



Loyalty Rewards Schemes

Rewards Schemes seem like something for nothing – but are they?

Once upon a time there were coupons in cigarette packets. Collect sufficient and smokers could exchange them for whatever items were in the tobacco company's catalogue. Then there were green stamps handed over by the shopkeeper; however many depending how much the customer spent. These were stuck in a book, and again they could be traded for advertised items. I seem to recall there was also a rival rewards scheme called pink stamps. Whether the stamp incentive to buy is still going I have no idea. These days, however, specific stores occasionally promote a certain brand of pots and pans or other items at a cheaper-than-normal price, as long as customers collect enough stamps to supplement the lower cash price.

The modern purchaser-reward schemes are still with us, and they come in all shapes and sizes. Stores and supermarkets like to call them loyalty cards which are issued as an incentive to buy at their shops rather than those of the opposition. Usually these schemes are based on a points system whereby the dollar value of purchases equates to a number of points earned; and by simply presenting their membership card these are deposited into the buyer's personal account. Once a certain minimum total is reached, this can be redeemed in various ways depending on the terms and conditions. In many instances there may be a catalogue of special items which can be purchased, provided the customer has sufficient points in their account. Some schemes offer credit vouchers to be used instead of cash to buy goods from their stores. Others may even be redeemable at an affiliated auto service station for fuel.

Then there are the travel kinds where the reward account can be linked to an airline. Once set up, points earned at the store for normal purchases are automatically transferred to an account with a specified airline as frequent flier points. Small batches of points can be used to purchase actual goods; but left to multiply over time and into the tens of thousands they can be used to pay for flights. Points can also be earned on flights that are paid for in cash, so it seems like a win-win situation. But nothing's for nothing, right? Unfortunately, too right.

These bonus free gifts cost money. Stores and airlines can't afford to throw it away as a promotional exercise, because for businesses it is all about profit. In effect, those so-called free bonus points have actually been paid for by you at the checkout. Whatever the cost to the store for operating their reward scheme, the customer foots the bill, a few cents being added to the price of goods purchased. Even those who chose not to participate in the scheme are still paying the same price as those who do. So, logically, you will be better off becoming a member of a scheme than not; provided, of course, that you take full advantage by redeeming the points when you have enough. At least that way you are getting something back.

Sounds okay so far? Perhaps; but there are things to consider. With some schemes there is what could be called a use-by date. Left untouched for too long, those points acquired the earliest are forfeited and suddenly disappear from the account. I don't know about all airlines; but with ours, frequent flier points earned remain available as long as there is movement on the account. What this means is that points have to be added or redeemed at accepted intervals to ensure that the total remaining is usable. Because of Covid we haven't flown for ages, but our frequent flier account keeps increasing because points are still being transferred via our credit card purchases. Whether we'll ever use them again to fly is in the lap of the gods; but there's no way we are going to allow them to lapse. Maybe we might decide to buy some things from the catalogue; who knows?

With respect to the household budget, the trap is to buy only from the store that issued the reward card, simply to earn more points. Ignoring the rivals may mean missing out on special offers and lower prices. Purchasing the same items at the reward store for a higher price will inflate the checkout bill; and just to get a few points that in no way equal the extra expense definitely doesn't make financial sense. Needless to say, there are ways of juggling shopping expeditions to buy from whichever store is going to save you money. And remember: there's no reason you can't have loyalty cards for any number of different venues; then you have the best of both worlds. So, be a canny shopper and reap some genuine cash rewards.

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