



From Loyalty to Community: an Enabling Platform

A white paper

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Executive Overview

Loyalty schemes can be traced to mutual societies such as the Rochdale Pioneers in the 1840s. In recent years, supported by the ease of data processing, they have been exploited by many retailers to increase profits. Although loyalty schemes have proliferated, there has been a reduction in the benefit to the consumer - increasingly the focus has been directly upon driving retailer profits without reference to any wider potential society benefits.

The HometownPlus loyalty scheme reverses this - explicitly focusing upon the benefits for the membership and the local area. The scheme provides a single loyalty card that members can use in their local town across local retailers, local leisure services, local transport and local council services. In turn the card passes benefits back to the members to be spent in the local town, thereby benefiting the local economy.

The essence of the scheme, enabling data capture at the point of use along with the provision of rewards, is presently implemented using plastic cards and can be readily rolled out on smart cards and smart phones. Excitingly the same mechanism that is used for loyalty also supports the reward of societal contribution - by assigning points to members who take part in positive local activities and providing the infrastructure to support timebanking . The central platform enables social innovation by providing an information source: enabling volunteers to see what needs they could meet and how they could benefit from their rewards.

In the UK, local councils are facing a perfect storm of substantial funding reductions from central government, coupled with rising local need among their ageing population and the need to support their communities through a deep and challenging recession. HometownPlus supports local councils both strategically and operationally by helping with both demand and supply side problems.

In terms of demand side, HometownPlus is an enabling technology with the potential for councils to manage personal social care budgets. On the supply side, the incentive mechanism provided through the provision of rewards is an effective behaviour change platform. This can be used to dramatically increase the supply of informal services such as befriending, home maintenance and

bereavement support to augment or replace the professional services traditionally commissioned. Increasing active communities in this way provides substantial savings to the local authority's largest budget area, social care, and does so in a completely transparent manner. In contrast with the expensive advertising based approaches to behaviour change, incentive based mechanisms are totally measurable.

In an age of increasing fragmentation, HometownPlus offers a glue to heal broken society, drawing local people together to support their local high street retailers, increasing their participation in local affairs and both incentivising and rewarding them to good works in the local community. Through takeup of HometownPlus we will see increased pride in the local town and a greater sense of cohesion amongst local communities.

Historical use of loyalty schemes

Loyalty schemes have been used in many areas including travel, retail and leisure. The presumptions behind the schemes are that (i) customers would welcome a 'relationship' with the brand, (ii) a proportion of customers may be loyal and (iii) in being loyal demonstrate an increased profitability; furthermore (iv) their behaviour may be influenced by the loyalty scheme (Dowling and Uncles 1997). Examples of loyalty scheme are many-fold - Nectar and Tesco Clubcard in many ways being pre-eminent present day examples whereby data from transactional records are examined in order to deliver personalised rewards and offers to the customer (Rowley 2005).

The essence of loyalty based schemes can be traced further back to before the modern day data processing capabilities. Rochdale Pioneers from the 1840s established a series of principles which led, as one of their outworkings, to an increased level of loyalty towards the cooperatively organised retailer. Specifically in terms of property rights, the membership was open to all and the equity within the system was created by the membership. The governance and control was undertaken on behalf of members. Trading and exchange of goods or services was undertaken at market prices, with cash not credit payments, leading to a system without any additional risk being required by the participants who benefited with dividend payments in proportion to their usage. (Zeuli 2004).

There are stark contrasts between the Rochdale Pioneers and the modern day loyalty schemes. The former is explicitly mutual, for the benefit of the members, whereas the latter are invariably established to profit the company and private investors in the form of shareholders. The former seeking to benefit their local areas, for example, by the provision of educational services.

In loyalty schemes such as Tesco Clubcard there is a lack of genuine member involvement beyond the participation in collection of points and consumption of rewards; the membership has no involvement in the scheme's governance, it would be fair to highlight the profound power imbalance between the individual member and the scheme which contrasts with mutuality based schemes whereby the overall scheme promotes collaborative action on the part of the members.

In writing about Tesco Clubcard, it is telling that Clive Humby titled the book Scoring Points (Humby et al 2004) and focused upon how the retailer can exploit the data assets in order to improve their performance - incentives are targeted to maximise benefit to one side only, namely Tesco.

Let us turn to the particular notion of loyalty - at its widest this embodies being an ambassador for the brand, seeking to engage in a deeper relationship with the brand. It is questionable how standard loyalty schemes, with the focus on increasing incentives and rewards in exchange for increasing expenditure, really promote loyalty in this wider sense. The aim of loyalty is debased towards an emotionally neutral transactional interchange.

HometownPlus shows that this need not be the case where the loyalty scheme is closely aligned to the interests of the membership, both at an individual level but also through mutuality and as a membership wide collaboration. Whilst HometownPlus delivers the transactional element of contribution and reward, it also has the potential to align emotions and behaviours of individuals in loyalty to the local aims. These aspects are explored below.

Local loyalty and mutuality

HometownPlus provides a platform that can be used on a local level, such as across a town, effecting a loyalty based scheme but doing so from the principles of mutuality. The key elements of the scheme include:

members - from the local community to elect to participate in the scheme, their motivation ranging from the mercurial desire to benefit from discounts and offers through to the egalitarian desire to see their local area prosper.

partners - local product and service providers such as local retailers, operators of leisure services, transport and infrastructure providers as well as a more generally those seeking to shape or benefit the local place such as local council or community and voluntary sector.

incentives - offered by the partners to the members and tailored and targeted to each individual based upon their participation in the scheme.

contribution - capturing information about how members give locally in terms of their time, money or skills.

At present the scheme is implemented using a physical card which is swiped or scanned to capture contribution - for example a retailer can associate a purchase transaction with the member at the point of sale or, more generally, a youth worker can record participation in a community event by scanning the youth's HometownPlus cards during the session. Incentives in the form of offers can be distributed directly to the members using town centre booths that scan the members' card and print physical coupons for each incentive.

The design has been future-proofed and is already able to exploit mobile technology - for example associating the membership card with a mobile phone and distributing incentives through an app on the phone.



HometownPlus has embraced the principles of mutuality, recognising that there is power for good in working collectively, thereby seeking to share individual contributions for a common good. Each incarnation of HometownPlus is locally relevant - seeking to build local value, directly benefiting the local neighbourhood and communities from which the membership and partner base is drawn. HometownPlus provides an effective means of exploiting assets by looking to nurture and release the potential of all assets, be that local pride, individuals and their contribution or the power of the collective.

The following sections outline a number of example applications of the power of HometownPlus.

Improving retail through loyalty within local town

Hallsworth et al (2010) in their study of Portsmouth have highlighted the shift from the town centre High Street being the retail leader towards domination by the supermarket, stating bleakly that "the free standing car based food superstore is now the hegemonic retail format". We must consider what can be done to revitalise the town centre, especially in the light of competition from out of town retail parks and on-line shopping. Dobson (2011) points to four ways of revitalising town centres (i) increasing footfall in the town centre (ii) increasing customer satisfaction with the shopping experience (iii) ensuring diversity and (iv) promoting economic activity.

HometownPlus is a powerful tool that draws people into the town, through the rewards mechanism providing opportunity to treat and delight the member thereby increasing satisfaction with the town centre experience, encouraging discovery of new diverse shops within the town and encourages local spending.

Furthermore, the local HometownPlus card provides a unifying mechanism that draws the town centre together, unlike out of town malls the town centre may not have clearly defined edges in terms of physical space or composition. The card can encompass social and leisure, health and well being as well as retailing and draws these all together into a single identifiable entity.

Facilitating civic engagement by supporting time-banking

Central to time-banking is the notion of social exchange, that "an hour of my time can be exchanged for an hour of yours". Rather than a profit motive, time-banking is driven by a volunteering ethic, to invest ones skills and knowledge into the local area and reap a reward that fits your own needs. A fundamental shift is the move away from contractual relationships and markets towards relationships and neighbourliness.

The HometownPlus platform provides the means to support this social innovation. The central web platform provides a single co-ordinated view of where and how time can be contributed into the bank. Members can record the hours they give onto the card as Plus Points and then be able to spend their accrued points locally, to purchase rewards through local services, leisure services, shops, transport or other members' services. This provides an effective local currency, which keeps the spending local and build economic resilience into the local area.

A primary application area of time-banking is to co-ordinate the provision of increasingly expensive public services which have become professionalised in recent years, whereas historically they would have been delivered by a close knit local community, for example: odd-job or DIY services, bereavement support and post-operation recovery support. In seeking to fulfil these services from within, rather than turning to expensive professional services, the community develops in a caring and co-operative manner whilst also saving the public purse.

Enabling personalisation of service provision

The provision of social care is challenged by an increasing demand arising from an aging population (Dilnot 2011) and budgetary cuts. A helpful policy direction is the move towards personalised budgets, whereby the care recipient can select and tailor their own basket of care services. The intended benefits being a reduction in unwanted, and therefore wasted, services provided as well as a greater degree of ownership on the part of the care recipient.

HometownPlus provides an ideal platform for managing personalised budgets. The care recipient's account can be credited with their budget and they can use

the platform to select the care services they require. Building upon the previous time-banking section, it becomes natural for service provision to include not only professionally delivered care services but also those delivered through a network of volunteers. A direct consequence of which is a benefit to the local community as relational capital is built up and the volunteers are rewarded with Plus Points that can only be spent locally, thereby acting as a local economic driver.

Whilst the individual care recipients benefit from a more personal and local service, the town as a whole benefits by reducing the demand on public funded professional services and drawing more effectively upon local resources.

Supporting behaviour change through rewards mechanism

Behaviour change has been advocated as the means of "libertarian paternalism" that can be embraced across the political spectrum, providing a "choice architecture" within which people will choose to live better lives (Thaler and Sunstein 2008). The essence being a move away from prescriptive rules and regulations and towards a framework that provides everyone with free choice, although explicitly rewarding those behaviours that are seen to be desirable.

An example is knowing that the arrangement of food within a school cafeteria will affect the choices children make, one can deliberately set up the choice architecture in such a way that the children are more likely to select healthy choices such as the salad bar and less likely to choose the less healthy offerings such as burger and chips.

The HometownPlus platform provides an effective mechanism to track choices and deliver rewards across the town. The policy makers within a local town may wish to address long term health and wellbeing issues by encouraging participation in sport and leisure. Through HometownPlus they could incentivise the choice to use the local leisure centre or those who take part in health screening with rewards that reinforce the positive behaviour. The rewards will be personalised to the HometownPlus member who can then spend their rewards locally.

In contrast with many marketing lead approaches to behaviour change, such as the Dept of Health's £75m spend on National Healthy Lives campaign, the HometownPlus platform provides accurate, personal and timely information

about the campaign's effectiveness because promotions can be tracked in real time and detailed right down to the individual member.

Enabling collaborative consumption

Internet technology has empowered collaboration between local communities. Increasingly people are selling stuff over the web using community services like craigslist or eBay, giving away unwanted possessions through FreeCycle, sharing cars and transport through Zipcar and using one another's spare rooms for accommodation through airbnb to list just a few examples of peer to peer collaboration (Botsman and Rogers 2010).

The authors articulate that technology and peer communities have redefined traditional sharing, bartering, lending, trading, renting, gifting and swapping. They point to collaborative consumption as a new economy, displacing the traditional 20th century model of business and consumerism with a 21st century approach based on mutual contribution, sharing and exchange.

Physical assets and possessions are routinely under-utilised, for example almost all cars sits idle for most of the day, domestic tools sit unused in garages and spare bedrooms are unvisited from week to week. The HometownPlus platform provides the local brokering service between members with spare assets and members in need of the same. Both the owner and the user collaborate to make better use of the asset for the common good. Both the owner and user can benefit through the rewards mechanism as the means of exchange.

Understanding local community to support local decisions

Local councils have an increasingly challenging role as they play their part in shaping the local neighbourhood and supporting the local community. They must identify those community segments in greatest need, not just acute need for which an immediate response is required, but looking forwards to the propensity of future need and exploring how prevention related service may reduce the future burden of different community segments.

As explained above, HometownPlus provides a rich toolset to support behaviour change approaches to reduce the future service demand and promotion of civic engagement to help build community. However, the platform records the

interactions of all the members. This data set can be analysed to develop a segmentation across the whole community. This can be overlaid with council data showing service engagement across the full range of council services, such as adult social care, benefit take-up, housing services, library, leisure and cultural services.

The data set could be further enriched with lifestyle and demographic data to provide a rich analysis toolkit that will identify residents' needs, level of engagement, responsiveness to nudges, their affluence and degree of self reliance and willingness to support others. In conjunction with other research and intelligence tools the toolkit would enable evidence based decision support for local matters around policy choices for people and place.

Local retailers need to understand their local customers in order to inform their business decisions. Unlike major retailers that might be able to benefit from their in-house loyalty schemes, there is a paucity of data driven insight for the local retailer.

The HometownPlus platform enables the local retailer to benefit from data across the platform. Building a picture of what kind of customers to target with offers, analysing offer take-up to know clearly which actually drive footfall and customer engagement. Identifying how to exploit their stock to maximise return from offers whilst minimising cost. In short, enabling local town centre retailers to be more competitive and to engage with the right customer, through the right offer at the right time and place.

Enhancing Civic Realm

In order to understand a community it is useful explore the definition of a community. Mount (2005) cites the work economist Herman Daly and theologian John Cobb who proposed four criteria for a community. Firstly, identification, being a member of a community ought to contribute to the identity of each member, however it should not totally define their identity. Secondly, participation, members of the community contribute to the decision making within the community with regards community life. Thirdly, responsibility, the community assumes a responsibility for all the members of the community – that is there are no members which fall outside the community's responsibility. Fourthly, members are individuals and are respected as such. The mutuality

principles and membership of HometownPlus are enablers of all four criteria of community.

Engagement with the civic realm is a key aspect of health communities. The extent to which people associate with one another was tracked by Putman in his seminal study, "Bowling Alone" (1995). He identified a marked decline in social capital within the US from the 1950s to the 1990s. He uses the term social capital by which he refers to "features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit".

Putman's title epitomises the effect, whereby in the 1950s bowling leagues, and other forms of voluntary association with others, were popular and thriving. Subsequently their popularity as communal, as opposed to individual, activities has declined and the numbers going "bowling alone" have increased. Putman's broader point was that a decline in civic engagement correlated directly with their reduced participation in political activities such as voting.

Whilst indicative that solidarity would be directly beneficial to building up social capital, Putman's article is a strong warning that citizens are no longer identifying with the community, that they are dis-associating from the community and taking no part in collective decision making. Thus three out of four of the criteria indicated by Daly and Cobb are negatively affected, namely identification, participation and responsibility.

Using HometownPlus to implement networks, establish mutually rewarding behaviour norms, build social trust by facilitating co-ordination and co-operation for mutual benefit will counteract the decline and rebuild communities.

The philosopher and theologian, Augustine, whose writings were very influential in the development of Western Christianity, argued for a wider definition describing civil society as a multitude gathered together with a 'common agreement as to the objects of their love' (Parel 1990). The strength of a society can be measured by the strength of the common love. Augustine argued that you can know a society by reflecting upon those things to which it devotes its adoration, that is, what it loves and what it hates.

Augustine reviews the scriptural words for 'powers of love' - desire, joy, fear and grief (City of God XIV.7) - in understanding how humans are moved by these

loves we see how the society they form is based. There is a faint echo of the same notion embodied within the UK Government community cohesion agenda which seeks for the local community to establish a shared vision. HometownPlus can help shape that common love, a shared identity and pride in the local town through the promotion of community, communion, joint participation, sharing and intimacy together.

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