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AN UNCOMMON SENSE
OF THE CONSUMER™

HOW LOYAL ARE YOUR CUSTOMERS?

**A VIEW OF LOYALTY SENTIMENT
AROUND THE WORLD**
NOVEMBER 2013



ARE LOYAL CUSTOMERS WORTH MORE?

OVERVIEW

- More respondents professed no-loyalty than complete devotion to brands, service providers, retailers
- Loyalty sentiment was highest for mobile phone brands/ service providers; lowest for food and beverage categories
- Price was the most persuasive method of driving people to switching behavior
- Discounts and free products were loyalty program benefits that mattered most

Cutting through the clutter in a world of choice is not easy. Earning consumer devotion to a brand or store takes more than just offering a good product. Price, packaging, customer service and reputation are just some of the factors involved in the decision-making process. But getting to the heart of what makes a consumer stick or switch can be the difference between flourishing and fading. While Nielsen research shows that, in general, the higher the loyalty levels, the bigger the reward, loyalty programs are no guarantee of loyal behaviors.

“There is a strong link between the way consumers describe their loyalty habits and the way they subsequently buy—so even comparatively small shifts in what consumers say can manifest in big changes in what they do,” said Julie Currie, senior vice president Global Loyalty, Nielsen.

“While there is some consistency around the world in loyalty sentiment within categories, across retailers and service providers, there are also notable differences—especially for consumable products and in the online retailing space, where the likelihood to switch is greater,” continued Currie.

So how do you turn a fickle fan into a faithful follower? You start by understanding the needs and motivations that drive their purchase decisions. And then you deploy the strategies and tactics that deliver the most value. This global study outlines the reasons why consumers switch brands, service providers or retailers and identifies the loyalty program attributes that potentially have the most staying power.

The Nielsen Global Survey of Loyalty Sentiment polled more than 29,000 Internet respondents in 58 countries to evaluate consumer views on loyalty levels across 16 categories that range from fast-moving consumer goods staples to technology products to retail establishments and found that, on average, more respondents professed to be not loyal than completely loyal. Most respondents fell somewhere in the middle, claiming they were unlikely to switch brands or providers without a significant incentive.

ABOUT THE GLOBAL SURVEY METHODOLOGY

The findings in this survey are based on respondents with online access across 58 countries. While an online survey methodology allows for tremendous scale and global reach, it provides a perspective only on the habits of existing Internet users, not total populations. In developing markets where online penetration has not reached majority potential, audiences may be younger and more affluent than the general population of that country. Additionally, survey responses are based on claimed behavior, rather than actual metered data.

LOYALTY SENTIMENT HIGHEST FOR MOBILE PHONES; LOWEST FOR FOOD/BEVERAGES

The survey findings suggest a direct link between the frequency of purchase and the level of loyalty to that category. For everyday-use products, ongoing decision-making often changes the relationship. For example, one-quarter (24%) of respondents around the world claimed complete loyalty to their mobile phone brand/service provider and financial institution—the highest loyalty percentage reported globally for any of the 16 categories measured. Conversely, the lowest levels of loyalty on a global scale (respondents said they were not loyal and likely to switch) were found with the food and beverage categories reviewed: alcoholic beverages (43%), snack brands (39%), carbonated beverages (38%) and cereal brands (37%).

Importantly, the relationship between the provider and the brands they sell can be quite different. In the grocery sector, respondents expressed more loyalty to the retailer (globally, 74% said they were loyal to a grocery retailer) than they did to brands (average 61% loyalty across the categories surveyed). By contrast, loyalty to a mobile phone provider was professed by 76 percent of all respondents, which was aligned with 75 percent who also said they were loyal to mobile phone brands.

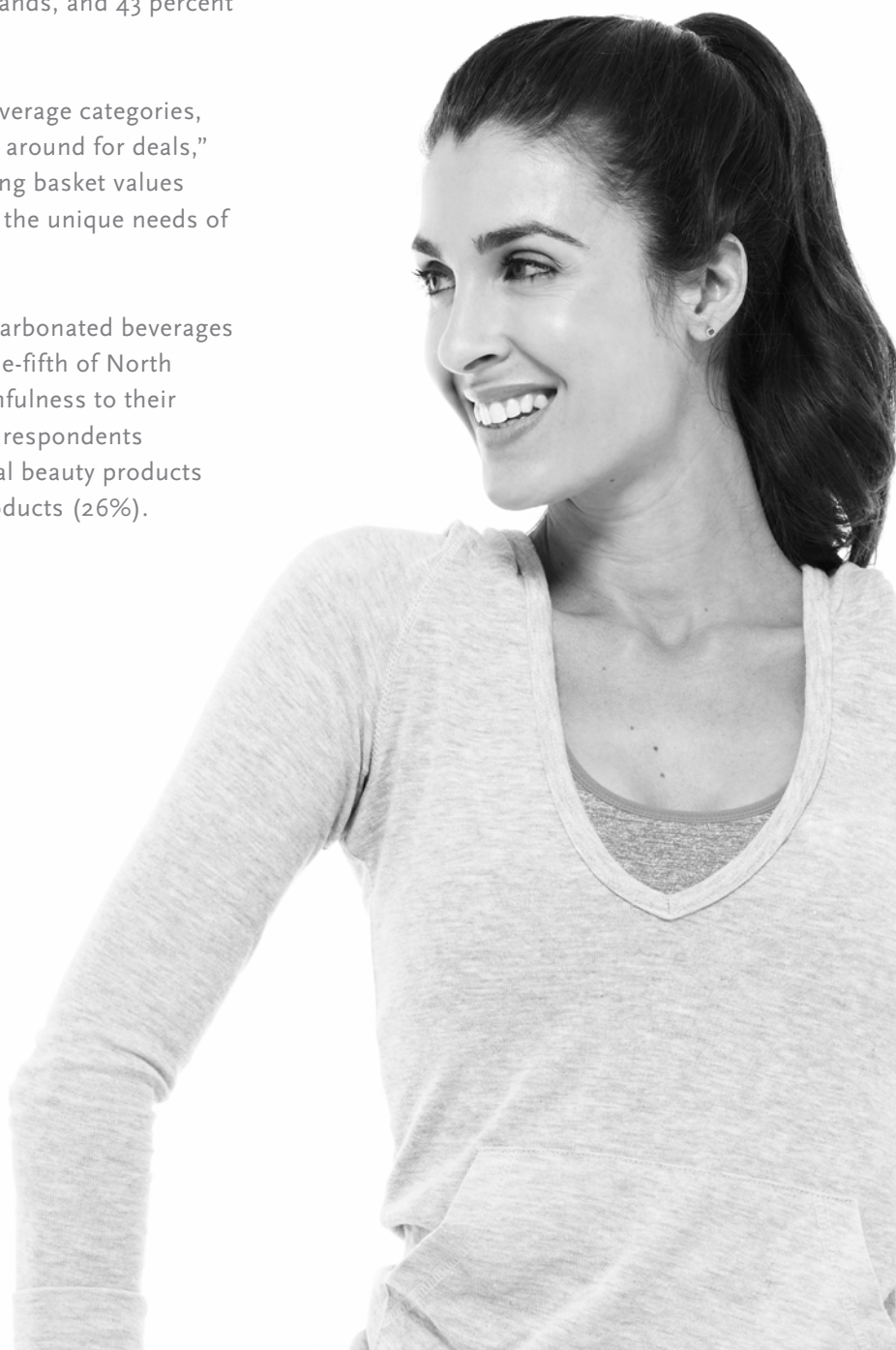
Respondents in the Middle East/Africa exceeded the global average for un-abiding loyalty to their mobile phone brand (35%) and mobile service provider (28%). They were also most loyal to their favorite snack brands (21%) and cereal brands (21%), compared to the other regions. While availability and choice may be contributing factors for this level of devotion, other Nielsen studies suggest that loyal brand patronage is highly correlated with consumers in this region.

“In developing economies, we see evidence of highly price-sensitive consumers choosing brands that are not always the lowest-price alternative,” said Currie. “Making a switch from a tried-and-true product to something new can represent a tradeoff that consumers with little discretionary income are not willing to make. On the flip side, the cachet of new brands can be appealing for consumers with rising upward mobility status.”

For food and beverage products, regional non-loyalty levels were highest in Europe, where 46 percent of respondents said they were not faithful to snack brands, such as candy, cookies, chips and sweets (only 10% claimed complete loyalty), which was markedly lower than other regions. Forty-two percent were also likely to switch cereal brands, and 43 percent claimed disloyalty to carbonated-beverage brands.

“High levels of promotions offered in snacks and beverage categories, particularly in Europe, condition consumers to shop around for deals,” said Currie. “Retailers can reverse the impact of falling basket values and lower trip frequencies by better connecting with the unique needs of their shoppers.”

North Americans reported high levels of loyalty for carbonated beverages (23%) and their financial service provider (29%). One-fifth of North American respondents also professed complete faithfulness to their favorite brands of cereal. Regionally, Latin American respondents reported the highest percentage of loyalty to personal beauty products (25%) and over-the-counter health and medicine products (26%).





FOOD & BEVERAGES

	ASIA-PACIFIC	EUROPE	MIDDLE EAST / AFRICA	LATIN AMERICA	NORTH AMERICA
SNACK BRANDS					
Completely Loyal	15%	10%	21%	17%	14%
Mostly Loyal	48%	43%	47%	45%	52%
Not Loyal	37%	46%	32%	38%	34%
CEREAL BRANDS					
Completely Loyal	14%	12%	21%	19%	20%
Mostly Loyal	49%	45%	48%	49%	49%
Not Loyal	37%	42%	30%	32%	30%
CARBONATED BEVERAGES					
Completely Loyal	14%	14%	22%	16%	23%
Mostly Loyal	48%	43%	46%	42%	44%
Not Loyal	37%	43%	33%	42%	32%
ALCOHOLIC BEVERAGES					
Completely Loyal	13%	13%	16%	14%	15%
Mostly Loyal	45%	42%	34%	37%	44%
Not Loyal	42%	44%	50%	49%	41%

SNACK BRAND NON-LOYALTY LEVELS ARE HIGHEST IN EUROPE

Percent who are not loyal





HEALTH & BEAUTY

ASIA-
PACIFIC

EUROPE

MIDDLE EAST /
AFRICA

LATIN
AMERICA

NORTH
AMERICA

PERSONAL BEAUTY PRODUCTS

Completely Loyal	18%	17%	23%	25%	16%
Mostly Loyal	52%	49%	51%	52%	53%
Not Loyal	30%	34%	27%	24%	31%

OTC HEALTH AND MEDICINE PRODUCTS

Completely Loyal	19%	17%	26%	26%	13%
Mostly Loyal	53%	49%	48%	51%	53%
Not Loyal	28%	34%	26%	23%	34%

BEAUTY BRAND LOYALTY LEVELS ARE HIGHEST IN LATIN AMERICA

Percent who are completely loyal





MOBILE & ELECTRONICS

	ASIA-PACIFIC	EUROPE	MIDDLE EAST / AFRICA	LATIN AMERICA	NORTH AMERICA
MOBILE PHONE BRAND					
Completely Loyal	25%	20%	35%	27%	19%
Mostly Loyal	54%	49%	47%	47%	45%
Not Loyal	20%	31%	19%	26%	36%
PERSONAL ELECTRONICS BRANDS (NOT INCLUDING COMPUTERS)					
Completely Loyal	20%	11%	21%	16%	11%
Mostly Loyal	56%	47%	53%	52%	51%
Not Loyal	25%	42%	26%	32%	38%
HOME ELECTRONICS BRANDS					
Completely Loyal	19%	13%	26%	20%	13%
Mostly Loyal	57%	49%	51%	52%	53%
Not Loyal	24%	39%	23%	28%	34%
PERSONAL COMPUTER BRANDS					
Completely Loyal	23%	15%	31%	20%	20%
Mostly Loyal	58%	49%	49%	53%	52%
Not Loyal	19%	36%	20%	27%	28%
HOME APPLIANCE BRANDS					
Completely Loyal	20%	13%	26%	21%	11%
Mostly Loyal	58%	49%	51%	53%	51%
Not Loyal	22%	38%	23%	26%	37%

MOBILE PHONE BRAND LOYALTY LEVELS ARE HIGHEST IN MIDDLE EAST/AFRICA

Percent who are completely loyal



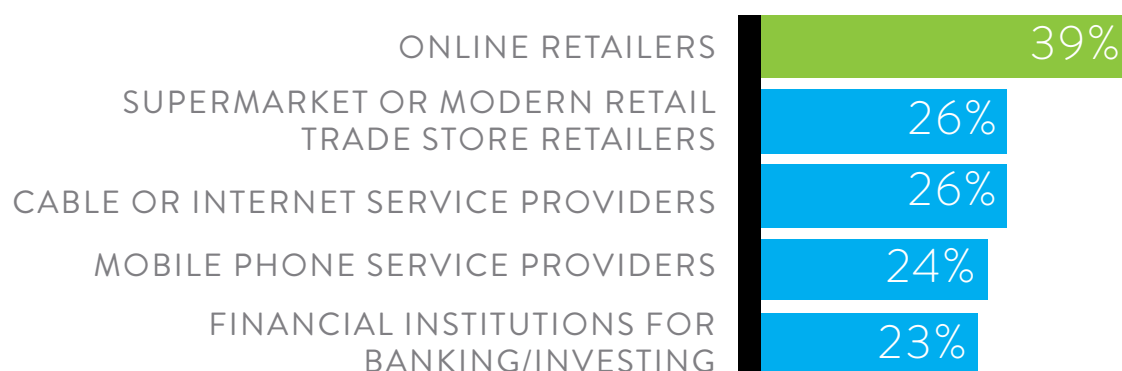


RETAILERS & SERVICE PROVIDERS

	ASIA-PACIFIC	EUROPE	MIDDLE EAST / AFRICA	LATIN AMERICA	NORTH AMERICA
SUPERMARKET OR MODERN RETAIL TRADE STORE RETAILERS					
Completely Loyal	18%	16%	22%	18%	18%
Mostly Loyal	57%	55%	52%	53%	59%
Not Loyal	25%	29%	26%	29%	23%
ONLINE RETAILERS					
Completely Loyal	14%	10%	13%	12%	13%
Mostly Loyal	51%	45%	43%	43%	50%
Not Loyal	36%	45%	44%	46%	37%
MOBILE PHONE SERVICE PROVIDERS					
Completely Loyal	27%	21%	28%	17%	22%
Mostly Loyal	57%	49%	48%	48%	48%
Not Loyal	16%	30%	24%	35%	31%
CABLE OR INTERNET SERVICE PROVIDERS					
Completely Loyal	21%	19%	28%	20%	19%
Mostly Loyal	56%	52%	50%	49%	49%
Not Loyal	22%	29%	22%	31%	32%
FINANCIAL INSTITUTIONS FOR BANKING/INVESTING					
Completely Loyal	25%	21%	27%	22%	29%
Mostly Loyal	55%	52%	50%	50%	50%
Not Loyal	20%	27%	23%	27%	21%

SWITCHING SENTIMENT IS HIGHEST FOR ONLINE RETAILERS

Global average - non-loyalty levels



Source: Nielsen Global Survey of Loyalty Sentiment, Q1 2013

INCENTIVES THAT STIMULATE SWITCHING

Getting the price right could be the difference between a sale and a switch. In fact, across five different product or service attributes analyzed (price, service agreement, selection, feature or quality), offering the right price held the most persuasive power to motivate consumers to swap devotion to a brand, service provider or retailer.

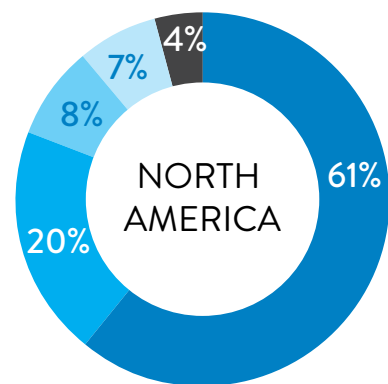
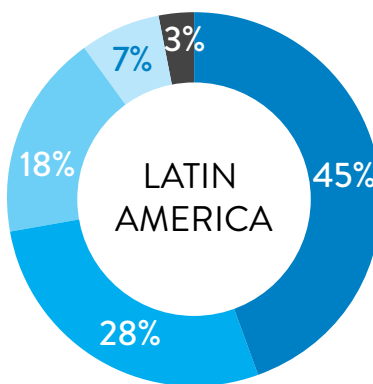
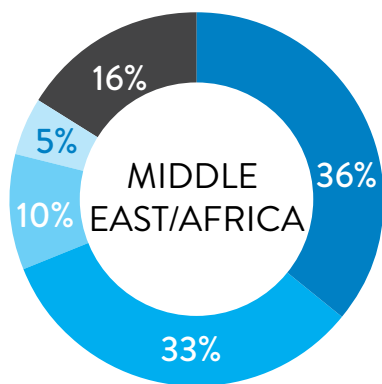
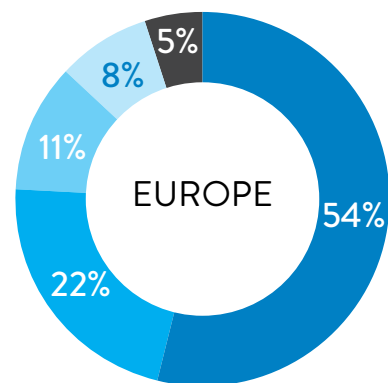
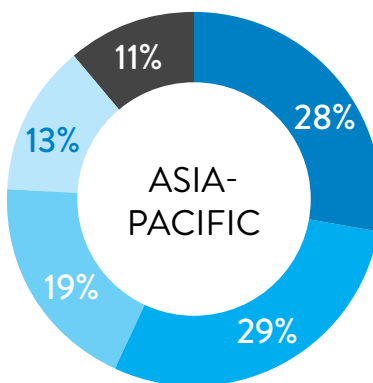
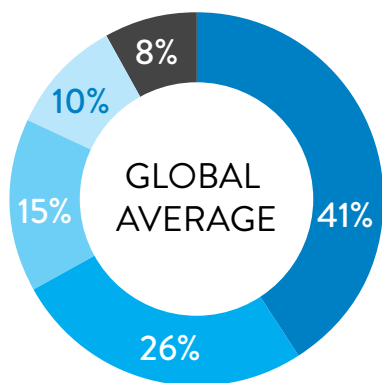
Of the respondents who said they were not completely loyal, four in 10 (41%) said that getting a better price would encourage them to switch brands, service providers or retailers. While price was the major switch incentive for more than half of North Americans (61%) and Europeans (54%), price and quality were equal switch motivators among roughly one-third of respondents in Asia-Pacific and Middle East/Africa. Quality was cited as a reason to change allegiance among 28 percent of Latin Americans, 22 percent of Europeans and 20 percent of North Americans.

“While good prices may initially offer consumers enough motivation to change allegiance to a new product, it won’t keep consumers for long if the product doesn’t deliver on its promise,” said Currie. “Getting the price/value equation right, having products in stock, and offering a satisfying shopping experience are vital ways to build long-lasting customer loyalty.”

A better service agreement will likely be more influential in Asia-Pacific (19%) or Latin America (18%), where respondents exceeded the global average (15%) for this attribute. Range or assortment was also most influential in Asia-Pacific (13%), compared to respondents in Europe (8%), North America (7%), Latin America (7%) and Middle East/Africa (5%). Improved features (8%) were the least influential in driving betrayal to a brand, service or retailer among global respondents.

WHAT ONE ATTRIBUTE WOULD ENCOURAGE YOU MOST TO SWITCH BRANDS, SERVICE PROVIDERS, RETAILERS?

Percent respondents who are mostly loyal or not loyal



Source: Nielsen Global Survey of Loyalty Sentiment, Q1 2013

LOYALTY PROGRAM PREVALENCE AND PATRONAGE GO HAND IN HAND

If you bring it, they will come. Retailer loyalty programs (defined as marketing programs that reward members with purchase incentives) are not only in good supply around the world, but they are also in high demand as well.

According to the global survey, 59 percent of all respondents claimed that loyalty programs were available for participation in the retailers where they shopped. Prevalence was highest in Europe (61%), North America (61%) and Asia-Pacific (60%) and lowest in Latin America (46%) and Middle East/Africa (42%).

Prevalence and patronage seemed to go hand in hand. Eighty-four percent of respondents said they were more likely to choose retailers that offered a loyalty program. Among the highest in favor of loyalty programs were respondents in Asia-Pacific (92%), the Middle East/Africa (87%) and Latin America (82%)—good news for many merchants in these regions, as program availability is still developing. Three-quarters of respondents in North America (76%) and Europe (72%) also pledged their patronage for retailers that offer a loyalty program.

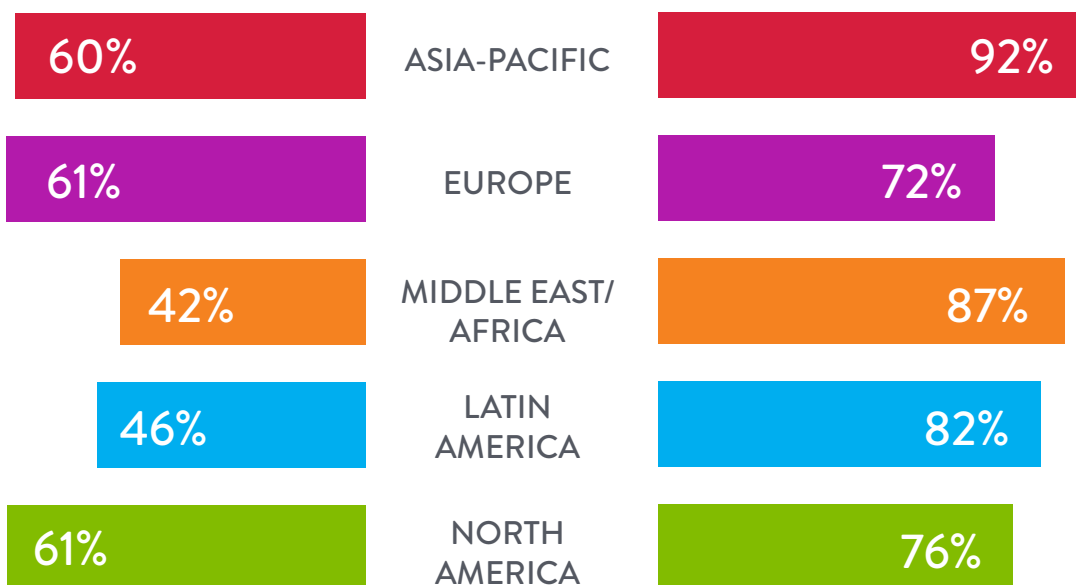
“While the concept of loyalty is nothing new, we are seeing a significant surge in retailers—and particularly those in developing economies—investing in loyalty programs that give them valuable insight into how to better meet customer needs,” said Currie. “Savvy retailers are mining the data and looking for new and innovative ways to achieve the benefits most important to their customers.”

LOYALTY PROGRAM PREVALENCE AND PARTICIPATION

Percent of respondents that said “yes”

**DO THE RETAILERS YOU
SHOP OFFER A RETAILER
LOYALTY PROGRAM?**

**ARE YOU MORE LIKELY TO SHOP
AT A RETAILER THAT OFFERS A
LOYALTY PROGRAM?**



LOYALTY PROGRAM PREVALENCE IS LOWEST IN THE MIDDLE EAST/AFRICA AND LATIN AMERICA, BUT PARTICIPATION INTENT IS AMONG THE HIGHEST.

IF IT'S FREE, IT'S FOR ME

How do you keep your customers satisfied and coming back for more? Give them the benefits that matter most. The biggest attraction for retailer loyalty program participants was discounted or free products. Three-quarters (75%) of global respondents said that getting reduced prices—or even better—no-cost products was the benefit that counted most considerably. North Americans and Europeans exceeded the global average, with 82 percent in each region finding money-saving deals worthy of their participation.

Enhanced customer service and free shipping incentives were other benefits important to 44 percent and 42 percent of global respondents, respectively. Good customer service was especially important among more than half of Latin American (59%) and Asia-Pacific (53%) respondents. Free shipping incentives prompted patronage for 46 percent of North Americans and 45 percent of Asia-Pacific respondents.

Exclusive deals and special shopping hours enticed one-third and one-fourth of global respondents, respectively, but these attributes were most persuasive among Asia-Pacific loyalty program participants. Roughly four-in-10 Asia-Pacific respondents said that exclusive deals (41%) and special shopping hours (36%) were benefits that mattered.

“In markets where loyalty programs are long established, customers tend to be savvy about copy-cat promotional offerings that don’t offer unique advantages,” said Currie. “In developed loyalty markets, such as in Europe and North America, retailers and manufacturers need to work together to offer exclusive rewards that cut through the clutter in an environment where consumers are falling out of love with shopping mega-format stores. New and innovative concepts, especially in the online space, that connect with how consumers want to shop are proving to be most effective.”

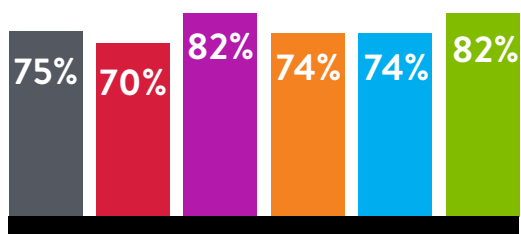
WHAT LOYALTY PROGRAM BENEFITS MATTER MOST TO YOU?

Percent of respondents

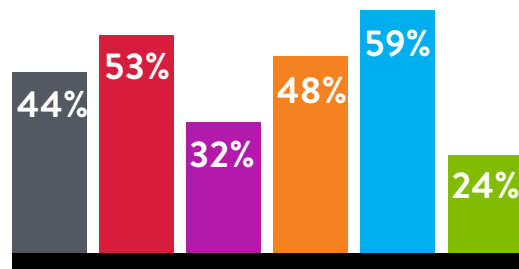
● GLOBAL AVERAGE ● ASIA- PACIFIC ● EUROPE
 ● MIDDLE EAST/AFRICA ● LATIN AMERICA ● NORTH AMERICA



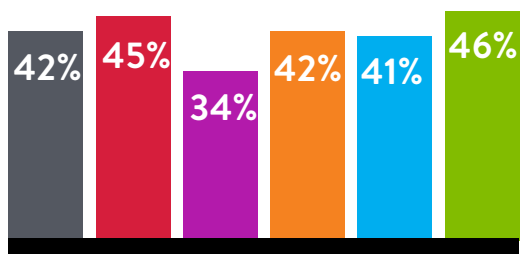
DISCOUNTED OR FREE PRODUCTS



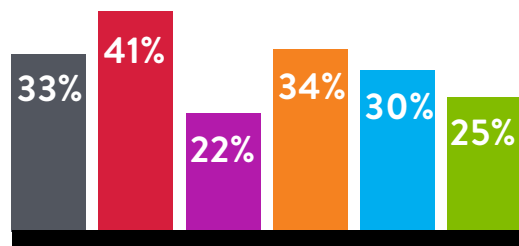
ENHANCED CUSTOMER SERVICE



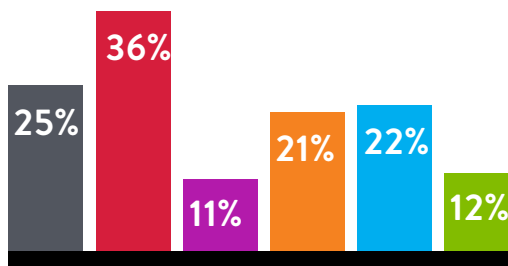
FREE SHIPPING



EXCLUSIVE PRODUCTS OR EVENTS



SPECIAL SHOPPING HOURS



Source: Nielsen Global Survey of Loyalty Sentiment, Q1 2013

MAKE IT EASY AND WORTHWHILE

In our often hectic and busy lives, if loyalty program participation membership isn't free and easy, there's a good chance we won't join. Half of global respondents said that they would opt out of a loyalty program or not sign up if it was too expensive and 37 percent would not join a program if it was too complicated. It's also vital to consider the importance of trust. One-fourth (25%) of all respondents were averse to giving personal information freely, with respondents in the Middle East/Africa (30%) and Asia-Pacific (29%) exceeding the global average.

While the benefits of joining a loyalty program can make participation rewarding, if shoppers are unaware of the advantages, then patronage will likely fall off. Forty-three percent of all respondents who shop in retailers that offer loyalty programs said that they would opt out of a program if they didn't shop there enough to realize the benefits.

"While conventional communication strategies such as direct mail and in-store flyers can be effective methods to promote store sales and loyalty program participation, online tactics give retailers the benefit of one-to-one customized messaging that speaks directly to customers," said Currie. "Making effective use of shopper data can tailor messaging and promotions that get to the heart of shopper needs, and it can be a successful strategy for increasing store traffic and inciting loyal patronage."

A word of caution on the overuse of communication tactics: The expectation of receiving too many emails and communications can have the opposite effect, particularly in some regions. For example, in the Middle East/Africa, too many emails were a reason to opt out of a program for 30 percent of respondents, but in North America, only one-in-six (17%) respondents were negatively affected by the volume of communication.

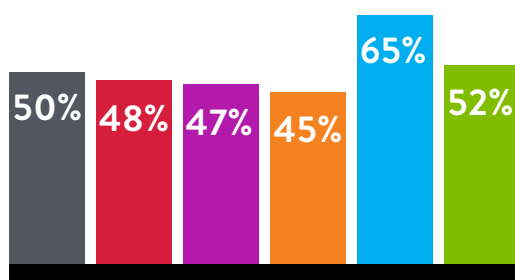
WHAT WOULD CAUSE YOU TO OPT OUT OF OR NOT JOIN A LOYALTY PROGRAM?

Percent of respondents

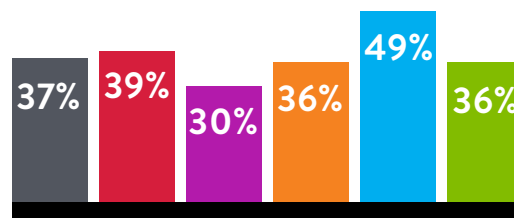
● GLOBAL AVERAGE ● ASIA- PACIFIC ● EUROPE
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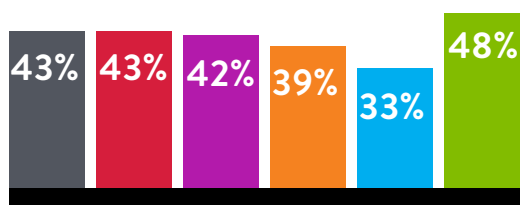
TOO EXPENSIVE



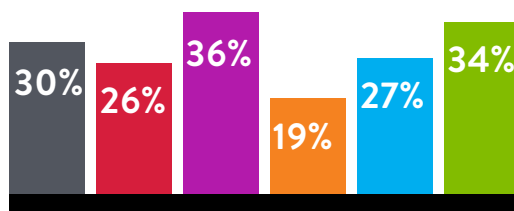
TOO COMPLICATED



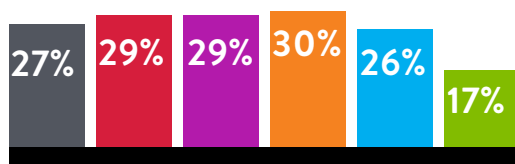
DON'T SHOP THERE ENOUGH TO REALIZE BENEFITS



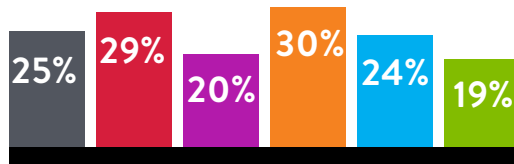
DON'T LIKE LOYALTY BENEFITS OFFERED



TOO MANY LOYALTY EMAILS/ COMMUNICATION



I DON'T LIKE TO GIVE PERSONAL INFORMATION



Source: Nielsen Global Survey of Loyalty Sentiment, Q1 2013

COUNTRIES INCLUDED IN THIS STUDY

INTERNET PENETRATION

Argentina	66%	Malaysia	61%
Australia	89%	Mexico	37%
Austria	80%	Netherlands	93%
Belgium	81%	New Zealand	88%
Brazil	46%	Norway	97%
Bulgaria	51%	Pakistan	15%
Canada	83%	Peru	37%
Chile	59%	Philippines	32%
China	40%	Poland	65%
Colombia	60%	Portugal	55%
Croatia	71%	Romania	44%
Czech Republic	73%	Russia	48%
Denmark	90%	Saudi Arabia	49%
Egypt	36%	Singapore	75%
Estonia	78%	Slovakia	79%
Finland	89%	South Africa	17%
France	80%	South Korea	83%
Germany	83%	Spain	67%
Greece	53%	Sweden	93%
Hong Kong	75%	Switzerland	82%
Hungary	65%	Taiwan	75%
India	11%	Thailand	30%
Indonesia	22%	Turkey	46%
Ireland	77%	United Arab Emirates	71%
Israel	70%	United Kingdom	84%
Italy	58%	Ukraine	34%
Japan	80%	United States	78%
Latvia	72%	Venezuela	41%
Lithuania	65%	Vietnam	34%

ABOUT THE NIELSEN GLOBAL SURVEY

The Nielsen Global Survey of Loyalty Sentiment was conducted between February 18 and March 8, 2013, and polled more than 29,000 consumers in 58 countries throughout Asia-Pacific, Europe, Latin America, the Middle East, Africa and North America. The sample has quotas based on age and sex for each country based on their Internet users, and is weighted to be representative of Internet consumers and has a maximum margin of error of $\pm 0.6\%$. This Nielsen survey is based on the behavior of respondents with online access only. Internet penetration rates vary by country. Nielsen uses a minimum reporting standard of 60 percent Internet penetration or 10M online population for survey inclusion. The Nielsen Global Survey, which includes the Global Consumer Confidence Survey, was established in 2005.

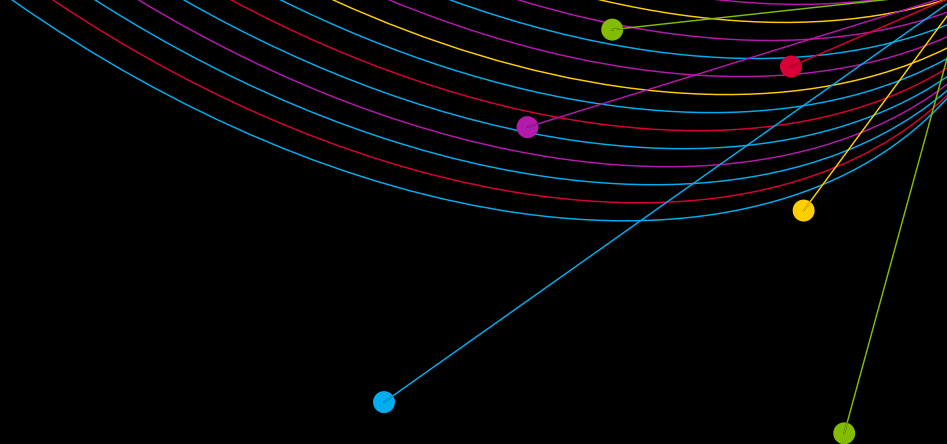
ABOUT NIELSEN

Nielsen Holdings N.V. (NYSE: NLSN) is a global information and measurement company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence and mobile measurement. Nielsen has a presence in approximately 100 countries, with headquarters in New York, USA and Diemen, the Netherlands.

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