

Our loyalty cards and how we use them

Survey captures up-to-date picture of Canadians' love affair with reward programs

What kind of loyalty rewards collector are you? Are you a savvy collector? Credit challenged? A smart, affluent spender? Overburdened? Or maybe a prudent user?

Lynda Lovett and her partner Mary-Anne Huestis spent part of last year surveying 5,000 credit card carriers across Canada to try to capture an up-to-date picture of the cards we carry in our wallets and how we use the ones with loyalty rewards attached.

Their company, MarketSense Inc., does research for a variety of corporations and, for the second year in a row, they took a look at credit cards and loyalty rewards in a report called CreditSense.

"The goal is to let credit card issuers know about the people they issue cards to, about the rewards programs they offer, how they are used, how they are received and how to improve them," says Ms. Lovett.

"This is a very dynamic industry," adds Ms. Huestis. "There is a lot at stake in rewards programs; they are often the entry point for getting a lot of the customer's other business and we are finding that they affect shopping patterns."

The pair looked at 360 credit and charge cards with 23 different rewards programs. They then divided card carriers into

five broad categories and even dug down into what card issuers could expect from each category.

Overall they found that an astonishing 91 per cent of card holders surveyed participate in at least one program and the number of programs each card carrier participates in is on the rise — 4.7 programs each, up from 4.4 last year. Air Miles continues to be Canada's most popular card program; 58 per

cent of those surveyed were members.

Travel rewards continue to be the most sought after, with 48 per cent of the card holders overall saying they belonged to a travel reward program and 78 per cent of those ranked as affluent. Most important for the companies that create rewards programs, rewards programs surveyed by CardSense this year can and do persuade shoppers to change

ingrained patterns.

About 28 per cent of those surveyed said they had changed shopping patterns last year just to earn rewards, a 3-per-cent gain from the previous year.

"When you consider we surveyed 5,000 people, that is a pretty significant number of people changing the places they regularly shop," says Ms. Huestis.

Back to categories. Here are the five they identified and how they describe them.

- Savvy collectors. They represent the biggest chunk of those surveyed, accounting for 24 per cent of the total. There are more female affluent collectors than male, they are educated, have lots of disposable income and more than likely married, the survey shows. They are likely to focus spending on just one or two programs to maximize benefits, know how many points they have, what they are worth and how many more they need to get a specific reward.
- Credit challenged. At 23 per cent of the total, this is the second-largest group of collectors. Again there are more women than men but they are younger, have only a high school education and are single. Their focus is more on the card than the rewards; they want no fees and the lowest possible interest rate because they need their card to maintain their lifestyle. Their

Facts and figures

Canadians are indeed in the midst of a prolonged love affair with rewards programs, says a survey of 5,000 card holders by MarketSense Inc. of Toronto. In fact, when it comes to choosing a credit card, the rewards program offered ranks highest on the deciding factors, MarketSense says.

Here are some of the company's findings.

- Rewards are increasingly important. About 36 per cent of those surveyed carry only credit cards with rewards, a 2 percentage point increase from last year.
- Last year 55 per cent of new cards issued to the survey group had rewards attached, a gain of 5 percentage points from 2006.
- Cards with travel rewards are most likely to be the primary card used for purchases.

- More Canadians participate in Air Miles (58 per cent) than in any other program and 95 per cent of the most active are Gold card members.
- Quebecers are among the least likely consumers to carry a travel rewards card.
- The average age of a travel card holder is 44.
- Rural card holders are less likely to say they need travel rewards.
- About 43 per cent of Air Miles collectors redeemed points for travel in the past two years and 9 per cent of them took four or more trips on accumulated points.
- That compares with 35 per cent of American Express Membership Rewards participants, 32 per cent of Aeroplan members and just 13 per cent of Diner's Club's Club Rewards collectors.



Lynda Lovett (left) and Mary-Anne Huestis of MarketSense Inc.

focus is definitely short term and on juggling their finances, not on collecting rewards points.

- Overburdened: These folk make up a hefty 22 per cent of credit card holders, the survey says. They are married, somewhat older with a high school education; some are retired and fewer of their number have full-time jobs. They have too many cards and too many outstanding balances. They are likely to redeem rewards points frequently across a number of programs because they never save enough points in one program to get the big prizes like travel.

- Smart Affluent Spenders. They are educated, have money, are older, likely married and represent more males than females. They make up only 17 per cent

of the people surveyed, but cards are essential to their lifestyle and they generally pay off balances every month to avoid high interest charges. They like rewards and generally focus on travel.

- Prudent users. They are likely very young or retired. They are just 14 per cent of those surveyed, and could not care less about rewards because they prefer cash or use their debit cards to stay within a strict budget.

Of the first four categories, each has its appeal to card issuers, the pair says. But, at the same time, the smart affluent spenders paradoxically present less upside for card issuers. The reason: They pay off those monthly balances bang on time; the bank issuing the card never makes a penny in interest.