



Unpacked:
Impact of Membership
Schemes and Loyalty

A New Era of Pricing

Driving Growth and Loyalty with Advanced Membership Models

Consumer loyalty isn't just earned—it's actively bought. In Australia, where **97.2% of shoppers belong to at least one loyalty scheme**, 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. Flybuys (Coles Group) and Everyday Rewards (Woolworths) may have led the charge, but retailers like Myer and Costco 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 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. Everyday Rewards, 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

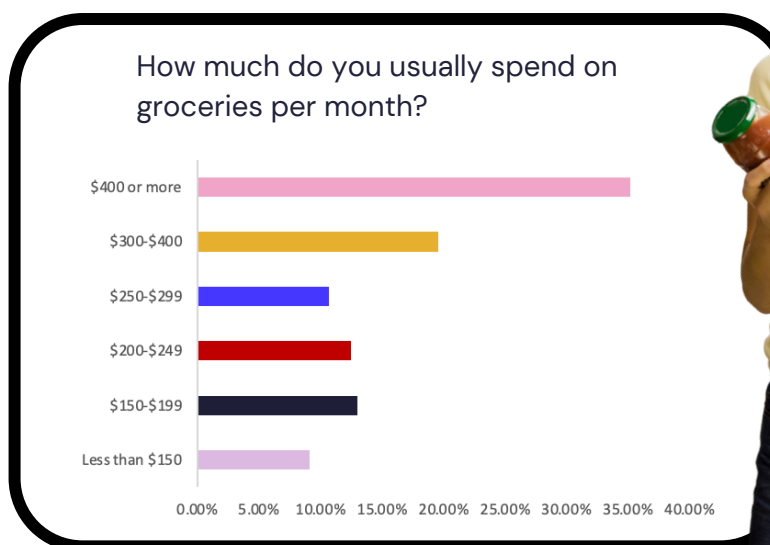
The consumer landscape in an age of disruption

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 and maximise the rising consumer basket spend in their stores.

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 – **68.8% 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 (**15.6% 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, **20.5% of members and 84.4% 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 – **50.6% of members check prices at other stores less often**, with **93.3% 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: **51.4% of consumers say they frequently recommend products and services to family**, highlighting the role that social proof often plays in shopping decisions.

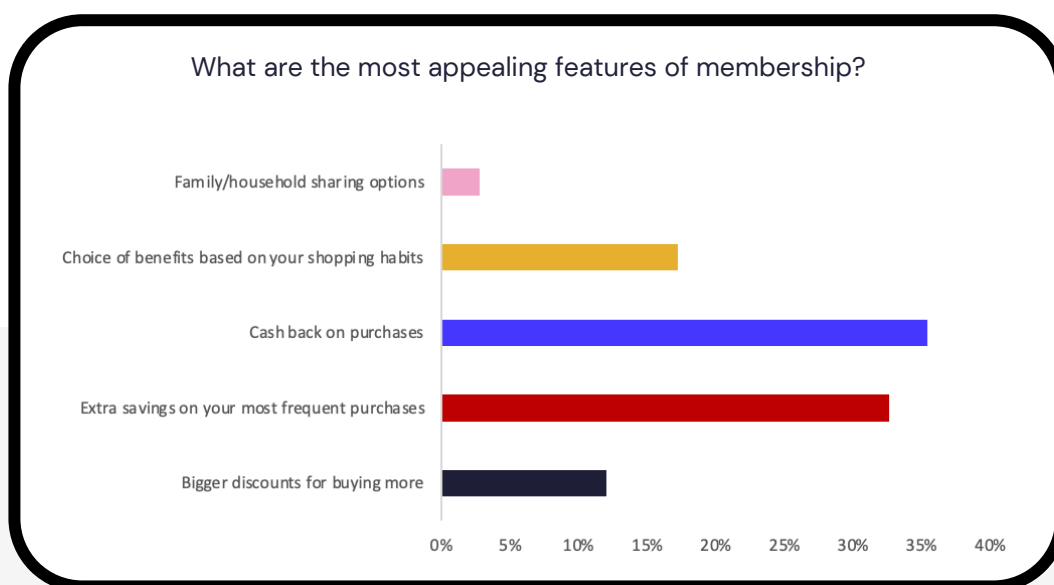
Overall, these factors drive a range of consumer benefits – from enhanced value perception to greater convenience and psychological satisfaction. These in turn drive benefits for retailers such as bigger basket sizes, cross-sell opportunities, and increased retention.

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 plays a significant role. Here, **59.4% feel excluded by membership pricing**. Members, on the other hand, value the sense of getting the best deals and worry about missing out if they leave. **79.5% believe they receive better value than non-members**.



Consumers 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. 93.8% 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, 69.0% of members say they shop with a retailer more because of their membership, while 48.3% buy impulse items because of it.

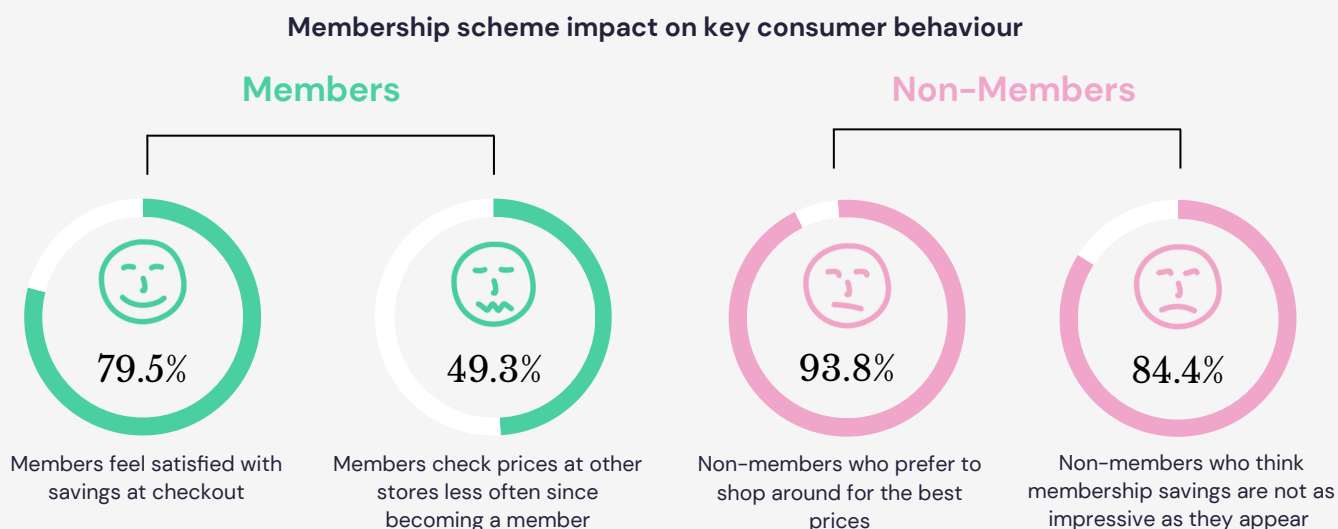
Meanwhile, non-members are likely to behave in the opposite way – when they see **membership prices in-store or online, 18.8% say they are likely to shop elsewhere.**

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



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.

To make loyalty schemes resonate, retailers need to focus on connection, not just transactions. Nearly **7 in 10 shoppers (68.8%) feel more connected to a retailer after joining a loyalty programme**, suggesting emotional value is a key driver. Although loyalty alone doesn't always change behaviour, especially when schemes rely too heavily on discounts. Instead, schemes should deliver fast, personalised rewards that feel genuinely valuable and use mobile as a core touchpoint, with **64.0% of shoppers using smartphones for shopping and 74.7% using apps**.

Retailers should also be cautious with exclusivity. While **12.5% of shoppers say member-only prices make them consider joining, 59.4% say those same prices make them feel excluded**. This indicates that the way loyalty perks are presented matters just as much as the perks themselves. Retailers should shift their messaging from "you can't access this" to "here's a reward made for you," using light-touch nudges and frictionless sign-ups. With **84.4% having never considered a loyalty scheme**, there's untapped potential, but success will depend on how well a retailer can make shoppers feel recognised, not restricted.

Membership impact on up-selling

Our research highlights that membership pricing encourages larger basket sizes and offers opportunities for upselling and cross-selling. Nearly **half of shoppers (48.3%) say they've bought extra items thanks to cheaper membership pricing**, showing the power of timely incentives. Even among those less influenced by price alone, well-placed prompts and personalised recommendations can make additional purchases feel valuable.

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 – 84.4% 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 64.0% of consumers using their smartphones for shopping, and 74.7% 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.

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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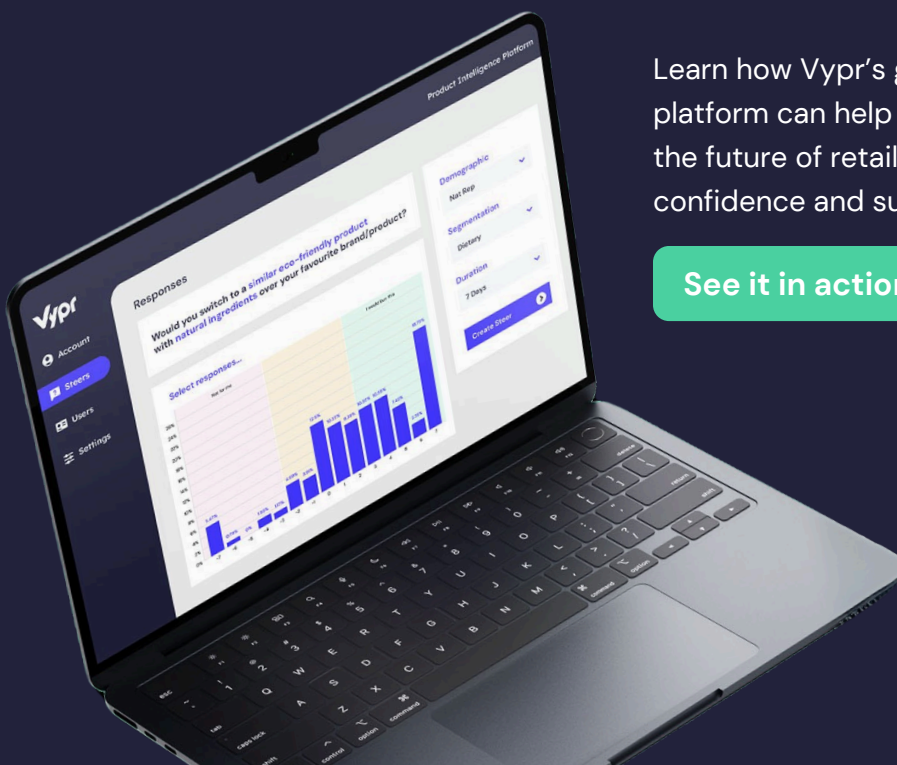
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