



February 2025

Know Your Shopper

In collaboration with



A New Era of Pricing

Driving Growth and Loyalty with Advanced Membership Models

Consumer loyalty isn't just earned—it's actively bought. In the UK, where 97% of shoppers belong to at least one loyalty scheme (Competition and Markets Authority), membership pricing is becoming critical for market share growth. In an age of savvy shopping where consumers demand more, offering exclusive discounts and other member benefits is key for transforming how retailers connect with consumers.

Today, consumers expect tailored experiences, tangible value, and exclusivity. Tesco Clubcard and Sainsbury's Nectar card may have led the charge, but retailers like Boots, Superdrug and H&M are quickly following suit. With competition for consumer attention fiercer than ever, getting it right can mean the difference between sustained loyalty or lost consumers.

Responding to these market dynamics, we partnered with Retail Economics to investigate what motivates consumers to join loyalty schemes, what benefits they truly value, and how they perceive membership-based pricing structures. We also investigate how retailers can craft membership strategies that drive engagement, protect profitability, and stand the test of time.

In Part 1, we set the stage by exploring the economic pressures and trends shaping today's retail landscape. Part 2 identifies consumer cohorts, revealing what matters most – from value perceptions to purchase barriers. Finally, Part 3 discusses key focal points for retail brands striving to build effective membership schemes that create genuine and sustained loyalty.

Terminology used throughout this section

Loyalty schemes / loyalty memberships	Schemes offering benefits to consumers by a retailer (e.g. Tesco Clubcard, lower prices, exclusive deals, loyalty points etc.)
Membership pricing	The practice of offering lower prices and other discounts to loyalty scheme members over non-members

Part 1 – Understanding your consumer

The consumer landscape in an age of disruption

Retailers today face unprecedented challenges in a rapidly evolving market. The cost-of-living crisis has squeezed consumer spending power, intensifying price sensitivity and eroding brand loyalty. Consumers now demand greater value, pushing businesses to rethink traditional pricing models. Membership pricing has emerged as a strategic tool to enhance loyalty and offer increased perceived value.

Post-pandemic, consumer behaviour has shifted significantly. Many are returning to physical stores seeking familiarity and immediacy, creating online and in-store touchpoints in their hunt for value with complex consumer journeys. Retailers must deliver seamless, connected experiences across all channels to stay ahead.

In a saturated digital marketplace, competition for consumer attention is fierce. Mastering the 'attention economy' is critical for consumer retention; a robust pricing strategy is a central part of this. Furthermore, the rapid advancement of technology, evolving consumer expectations, and the demand for personalised experiences continue to reshape the retail landscape.

Loyalty memberships can help retail brands respond to many of these challenges by meeting consumers' need for value, sense of appreciation, and their desire for personalised offers that are delivered conveniently.

The membership pricing value model

The range of membership benefits for both consumers and retailers are underpinned by a variety of psychological factors. Here, loyalty schemes enhance shoppers' experiences in several ways, as illustrated in our Membership Pricing Value Model. Key features include:

Self-perception theory: By reinforcing consumers' self-identity as loyal and valued shoppers, consumers begin to see themselves as committed to a retailer. Retailers can build on this by offering early access to sales or rewards, while emphasising exclusivity. This can help foster psychological connections – 59% of members agree that membership made them feel more connected to a retailer.

Scarcity effect: Membership pricing schemes use the psychological trigger of scarcity to great effect by limiting the availability of significantly cheaper prices to members. Not only does this drive sign-ups (16% of non-members say they consider joining when they see membership pricing), it also strengthens the perceived value of membership.

The Anchoring Effect: This works by setting a reference point in consumers' minds, helping them judge the value of membership pricing more favourably. By clearly communicating comparisons and long-term benefits, retailers can turn sceptical shoppers into loyal members who are confident they're making the right choice. On average, 12% of members and 62% of non-members feel sceptical about membership scheme savings.

Cognitive ease: Membership pricing makes it easy for consumers to feel confident they're getting the best deals – 52% of members check prices at other stores less often, with 70% citing convenience as a major factor in their day-to-day purchasing decisions.

Social proof: Evidence of millions of members belonging to a scheme helps build credibility, especially when friends and family are involved: 61% of consumers say they frequently recommend products and services to family, highlighting the role that social proof often plays in shopping decisions.

Overall, these factors drive a range of consumer benefits – from enhanced value perception to greater convenience and psychological satisfaction. These in turn drive benefits for retailers such as bigger basket sizes, cross-sell opportunities, and increased retention.

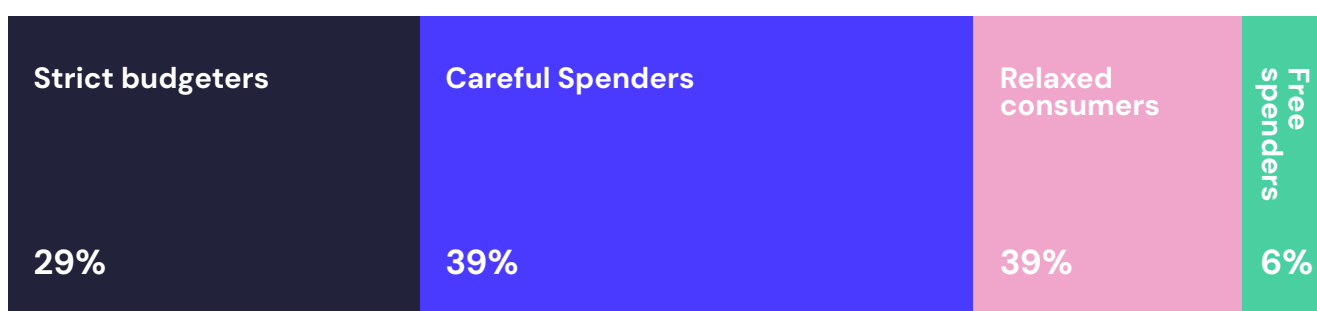
The Membership Pricing Value Model



Part 2 - Consumer drivers of loyalty schemes

Most consumers appreciate loyalty schemes, but there are differences in what shoppers value, particularly when it comes to household spending. Our research identifies four distinct cohorts:

The four key loyalty cohorts



Rising propensity to spend

Source: Retail Economics, Vypr

Cohort characteristics

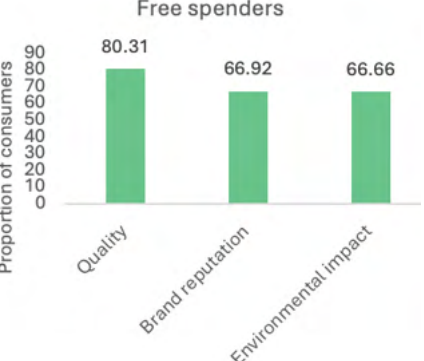
Strict Budgeters (29%)

Very careful spenders who track every penny, they are most likely to be found in households earning £25k per year or under. However, they are represented across all income groups – just under a quarter (24%) of those earning £67k or more are strict budgeters. Strict budgeters are roughly equal across the age groups, although the 65+ group is slightly less likely to be in this category.

Strict budgeters value price above everything else and are more likely than other groups to take memberships into account when choosing where to shop



Cohort characteristics (continued)

<p>Careful Spenders (39%)</p>	<p>The largest group, this group is generally careful about their spending, but not strict. They are more likely to be older (29% of 18–24s are in this group, compared to 44% of 65+) and have a household income of between £25k and £67k. They value price and quality almost equally, and when asked what they want from a loyalty membership, they choose extra savings on their most frequent purchases.</p>	<p>Careful spenders value price and quality almost equally</p>  <table border="1"> <caption>Careful spenders</caption> <thead> <tr> <th>Category</th> <th>Percentage of consumers</th> </tr> </thead> <tbody> <tr> <td>Price</td> <td>81.7</td> </tr> <tr> <td>Quality</td> <td>80.05</td> </tr> <tr> <td>Convenience</td> <td>67.67</td> </tr> </tbody> </table>	Category	Percentage of consumers	Price	81.7	Quality	80.05	Convenience	67.67
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<p>Relaxed consumers (19%)</p>	<p>Relaxed consumers take a relatively laissez-faire approach to spending on necessities but are careful about luxuries. They are equally distributed across the age groups, with a small peak between the ages of 25 and 44, and their numbers increase according to household income – 27% of those earning £67k or more are in this group, compared to 13% of those earning £18k or under. They are most likely to value quality, although convenience and price are not far behind.</p>	<p>Quality ranks highest but price follows closely</p>  <table border="1"> <caption>Relaxed consumers</caption> <thead> <tr> <th>Category</th> <th>Percentage of consumers</th> </tr> </thead> <tbody> <tr> <td>Quality</td> <td>83.78</td> </tr> <tr> <td>Price</td> <td>80.09</td> </tr> <tr> <td>Convenience</td> <td>76.42</td> </tr> </tbody> </table>	Category	Percentage of consumers	Quality	83.78	Price	80.09	Convenience	76.42
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<p>Free spenders (6%)</p>	<p>The smallest group, free spenders tend to be both richer and older, with the likelihood of being a free spender increasing with both age and household income. This group spends without worrying, whether on necessities or luxuries. They have different values to other groups, putting quality top of the list.</p>	<p>Free spenders have different values to others</p>  <table border="1"> <caption>Free spenders</caption> <thead> <tr> <th>Category</th> <th>Proportion of consumers</th> </tr> </thead> <tbody> <tr> <td>Quality</td> <td>80.31</td> </tr> <tr> <td>Brand reputation</td> <td>66.92</td> </tr> <tr> <td>Environmental impact</td> <td>66.66</td> </tr> </tbody> </table>	Category	Proportion of consumers	Quality	80.31	Brand reputation	66.92	Environmental impact	66.66
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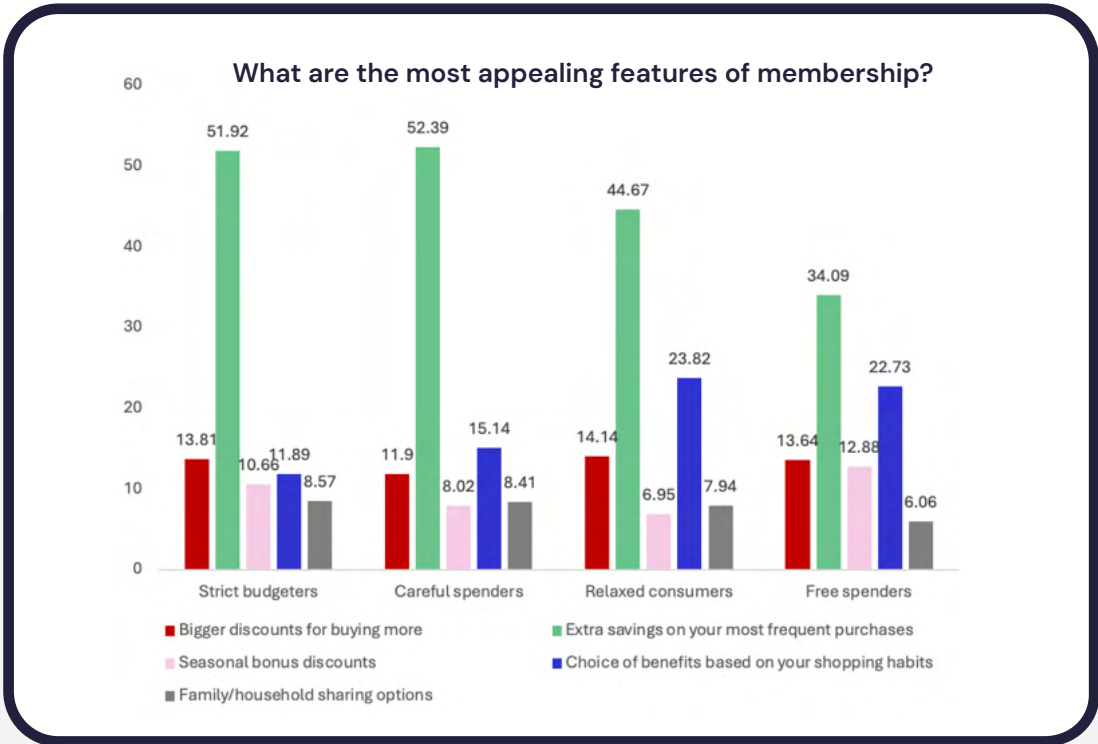
What drives loyalty schemes?

The biggest drivers of loyalty membership are the savings members enjoy, access to exclusive deals, and the sense of belonging to a valued group. For non-members, fear of missing out (FOMO) plays a significant role. Here, 64% feel excluded by membership pricing, while 41% are actively considering signing up. Members, on the other hand, value the sense of getting the best deals and worry about missing out if they leave – 79% believe they receive better value than non-members.

Household budgeting styles also shape how people perceive membership pricing benefits. ‘Strict Budgeters’ tend to prioritise the tangible savings schemes offer. ‘Free Spenders’ and ‘Relaxed Consumers’ appreciate having a choice of benefits tailored to their shopping habits. Meanwhile, those on tighter budgets – representing the majority of consumers – see the most value in discounts applied to their regular, essential purchases.



‘Strict Budgeters’ value extra savings on their most frequent purchases.



With access to membership prices, consumers like to be certain they’ve got the best prices on offer. Retailers should communicate clearly around price-checks, or provide easy ways of checking prices and offers. 77% of the non-members surveyed agreed that they prefer to shop around for the best prices, suggesting that if they could be certain they were accessing the best prices, they might sign up.

What drives loyalty schemes?

Loyalty schemes have a significant impact on purchasing frequency. Here, 70% of members say they shop with a retailer more because of their membership, while 63% buy impulse items because of it. Shoppers under 45 and the more affluent households are particularly likely to respond in these ways.

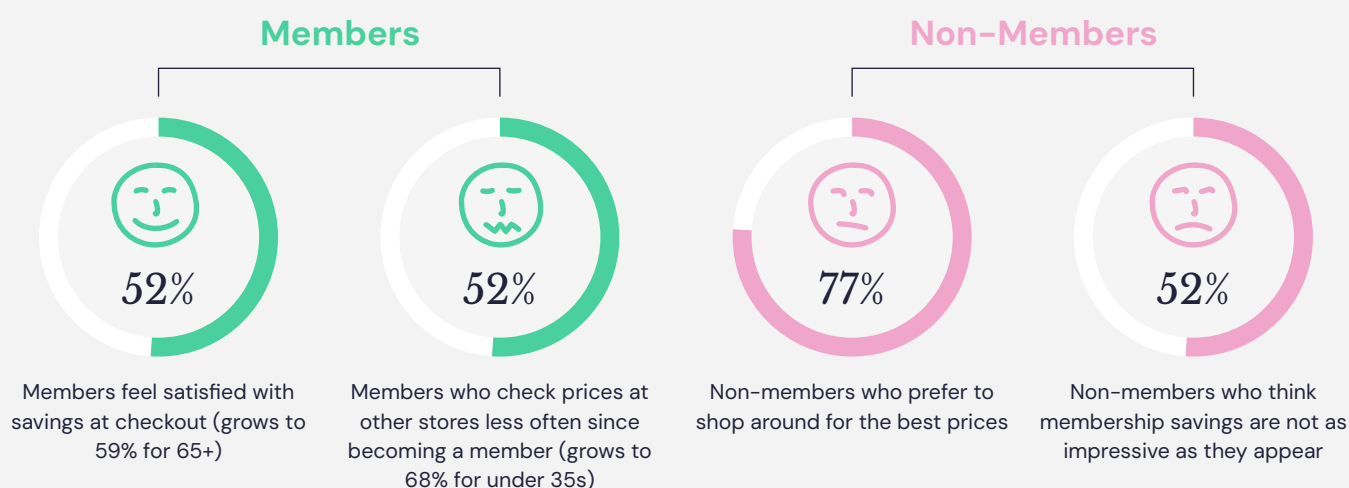
Meanwhile, non-members are likely to behave in the opposite way – when they see membership prices in-store or online, 27% say they are likely to shop elsewhere. Memberships encourage repeat visits and unplanned purchases, boosting average basket size and transaction value. This underscores the importance of designing loyalty programs that emphasize tangible, easily accessible benefits to maximise retention and revenue, and to make it easy for non-members to join.



How do membership schemes impact consumer behaviour?

Our research shows that membership schemes have a significant impact on consumer behaviour in key areas

Membership scheme impact on key consumer behaviour



In November 2024, The Competition and Markets Authority (CMA) after analysing 50,000 grocery products on loyalty promotions, found little evidence of supermarkets artificially inflating prices before membership deals make savings appear more attractive.

This finding, together with the key behavioural shifts, create an opportunity for retailers to champion the real value of loyalty pricing. But importantly, price transparency is critical—honest communication about pricing is needed to build trust and credibility.

Regarding the different cohort perceptions, 'Strict Budgeters' focus on savings, while 'Careful Spenders' value price and quality equally. 'Relaxed Spenders' prioritise price, quality, and convenience, whereas 'Free Spenders' emphasise premium quality, with sustainability and brand reputation close behind.

To make loyalty schemes resonate, retailers should tailor strategies to different priorities. Highlight savings for 'Strict Budgeters', premium offerings for 'Free Spenders', and balanced approaches for 'Careful' and 'Relaxed Spenders'. A segmented approach ensures loyalty memberships appeal broadly while addressing diverse shopper needs.

Membership impact on up-selling

Our research highlights that membership pricing encourages larger basket sizes and offers opportunities for upselling and cross-selling. 71% of shoppers agree they switch to products with membership pricing, rising to 78% of those aged under 35. 'Strict Budgeters' are also particularly likely to switch, with 74% agreeing they do so, compared to 64% of 'Free Spenders'.

By using a combination of transaction, demographic and purchase history data, retailers can identify consumers most likely to respond to specific offers, boosting revenue and improving the shopping experience. Tracking interactions on digital platforms such as apps and wish lists can identify opportunities for personalised recommendations. Additionally, in store, point-of-sale systems can flag cross-sell and upsell opportunities based on basket contents. Those who are most likely to switch products based on offers can be retargeted.



Part 3 – Retailer takeaways



Our research identifies five key areas for retail brands to focus on to help ensure their membership schemes have a significant and positive impact on the consumer experience, as well as loyalty, engagement and revenue:

1. Tailor rewards to boost consumer satisfaction

Use behavioural, demographic and transactional data to identify consumers most likely to respond to upsell and cross-sell opportunities – often younger strict budgeters – as well as the offers each shopper is most likely to appreciate based on their purchase history.

2. Communicate with transparency

Membership pricing schemes are dogged by scepticism – 62% of non-members think savings are not as impressive as they appear. To communicate the genuine value of loyalty pricing, retailers should provide external validation where possible, using independent price checks and findings from industry regulators. Historical price tracking and price-check tools will build consumer confidence. Training store staff to be equipped to answer queries will also greatly help.

3. Use digital shopping features to boost immediacy and convenience

With 70% of consumers regularly using their smartphones for shopping, and 73% regularly using apps, these digital tools can help retailers connect with consumers at critical moments, offering immediate savings and enhancing shopping convenience.

4. Prioritise ease and convenience to boost repeat visits

Membership schemes encourage repeat visits and larger baskets, but their success hinges on simplicity. Retailers should create pricing schemes that are easy to join, with clear, straightforward reward structures and minimal tier complexity. User-friendly apps and marketing materials are key to fostering understanding, allowing consumers to quickly grasp the benefits and make confident purchasing decisions. A seamless experience not only enhances engagement but also builds long-term loyalty.

Part 3 – Retailer takeaways



5. Consider segmentation

Different consumers value different things, and retailers should consider tailoring their loyalty and pricing strategies to ensure the highest possible number of people get what they want from a loyalty scheme. Combining different sources of data – from consumer feedback to demographics and sales data –

retailers will be able to identify who is likely to appreciate different elements of a loyalty scheme. Highlight savings for 'Strict Budgeters', premium offerings for 'Free Spenders', and balanced approaches for 'Careful' and 'Relaxed Spenders'

6. Get the basics right

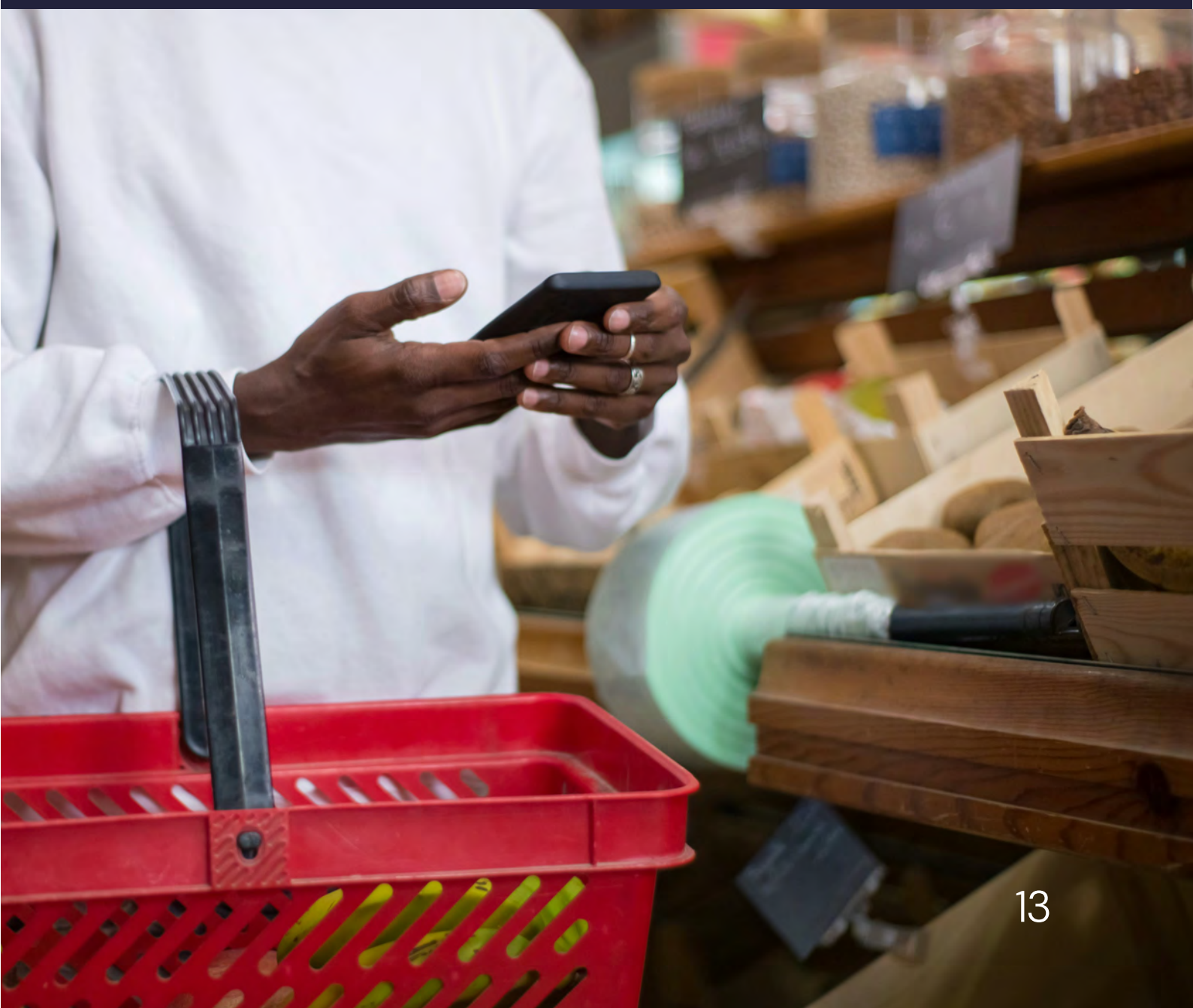
Memberships can drive a wide range of business benefits, but when it comes to deciding where to shop, consumers prioritise price, location, and product range over loyalty schemes. Retailers must first ensure these core elements are strong before leveraging memberships to enhance loyalty and engagement. A solid foundation will maximise the impact of loyalty programs and ensure long-term success.

In Summary



Membership pricing offers retailers a powerful way to drive loyalty, boost basket sizes, and engage diverse consumers.

Success depends on transparent communication, personalised rewards, and seamless experiences tailored to different cohort characteristics. Retail brands must balance evolving consumer demands with operational efficiency to maximise impact. As competition intensifies, retail brands that refine their strategies will lead the way in delivering genuine value. After all, loyalty isn't just earned – it's bought with value, trust, and a commitment to meeting consumers where they are.



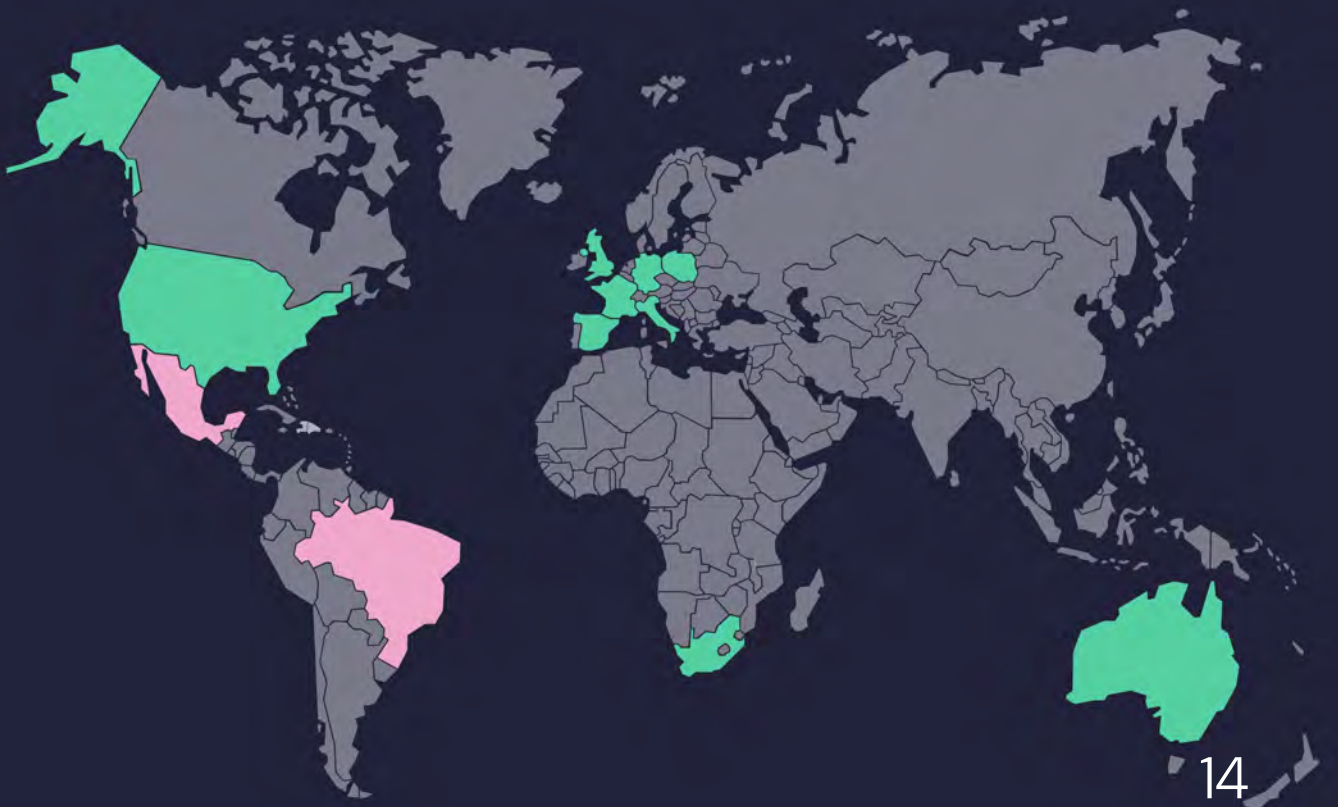
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