

**THE POINTS INDEX:  
THE TRUE VALUE  
OF LOYALTY**

AN ANNUAL REPORT FROM VIRGIN RED - VIRGIN'S GROUP-WIDE REWARDS CLUB



# INTRODUCTION

As the saying goes, “we live in interesting times,” and making ends meet in this uncertain economic climate has been no easy feat.

In a new report by Virgin Red, we explore **the role loyalty programmes played in our lives in 2022** – and how consumers intend to utilise such schemes in the future.



# PURPOSE OF THE REPORT

The world looks very different to how it did at the start of 2020. Pandemics, wars, political upheaval and planetary strife have all become fixtures in day-to-day life.

Now, with the cost-of-living crisis intensifying, purse strings are tightening across the UK. What role or relevance will loyalty programmes play in the lives of consumers going forward? Have they already become integrated into the lives of people trying to make their money go further, and if so, how are we using loyalty programmes to strengthen savings goals and supplement spending habits?

To bring the issue sharply into focus, Virgin Red has measured the impact and influence of loyalty programmes on customers.

- 1 60% HAVE CHANGED THEIR SPENDING HABITS TO COMBAT THE EFFECTS OF THE COST-OF-LIVING CRISIS**
- 2 65% HAVE STOPPED MAKING 'TREAT PURCHASES' TO SAVE MONEY FOR ESSENTIALS**
- 3 56% USE LOYALTY POINTS TO SUPPLEMENT THEIR SPENDING ON THE WEEKLY GROCERY SHOP**
- 4 52% THINK THEY WILL INCREASINGLY RELY ON LOYALTY SCHEMES TO SUPPLEMENT THEIR SPENDING**
- 5 27% THINK LOYALTY PROGRAMME PROVIDERS SHOULD DO MORE TO HELP CONSUMERS STRUGGLING WITH THE COST-OF-LIVING CRISIS**

# 1

## THE UK'S RELATIONSHIP WITH LOYALTY POINTS AND PROGRAMMES

The concept of loyalty programmes has been around for hundreds of years. In fact, loyalty programmes can be traced back to 1793, when American retailers started giving out copper coins to every consumer after their purchase. The consumer could collect these coins and redeem them on their next purchases from the same retailer.



## HERE TO STAY

Since then, loyalty programmes have become woven into the fabric of society and the economy. And the numbers from our study back up this level of loyalty programme saturation.

75%



of those surveyed confirmed they are part of a loyalty programme, with the average consumer collecting points and participating in **three separate programmes.**

For more than 230 years, their presence has become so ubiquitous that loyalty programmes are now seen as an **essential part of the retail landscape** by...

MORE THAN  
1/2



of those who use them.

# WHAT'S THE POINT?

IT ISN'T JUST ABOUT THE POINTS THOUGH - THE APPEAL OF LOYALTY PROGRAMMES EXTENDS PAST THE PRACTICAL



**79%**

of those who are part of a loyalty programme actively **enjoy the process** of collecting points and watching their contribution grow.



**2 IN 3**

consumers believe that collecting loyalty points has **become part of their daily routine**.

Of course, collecting enough loyalty points comes with tangible benefits and participants in our study recognise this as the key benefit of taking part in the programmes.

**75% like the additional incentives and rewards which come with taking part in a loyalty programme, while seven in 10 (68%) factor in their loyalty points as another string to their savings bow, deploying them as a method of pocketing some extra cash.**

But the considered process of steadily building up a loyalty contribution has deeper effects on the retail considerations of consumers. So much so, more than a third (35%) feel a sense of achievement as their points grow. 55% feel like they are getting something for free when they make a purchase using their hard-earned loyalty points.

# WHY DO WE COLLECT LOYALTY POINTS?

Nice to get incentives / rewards



Helps me save money



When I cash in rewards it feels like I am getting something for free



Sense of achievement



Helps me be more considered when making purchases



Not sure



No particular reason



Other



# 2

**HOW PEOPLE'S  
SPENDING AND SAVING  
HABITS HAVE CHANGED  
IN THE CONTEXT OF  
LOYALTY POINTS  
AND PROGRAMMES  
IN TODAY'S WORLD**

## **LOYALTY IN MOTION**

**How people use loyalty points and programmes is changing.**

Virgin Red's research reveals 41% of participants actively collect loyalty points across air travel, holidays and fashion brands. However, we are seeing a trend, in which loyalty points are becoming more important for the essentials of day-to-day life, as people use them to supplement incomes.

**THE AVERAGE  
LOYALTY SCHEME  
MEMBER ACTIVELY  
COLLECTS POINTS  
WITH**

**THREE  
DIFFERENT  
PROVIDERS**



# THE COST-OF-LIVING CRISIS

THE UK IS AROUND A YEAR INTO THE COST-OF-LIVING CRISIS AND WITH A LOOMING RECESSION, EXPECTED TO LAST FOR SEVERAL YEARS, IT COULD BE A WHILE BEFORE CONSUMERS FEEL ANY RELIEF FROM THE FINANCIAL PRESSURE.



46%

have **changed their spending habits** to mitigate the impact of the cost-of-living-crisis on their wallets.

36%

have **increased the rate** at which they **collect loyalty points** since November 2021.

Consumers are now depending on loyalty points and programmes to supplement their daily lives, with **52% expecting to lean on their points more regularly to bolster their spending.**

Every little helps, after all, and paired with other efforts such as being more careful with general expenditure, buying more 'own-brand' goods and more vigilantly checking prices before making a purchase, savvy Brits are carving out savings despite the challenging circumstances.

# CHANGES TO SPENDING HABITS SINCE NOVEMBER 2021:

I am more careful with what I spend my money on



Spend less



Buy more 'own-brand' goods



Vigilantly check prices before purchasing goods



Write a list and only buy items from that list



Go shopping fewer times



Put more emphasis on quality (try to avoid 'buy cheap buy twice')



# TOP 10

## WHAT ARE WE SPENDING OUR LOYALTY POINTS ON?

When asked to consider what we are most likely to spend our loyalty points on, the responses run the gamut from the every-day to the big-ticket items that we might treat ourselves to, only on rare occasions.

Of those who participate in loyalty programmes, one in five (20%) have redeemed their points to purchase beauty products, while 17% use their points to take the sting out of buying new clothes.

And 13% have cashed in their efforts to buy books or a trip to the cinema respectively.

Most worrying of all, however, is the 56% of consumers (who participate in programmes) leveraging loyalty programmes to cover the balance of the weekly grocery shop. This is a demonstration of widespread behavioural change since the start of the cost-of-living crisis.



- 1 56% GROCERIES
- 2 20% BEAUTY PRODUCTS
- 3 18% DRINKS
- 4 17% CLOTHES
- 5 16% WINE
- 6 16% SNACKS
- 7 14% HEALTHCARE
- 8 13% HOLIDAYS
- 9 13% BOOKS & CINEMA TRIPS
- 10 11% FLIGHTS



# A LITTLE OF WHAT YOU FANCY

**THE COST-OF-LIVING CRISIS IS CHANGING OUR RELATIONSHIP WITH SPENDING. IN OUR STUDY...**

26%

feel guilty about treating themselves to non-essential purchases in this challenging economic climate

25%

actively resist indulging in the things they enjoy when they know other people are struggling financially

This is where loyalty programmes and the rewards they offer at times of hardship come in. According to internal figures at Virgin Red, the average frequency of transactions for redemptions for more than 10k points has remained steady across the year.

Just take Greggs as an example, where redemption rates were 100% higher in August 2022 compared with the beginning of the year. And redemptions on Virgin Wines have increased by 124% throughout 2022. There may be a cost-of-living crisis going on, but the free wine seems to be making the situation a bit easier to swallow.

Loyalty programmes keep consumers' options open when it comes to small 'treat' purchases like these, and allow us to indulge in a little of what we fancy - no guilt attached.

# KNOWLEDGE IS POWER

Saving money has, understandably, found its way to the forefront of our minds over the past 12 months, and this can be demonstrated in a few key examples. Let's take a look at Octopus Energy, which has seen app views and clicks climb steadily, more than doubling between January and August 2022, as people look for ways to reduce their energy bills.

And Tesco Clubcard - whose members can turn their points into Virgin Points enabling them to take advantage of hundreds of Virgin Red rewards has seen a...

↑ 290%

increase in page views and 300% increase in clicks to Virgin since the beginning of the year.





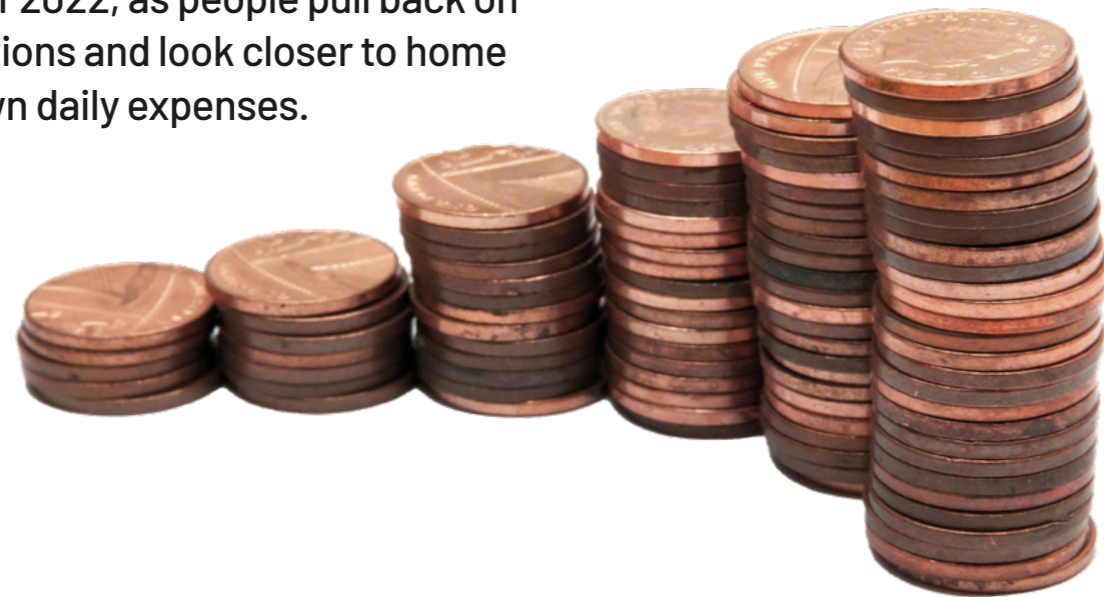
# WATCHING THE PENNIES

**AS PRICES RISE AND INFLATION TAKES HOLD, THERE ARE OTHER ASPECTS OF OUR FINANCES WHICH ARE TAKING A PAUSE.**

According to internal figures with GoFund Me, spending on charitable donations has fallen by

↓ **72%**

since the start of 2022, as people pull back on charitable donations and look closer to home to cover their own daily expenses.



# THE STORY AT VIRGIN RED

This latest study into spending habits has given us a snapshot of the sentiment surrounding savings and loyalty points in households across the country.

It also affirms a trend we noticed in-house throughout 2022, when Virgin Red's membership increased by

↑ **90%**

over a two-month period between June 2022 and August 2022.



# 3

## THE FUTURE OF LOYALTY POINTS AND PROGRAMMES



## LOOKING TO THE FUTURE

So, the near future doesn't necessarily look bright for the coffers of the typical British consumer. What is reassuring however, is the findings surrounding the mindset of our participants, and the lessons learned and habits already forming because of the cost-of-living crisis.

**3 IN 5**

have taken life lessons from their experiences of the past year and believe their frugal approach will positively affect their spending patterns long-term.

**64%**

feel savvier as a result and more ready and willing to hunt down the best deal for them.

Which is a skill Brits will no doubt need to deploy in the coming years of recession, if changing spending habits are an indication of things to come. It is our belief that loyalty programmes will increasingly form part of strategies to avoid severe cutbacks to household budgets, allowing consumers to keep enjoying the little treats in life without having to break the bank.

**More than a third (35%) of consumers think it's more important than ever to treat themselves once in a while, and for 42%, that could be going out to a bar or restaurant, with two in five (40%) enjoying simpler things such as buying a bar of chocolate.**

With this in mind, 40% of those surveyed think loyalty card programme providers could do more to help consumers who are struggling through the cost-of-living crisis.

# CONCLUSION

**“The economy is a living organism. It grows and recedes in response to its environment and we as consumers adapt too, depending on its movements. The UK has experienced periods of recession in the past; sometimes shallow and lengthy, other times short and severe. But in every case, consumers have found ways over these hurdles and through the obstacles in their path.**

“However, it is just as important that hints and tips are presented to the consumer for their use and to help them thrive in an adverse economic climate. Loyalty programmes like Virgin Red are just such a tool, and one which consumers should be made aware of in their efforts to make their funds go further.

“Loyalty programmes are by no means a cure-all for the financial struggles many consumers now face. But if they shop smart and collect loyalty points as much as possible, they can treat themselves more readily and earn discounts on future purchases.”

**Andrea Burchett, Managing Director Commercial, Loyalty for Virgin Red**

## Commissioned by Virgin Red

The research of 2,000 adults (nationally representative sample) was carried out through OnePoll from 17 November 2022 until 24 November 2022.



**THANK  
YOU**

