

Specialty Retail Rewards Programs— Consumer Insights

Key Insights

1. Specialty Retail Second Highest in Retail Program Membership

More than half (51%) of the consumers surveyed belong to a specialty retail rewards program, just behind grocery with 62% of consumers being members.

2. Book Stores Top the List for Specialty Retail Program Membership

62% of specialty retail store members belong to a rewards program from a book store.

3. “Coupons for Discounts on Total Purchase” Most Preferred Reward for Specialty Retail Members

In general, the rewards that specialty retail members receive don't quite match with their preferences. “Coupons for discount on total purchase” is the top preferred reward and is received by 66% of members.

4. Choice of Specialty Retail Moderately Influenced by Program Membership

12% of specialty retail rewards members indicated their membership was “Very” influential in their choice of a specialty retailer. An additional 53% indicated the membership was “Somewhat” influential.

5. 77% of Specialty Retailers Use Mag Strip or Bar Code Identification Systems

More than three-quarters (77%) of specialty retailers use magnetic strip or bar code systems to identify their rewards members.

About this study

First Data Competitive Intelligence conducted the Consumer Loyalty Study with over 1,000 U.S. consumers in July 2008. The study focuses on rewards programs with Financial Institutions (FIs), the travel sector and the retail sector. This CI Market Brief focuses on consumer insights regarding rewards for the Retail sector. Sample size completing the survey for the retail sector totaled 500 with 146 respondents completing detailed questions regarding Specialty Retail rewards programs.

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Key Insight #1: Specialty Retail Second Highest in Retail Program Membership

More than half (51%) of the consumers surveyed belong to a specialty retail rewards program, just behind grocery with 62% of consumers being members. Consumers who are members of specialty retail programs belong to 2.1 programs on average and visit stores where they are members 75% of the time.

Retail Rewards Program Membership

Industry Type	% of People Who Belong to Rewards Program	% "Active" Memberships* (Among Total Memberships)	Average Number of Memberships (per Participant)	Percent Visits to Store Using Rewards Membership
Specialty Retail	51%	89%	2.1	75%
Grocery	62%	91%	2	75%
Pharmacy	36%	91%	1.2	88%
Department Store	21%	91%	1.6	83%
Gas / Fuel	18%	93%	1.3	75%
Fast Casual	18%	88%	1.6	48%
Coffee	16%	95%	1.3	84%
Discount Store	12%	93%	1.3	72%
Fast Food	6%	90%	1.4	48%

* For the purpose of this study, "active" is defined as follows: having used the rewards at least once since signing up for it.

Date: July, 2008

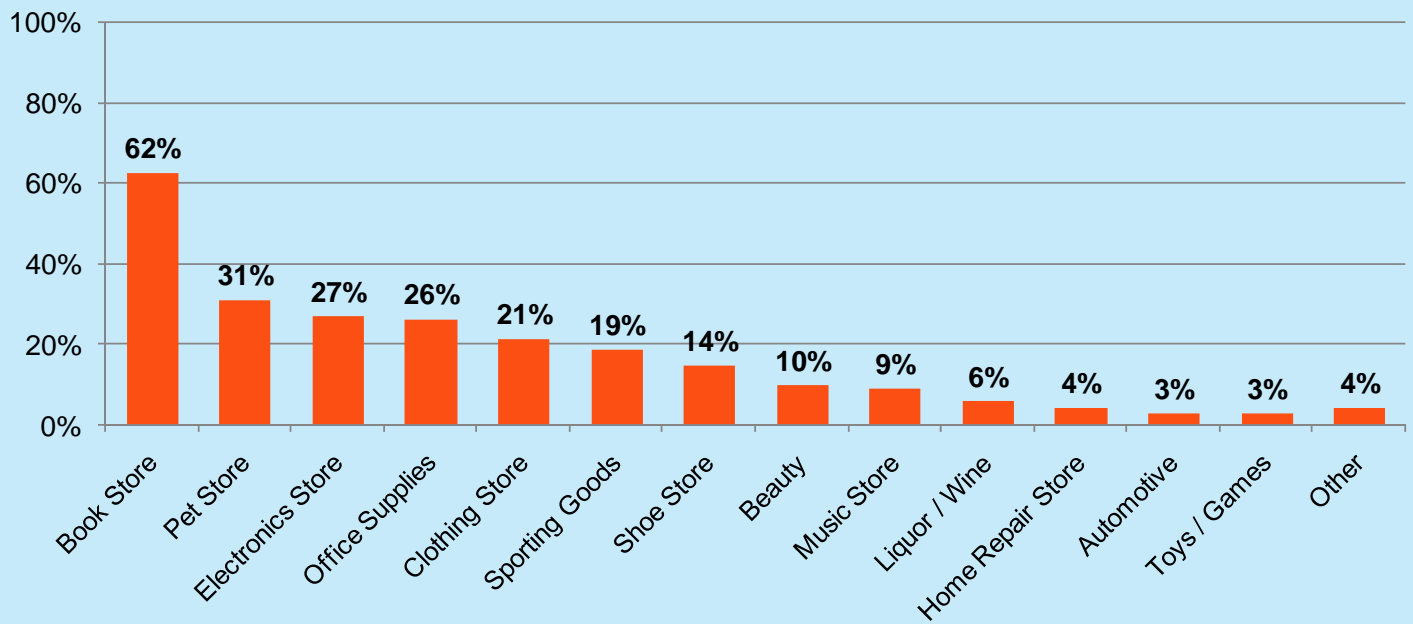
N = 1,000



Key Insight #2: Books Stores Top the List for Specialty Retail Program Membership

62% of specialty retail store members belong to a rewards program from a book store. This is twice the number as the nearest category, pet stores, at 31% of specialty retail members.

Type of Specialty Retail Stores



Date: July, 2008

N = 146



Key Insight #3: “Coupons for Discounts on Total Purchase” Most Preferred Reward for Specialty Retail Members

In general, the rewards that specialty retail members receive don't quite match with their preferences. “Coupons for discount on total purchase” is the top preferred reward and is received by 66% of members. The second most preferred, “Immediate rewards/discounts at the point of sale”, however, is received by only 38% of members. While 61% of members indicate they receive “Coupons for discounts on specific Items”, that reward is rated seventh in terms of preference.

Specialty Retail Rewards Programs

Preferred Rewards (in Order from Most to Least Preferred)	Percent Receiving Rewards
1.) Coupons for Discounts on Your Total Purchase	66%
2.) Immediate Rewards / Discounts at the Point of Sale	38%
3.) Cash Back	8%
4.) Discounted Prices	45%
5.) Free Merchandise or Upgrades	20%
6.) Points or Miles Redeemable for Merchandise or Upgrades	25%
7.) Prepaid / Gift Cards	6%
7.) Money Added to a Prepaid / Gift Card	6%
7.) Coupons for Discounts on Specific Items	61%
10.) Special Members-Only Benefits	41%
11.) Discounts or Rebates on Gas	5%

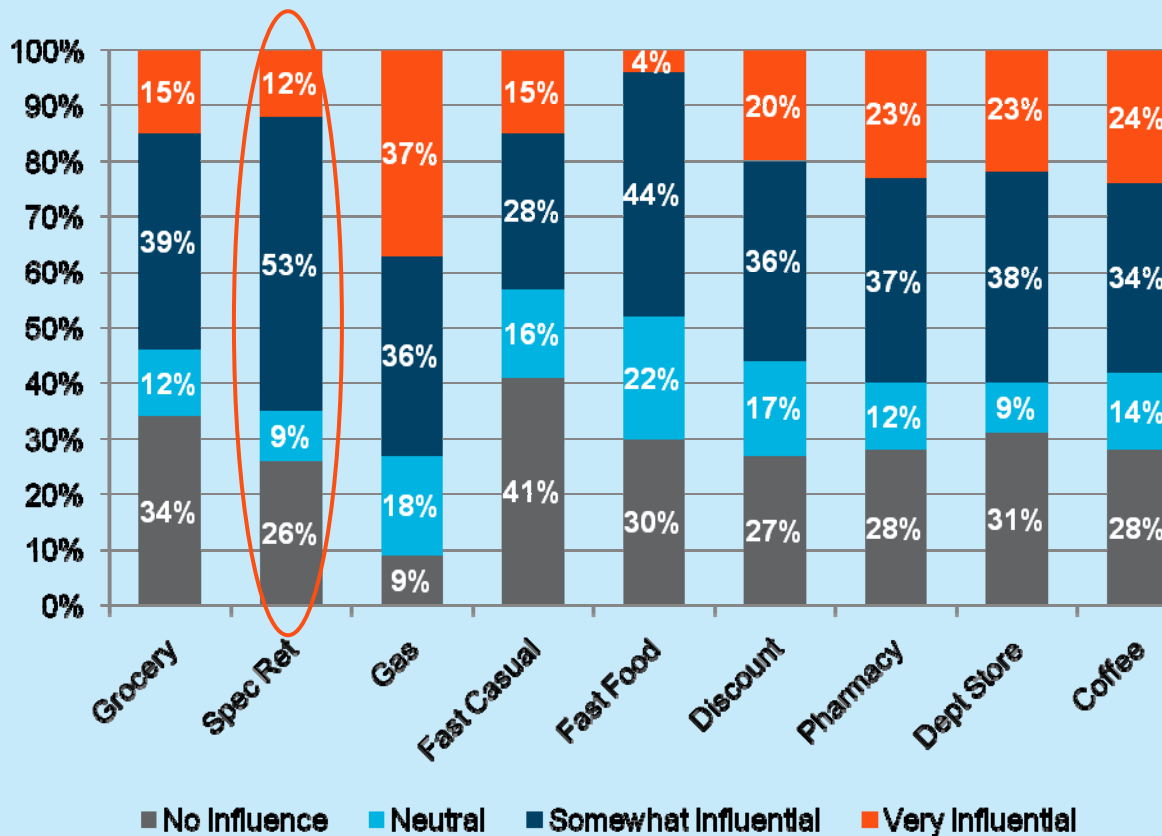
Date: July, 2008

N = 146

Key Insight #4: Choice of Specialty Retail Moderately Influenced by Program Membership

12% of specialty retail rewards members indicated their membership was “Very” influential in their choice of a specialty retailer. An additional 53% indicated the membership was “Somewhat” influential. This value is moderate compared to other retail categories.

Influence of Loyalty Membership on Choice of Retailer



Date: July, 2008

N = see page 7



Key Insight #5: 77% of Specialty Retailers Use Mag Strip or Bar Code Identification Systems

More than three-quarters (77%) of specialty retailers use magnetic strip or bar code systems to identify their rewards members. 8% use a store sponsored credit card while only 2% still use the old-fashioned punch card.

Sample by Retail Program Type

All 500 respondents were asked core questions relating to their retail rewards program membership and needs. In addition, respondents were randomly divided into subgroups to answer questions related to specific retail program types. The following table summarizes the sample size by retail program type:

Sample Sizes by Program Type								
Grocery	Specialty Retail	Gas/Fuel	Fast Casual	Fast Food	Discount Store	Pharmacy	Department Store	Coffee
n=149	n=146	n=70	n=105	n=46	n=70	n=73	n=71	n=92