



# MONASH BUSINESS SCHOOL

## **ACRS Review of Woolworths 'Woolworths Rewards' program**

Commissioned by Woolworths Food Group

### **Background**

Monash Business School's Australian Consumer, Retail and Services (ACRS) research unit was commissioned by Woolworths Food Group to conduct an independent assessment of data regarding the new 'Woolworths Rewards (WR)' program. This program replaces the existing Everyday Rewards scheme and removes, from 1 January 2016, the ability to earn Qantas Frequent Flyer points. Instead, this program uses a deferred discount system applied to selected items throughout Woolworths and BWS stores, and to be redeemed in Woolworths and BWS stores.

ACRS was commissioned to review the structure of the Woolworths Rewards program, and estimate its relative benefits compared to the existing Everyday Rewards scheme and the Coles FlyBuys scheme. In particular, ACRS reviewed the following:

1. Whether the Woolworths Rewards program would return more or less value to the average shopper compared to Everyday Rewards.
2. Whether the average shopper is able to earn a \$10 reward more or less quickly with the Woolworths Rewards program compared to the Coles FlyBuys scheme.
3. Overall whether the Woolworths Rewards program returns more value to consumers compared to either Everyday Rewards or FlyBuys

### **Methodology**

A variety of data sources were used to conduct this review. Data regarding the average value per shopping occasion and average occasions per week were based on estimates provided by Woolworths. These figures were then used to calculate the estimated number of loyalty points the average shopper would earn during an average shopping trip. The approximate dollar value of points in each program was calculated using a variety of methods:

1. The value of Everyday Rewards points were based on a previously conducted external review of the program as provided by Woolworths
2. The value of FlyBuys points when redeemed as FlyBuys Dollars was calculated based on the advertised redemption of 2,000 points for a \$10 discount
3. The value of FlyBuys points when redeemed in the FlyBuys store was calculated by comparing the points required to redeem products with the recommended retail price of those products. 100 products were used for this estimation, and the average points to dollars ratio was calculated across these 100 products.

The estimated dollar value of each loyalty point was then used to calculate the dollar value of rewards for the average shop under each program. For the Woolworths Rewards program, this calculation is based on the 1.25% return rate guarantee publicised by Woolworths. These figures were then compared with Woolworths data on the average number of shopping occasions per week to calculate the number of weeks required to earn \$10 in rewards for each program.

Monash Business School  
Monash University  
PO Box 197, Caulfield East, VIC 3145, Australia  
Building S9, 26 Sir John Monash Drive  
Caulfield East, VIC 3145, Australia  
[www.monash.edu](http://www.monash.edu)

ABN 12 377 614 012 CRICOS Provider No. 00008C





## Results of Review

### *Comparison of loyalty program rewards for average shopper*

Table 1 presents the estimated rewards for each loyalty program for an average shopper that spends \$43.20 per shopping visit and who shops on average 2.5 times per week (based on Woolworths estimates).

Table 1: Review of rewards based on loyalty program for average shopper

Loyalty Program	Points per visit	\$ value reward per point	\$ value reward per visit	Visits required to earn \$10 reward	Weeks required for \$10 reward
Woolworths Rewards	n/a	n/a	\$0.5398	18.53	7.41
Everyday Rewards – Redeem on Domestic flights	12	\$0.0140	\$0.1820	54.95	21.98
Everyday Rewards – Redeem on International flights	12	\$0.0075	\$0.0975	102.56	41.03
Everyday Rewards – Redeem in Qantas Store	12	\$0.0066	\$0.0858	116.55	46.62
Everyday Rewards – Redeem on Gift Card	12	\$0.0040	\$0.0520	192.31	76.92
FlyBuys – Redeem on FlyBuys Dollars	42	\$0.0050	\$0.2150	46.51	18.60
FlyBuys – Redeem in FlyBuys Store	42	\$0.0057	\$0.2451	40.80	16.32

The figures displayed in Table 1 assume the Woolworths Rewards program provides a 1.25% earn rate to customers. To achieve this return, ACRS estimate that the average shopper must spend at least \$3.60 per visit on products that accrue a deferred discount (equating to 8.33% of spend per visit), assuming a deferred discount amount of 15%.

### *Comparison of loyalty program rewards based on shopper segment*

The relative value of the listed loyalty programs for 7 segments of grocery shoppers as defined by Woolworths were then compared. This analysis was based on the estimated earn rate of each program. For Woolworths Rewards this figure was 1.25% which is designed as the average earn rate for the program while for FlyBuys it was calculated using the calculated average dollar value of points earned per dollar spent in store.

Table 3: Comparison of rewards per loyalty program across shopper segments

		Singles	Young Couples	Affluent Couples	New families	Families with young kids	Families with teenagers	Older couples
Average \$ per week		\$70	\$70	\$110	\$118	\$125	\$140	\$120
Woolworths Rewards (1.25% earn rate)	\$ reward per week	\$0.88	\$0.88	\$1.38	\$1.48	\$1.56	\$1.75	\$1.50
	Weeks for \$10 reward	11.4	11.4	7.3	6.8	6.4	5.7	6.7
FlyBuys – Redeem on FlyBuys dollars (0.50% earn rate)	\$ reward per week	\$0.35	\$0.35	\$0.55	\$0.59	\$0.63	\$0.70	\$0.60
	Weeks for \$10 reward	28.57	28.57	18.18	16.95	16.00	14.29	16.67
FlyBuys – Redeem on FlyBuys dollars (0.57% earn rate)	\$ reward per week	\$0.40	\$0.40	\$0.63	\$0.67	\$0.71	\$0.80	\$0.68
	Weeks for \$10 reward	25.06	25.06	15.95	14.87	14.04	12.53	14.62

## Conclusion

Based on the analysis conducted above, ACRS estimate that the average grocery shopper will earn a \$10 reward from the Woolworths Rewards program approximately every 7.4 weeks. This is less than half the estimated time to earn the equivalent reward from the Coles FlyBuys scheme, and approximately a third or less of the estimated time to earn the equivalent reward from the existing Everyday Rewards program, while also accounting for the variety of ways that points can be redeemed in these programs. This finding is consistent across the shopper segments considered, as the average number of weeks to earn a \$10 reward from the Woolworths Rewards program is less than half that of FlyBuys for all segments.

There are a number of disclaimers that must be noted when interpreting these results:

1. The results are based on average purchasing figures and therefore do not account for all possible shopping behaviours
2. The analysis focused on points earned from grocery shopping and does not consider points earned through other schemes such as credit cards, purchases from partners etc. However, Woolworths Rewards members may also earn points through these sources.
3. While we note that Woolworths makes the claim that the Woolworths Rewards member only promotional package and fuel offers will be at least as, if not more, generous than that of FlyBuys, this analysis does not consider other sources of value for members of loyalty programs such as sales, promotions on products or promotions related to additional point accumulation.
4. The analysis assumes that the Woolworths Rewards program will offer an average 15% deferred discount on products included in the program, and the range of products offered will be sufficient to ensure an average 1.25% earn rate for customers.