



The value of loyalty.

How is loyalty influencing what we do – and buy?

TESCO Bank
Every little helps

Introduction

Loyalty is at the heart of everything Tesco does – from food to fuel and phones to finance. Both in building it through excellent service and Everyday Low Prices and rewarding it through everything from Clubcard points to Clubcard discounts along with exclusive offers for loyal customers across the group.

Understanding how people's attitudes to loyalty are changing over time is therefore essential knowledge for Tesco Bank; knowing what's driving loyalty and the value that customers place on it.

Today, it's essential we also understand the day-to-day impact the cost-of-living crisis is having on people's loyalties; in what ways, for example, spending is being re-prioritised as incomes shrink under the weight of rising inflation and energy price hikes. And the choices people are making.

To gain an in-depth understanding of this, we've just commissioned extensive new research. Carried out in late June, specialist independent research house, Opinium interviewed 3,000 adults of all ages across Britain. The results reveal both where Britons loyalties lie in 2022 as well as the creative and often surprising ways in which people are responding to the cost-of-living crisis.





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What factors are most influencing our loyalty in the cost-of-living crisis?

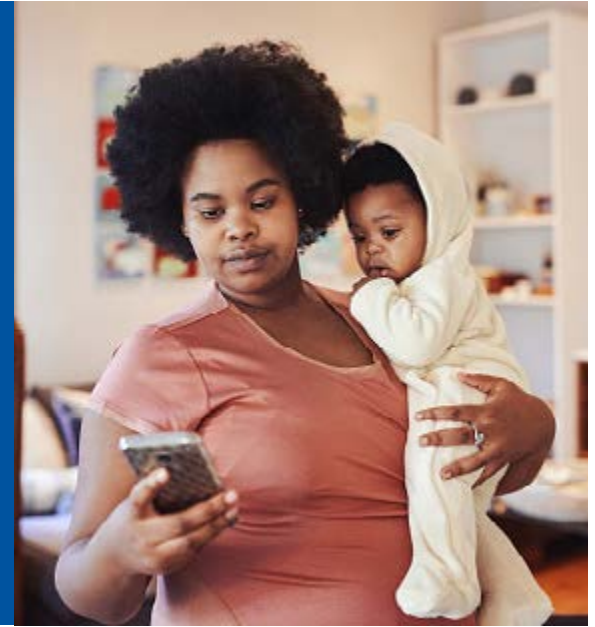
Research shows it's value that's driving loyalty. Value for money scores most highly (53% of consumers) – getting the most from our cost-of-living pound, be that for competitively priced clothing brands or insurance with a higher level of cover. In fact, stores with the cheapest prices ranked 20% lower than those offering the best value for money (33% of consumers).

The Opinium research also shows how being awarded and redeeming loyalty points has moved from being a bonus – to becoming a fundamental reason for shopping somewhere. 35% said they were more likely to buy from a store where they're a member of a loyalty scheme – higher than those who say they shop at retailers with the cheapest prices (33%) – or even stores that have the best quality product (31%).

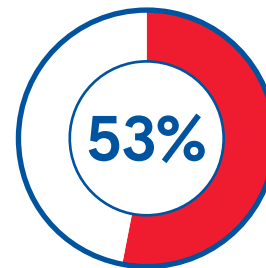
With the cost of driving also impacting on cost-of-living decisions, the convenience of a nearby store's destination has also become increasingly critical. 44% of customers rank convenience as important in the stores they buy from.



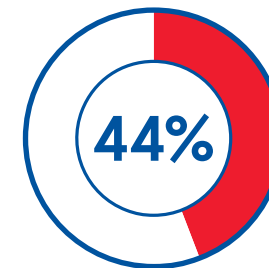
People are now more likely to shop at a store where they have a loyalty/rewards scheme than those with the cheapest store



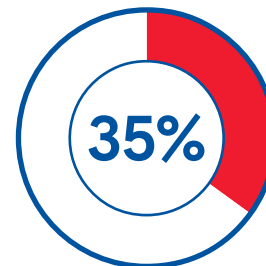
Which of the following best describe the types of stores that you buy your household shopping from?



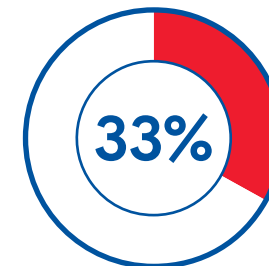
Stores that offer the best value for money



Stores that are local to me



Stores where I have a loyalty/rewards membership



Stores that have the cheapest prices



Over 1 in 3 of UK adults have been using their rewards more in the past 6 months

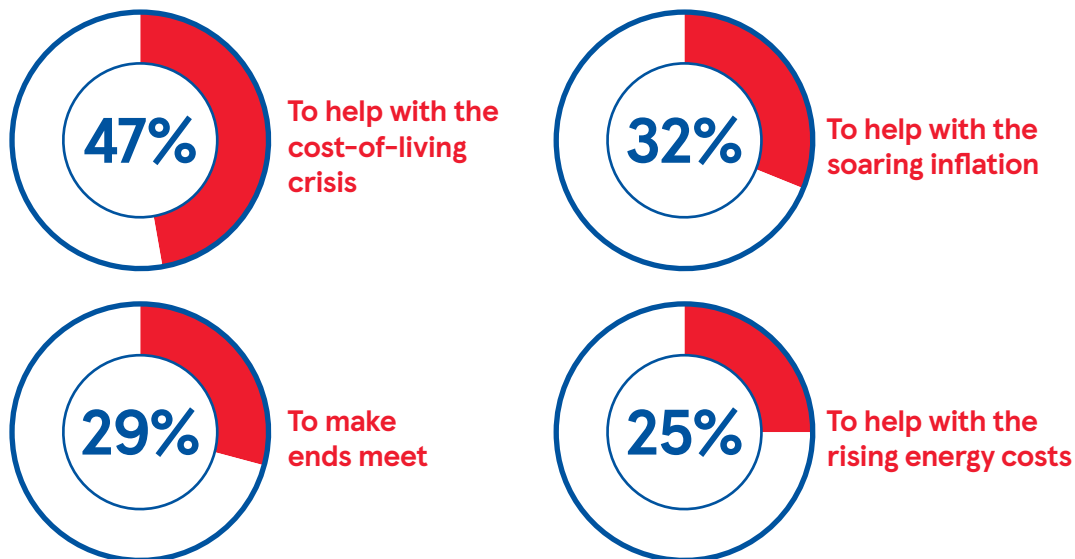


Loyalty points are being used more to reduce the cost-of-living burden

Research shows how the cost-of-living crunch is also leading more customers to redeem their loyalty points to reduce the cost of their purchases.

As many as 1 in 3 of all UK adults (36%) said they had used their rewards more in the last 6 months, as Britons find new ways to be creative with their money. In fact, just 5% said they had used them less.

You mentioned that you have been using your rewards more over the last six months, why is this?



Just under 1 in 2 (49%) said the crisis meant they are increasingly using their points/loyalty rewards to buy goods and services and 56% that it was leading them to maximising their loyalty points. This could be in redeeming points earned off their purchases, getting discounted purchases on everything from clothes to mobile phones... or using them to buy services and experiences through the loyalty scheme they might otherwise have been unable to afford.

When asked the reasons behind redeeming more of their rewards, 31% said it was 'to help with soaring inflation', 29% 'to make ends meet' and 25% to 'help with rising energy costs'. 47% were less specific but said it was 'to help with the cost-of-living crisis'.

Despite the cost-of-living squeeze, over a third of UK adults remain loyal to their favourite brands



79% of Britons believe loyalty needs to be rewarded

Just 39% feel retailers and brands reward loyalty enough today



The financial pressures imposed by the cost-of-living crisis are undoubtedly making people think hard about where they can afford to spend their shopping money.

The Opinium research shows that, while money pressures may be making loyalty difficult, people do want to stick with their favourite brands. More than a third (37%) say they are carrying on using them, this rising to 41% for men (32% for women).

It also demonstrates how some households are making changes to their shopping habits. Just under 1 in 3 (32%) say that while they continue to buy the same brands, they now need to buy them less often. And just over 1 in 4 (27%) say that they can only buy their favourite brands when on offer.

Findings from the research show the same is true when purchasing financial products. While being loyal may be important to people, 42% agree they are less so than a year ago. This is particularly the case for those aged 18-34 (53%), dipping to 33% for those aged 55 and over who perhaps have greater experience of financial products – and higher incomes.

Loyalty is no longer a given. It needs to be earned.

Significantly, over three in four (79%) now believe loyalty can't be taken for granted, but instead needs to be rewarded. Put another way, 78% of people feel that loyalty needs to work both ways now – their custom in exchange for value in return.

Many also clearly feel companies hold their custom in low esteem. Over 1 in 4 (28%) believe retailers and brands do not care how loyal their customers are. And 1 in 5 (19%) feel brands only reward trade from new customers, overlooking those who have been loyal for years. Just 2 in 5 (39%), in fact feel retailers and brands reward loyalty enough today.



“The cost-of-living crisis is not affecting purchasing loyalties as expected. As income is squeezed, customers are not turning their back on brands or retailers, but instead looking for value-for-money and rewards that recognize their custom. And this is true across all sectors people are buying from.

The Opinium data shows how people are also increasingly depending on retailers’ loyalty programmes to make ends meet. Either to access customer-only pricing, lump sums off their bills or access deals offered in partnership with retailers.”

**Gail Goldie,
Chief Banking Officer, Tesco Bank**



Who do Britons now rank as the most important to be loyal to?



Twice as many people feel it's more important to be loyal to your pet than to your employer



While we're staying loyal to brands and retailers, are we as loyal to the more personal relationships in our lives? Our parents, our children, our pets and even our employers? Our research asked Britons to name the three parties it's most important for them to stay loyal to.

The good news is, we feel it's most important to be loyal to our partners, with almost 2 in 3 (62%) feeling this way.

The second most important loyalty today is to our children, prioritised by just under 1 in 2 of us (49%). Interestingly women felt this considerably more strongly than men, in fact by 55% to 43%.

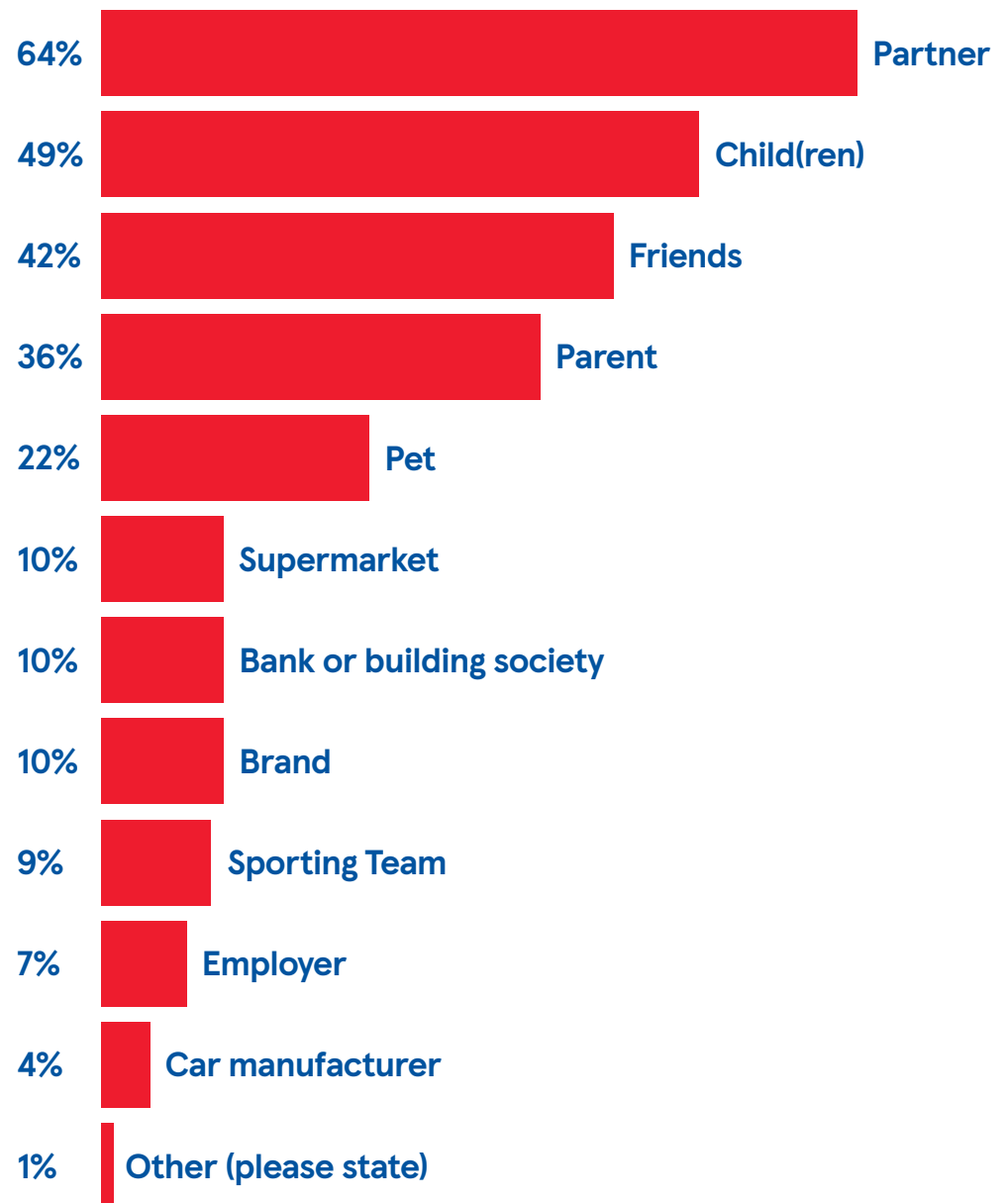
Loyalty to friends came in third place on 42%, women again valuing loyalty to this group far more highly than men (46% vs 38%).

Perhaps surprising, parents came in fourth in terms of loyalty (36%), far far lower than the 49% parents felt towards their children.

And we remain a nation of pet lovers. In fact, twice as many Britons feel it's more important to be loyal to their pet (22%) than to their employer (9%).

We also seem to grow more loyal as we get older. While 37% of people aged 18-34 said they were loyal to their children, this rose to 46% for those aged 35-54 and to 60% by the time they reached 55 and over. The same is true for loyalty to our partners, which grew from 52% for 18-34-year-olds, to 70% by the age of 55.

Out of the following things, which three would you say you find it most important to stay loyal to?





People are more loyal to banks than insurance providers

When buying financial products, however, loyalty is dependent upon who you buy it from.

When buying from an insurance provider, 1 in 3 (33%) said they always selected the cheapest product, while 29% selected the policy which offered the best value for money in terms of cover. Half this number (15%) said they always selected the same provider, perhaps out of satisfaction, inertia or a loyalty blind spot.

People are more loyal, however, when buying from a bank or building society.

The Opinium research shows value for money here is less important a factor. 39% (over twice the level for insurers) always selects the same provider - and just 18% select products based on value for money (compared with 29% for insurers). This is likely to be driven by the nature of banks' longer-term relationships with customers and the trust built up through regular transactions over time.

However, there is innovation happening in the insurance space to help enhance the levels of loyalty people feel towards insurance products. Tesco Bank offers a Clubcard discount, for Clubcard members, on many of its insurance products which guarantee new, and importantly renewing customers, receive a discount for staying with Tesco Bank.

Rewards are a driver of loyalty when purchasing financial products

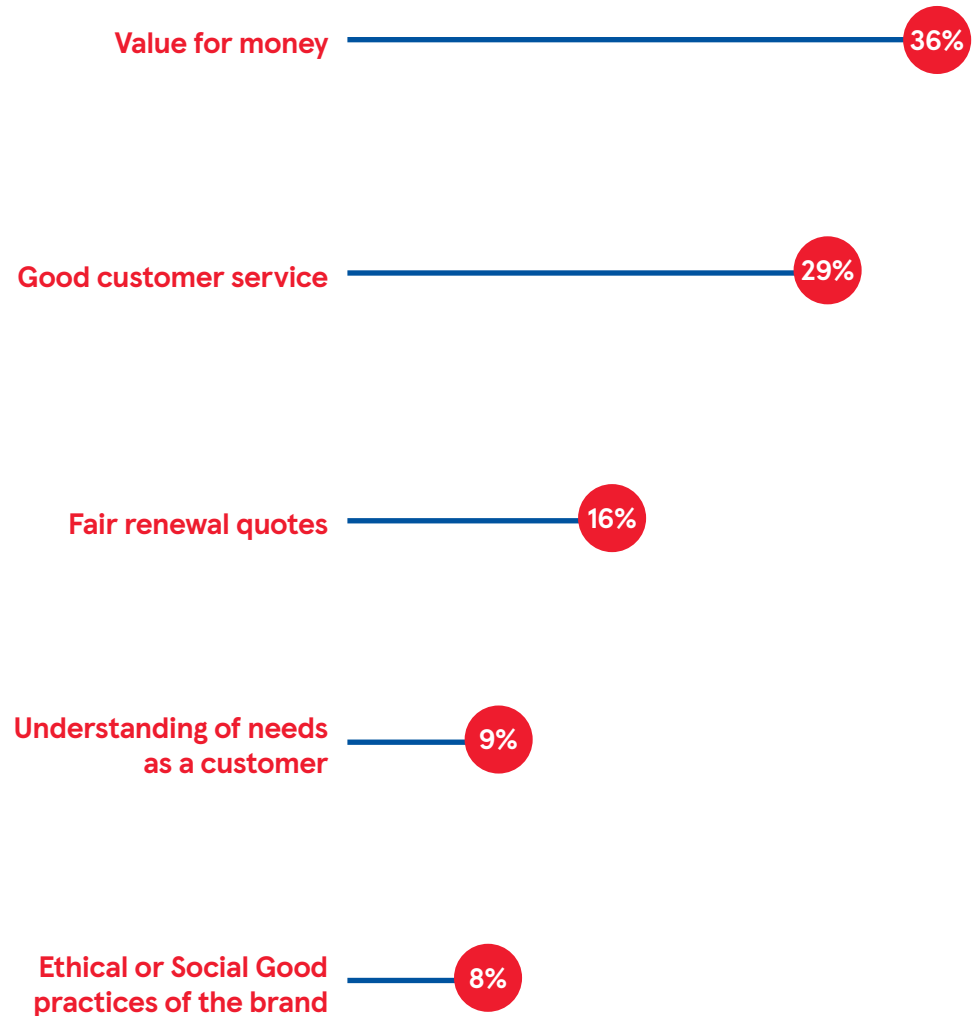
As our research shows, the importance of rewards as a driver for loyalty extends way beyond shopping and into the financial services sector.

Asked which factors increased their feelings of loyalty towards financial services providers, 1 in 6 (16%) customers gave rewards as their answer.

And while value-for-money, at 36%, was the most influential factor, the impact of rewards on affecting loyalty in financial services was ranked as highly as fair renewal quotes (both 16%). And more influential than 'how easy the product is to understand (13%), the provider understanding their needs as a customer (9%) or brand heritage (5%).

Loyalty in the financial services sector comes in many different forms. Tesco Bank provides a Clubcard discount across many of its insurance products; and its range of credit cards and the Clubcard Pay+ payment card means people can collect points almost every time they shop, in or out of Tesco stores.

Out of the following things, which three would you say you find it most important to stay loyal to?





What are the most common 'loyalty blind spots'?

While the research from Tesco Bank shows that most people feel loyalty needs to be earned, some remain loyal no matter what.

What are the most common so-called 'loyalty blind spots'?

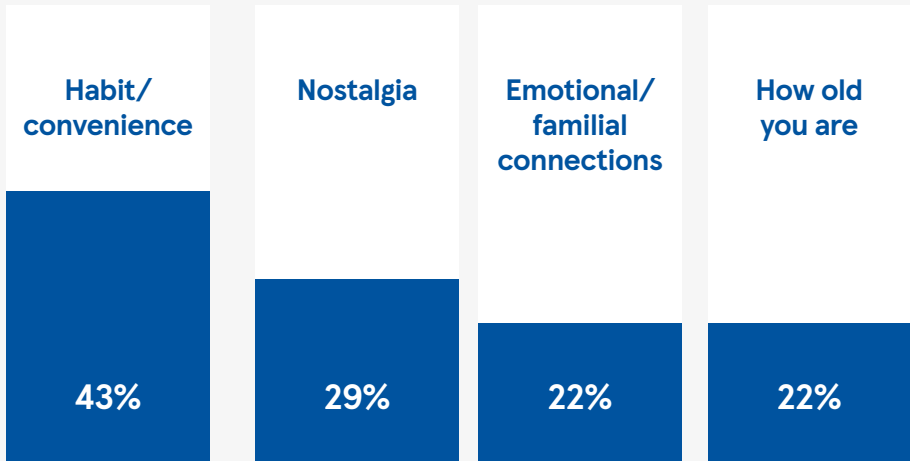
Habit is the reason most put blind spots down to. Buying the same brand, or from the same retailer, time after time because it's the nearest, rather than for the value or pleasure of buying it from another shop.

Nostalgia comes second on 29%, buying with rose tinted specs that take the purchaser back to a past happy time - even when the brand or retailer is fundamentally different today in offering, cost or service.

In equal third place comes 'emotional or family connections' which happens when someone associates the brand closely with a parent or loved one. For example, always going back to a clothing brand or a restaurant where a happy family ritual or event used to take place. Also, in third place was 'age' where people remain blindly loyal to a product either because their generation is proud to value loyalty - or because they've bought the brand all their life.

Over 1 in 5 (21%) feel it's how much you earn that's behind loyalty blind spots; people having sufficient money that value for money or rewards are of little importance and they still shop the same way regardless.

What do you think 'loyalty blind spots' are impacted by?



Conclusion

Perhaps one of the most interesting insights from our recent research is that almost 4 out of 5 people (79%) feel that loyalty can no longer be taken for granted, and now 'needs to be rewarded' to merit their 'cost-of-living' pound.

These rewards can take on a wide range of shapes: from pricing to points to added value. The cost-of-living crisis does show an increased dependence on loyalty schemes and programmes. Just under 1 in 2 people (49%) now say they are increasingly using their points/loyalty schemes to buy goods and services.

In financial services, rewards are also playing a highly influential role in pressured times, with customers saying these influence their selection of insurance providers as much as the pricing of renewal quotes.

Significantly, the research also shows how consumers seek value-for-money over 'cheap' in their purchases. This is confirmed by their desire to remain loyal to brands they have purchased previously but, in some cases, to buy them slightly less often as the cost-of living crisis bites.

