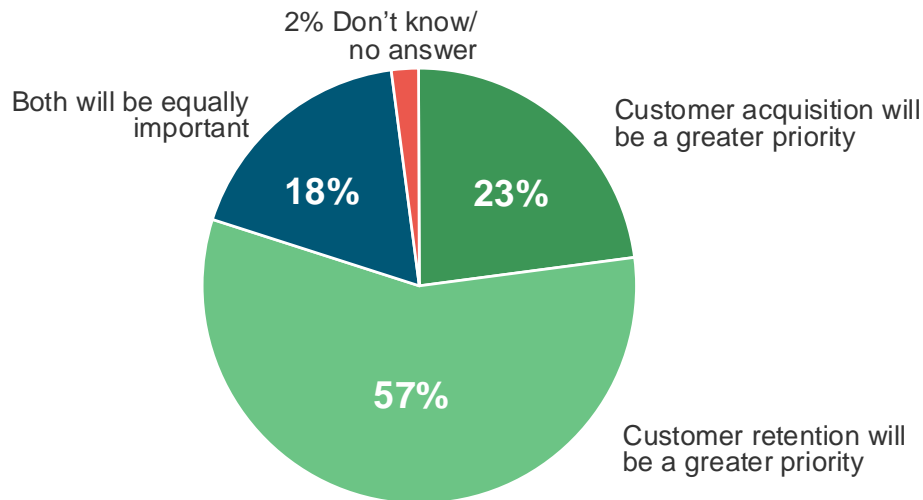
Source: Ipsos MORI Captains of Industry study



Following this, we see them giving a very clear message. Asked to choose between the acquisition of new customers as opposed to retaining existing ones (or indeed sitting on the fence), *they choose retention*. Given that these are the people responsible for setting the tone, strategy – and budgets – for their organisations, this seems a sensible time for us to take stock. How does the British customer respond when we go back to basics and ask them some fairly simple questions about Loyalty?

## Captains of Industry are focusing on customer **retention** rather than acquisition

Again, thinking about your business, would you say that customer acquisition will be a greater priority over the next 12 months, or will customer retention be a greater priority?



Ipsos MORI

Base: British Captains of Industry (100), interviewed Sep-Dec 2008

Source: Ipsos MORI Captains of Industry study

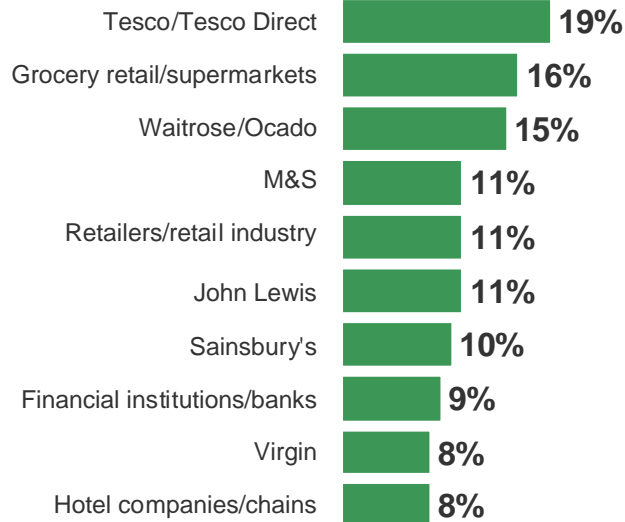


We'll return to this later, but in the meantime it is worth reminding ourselves of where Britain's bosses turn to when looking for inspiration about good customer service. One sector – retail – comes out head and shoulders above the others, with financial services far behind. It is to these two sectors that we turn to in our survey, as our 'reference points'.

## ....and Captains think it's the **retail sector** which leads the way

Which organisations and sectors do you see as leading the way in delivering excellent service to their customers?

### Top Mentions



Ipsos MORI Base: British Captains of Industry (100), interviewed Sep-Dec 2008

Source: Ipsos MORI Captains of Industry study



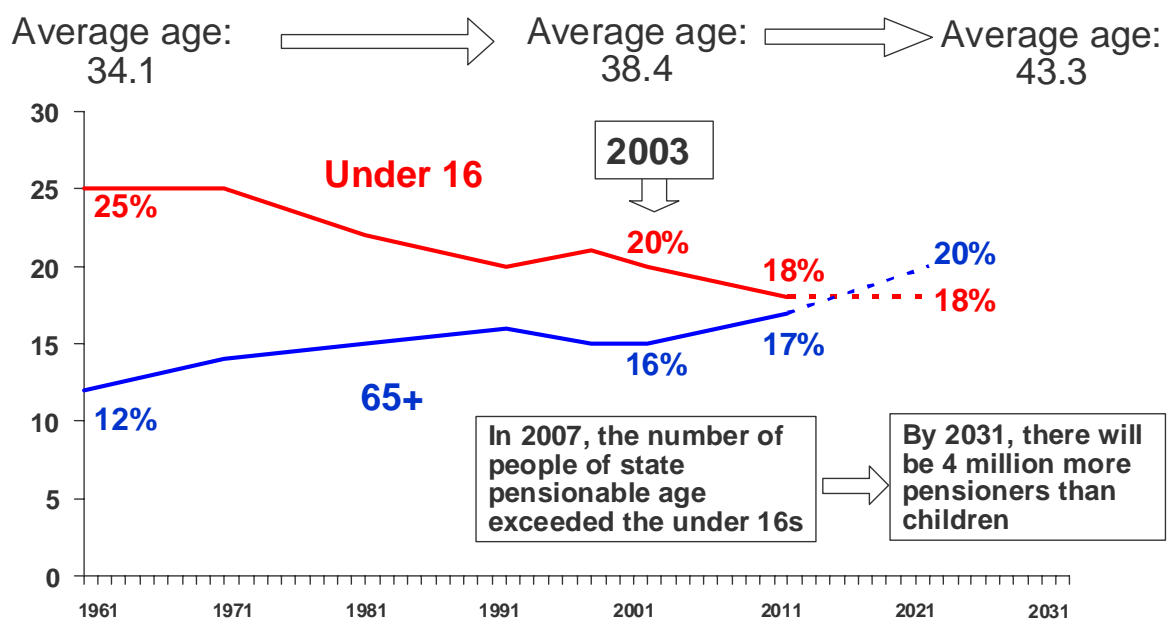
First, we'll take a moment or two to remind ourselves of what some of the essential characteristics of the British customer are in early 2009.

## 2. The British Customer in early 2009

# The British Customer in early 2009

There are some overriding shifts and trends which are important to remember when considering the British consumer. Whilst young people are the focus of much discussion, it's important for businesses and organisations to remember that we have an ageing population and this has a number of implications. Time will tell how the implications of the recession play out, but before the credit crunch really took hold, many older consumers had more disposable income (in many cases based on income from savings...) and also more leisure time available to them.

## An ageing population....



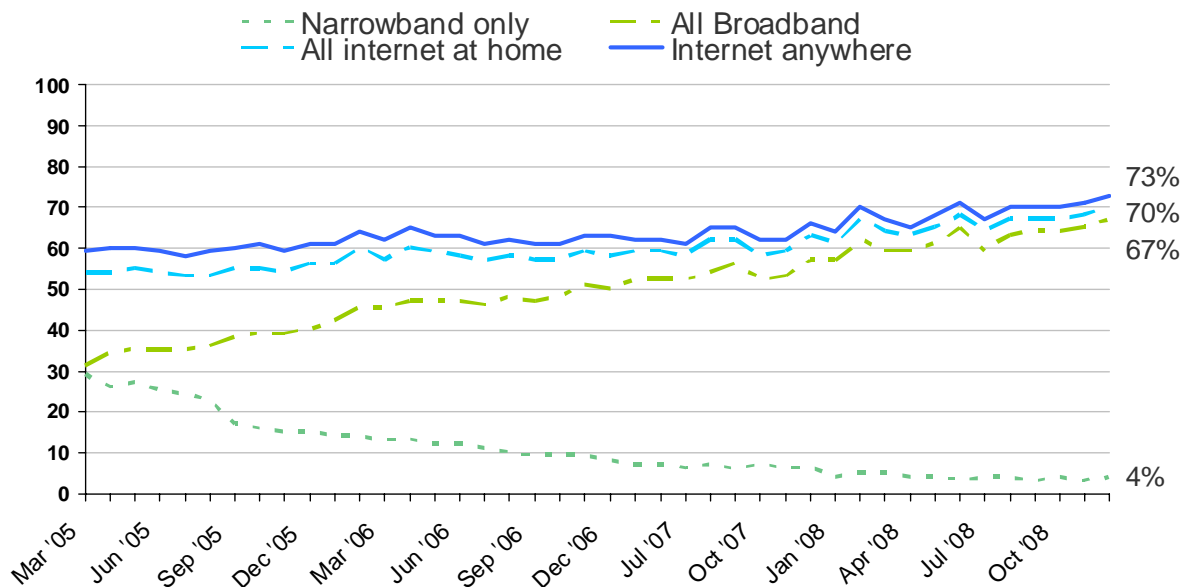
Ipsos MORI Source: Office for National Statistics



The internet revolution continues, with 73% of the British population now able to access the internet in at least one location. Access to a broadband internet connection has also continued to increase, with 'dial-up' now almost consigned to history.

But there is still a core group of the British public who do **not** have access to the internet in any location (27%) and are therefore excluded from on-line developments offered by businesses and organisations. This represents more than ten million adults, and is a number which is not moving downwards as quickly as Government and policy makers would like.

...with most (but by no means all) connected to broadband....



Ipsos MORI Base: circa 2,000 interviews per month Ipsos MORI Technology Tracker March 2005 – December 2008



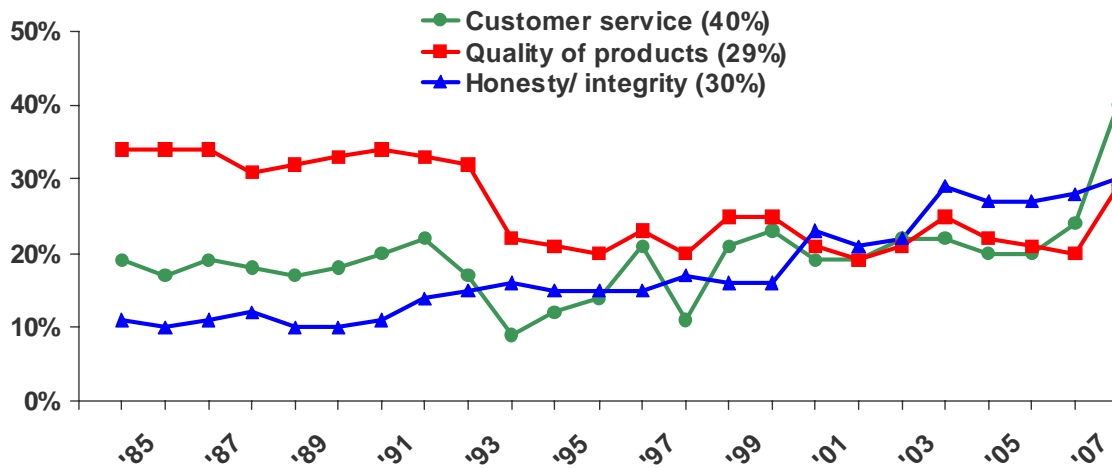
## A shift in importance?

Despite, or possibly because of, the increased number of channels available to them, consumers have started to place more emphasis on customer service when judging companies.

Honesty and integrity have also increased in importance (over a longer period of time). Quality of products has seen the opposite pattern, and appears to be less of an issue - in general terms at least.

Recent years have seen the public placing increased emphasis on customer service....

**Q** What do you think are the two or three most important things to know about a company in order to judge its reputation ? (Spontaneous)



Ipsos MORI Base: Ipsos MORI. GB Adults (c1,000)

Source: Ipsos MORI



Delving deeper into what consumers expect in terms of customer service, the charts overleaf illustrate that *delivering the service promised* is the most important element – and potentially something crucial in terms of on-line offerings where there is a greater scope for the service not to live up to what was promised.

In line with overall judgements, honesty is mentioned again. Customers also want businesses to take responsibility when things go wrong, so it's crucial that if the service doesn't live up to expectations, organisations feel able to admit this and do what they can to make it right.

## ....delivery and honesty

Which, if any, of these are generally the most important to you for good customer service? Please pick up to three.

% selecting each option



Ipsos MORI Base: 2, 054 British adults, 11-17 April 2008

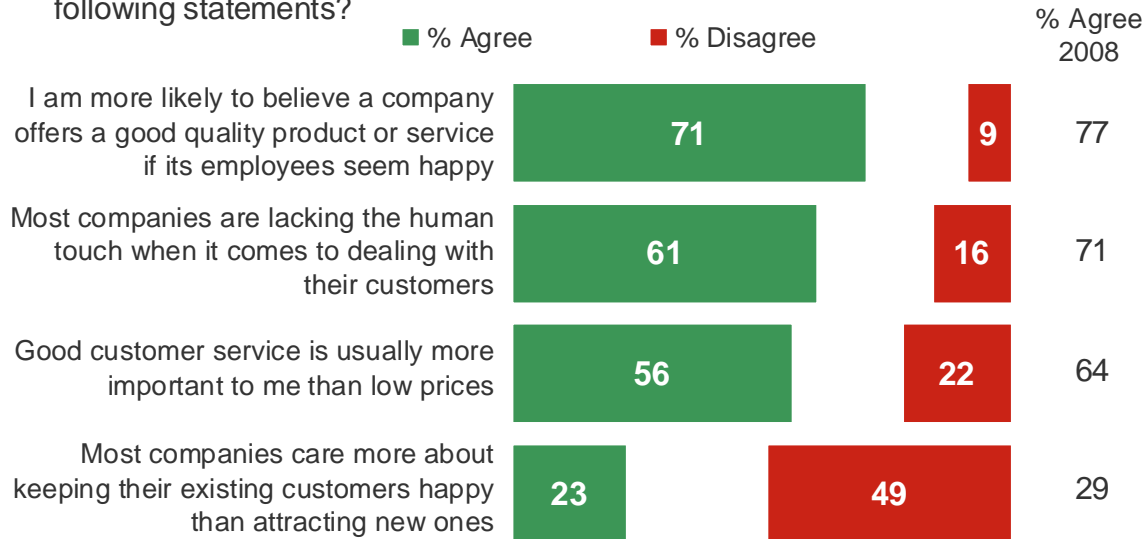
Source: Ipsos MORI





## We're not convinced companies have the interests of existing customers at heart...

Now thinking about your experiences of services you receive as a customer of various companies. To what extent do you agree or disagree with each of the following statements?



Ipsos MORI

Base: 2009; 1,026 British adults (15+), 27 Feb – 5 March; 2008; 2,054 British adults, 11-17 April 2008

Source: Ipsos MORI



### 3. Consumer Behaviour in Britain: A Month's snapshot

### 3. Consumer Behaviour in Britain

The Ipsos MORI/Logic Group Survey interviewed a nationally representative sample of 1,999 adults across GB. Interviews were conducted face-to-face, in home between 16<sup>th</sup> and 22<sup>nd</sup> January 2009.

Our starting point is that:

Loyalty is (usually) seen as a good thing....

But what are the dimensions of Loyalty in Britain today, as it enters a difficult year? And specifically:

*Where do people shop?*

*How do they do it?*

*Do they feel Loyal?*

*Do they show Loyalty?*

*What's their feeling about Loyalty schemes?*

We hope this survey helps take the discussion forward.

#### **What are the dimensions of customer behaviour – where do we shop and how do we do it?**

Supermarkets are the business that the general public is most likely to have been a customer of over the last month (89%).

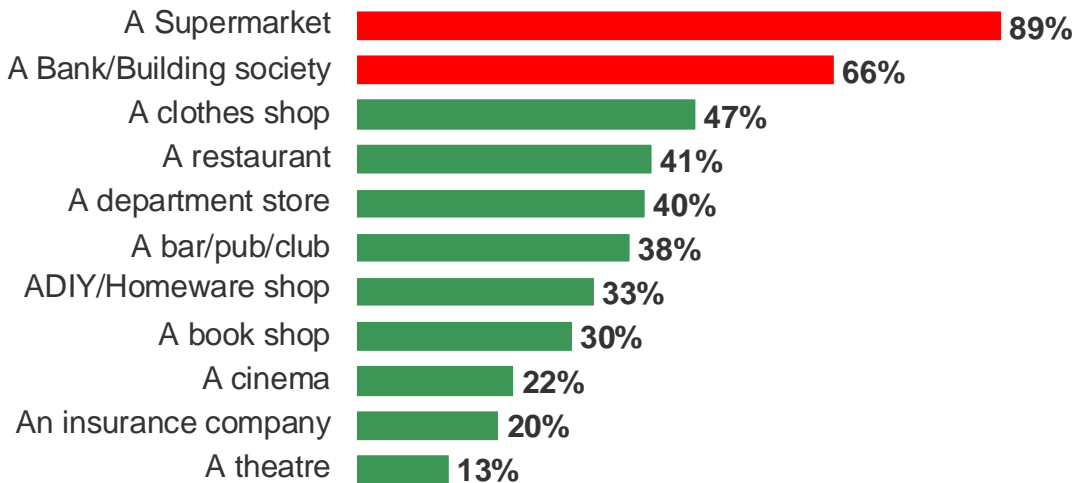
Banks and building societies are the next most mentioned, with 66% visiting in person. Just under half of the public have been a customer of a clothes shop (47%), two in five for department stores and around a third for both book shops and DIY/homeware stores.

Socialising over the Christmas and New Year period is potentially reflected in the two in five members of the public who have been to a restaurant or bar, pub or club. One in five has been to the cinema and one in ten the theatre.

Insurance companies are mentioned by just one in five customers, but as respondents were able to define themselves what being a customer is, it seems reasonable to conclude that this represents those who actually had contact with an insurance company but are more 'inert' in terms of not having contact recently. For example renewing a policy or making a claim, rather than all who currently hold an insurance policy. Something to think about when we are asking people about their experiences as a "customer".

## Consumer behaviour over last month

Q Which of the following would you say you have been a customer of over the last month?



Ipsos MORI Base: 1, 999 British adults, January 2009

Source: Ipsos MORI

When asked about how they were a customer, supermarkets are the most visited type of business in terms of **visiting in person**, followed by banks and building societies, but many other businesses also see high figures.

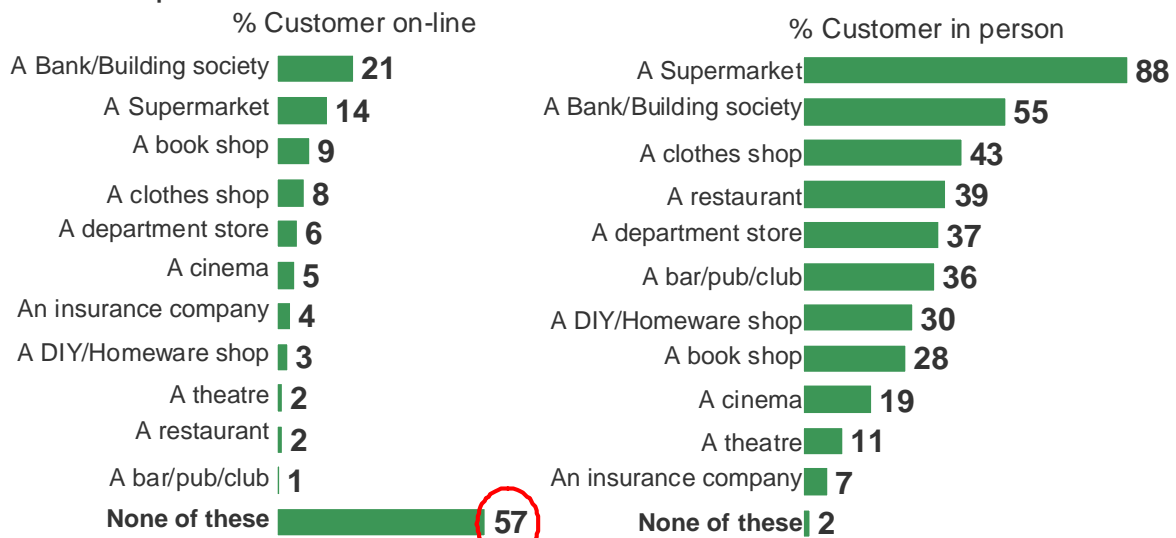
As would be expected social and leisure activities come through more strongly here – restaurants, cinema, bars/pubs/clubs.

Clothes shops again see the highest mention for retailers other than supermarkets.

Just 7% of the public were a customer of an insurance company in person (and only 4% on-line) indicating that other channels, particularly telephone, are still prevalent for contacting insurers.

## The myth of on-line shopping?

Q And which, if any of these have you been a customer of on-line and in person?



Ipsos MORI

Base: 1,903 British adults (All who have been a customer of these businesses or organisations), January 2009

Source: Ipsos MORI



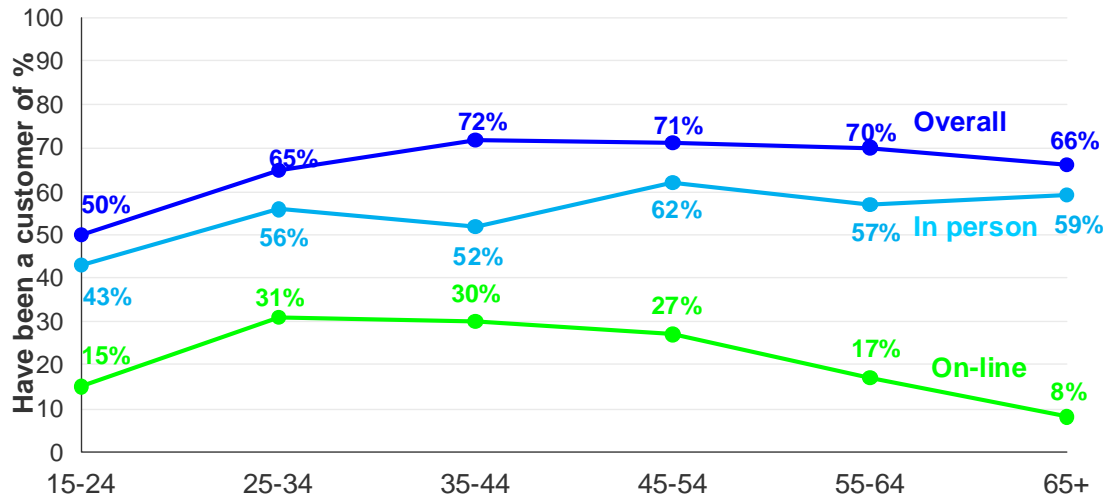
Banks and building societies have the highest on-line penetration with 21% of the public having banked on-line in the last month. This is followed by supermarkets, but book shops, clothes shops and department stores are other popular on-line destinations.

One in twenty customers have been a customer of a cinema on-line, most likely representing those booking tickets on-line prior to attending. For other entertainment and going out businesses the figures are of course, rather lower.

However, it is important to note that all businesses still see higher proportions of the public visiting in person rather than on-line, this is particularly pertinent when looking at these breakdowns in terms of different age groups.

## Banks/Building Societies

Q Which of the following would you say you have been a customer of over the last month or so? Overall, on-line and off-line



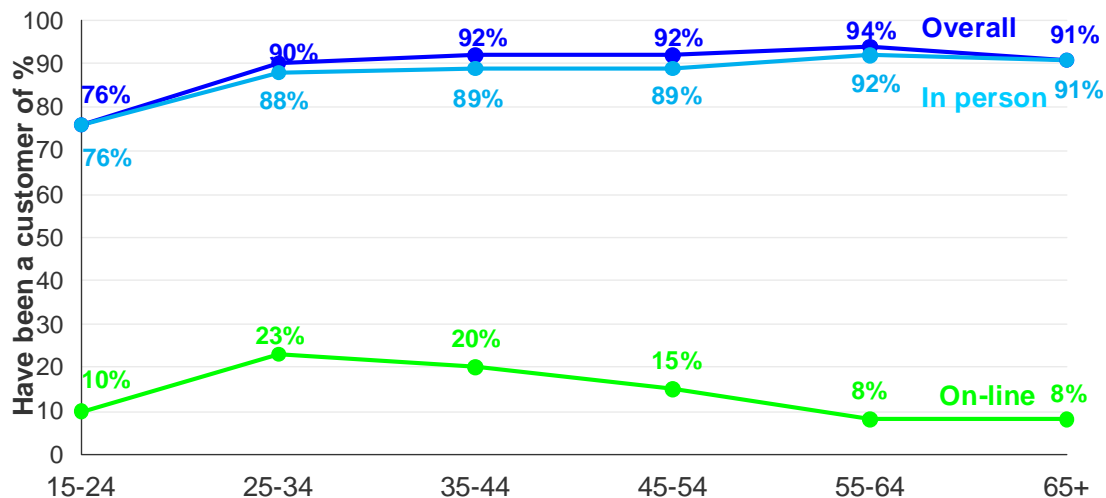
Ipsos MORI Base: 1,999 British adults, January 2009

Source: Ipsos MORI

Banking on-line peaks amongst those aged 25 – 54, with those aged over 65 recording the lowest levels of on-line banking. (At 31% those aged 25-34 banking on-line is the highest on-line figure we see). This is a trend continued across a number of different organisations – supermarkets, department stores and book shops.

## Supermarkets by age

Q Which of the following would you say you have been a customer of over the last month or so? Overall, on-line and off-line



Ipsos MORI Base: 1,999 British adults, January 2009

Source: Ipsos MORI

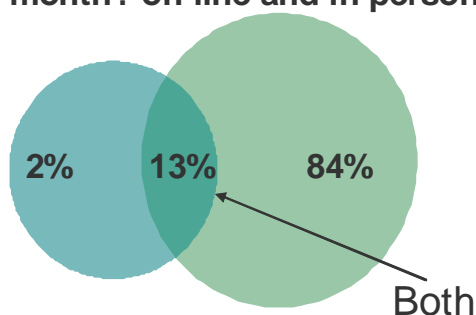
For supermarkets, the trends are more intriguing, as the proportion who are a customer and who visit in person, are consistent by age, but there are variations when looking at on-line shopping. This suggests that in contrast to banks where some age groups seem to either visit in person or on-line. For supermarkets those who do shop on-line seem more likely to also shop in person, with quite complex patterns at work.

## Shopping on-line and in person – Supermarkets

**Q Which of these business or organisations have you been a customer of in the last month? on-line and in person**

### Supermarkets

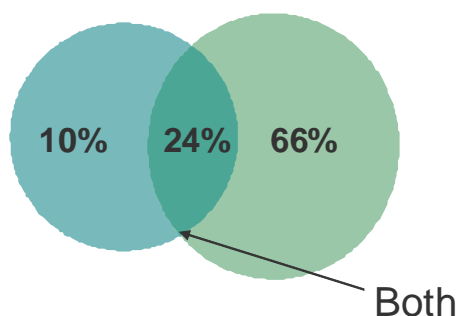
Customer on-line



Customer in person

### Banks and building societies

Customer on-line



Customer in person

Ipsos MORI Base: 1,903 British adults, January 2009

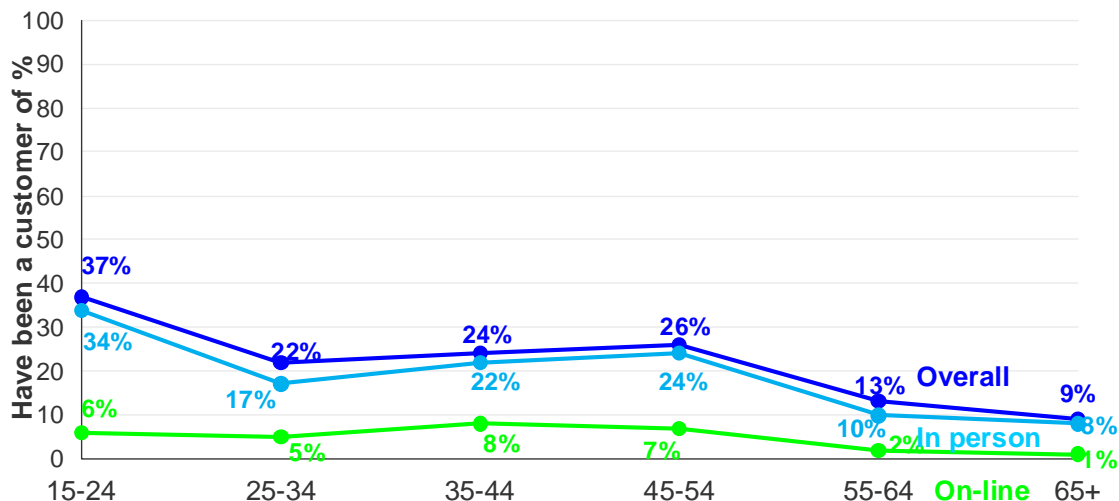
Source: Ipsos MORI 

Looking at banks and building societies, those aged 35-44 are more likely than any other age group to have been a customer on-line only (14%). By contrast those aged both 55-64 and 65 and over 65 are more likely to have only been a customer in person (48% and 53% respectively). For supermarkets we see that the proportions who only shopped on-line remain low across the age groups, but shopping on-line or in person is a little higher amongst the 25-34's and 35-44's (19% and 17%).

With many of the leisure and entertainment sectors we see a different trend, for both cinemas and bars & clubs, those who have been a customer on-line is low for all different age groups (this does not mean that websites in these sectors are not being used, rather it indicates that there is a limit to what customers can buy through websites for these businesses).

## Cinemas by age

Q Which of the following would you say you have been a customer of over the last month or so? Overall, on-line and off-line

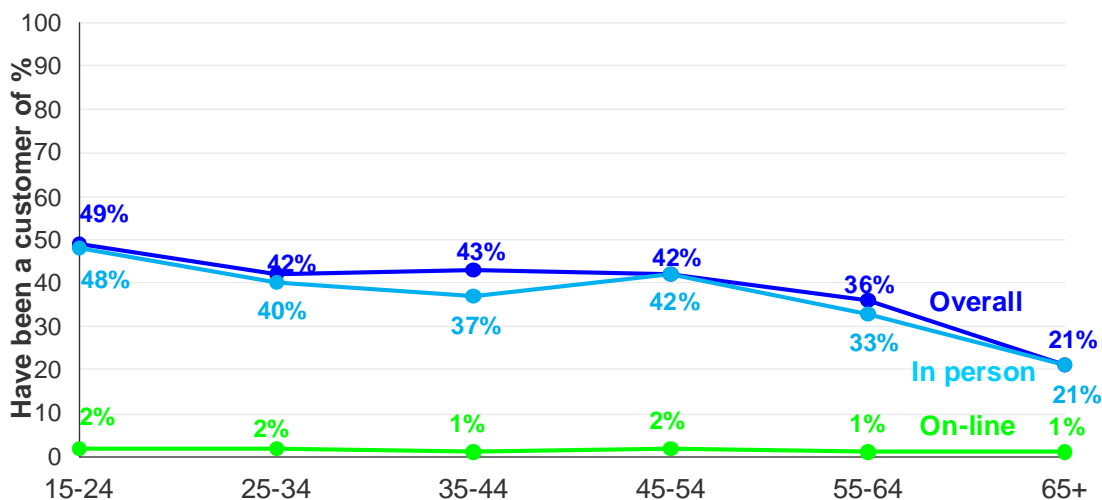


Ipsos MORI Base: 1,999 British adults, January 2009

Source: Ipsos MORI

## Bars/pubs/clubs by age

Q Which of the following would you say you have been a customer of over the last month or so? Overall, on-line and off-line



Ipsos MORI Base: 1,999 British adults, January 2009

Source: Ipsos MORI



## Who is shopping on-line?

On-line shoppers are younger, affluent and working. But even this group are not heavily using the internet – 24% have only shopped on-line with one business while the proportion shopping with 3 or more is only 8%. Furthermore, more than half of the public have not been an on-line customer of any businesses or organisations operating in these sectors over the last month.

### On-line shoppers – who are they?

Number of organisations/ businesses used on-line	
None	57%
One	24%
Two	10%
Three or more	8%

#### On-line shoppers are:

- Younger – Aged under 55 (especially 25-34)
- From higher social groups – ABC1
- Working – full or part time
- Have children and a car in their household.

Ipsos MORI



Those aged over 55 are least likely to shop on-line, with the 25-34 age groups particularly likely to have shopped on-line, potentially reflecting the life stage that many in these age groups have reached (time poor and looking for convenience for which they are prepared to pay a small fee).

Interestingly on-line shoppers are most likely to do their main supermarket shopping in either Tesco or Waitrose, an indication of the strong on-line offering of both these retailers.

## 4. Loyalty today: our self-assessment

# Loyalty in Britain today – our self-assessment

This section of the survey asked people to think about which organisations they feel loyalty towards. (In the sense that they feel loyal to at least one type of organisation working within the sector). Supermarkets, Banks and Building Societies attract the highest levels of loyalty amongst the public. At seven in ten this is substantially higher than any of the other sectors measured.

It is interesting to see restaurants, bars, pubs and clubs sitting in the middle of the ranking, on a par with department stores. The number of businesses to choose from in both the restaurant and bar/pub/club sector is much greater than for department stores, yet the levels of loyalty are similar. If restaurants are able to build levels of loyalty in what is already a very crowded sector, are there more specific activities that they can undertake to encourage this further particularly in the current climate?

## How loyal do consumers feel to different sectors?

Q I am now going to read out a number of different types of organisation or place. For each one can you tell me if you feel a loyal customer to any business or organisation operating in the sector?

Supermarkets	72%
Banks/Building Societies	72%

Insurance companies	30%
Clothes shops	29%

Restaurants	25%
Bars/Pubs/Clubs	25%
Department stores	25%
DIY/Homeware shops	24%

Book shops	20%
Cinemas	20%

Theatres	10%
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Ipsos MORI



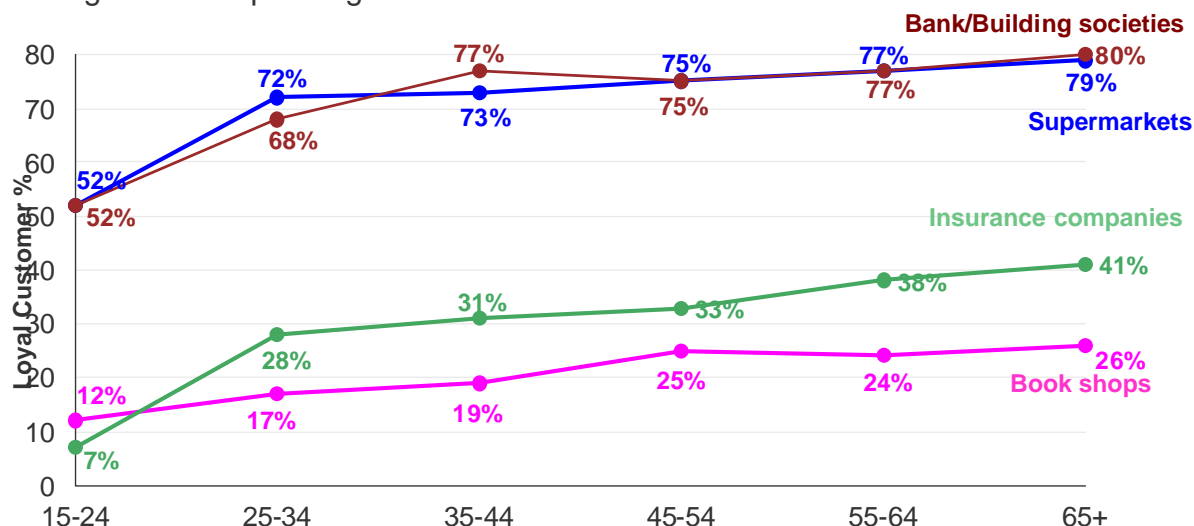
Insurance companies again prompt an interesting point – are people underestimating their loyalty in this sector because it is some time since they renewed their policy or because they have different policies with different insurers or because they are starting to switch users providers more regularly?

The lower scores for theatres can presumably be explained by the fact that deciding to go to the theatre is likely to be driven by the show or the performers rather than the actual theatre.

We can dig a bit deeper into the public's self-assessment by looking at the results by age and social class. In most, but not all cases loyalty increases as people get older and is higher amongst those from top social grades.

## In many cases feelings of loyalty increase with age

Q I am now going to read out a number of different types of organisations or place. For each one can you tell me if you feel a loyal customer to any business or organisation operating in the sector?



Ipsos MORI Base: 1,999 British adults, January 2009

Source: Ipsos MORI

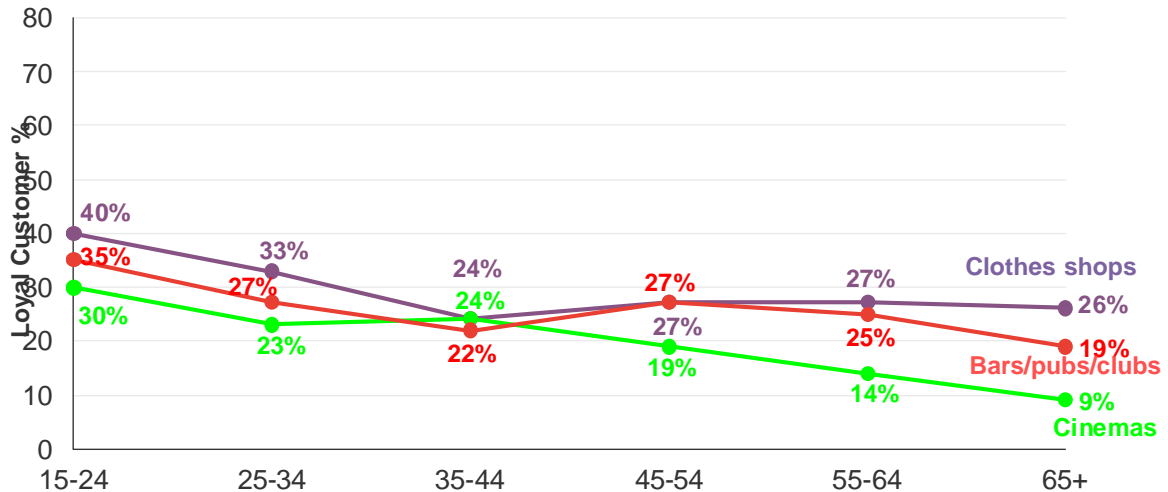


Banks and building societies, supermarkets, insurance companies and book shops all see loyalty increase with age. Insurance companies see particularly low levels of loyalty amongst young people (7%). Once they move into the next age bracket this picture changes quite rapidly.

However, as we saw when looking at consumer behaviour, some sectors go against this trend. Clothes shops, bars/pubs and clubs and cinemas all see highest levels of loyalty amongst the youngest age group which then declines until the 35-44 age group before flattening out somewhat.

## But some organisations buck this trend

Q I am now going to read out a number of different types of organisations or place. For each one can you tell me if you feel a loyal customer to any business or organisation operating in the sector?



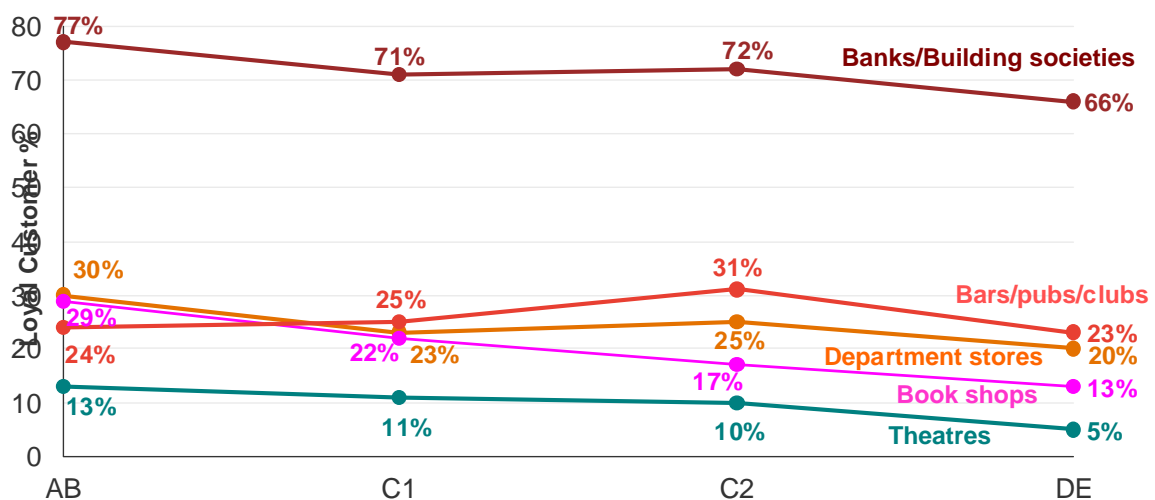
Ipsos MORI Base: 1,999 British adults, January 2009

Source: Ipsos MORI

Social class can provide a useful framework; with those in the higher social grades seeing higher levels of loyalty to a number of sectors. Book shops illustrate this trend particularly well.

## And some vary by social grade

Q I am now going to read out a number of different types of organisations or place. For each one can you tell me if you feel a loyal customer to any business or organisation operating in the sector?



Base: 1,999 British adults, January 2009

Source: Ipsos MORI

Ipsos MORI

Ipsos

## 5. From *feeling loyal* to *loyalty schemes*...

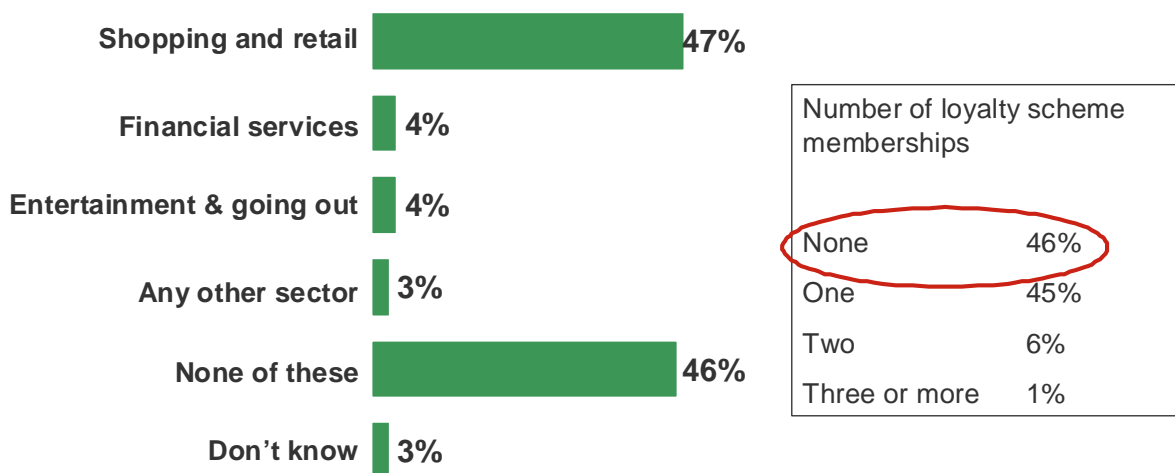
# Do feelings of loyalty translate into behaviour?

One most striking finding – despite the proliferation of loyalty schemes available is that 46% of the general public state that they are not a member of a loyalty scheme for shopping and retail, financial services, entertainment and or indeed any other sector.

Those who are members are most likely to be members within only one of these sectors (although they could be a member of numerous schemes within the sector). Retail and shopping sees both the largest proportion and number of members. The concept of 'Loyalty schemes' appears to apply less to the financial sector.

## Are consumers members of loyalty schemes?

Q Are you currently a member of a loyalty scheme offered by a business or organisation operating in the following sectors?



Ipsos MORI Base: 1,999 British adults, January 2009

Source: Ipsos MORI

## Who are members of loyalty schemes?

Those who are members of at least one loyalty scheme are defined by a number of characteristics.

- They are more likely to be women (57%)
- They come from social groups A and B (63%)
- They are working either full or part time (54%)
- They have a car in their household (56%)

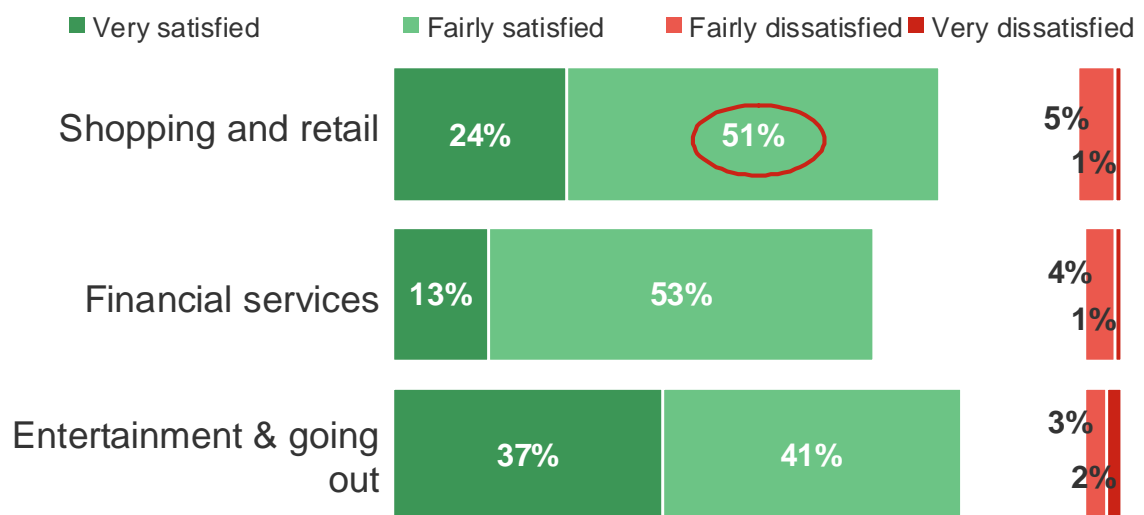
- They are the main grocery shopper in the household (56%)
- They are more likely to live in the South as opposed to London or the Midlands (58% and 57% respectively)
- **Not aged 15 - 24 year old's (28%)**

As they share a number of key characteristics, members of loyalty schemes are also more likely to be on-line shoppers. This of course presents a number of challenges and opportunities for maintaining loyalty amongst this group.

Those who are members of a loyalty scheme in each of the sectors were asked how they rate the schemes based on their offerings. The verdict is decidedly lukewarm; whilst customers are not overly negative about schemes, the majority of opinion falls into either *fairly satisfied* or the middle, neutral, category. This presents a number of questions – is this moderate rating because customers see loyalty schemes as a nice “add on” but not crucial to their experience or are they mildly disappointed with something of which they have high expectations? Are many of these schemes ‘me-too’ initiatives which aren’t particularly memorable or distinctive?

## Ratings are pretty lukewarm

Q Generally speaking, how satisfied or dissatisfied are you with the benefits loyalty schemes offer to customers like you?



Ipsos MORI Base: All who are members of a loyalty scheme in each sector, shopping and retail (875), Financial services (75), Entertainment & going out (69) Source: Ipsos MORI

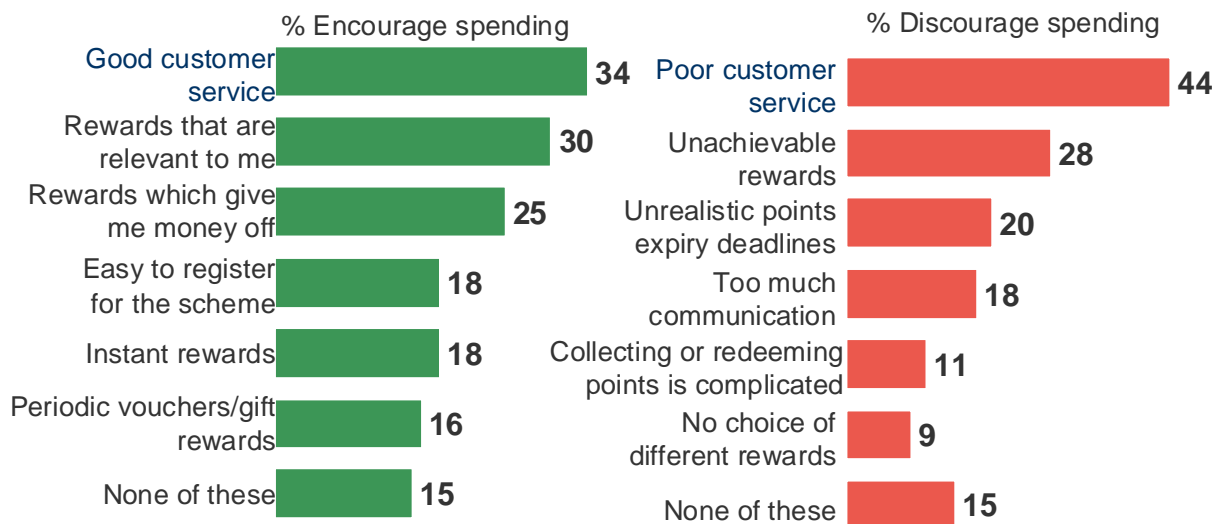


# What do customers say links loyalty schemes and increased spending?

But - introduce another concept - that of good (or poor) customer service, and we see a very clear pattern. We put this one category in the questionnaire, and it emerges as the key issue. What does this mean for those of us who are thinking about loyalty schemes? That customer perception of schemes is wider than the tangible benefits they can touch or feel? That their views on loyalty are a little woolly? That businesses have to be very clear about concentrating on 'the basics' rather than specific rewards? It is perhaps not unreasonable to conclude that all three of these patterns may be at work.

## Shopping and retail – relevant rewards

Q Thinking about different aspects of loyalty schemes, which three or four things, if any, are most likely to encourage you to spend more with a business or organisation operating in each of these sectors?



Ipsos MORI Base: 1,999 British adults, January 2009

Source: Ipsos MORI

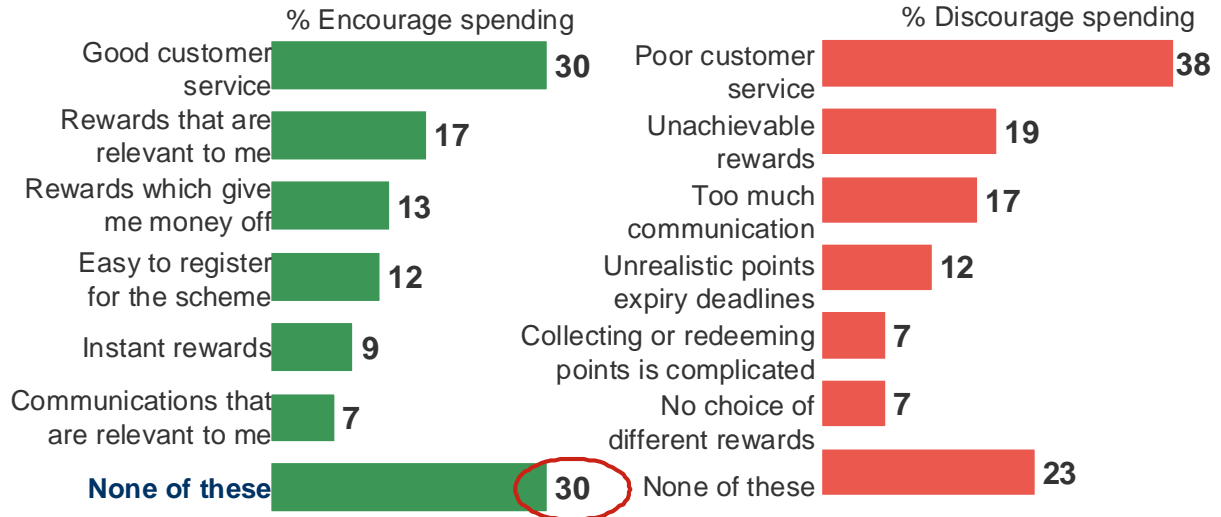


Relevant or targeted rewards and ones which have a real value are the most impactful aspects specific to loyalty schemes. Consumers are clear that rewards which result in savings or offers are the most attractive. In contrast unachievable rewards, for example having to collect an extremely large number of points to claim only a small amount of money off and rewards which have to be used particularly quickly are more likely to discourage consumers from spending with a particular business.

Another negative aspect is schemes which over communicate with consumers – too much communication (and potentially untargeted communication) are also off putting for consumers.

## Financial Services – will anything have an impact?

Q Thinking about different aspects of loyalty schemes, which three or four things, if any, are most likely to encourage you to spend more with a business or organisation operating in each of these sectors?



Ipsos MORI Base: 1,999 British adults, January 2009

Source: Ipsos MORI



Whilst most of these factors are consistent across sectors, for financial services 3 in 10 consumers mention that none of the factors would encourage them to spend more. Other factors are clearly at play here - and this question of how financial services companies can build loyalty as they rebuild their relationship with customers is going to be a feature of the next few years. This is also the case for entertainment and going out – again potentially indicating the range of factors involved in people making decisions about where to go and what to do in their free time.

## Entertainment and Going Out – customer service is also crucial

Q Thinking about different aspects of loyalty schemes, which three or four things, if any, are most likely to encourage you to spend more with a business or organisation operating in each of these sectors?



Ipsos MORI Base: 1999 British adults, January 2009

Source: Ipsos MORI

There is overlap between those likely to be members of loyalty schemes and those who shop on-line. One particular point to note is that not being able to collect points when shopping on-line can be an issue to this group. It seems that this, if nothing else, is a key feature of a loyalty scheme offer on-line.

Q Which two or three things are most likely to discourage you from spending more with a particular business or organisation?

	Can not collect points when you shop on-line
All consumers	8%
Haven't shopped on-line	4%
Customer of one business on-line	12%
Customer of two businesses on-line	18%
Customer of three or more businesses on-line	16%

Base: 1,999 British adults, January 2009

Looking at those aged 15-24, this is the group which is least likely to be members of a loyalty schemes and it seems that they are also not clear on what might attract them to become members or indeed increase the amount they spend. When asked about the factors most likely to increase what they spend, young people are more likely than other age groups to say they "don't know". This could present challenges for the future if "traditional" schemes

and the benefits they offer and the language used, are not attractive to the younger generation as they grow older.

## Young people – do loyalty schemes mean anything to them?

Q Thinking about different aspects of loyalty schemes, which three or four things, if any, are most likely to encourage you to spend more with a business or organisation operating in each of these sectors? SHOPPING AND RETAIL



Ipsos MORI Base: 1,999 British adults, 323 15-24 year olds January 2009

Source: Ipsos MORI



## 6. Final Thoughts

# Some final thoughts

What does this research tell us about the British customer in early 2009? We can draw out a number of themes.

First – as a reference point for customer service and loyalty – supermarkets and banks represent a good place to start, given that most of us see ourselves as “practising customers” of at least one organisation in these sectors.

In doing so, we need to be careful about drawing too many dazzling headlines about the “on-line shopping revolution” – there is of course much truth in pointing to how online channels are changing the landscape, but the reality is complex and multifaceted, with very different features depending on the sectors and segments we are looking at.

As the recession starts to bite, it is very evident that businesses are being given a clear brief by their bosses: focus on *retention* rather than acquisition.

This suggests a very strong focus on both improving the customer experience and building loyalty. But just how comfortable are we that we understand the dynamics of how loyalty (and loyalty schemes) operates in Britain today? This survey provides some pointers, and some questions:

- Almost half of Britons don't feel part of a loyalty scheme
- Those who are part of a scheme give a fairly lukewarm verdict – describing themselves as *fairly* rather than very satisfied – are they “nice to have”? Are businesses missing out on the possibilities?
- For those of us who are operators of schemes, have we got the basics right? Customers are very clear that the rewards need to be relevant to them and in a format they can access.

There is of course the imperative to develop a detailed understanding of how loyalty works in our sector and for our particular brands and categories. For example:

- What are the best tools and metrics for measuring customer satisfaction and loyalty: do they have a proven track record in helping you to manage performance or impact on the bottom line?
- Do these tools and metrics need a rethink in the current climate? How are expectations of our customers changing? Are behaviours broadly stable or are new patterns emerging? Do our established models and segmentations need a rethink?
- Do we have a good understanding of what our most profitable or valuable customers are thinking and feeling?

In this respect, a nationwide snapshot survey can only go so far. We hope it helps contribute to your thinking on the issue, and that it will help stimulate further discussion and debate.

# Post script

Prior to the launch of this report, we presented our findings to practitioners working in a range of different sectors - including retail, finance, telecoms and transport. These took the form of small-scale seminars, providing an opportunity to discuss and debate the issues raised in the research. All participants are involved in loyalty programmes or customer experience management in some way. Here we provide a short digest of the themes identified as being particularly interesting.

## On-line shopping

Do customers behave in the same way when shopping on-line? Are they looking for high street brands when shopping on-line or comfortable with on-line specialists? Do their expectations differ when shopping (online) at a high street store as opposed to (say) amazon.com? Are we as an “industry” as up to speed as we might be with how to run loyalty programmes in an online context?

## Definitions of Loyalty

People are able to conduct a “self-assessment” and tell us about the types of organisations they feel loyal to. But it’s a reminder of how we have to be very careful about the tools we use to diagnose and better understand the patterns at work. There is agreement that we have to understand both behaviours *and* attitudes. But even when we are thinking about behaviour, are we in touch with the dynamics of how this works in different sectors. The minute we start debating the context in the retail and financial sectors, caveats start to emerge. For supermarkets we know that convenience is a key issue in where we choose to go. For banks, we know that habit and inertia are key issues in *choosing not to go*.

## Loyalty Schemes

From the customers’ point of view, the importance of any rewards that are given being attainable and relevant to them shines through. Are businesses thinking about the most relevant rewards for consumers rather than the rewards that are *most relevant for them*? Our business audiences also identified *timing* as an element here: an offer on a particular product may be relevant to a consumer at one point, but if the reward is lagging months behind, have things moved on?

## Customer Service

The importance placed on customer service was felt to be striking, particularly at a time when many are working on the assumption that price is becoming the key driver in customer behaviour. That said, there is plenty of evidence that many customers are changing their spending patterns – so are we in touch as we need to be with what “deal seekers” may be looking for in a relationship? Do they expect rewards, and would it be cost-effective for us to provide them?

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