

The Current State Of Loyalty Cards

Loyalty cards have grown in popularity to the point that 3 out of 4 grocery shoppers in 2008 carry them. This statistic is in contrast to only 27% of shoppers who hold houseware loyalty cards, and 35% for apparel retailers.

So, with 73% of shoppers carrying grocery loyalty cards, and a significant percent of shoppers in other categories carrying store loyalty cards, it might appear that the state of loyalty cards is good.

But the real question is: are loyalty cards driving overall shopper loyalty? One method to assess this is to look at how many different cards shoppers are carrying. In grocery, a significant percent of shoppers (37%) carry only one card, indicating that this segment of shoppers may be dedicated to the store they carry.

On the flip side, 19% of shoppers are walking around with 3 or more grocery loyalty cards, calling into question whether these shoppers are loyal at all.

WHO HAS LOYALTY CARDS?

	Total % shoppers with loyalty cards	% of shoppers with only 1 loyalty card	% of shoppers with more than 3 loyalty cards
GROCERY	73%	37%	19%
HEALTH AND BEAUTY	50%	30%	7%
HOME ELECTRONICS	39%	25%	10%
HOUSEWARES	27%	14%	8%
APPAREL	35%	18%	11%

With store loyalty cards popping up more and more, what are shoppers resolving to do with loyalty cards in 2009?

- Good news in '09 is that close to half of shoppers will either sign up for new cards or use the ones they have more, across categories SHOPPER WAYPOINTS surveys.
- A key danger is seen in Home Electronics, Housewares and Apparel, where 11% - 14% of shoppers plan to discontinue using cards in 2009.

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SHOPPERS RESOLUTIONS 2009

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EXPECTED USAGE CHANGES OF LOYALTY CARDS IN 2009

	Sign up for new cards	Use current cards more	Discontinue using cards
GROCERY	20%	34%	4%
HEALTH AND BEAUTY	22%	36%	6%
HOME ELECTRONICS	17%	30%	11%
HOUSEWARES	26%	27%	14%
APPAREL	25%	32%	14%

Formative shoppers (age 18-29) are showing distinct and interesting stated shifts in their resolutions for using loyalty cards in 2009. This age group is:

- More likely to get more cards in grocery (29% vs. 20% for total shoppers)
- More likely to use their current cards more often in health and beauty care (47% vs. 36% for total shoppers)
- More likely to use their current cards more often in home electronics (42% vs. 30% for total shoppers)

So which retailers seem to be winning with loyalty cards?

Cards that topped shoppers favorite loyalty

card list included Kroger, Safeway, CVS and Best Buy.

What makes favorites the favorites? Two key factors get the most mentions:

- 37% of shoppers like the discounts
- 15% of shoppers like the reward points.

And it looks like these cards impact shopper behaviors:

BEHAVIOR CHANGES WHEN SHOPPING WITH LOYALTY CARD

BEHAVIOR	%	DEMO SKEW
Buy more items on sale	46%	Female
Seek out loyalty card promo items	43%	Female
Go to that store more	34%	Younger
Go out of way to shop at store	31%	Younger
Buy products on impulse	15%	Younger

WAYPOINT

Knowledge is power. Investments and programming with loyalty cards can provide stronger connections with key shoppers and competitive advantage.



Who's more likely to not carry a card?

Shoppers in the Midwest with incomes lower than \$40,000. This may be a function of lower income shoppers seeking out EDLP. Other reasons for not carrying a card were:

WHY SHOPPERS DON'T HAVE LOYALTY CARD

	Grocery	Health & Beauty	Home Electronics	Housewares	Apparel
Prefer EDLP	61%	52%	58%	53%	57%
Not enough benefits to be worth it	27%	35%	35%	39%	35%
Do not care to carry around	14%	15%	17%	13%	15%
Don't want to share personal info	19%	13%	13%	11%	12%