

# Loyalty schemes essay sample

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## Introduction

The purpose of this report is to analyse three different loyalty programs in New Zealand and their benefits that they have to offer.

The loyalty schemes that I have researched are Fly Buys, coffee cards and Return Rewards Programmes. In this report I will be discussing the loyalty scheme's target markets, how customer loyalty is gained, customer behaviour, possible improvements and the value of the benefits that the scheme's offer based on how much the customer needs to spend to gain these points or rewards.

## Fly Buys

Fly Buys is New Zealand's biggest loyalty scheme which started in here in 1996 and is jointly owned by Bank of New Zealand, Foodstuffs, IAG New Zealand and Z Energy. Fly Buys became very popular quickly with over 2.7 million card holders nationwide within the first ten years of operating.

Fly Buys is a reward scheme used to give customers points to use on a reward system which can be gained just by shopping at a selected group of stores. Fly Buys is a free of charge system and gains its money from company's which business has increased due to giving Fly Buy points to its customers for purchasing certain items. You can earn Fly Buys points from a number of businesses around New Zealand including Z Energy, Bank of New Zealand, VTNZ, State Insurance, Liquorland, New World, Mitre 10, 2Degrees Mobile and United Travel just to name a few. By having so many different types of business involved in the scheme the target market for Fly Buys is

anyone in New Zealand who has a disposable income as everyone needs to shop at some of these types of outlets to be able to purchase food, alcohol, petrol, cell phones and use a bank etc.

Fly Buys builds customer loyalty by offering a free system to gain points and rewards. E. g. if someone has a Fly Buys card they will be more likely to purchase petrol from Z Energy rather than BP or Caltex. This in return brings more customers to the businesses involved in the Fly Buys loyalty scheme. Obtaining a Fly Buys card is also easy as people just need to go onto their website and fill in their personal details and a card will arrive in 10 working days. Exchanging points for rewards is just as easy.

Fly Buys is a loyalty scheme used to encourage people to shop at a certain group of stores. By offering rewards by going everyday shopping people will be more selective when it comes to where they get their groceries and petrol for example.

In my opinion I don't think there is much of an incentive to use Fly Buys points as it takes a long time to save enough only to be able to receive a mediocre reward. Instead of having everyone able to win prizes but taking years of spending and saving points just to be able to have something worth a couple hundred dollars, they could make it more like a lottery such as "Bonus Bonds". This way the prize would have to be money, and the rewards would be sent out to less people but the amount of money you win would be more. By advertising that customers of certain products are in to win a big cash reward rather than an appliance worth a couple hundred it would be a more effective way of encouraging people to shop at certain stores.

Although Fly Buys is free and easy to use it might not be worth doing. The prizes people can gain using Fly Buys points can be of value such as flights or electronic appliances/games, but it takes a very long time and a lot of money to be able to earn anything worthwhile or desirable. “ Shoppers have to spend as much as \$4750 to earn a \$15 reward through New Zealand’s biggest loyalty card scheme.” (Lewis, 2009). Also the reward scheme only allows certain items that offer Fly Buys points which will make the process even longer.

### Coffee Cards

Coffee cards are given out at most cafes which offer a free coffee if a customer buys a certain amount at said establishment. These cards are used as an incentive for customers to buy more coffee as they can get one for free.

The target market for establishments who provide coffee cards are coffee lovers/people who drink coffee regularly. This is people who drink coffee on their way to work, students going to class or people who like to sit in a café in the morning with their friends.

Using coffee cards helps create many regular customers. By having a coffee card gives a customer reason to return and not to go to another café to get a coffee as they would have to start again on a new coffee card.

Providing coffee cards effects how often people buy a coffee and where they get their coffee from. By having the incentive of getting something for free people will try to get a coffee more regularly, more at a time or even buying

a coffee for a friend just so that they are even closer to the free coffee. Also they usually would shop at the same place so they don't have many coffee cards filling up their wallet.

Most cafés or coffee shops such as Starbucks or Eden Café offer one free coffee for every nine purchased. If a coffee shop were to give out coffee cards that offer a free coffee for every eight purchased this would help convince people that their café would be the one to choose from.

Coffee cards offer some value to the customer especially for people who drink coffee every day. E. g. if someone goes to a café that offers one free coffee after nine is purchased every day of the year they will be able to have up to 36 free coffees that year. The best place for people to use their coffee cards in my opinion would be Starbucks because they offer a wide range of coffees and you can buy cheap coffees for the first nine and claim an expensive free coffee. (Starbucks Loyalty Card - Terms And Conditions, 2003). Also there are Starbucks all over the world where you can use your card.

### Return Rewards Programme

The Scenic hotel chain offers a Return Rewards Programme. This is a rewards scheme where guests gain points for every dollar spent at the hotel, with special bonus point's promotions throughout the year so even more points can be earned. To become a member guests there is no joining fee and no cards, your membership and rewards are tracked through the personal guest history. Some rewards you can obtain through the scheme are hair

appliances (curlers, straightener and dryers), children's toys (a fire station that stands 37.5cm high), a Fresca Espresso Machine and much more. Also you can use your points to receive room upgrades or complementary breakfasts. (Return Rewards Programme, 2011).

“ Scenic Hotel Group targets inbound tourism and New Zealand originating corporate, retail and conference business.” (Searching for Funding Opportunities, 2010). The target market for the Scenic Hotels loyalty programs are all of the people stated above to encourage the guests to return or continue staying with the hotel chain.

One of the main reasons for people to choose a hotel is its value for money. By being able to use return rewards points guests can gain discounts and upgrades. This will encourage guests to continue returning or for customers of other hotel chains to make a change to another hotel with a better loyalty program.

People who regularly stay at hotels usually stay only under one hotel or chain. By having a return rewards scheme people may want to switch over to another hotel with better rewards. Or who actually have a rewards programme.

The Scenic Hotels Return Reward Scheme focuses more on items that guests can exchange for points. A lot of these items are similar to what you can receive in Fly Buys which can be undesirable and take a lot of time and money to earn. I think that they should focus more on guests exchanging

points for upgrades or discounts as frequent travellers care more about cheaper hotel rates rather than materialistic items.

The Return Reward Programme is a very effective loyalty program. The benefits you gain from the loyalty are both easy to obtain and use as it is all kept record of under the guest profile so people don't have to carry around an extra card. The best use for it would be that guests can use the points to get discounts or upgraded room rates which when regularly staying in hotels can be very appreciated by guests.

### Conclusion

Out of the three loyalty schemes I have researched I believe that the Return Reward Programme is the most effective. Using Fly Buys takes costs too much time and money to earn any prizes worthwhile obtaining. As for coffee cards, although they help to keep regular guests, every café and coffee shop has them so it is difficult to gain new customers using this process. The Return Reward Programme is the most effect loyalty scheme because you don't have to use the points you use on any materialistic items that you might not use, but can use them on upgrades or discounts for your next stay which is very helpful for frequent travellers.

### Reference List

\* Lewis, R. (2009). Loyalty cards like Fly Buys – are they worth it? Retrieved from