

Sainsbury's Simple but Painful Lesson

Sainsbury's has announced they are cutting their Nectar points from 2 points per £1 of spending to 1 point. Customers are mad. What did Sainsbury's do wrong?

by Brian Woolf (October 20, 2014)

Introduction

Last week Sainsbury's announced that as from April 11, 2015, six months away, customers will earn 1 point per £1 of spending, half the current 2 point rate. It states that shoppers will still get similar amounts of Nectar rewards because of regular 'bonus events' that will be introduced. In addition, it announced the end of issuing 1 point when a customer brings her own shopping bag.

Customer response, as measured by readers' comments in the various national newspapers, has been huge, scathing and scornful ... all over 1 point per £1 of customer spending.

Sainsbury's Was Right

Sainsbury's recent sales and profits have been sagging. Its new management team rightly reviewed its business to see where expenditure could be redirected to earn a better return. Their 2 points per £1 on all spending would have stood out. So it decided to redirect half of that cost into bonus points. Assuming those bonus points will be on popular products and funded by manufacturers or are in lieu of price promotions, they will effectively cut their points cost in half while issuing the same amount of points. A smart move: same number of Nectar points for half the cost. The logic of this approach can be seen in [**this article \(click here\)**](#).

Sainsbury's had the right intent but customers didn't like the message. Why? And what can we learn from it?

What Lessons Has this Sainsbury Move Taught Us?

The primary lesson is that when a standard reward program, such as a points program, has been in place for a long time without any announced ending date, it evolves into a "right" in customers' minds. When a retailer wishes to change that "right", its replacement benefit should have the potential to be better for the customer and experienced immediately (and generously) to demonstrate the benefit.

Timing is a second lesson. The gap between announcement and change should be almost immediate, not six months away. In this way the change can be surrounded by promotional activity that puts more points than currently earned onto customers' cards.

A third lesson is to combine changes. The halving of points on spending and dropping points on bringing your own shopping bags should occur on the same day. Take the hit at one time and offset it with loads of bonus points.

Timing the change is the fourth important lesson. There are certain times of the year when rewards or benefits (in appearance or in reality) are better than others. The two weeks after Christmas is one of those periods: business is quiet, customers are in a holiday mood, and are more receptive to change at this time of New Year's resolutions.

The final lesson is to set exit dates. Subsidiary programs to introduce a change in behavior or for a "feel-good" reason, such as bringing your own shopping bag, are usually not intended to last forever. With these, it's always best to provide an exit date. For example: *During 2014 we shall give bonus point when the customer does (fill in your choice); or We shall give customers 5 points when they do xyz between now and Christmas Day.* Once a program exit date has been set, it is much more acceptable to the customer when changed or discontinued.

What could Sainsbury's have done instead?

Just prior to January 1, it could announce an important change to its points program that will allow customers to earn more Nectar points than before. The existing points offer will be changed and, as from New Year's Day, bonus points will be offered on popular items around the store. Some will be part of the weekly promotional offer, some will be offered for a month, and others on a longer-term basis. Simply look for the Sainsbury's Bonus Point signs. Because this is an easier and faster way for customers to accumulate points than our present system we are changing our spending rewards from 2 points to 1 point per £1 and retiring our short-term point reward program for bringing your own shopping bag. Points earned by these two changes will be included as part of the new additional Bonus Points program. You will be pleased with this quick and easy way to accumulate Nectar points.

Closing Comment

When the customer is queen, the retailer is king is an old retail adage. Removing customer benefits without replacing them with better and easy to understand (and believe) benefits is not royally treating your customers. It's imperious and customers rightly don't like it. After all, a customer card is often considered a "loyalty" card; our actions should always reflect that mindset which is grounded in transparency and trust.

Copyright © Brian Woolf

About the author...

Brian Woolf is a global leader in loyalty marketing and has written three definitive works on the subject, *Measured Marketing: A Tool to Shape Food Store Strategy*, *Customer Specific Marketing*, and *Loyalty Marketing: The Second Act*. He devotes his time to helping retailers develop, critique and strengthen their loyalty programs.

And there's more where this came from...

Visit us on the web for our complete collection of loyalty marketing articles, insights and practical advice, at

www.brianwoolf.com

E: brian@brianwoolf.com

T: +1 864 458-8277

*Retail Strategy Center Inc.
6 Parkins Lake Court,
Greenville, SC,
29607-3628
USA*

For more customer loyalty articles and research, we also recommend:

The Wise Marketer - free loyalty marketing news & research - TheWiseMarketer.com

The Loyalty Guide - the complete guide to loyalty marketing - TheLoyaltyGuide.com

Colloquy - customer loyalty news and webinars - Colloquy.com

Loyalty 360 - customer loyalty news and webinars - Loyalty360.org