



## **Abstract**

This research examines loyalty marketing as an empirical case study of consumer surveillance. Focusing on the Canadian context, the research investigates the relationship between the personal information economy and loyalty marketing through several interrelated perspectives. These are marketing and business literature, theoretical frameworks of surveillance, the branding of consumers and corporations, consumer ambivalence towards surveillance and privacy issues, and the mutual shaping of consumers and these programs. These interrelated yet distinctive perspectives provide different means to understand loyalty programs as information portals in the increasingly monitored, measured and marketed lives of consumers. They are a means of surveillance through which corporations systematically collect consumption data in order to influence, manage, entitle, or control consumers (Lyon 2001).

The research is based on interviews with loyalty program executives, international survey results, and focus groups to both describe the relationship between corporate information processing and consumers as well as the current and potential social effects and issues embedded in this relationship. Loyalty programs are seen as an important means for conceptualizing contemporary marketing practices, the use of personal information, and personal identity in an information oriented society. They are a complex manifestation of a 'knowing capitalism' (Thrift 2005) that has implications far beyond the accumulation of points and the 'reward yourself' appeal of participation by contributing to a cultural consumption circuit that perpetuates and reinforces already existing socio-economic differences.

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# Chapter 1

## Introduction

Consumers are increasingly known entities. Information communication technologies (ICTs) and marketing practices and techniques have rendered the consumer both known and knowable within the marketplace. William Gibson refers to this as “absolute informational transparency” (2003) and an edited collection by Susanne Lace suggests the emergence of “glass consumers” (Lace 2005). Yet these “transparent” or “glass” consumers are seen as such only in so far as they can be digitally represented and manipulated. That is, the degree to which consumers are known is related to informational databases and the effects they have in contexts of consumption. While William Bogard proposes that the digital representations of consumers act as self-fulfilling prophecies, that “realities come to resemble the image” (1996:27), there has been little empirical evidence to substantiate this claim (Lyon 2001:117). This text is about those empirical connections.

Corporate knowledge about consumers is the result of an increase in forms of consumer surveillance – a means by which corporations systematically collect data related to consumption in order to influence, manage, entitle, or control consumers (Lyon 2001). There is a multiplicity of means of surveillance and purposes for which these data are employed. Primarily, from a corporate perspective, consumer surveillance is used to better understand the needs, desires, and trends of consumers. It also generates data about the market performance of products and services, the success of particular marketing campaigns, or the demographic dispersion of customers. As it is part of corporate

intentions to improve productivity and efficiency, data collected through consumer surveillance may also be used to evaluate the performance of employees in customer interactions, the timeliness of shipments, customer attrition and acquisition rates, consumer's 'share of wallet' spending, and more.

Historically, one of the limiting factors in the gathering of consumer data has been data storage and retrieval costs, but consumer surveillance practices have dramatically grown in relation to advances in ICTs. The decreasing costs for these technologies and the increasing ability to extract "actionable knowledge" (Dyson et al. 1996) and value from data has resulted in a "personal information economy" in which many corporations seek to gather as much consumer data as possible (See Perri 6 2005; and Elmer 2004). These data form the basis for developing a differentiation of consumer segments, from micromarketing – focused on narrow bands of consumers – to 'relationship marketing' – focused on developing and nurturing relationships with specific consumers (see Holbrook and Hulbert 2002; Patterson and Ward 2000). Information gathering through loyalty programs aid these marketing practices as means to create sustainable competitive advantages.

The development of digitally oriented segmentations that underpin current conceptions of marketing practice, and in specific the development of 'relationships' with consumers, has significantly influenced understandings of consumption. For instance, brands (as discussed in chapter 5) are no longer seen as stagnant demarcations of a particular product as different from other similarly substitutable products. Rather brands are constitutive of a set of social and economic relations (see Lury 2005). This relational

approach to consumption has increasingly become a focus in sociology, particularly as consumption has the ability to bridge economic and cultural institutions, as well as large-scale transformations in social structures and discourses on the self (see Zukin and Maguire 2004). However corporate reliance on technology and consumer databases to understand and influence relationships with consumers has largely been under-explored.

This research focuses on loyalty marketing as an empirical case study of micromarketing and relational marketing made possible through consumer data. It sees this as a contemporary mode of consumer surveillance and suggests that the use of corporate loyalty or rewards programs has become an important means for gathering personal information from consumers. Loyalty programs are largely reliant upon (and seen as synonymous with) personally identifiable cards presented or numerically indicated at the time of a transaction. Consumer members of these programs accumulate points or miles which can be redeemed later for ‘free’ flights, hotel stays, consumer goods, discounts on future purchases and several other modes for redemption. John Deighton, professor of marketing at Harvard University, believes that these programs and the cards to which they correspond are not usually viewed as consequential – seen as simply “cents off” devices for increasing consumer patronage. However, Deighton believes them to be an important means for conceptualizing contemporary marketing practices, the use of personal information, and identity in an information oriented society:

“[A]s we try to anticipate the threats and opportunities, commercial and societal, of pervasive portable digital identities... we have more to learn from the workings of these programs than from any other current manifestation of the coming age. They represent a glimpse of life when some version of our reputation travels with us wherever we go, whether we like it or not” (2005:249).

Following Deighton, this sociological research focuses on loyalty programs as a means for conceptualizing the transparency of consumers in the personal information economy.

The interconnected relationship between loyalty marketing and technology is based in part on sorting consumers into statistically significant ‘clusters’ or categories for future marketing and service engagements. These remain somewhat fluid and flexible; however combined with transactional or ‘behavioural’ consumer data, they become determinative of the corporate consumer relationship. In bringing together a diverse set of literature on consumption and marketing, this text examines the technological processes through which corporations develop market relationships with differentially categorized consumers. It demonstrates the importance of database marketing within consumer culture and the technological mediation of socio-economic forms of stratification. It also describes consumer engagements with and responses to such programs, and reveals a mutual shaping of both the consumer and loyalty programs as forms of consumer surveillance. This empirical study and its connection to corresponding literature render visible the relationship between corporate information practices and consumers within the personal information economy.

Each chapter seeks to respond to the overall research question regarding the relationship between corporate information processing and consumers from distinct yet interrelated vantage points. In the process each indicates the current and potential social effects and issues embedded in this relationship. Chapter 2 briefly situates this text in the context of similar examinations on consumer surveillance. Though a number of other texts influenced the trajectory of this research, the examination here of loyalty programs

and their relationship to the personal information economy diverges in significant ways from previous texts. This first chapter describes these differences and then gives details on the processes behind this largely qualitative research on loyalty programs. It outlines both the overall methodology employed and the individual methods used in the research, detailing specifically the interviews conducted with loyalty program executives as a primary informational source.

The third chapter focuses on how loyalty programs are connected to the historical imperatives of marketing research, moving from psychoanalytic assessments to market segmentations to the development of interactive searchable databases. More importantly this chapter indicates how loyalty programs embody the principles of relationship marketing and are integrated into Customer Relationship Management (CRM) systems. Drawing on interviews with loyalty program executives, on business and marketing literature, and on critical sociological assessments of corporate practices, this chapter describes loyalty programs as informational portals for corporations about consumer practices. The data gathered through loyalty programs allow for the development of information rich segmentations and relationships with current and prospective consumers. The rewards of these programs serve as enticements for consumers, directing them toward forms of consumption in line with corporate expectations. In this process, consumers are defined in terms of statistically relevant sets of data, which enables corporations to act strategically upon this information.

The implications of seeing consumers primarily in terms of data is the focus of Chapter 4. This fourth chapter suggests that consumers are quantified and measured in a

form of ‘commercial sociology,’ which is focused on securing corporate profitability through discovering the social significance of consumption practices. While the third chapter draws primarily from business and marketing literature, this chapter intertwines theoretical conceptions of surveillance with loyalty program discourse drawn from interviews with loyalty program executives. This surveillance framing of commercial sociology is indicative of how consumers are ‘assembled’ together in the context of the personal information economy.

The fifth chapter focuses on how loyalty programs serve as modes of mediation between corporations and consumers. This chapter draws on literature related to the conception of branding – loyalty programs are corporate ‘brands’ themselves, but also serve to ‘brand’ consumers as representative of particular sets of social and economic relations. This ‘reciprocal branding’ is interactive, but serves to connect certain consumers with certain forms and expectations of consumption. The chapter indicates that loyalty programs not only replicate expectations of consumer behaviour, they reinforce these by diagrammatically mapping the presumed consumption trajectories of digitally produced consumers against corporate offerings.

Consumer responses to loyalty programs practices are the focus of chapter 6. This chapter draws on survey data from the Globalization of Personal Data International Survey (GPD Survey) conducted in 2006 (see Appendix B). It also draws on focus groups conducted as part of the development of the GPD Survey. The chapter describes the ambivalence of consumers toward loyalty programs, indicating the connections between membership in loyalty programs and concerns regarding surveillance and

privacy. The chapter demonstrates that consumers are not naïve about the surveillance of their consumption, rather there is a very complex and diverse relationship between consumers and the loyalty programs that they find simultaneously beneficial and intrusive.

The last substantive chapter focuses on the inherent interactivity between program technology and consumers. While the fifth chapter describes a ‘reciprocal branding,’ this chapter demonstrates that while loyalty programs serve to digitize, describe, and shape consumer behaviour, the interactive relationship between the consumer and the corporation is one of ‘mutual shaping.’ Loyalty programs may be able to meaningfully and perhaps profoundly shape the consumption practices of consumers, but the surveillance mechanisms likewise serve to alter, modify, and transform the technologies of the programs. This dynamic feedback loop demonstrates that programs and their consumers are modified in relation to each other. These mutual modifications, the research concludes, is clearly indicative of a more complex relationship between ‘loyal’ consumers and their loyalty programs. However, this should not obscure the significance of information rich corporations that have considerable sway over everyday consumption practices. As chapter 6 claims, consumers remain largely ambivalent about loyalty programs, yet the social implications of these practices are important. In the personal information economy, the social effects of information processing need to be considered in terms of public policy, corporate practice, and personal consumption.

The interrelated yet distinctive perspectives of each chapter – from market research, surveillance frames, reciprocal branding, consumer ambivalence, to mutual

shaping – provide different means to understand loyalty programs as information portals in the increasingly monitored, measured and marketed (to) lives of consumers. These programs form part of a complex relationship between corporations and consumers in the personal information economy. Loyalty programs are influenced, altered and modified by the digitized relationships they maintain with increasingly transparent consumers, but they also direct their consumption in subtle and indirect yet significant ways. The ability to direct consumers in conjunction with larger ‘distributional questions’ raises concerns regarding the implications of consumer surveillance for mobility, equality and social rigidity. While, as this research demonstrates, issues of class are embedded into the differential marketing of loyalty programs, to what degree can the “the advent of the personal information economy” and its embodiment in loyalty programs be seen to bring systematic and chronic disparities between the rich and the poor “into starker relief”? (Perri 6 2005:34). This text raises issues that anticipate further research into the regulation of corporate information practices, indicating a clear need for increased corporate transparency and consumer education.

The following chapters uncover the relationship and implications of loyalty programs as a form of consumer surveillance for consumers in the personal information economy. After contextualizing the research and its methodologies, the text focuses on the perspectives of market research, surveillance frames, reciprocal branding, consumer ambivalence and mutual shaping in each of the following chapters. These interrelated perspectives suggest loyalty programs to be a complex manifestation of a ‘knowing capitalism’ (Thrift 2005) that has implications far beyond the accumulation of points and

the 'reward yourself' appeal of participation. The cultural circuit of loyalty programs serve to reinforce sets of social, political and economic expectations into which consumers find themselves continually integrated.

## **Chapter 2**

### **Contexts and Methods: Loyalty Programs as Consumer Surveillance**

This dissertation stands at the intersection of several different strands of academic inquiry. It is above all a work that exists within the emergent field of Surveillance Studies, but employs particular insights found in Science and Technology Studies (STS), the sociology of consumption, political economy, critical theory and the sociology of Information and Communication Technologies (ICTs). The work also draws heavily on marketing literature such as on Customer Relationship Management (CRM) and consumer loyalty, and in particular relies on literature within business and marketing journals that maintain a critical approach to marketing practices. Each of these areas of study is used to inform my overall research questions that serve as the basis for this text: What is the relationship between corporate information processing and consumers in the personal information economy? What are the current and potential social effects and issues embedded in the relationship?

I chose to focus this research on the use of loyalty and rewards programs, specifically in the developed loyalty market of Canada (Capizzi and Ferguson 2005), as vanguard technologies in the ‘personal information economy’ (Perri 6 2005; see also Elmer 2004). The key reason for this choice is that these programs (often associated with loyalty and rewards ‘cards’) are important indicators of information processing in the personal information economy, a point elaborated earlier and made clearer in chapter 3. While a number of other sources have informed this research, it is the focus on loyalty

programs as a means for consumer surveillance that makes this text unique. Texts focusing on the surveillance of consumption and consumers have helped to shape conceptions here, but their analyses of corporate motivations and practices as articulated by the practitioners themselves have been limited. So too have references to personal consumer understandings and reactions to consumer surveillance practices. This text fills a key gap in our knowledge by connecting the narrative depictions of loyalty programs made by corporate marketing executives with theoretical frames of surveillance, consumption, and mutual shaping as well as with quantitative and qualitative consumer responses to this specific marketing practice. This text takes slightly different but interrelated perspectives on loyalty programs in each of the following chapters. These differing vantage points illuminate the relationship between corporations and consumers and the potential social effects and issues raised in the context of a personal information economy.

This work expands the scope of our understanding of consumer surveillance practices by drawing on three types of empirical research: first, it uses data gathered from one-on-one interviews with corporate executives of loyalty programs in Canada as a primary source for understanding this form of consumer surveillance; second, it adds to this perspective by using quantitative data on loyalty card use and perspectives from a 2006 International Survey on surveillance and privacy conducted for the Globalization of Personal Data project; and third, it draws on discussions from focus groups conducted as part of the development of the survey for a more in-depth perspective on the survey data. The latter two empirical studies are the primary basis for chapter 6. While this empirical

work is informed by and compared to a number of other theoretical and empirical sources, it proceeds to fill a rather prominent lacuna in field of surveillance studies. Though several texts have focused on the surveillance of consumers and their consumption patterns, this area of research has been relatively under-theorized and empirically largely ignored in comparison with other surveillance research (e.g. CCTV, borders, policing). Though there are exceptions to this, these tend not to make an empirical connection between corporate information practices and the everyday lived experiences of consumers.

With an increased attention to the flow and collection of data on individuals (genetic, financial, lifestyle, amongst others) into various databases (see Wood et al. 2006), the connections between the generation and use of consumer data and its (social, political and economic) impacts on consumers remains unclear. William Bogard, following Jean Baudrillard, suggests that data gathered into large databases become part of a self-fulfilling prophecy in which the simulation of surveillance ends up as an “informed form of stereotyping” (Bogard 1996:27). Yet there is very limited empirical evidence to indicate whether or not Bogard's notion that “realities come to resemble the image” occurs in the surveillance contexts and specifically in the realm of consumption (as is questioned by Lyon 2001:117).

This work conceptualises the interrelations between corporate practices and consumer behaviours primarily using the discourse employed by executives working in loyalty programs. Each chapter provides a different lens through which this discourse is viewed, from the rhetoric of marketing research, frameworks of surveillance, processes of

branding, to the mutual shaping of program technology. The discussions of loyalty program executives are also connected to survey data and the voices of consumers (from focus groups) regarding issues of surveillance and privacy in chapter 6. Loyalty program executives make clear that their programs incorporate consumer feedback in a process that may best be described as a ‘knowing capitalism’ (Thrift 2005; see also Savage and Burrows 2007). The connections between corporate marketing practices and consumer spending exist as a cultural circuit which serves to both shape consumer behaviour and program practices, yet is a circuit that maintains significant social implications for the processing of consumer data in the personal information economy.

## **2.1 Consumer Surveillance Literature**

Each chapter in this text draws on a diversity of theoretical and empirical works, but as this research is situated as text on consumer surveillance, it is important to situate the following chapters in relation to other consumer surveillance texts. Most research into surveillance acknowledges the influence of Michel Foucault, despite more recent attempts to move *beyond* some of his key concepts (see Lyon 2006). Consumer surveillance is no different. With studies of surveillance often drawing on the language and conceptions of Foucault’s *Discipline and Punish* (1977) and its re-examination of Jeremy Bentham’s plan for a panoptic prison, Oscar Gandy used the implications of the panoptic process to describe contemporary surveillance of consumers. Gandy’s text *The Panoptic Sort* hinges on mechanisms that act as “a kind of high-tech, cybernetic triage through which individuals and groups of people are being sorted according to their presumed economic or political value” (Gandy 1993:1-2). In this process, consumer data

are gathered and used to set the options offered to various categories and segmentations of clientele which, following Foucault, he suggests are a form of creation. This panoptic sort draws upon past behavioural data to selectively narrow and limit options presented for future transactions, all of which is based on the identification, classification, and assessments of current and potential consumers. This rationalized marketing sorts out high quality economic targets and discards others in its discriminatory wake, existing, Gandy argues, as an antidemocratic system of control.

These concerns are further expanded upon in a later work in which he indicates part of the issue is that the illusion of choice is maintained against a backdrop of a continually narrowing range of options (1996). Gandy shows how the relationship between buyers and sellers has largely become an impersonal transaction controlled by cybernetic intelligence. It uses an increasingly automated collection of personal information to presumably allow for a form of personalized marketing (ibid.). In a later piece co-authored with Anthony Danna, Gandy's perspective is applied to a key element in Customer Relationship Management systems (see chapter 3), viewing data mining as a social sorting process. Danna and Gandy suggest that the social consequences of data-mining practices have consistently been ignored, and that these practices may exclude classes of consumers from full participation in the market place (2002). They appeal to corporations to examine the potential cost these discriminatory techniques will have upon certain social groups. They suggest that corporations consider more than the bottom line in marketing based on data mining practices.

Gandy's concerns are reflected in Adam Arvidsson's discussion on the 'pre-history' of the panoptic sort. Arvidsson describes the shift in focus of market research as moving away from information gathering and toward a continual processing, packaging and commodifying of consumer data (Arvidsson 2004:457). Arvidsson asserts there are significant issues related to this as an automation of capital, in which the panoptic sort leads to a "programmed life" (ibid.). This focus on the continual processing of information is similarly furthered by Gandy in relation to the post 9/11 world in which the techniques of data mining and the interest in consumer data have become seen as essential elements in the fight against terrorism (2006a). It is the power of data mining to be able to differentiate distinctive patterns amongst the data gathered, and as such it has become conceived of as a means for becoming aware of how to segment customers, but also of how to segment out potential terrorists using the same techniques and often the same data (see Pridmore and Lyon forthcoming).

While Gandy's texts demonstrate the concerns that consumer surveillance may pose in the further development of discriminatory potentials, his broadly focused research offers few empirical illustrations of corporate practitioners gathering and making decisions on consumer data for marketing purposes. The potential effects are evident, but the methods and motives behind the architectural designs of these technologies are not examined in great detail. Greg Elmer proposes that this is a fairly substantial deficiency in Surveillance Studies, and in his *Profiling Machines: Mapping the Personal Information Economy* he highlights this omission. In this text, Elmer notes how feedback techniques are entrenched in new information technologies and are increasingly routine

practices in everyday life (2004). Elmer insists that the panoptic is conceptually limited in the context of consumer profiling as this consistently blurs together both punishment and rewards by including both subtle requests and outright commands for personal information (ibid.:6). He asserts that our understandings of consumer surveillance need to take into consideration the use of feedback technologies involved in consumer exchanges, ones that increasingly bind together acts of consumption and the gathering of transaction generated information (ibid.:38). Focusing on Molson Canadian's marketing events and on the use of cookies in web browsers, Elmer's work theorizes the mapping of consumer practices and the corporate means and tactics for information gathering in the personal information economy.

The notion of a personal information economy is central to Susanne Lace's edited collection, *The Glass Consumer* (2005). While the collection addresses consumer surveillance practices in fair bit of depth, ranging from regulatory provisions, privacy enhancing technologies, personal information in the public sector data to credit and insurance practices, it is the chapter by Perri 6 that significantly questions the implications of the collection and use of consumer data. He believes that at present all corporate strategies and investments are informed by personal information processing, and indicates that this has allowed companies to have greater control in the marketplace. This has caused consumers to become subject to the information processing of corporations in ways that have never been contemplated before. Perri 6 believes there are numerous privacy risks consumers face in light of the growing importance of the personal

information economy, ranging from potential injustices, a lack of information control, the loss of consumer dignity, and the potential for significant consumer inconveniences.

His work further claims that regulatory bodies are severely limited in their ability to engage effectively with this information gathering due to the large amount of data being used by corporations. In this process, the effect of information gathering and processing raises real concerns about people's life chances, as it remains (similar to Gandy's suggestion) a potentially more effective form of discrimination. The likely potential of personal information processing in Perri 6's estimation is the creation of a more or less rigid meritocracy in which economic and social mobility is increasingly based on personal information – meaning that the surveillance of consumers is likely to become an increasingly important site for the perpetuation of social divisions.

As Greg Elmer's text indicates, the surveillance of consumers is increasingly occurring through and is facilitated by digitized media, something made explicit in Joseph Turow's description of "Customer Relationship Media" and in Serra Tinic's discussion of "interactive television." In these texts we see the means by which information renders a consumer "knowable" for the purposes of tailoring media (Turow 2006a; Tinic 2006), a point further elaborated in Matt Carlson's discussions about TiVo (2006). Each of these highlight the role of targeted advertising driving the gathering and use of consumer data.

This is the point of Turow's book *Niche Envy* (2006b). In *Niche Envy*, Turow examines information gathering by corporations as a means of learning how to best segment current and potential consumers. The broad spectrum of this text describes the

historical role of consumer analysis, the rise of the internet and media technologies (e.g. TiVo) as digital testing grounds for personalized segmentation, and the use of consumer information for the customization of retail stores in real time. Turow believes that the issue of corporate trust becomes fundamental here, with surveys of consumers indicating an increasing suspicion with regards to corporate information gathering. These concerns however are juxtaposed against a corporate culture that is “furiously” collecting, analyzing and using data on every current and potential customer to improve their business and marketing practice (2006b:188). Turow’s text looks at the potential implications and effects of both the market desires to connect with affluent ‘niches’ of consumers, but also the desires of consumers to maintain a particular consumption status (or niche) in the marketplace (ibid.:3). As this research reveals, the status motives of consumers can be seen occurring in the personalization and program tailoring of what are referred to in later chapters of this research as ‘*leisure accrual loyalty programs.*’

The texts above are from social science perspectives, mainly sociological and communications research, yet some business and marketing literature has made a critical examination of corporate practices. These have begun to question information gathering of consumer data as forms of consumer ‘surveillance.’ Andrew Smith and Leigh Sparks suggest that “the development of loyalty schemes and associated technology and software has transformed basic market research into an ongoing consumer surveillance system” (2003). These authors suggest that the use of a consumer’s loyalty program history connected with similar consumers and third party data serves to create a ‘picture’ or ‘life biographies’ of that consumer. This collection and comparison of data allows

corporations to make a myriad of inferences about consumers, as they were able to do so about a particular anonymous consumer on whom they were given loyalty program transaction data for two years. In this case, Smith and Sparks were privy to the specific purchases of one consumer, yet they acknowledge that the loyalty program has a far greater ability to develop a consumer biography when the consumer can be connected to variables such as geographic location, age, income, hobbies, and so on. Interestingly, while making the connection between loyalty programs and surveillance explicit in these proceedings for the Association of Consumer Research (as part of *European Advances in Consumer Research*), an expansion of this text can be found in the peer reviewed *Journal of Marketing Management* (2004). Though the majority of earlier piece appears verbatim in the new article, the later publication makes no reference to the term surveillance. Instead, it focuses on the issues and implications of corporate customer knowledge rather than referring to these practices as surveillance.

Jennifer Rowley's 2005 article picks up on the concerns of Smith and Sparks and makes the relationship between customer knowledge management and surveillance and its implications explicit. Rowley states:

As both businesses and public sector organisations improve their customer knowledge, management practices and competence, the threat of effective consumer surveillance escalates. Organisations may know more about us than we know about ourselves, and as individuals and societies we are ripe for manipulation. Marketing has always been about persuasion and customer data translated into information, and knowledge that drives definition and design of offerings and interactions lends large organisations even greater power (2005:109).

Likewise, while not primarily focused on articulating the connections between corporate marketing practices and surveillance, Detlev Zwick and Nikhilesh Dholakia question the

means by which consumer data are employed and used as forms of consumer surveillance (2004a; 2004b). These concerns take a more critical stance toward the abundance of business and marketing literature focused on improving segmentation, micromarketing and relationship marketing. As chapter 3 indicates, the arrival of loyalty programs occurs as a culmination of multiple intentions for interactive searchable databases with a long history. With this, there are numerous implications (both potentially beneficial and not) for the newly digitized consumer.

Finally, as I suggest in chapter 4, surveillance is inherent in what is here termed as ‘commercial sociology.’ The term stems from earlier references made by David Lyon (1994:142), reiterated by Stephen Green (1999:34), and now employed by Roger Burrows and his collaborators (Burrows and Gane 2006; Savage and Burrows 2007; Burrows and Ellison 2007; Ellison and Burrows 2007). Though the term consumer surveillance is not specifically referenced in these texts, it would be remiss not to say that I read them as such. The concept of commercial sociology – sociological methods employed to create systems of classification drawn from consumers’ data and that is then projected back upon those same consumers – is the one of the primary objectives for loyalty programs. As such, the following chapters can be seen as situated specifically within these critical analyses of commercial sociology.

While significantly influencing the development and writing of the chapters that follow, with the exception of the work of Smith and Sparks, these texts do not use loyalty programs as a lens with which to view consumer surveillance in the personal information economy. Yet loyalty programs can be seen to embody the objectives of personal

information processing and the means for CRM practices. Analyzing them clarifies the relationship between the gathering, analysis and use of consumer data and consumers in the personal information economy. The social issues implicit in the use of loyalty programs as consumer surveillance can also be seen as bellwethers for the social implications of corporate information processing in general. The analysis of corporate motivations and practices as discussed by the practitioners is central to this research, as are consumer understandings and reactions to consumer surveillance practices. This study of loyalty programs builds upon and moves beyond these previous pieces, indicating both the complexity of relations inherent in the personal information economy, but also the significant social, economic, and political implications inherent in the dynamic capabilities of contemporary consumer surveillance.

## **2.2 Methodology and perspective**

This research begins with an acknowledgment that all knowledge, including the concepts that underpin and are formed from this research, are socially and culturally produced (Clarke 2005:xxiv). The intent of the triangulation of research methods described below was to produce a ‘thick analysis’ of loyalty programs as a form of consumer surveillance from several different vantage points (ibid.: xxiii). However, each chapter fundamentally embodies the perspective on data that I have held in this research process and which has been significantly influenced by the people I have engaged with while producing this text. This includes those initially reading these words, my research subjects, the colleagues in my department, authors of numerous texts both cited and not,

and the students I have taught and whom have to some extent taught me. In large measure, this research, as with all research, is collaborative in nature.

The research is also largely qualitative in nature, as the questions I sought to answer are not easily discovered through the big picture analysis of quantitative methods (see Collins 2000). The means for gathering qualitative data and writing this text are embedded in ontological and epistemological assumptions. I was intentionally reflexive about the influence of my own personal commitments during the collection and analysis of data, and on how this influenced its expression in the following chapters. I include a brief discussion of the assumptions I made prior to the research as well as the transitional moments that occurred in the process of pursuing this research below. Though I have attempted to think through my assumptions, some of these may not, of course, be consciously held.

While not following the intents and practices of a constructivist or post-modern grounded theory (see Clarke 2005), this research has been heavily influenced by its precepts. That is, I assume the embodiment and situatedness of knowledge production. I have also tried to focus on the contexts of research to ‘ground’ my analyses of the data. During the writing of this text, I have focused on the complexities inherent in the research rather than its simplification through representational strategies, though I have clearly employed some of these strategies to make sense of the data and to write this in the following chapters. Last, I have drawn heavily upon narrative discourse and continually analyzed and reanalyzed these narratives throughout the research process (ibid. :19).

The intent in pursuing this research was to produce an analysis of corporate loyalty marketing practices in the personal information economy and its effects on consumers. I view these processes in terms of surveillance, understood as a purposeful and systematic attention to personal information for the purposes of influence or control (see Lyon 2001). I believe that best means to understand the relationship between these corporate marketing practices and the consumers they influence was to begin with a critical examination of corporate practices. The bulk of the evidence in the following chapters is drawn from how corporate executives expressed their work in and their views on loyalty programs. In chapter 6, I used additional data on consumer responses to loyalty programs as a form of consumer surveillance as a counterpoint to the corporate rhetoric by loyalty program executives. This data was drawn from a quantitative survey on surveillance and privacy issues as well as several qualitative focus groups that occurred in advance of the survey. Two responses in the survey were particularly relevant for this research, and the focus groups provided important context for these responses. The data collection methods described below were continually evaluated against related empirical and theoretical texts, yet were focused on illuminating the fundamental concerns of this research: the relationship and implications of loyalty programs as a form of consumer surveillance with consumers in the personal information economy.

### **2.2.1 Methods:**

#### 2.2.1.1 Data Collection

As mentioned, corporations were the primary site for this research. I conducted in-depth interviews with executives who were in charge or maintained a large degree of

control over the development and practices of Canadian based loyalty programs. I began contacting relevant representatives of loyalty programs and some specific executives publicly listed as having loyalty programs as one of their primary responsibilities. During the course of this research, a total of 12 interviews were conducted with executives working with loyalty programs. These interviews were either set up through contacts with professors in the Queen's School of Business, 'cold' contacts in which executives or their assistants responded to a personal email or phone call, or through referral from those persons already interviewed. The interviews occurred between January 2006 and November 2006 and each lasted approximately 1 hour (or more). As per ethics agreements and signed letters of consent, all of these interviews have been rendered anonymous, and each interviewee agreed to have their interview recorded. A transcript of the interview was sent for review by the interviewee prior to it being rendered anonymous, and then a pseudonym for both the interviewee and the corporation she or he represented was made. A list of these is indicated below. Each of these interviewees is to receive a report of my findings.

The interviews were open ended and consistently began with a description of the process by which consumer information is gathered within the company's loyalty program. The interviews then shifted focus toward items such as the data processing techniques of the corporation, the gathering of consumer information and feedback, the role of the program 'points' as currencies, the liabilities of the program, and their evaluation of consumer engagement. A list of the questions used to guide the interviews is appended to this document (Appendix A). In the process of writing this text, the

responses to these interview questions conveyed in the following chapters have been modified to simplify and clarify statements by interviewees. For example, conversational repetition and expressions such as ‘like’ and ‘you know’ have largely been removed.

The twelve interviews were with companies that represent the vast majority of Canadian loyalty card programs. Six out of the eight represented as ‘major loyalty programs’ in the Canadian Marketing Association’s work on ‘Making and Breaking Loyalty’ (see “Building Loyalty” 2006) are included in this research. Given the average loyalty program enrolment in Canada is approximately 2.2 programs per person, the executives interviewed represent programs to which, depending on which survey results one looks at, 66% to 97% of Canadians subscribe. Though the majority of these programs are traditionally defined as ‘card’ loyalty programs, not all interviews were with executives in solely or predominantly card based programs. Several interviewees represented programs that exist as enhancements to subscriber loyalty by providing specific perks, privileges, or discounts to members without the use of a separate identifying card.

Though interviews are central to this research, they were supplemented by data that informed my evaluation of these interviews. One important example of this was information gathered for this research at a roundtable event held in Toronto. This event, held by a third party marketing group, focused on seeing customer loyalty as something more than based on the accumulation and use of reward ‘points.’ The event drew in an audience of approximately 150 loyalty program practitioners and was an extended discussion of many of the themes that pervaded this research: how are consumers known,

understood, and engaged with as ‘loyal.’ Out of the five panellists in this roundtable discussion, two were interviewees for this research and a third member was a colleague of another of my interviewees.

The interviews and roundtable event were further supplemented by a number of documents publicly available on Canadian loyalty programs. Several of these are available as part of information packages to shareholders, though some are available as public seminar presentations about information processing and loyalty program data presented at various marketing conferences. When these documents corresponded with a corporation represented and made anonymous as part of this research, the identifying information was also rendered anonymous. Documentary information from loyalty programs that did not have anyone interviewed for this research were rendered anonymous as well, specifically as the corporations that participated represent a majority of loyalty programs in Canada. Choosing to not make these other programs anonymous may have jeopardized the anonymity of participating executives and their programs.

This research also draws on the Globalization of Personal Data International Survey (GPD Survey, see Zureik et al. forthcoming) conducted by Ipsos Reid for an evaluation of consumer reactions to loyalty programs (see Chapter 6). The GPD survey provided data on 1000 participants in each of English speaking Canada and the United States, with questions specifically on participation rates in loyalty programs and concerns about consumer surveillance and privacy.<sup>1</sup> As described in chapter 6, the relationship between loyalty program participation and concerns about surveillance and privacy in

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<sup>1</sup> More information about this survey is available in Appendix B.

this survey is ambiguous, so this research draws on focus groups conducted by Ipsos Reid as part of the development of the GPD survey to make this relationship a bit more clear. The transcriptions from six focus groups, four in English speaking Canada and two in the United States, were evaluated to help clarify the relationship between loyalty program participation and surveillance and privacy concerns. Each focus group had six to ten participants, lasted for approximately two hours and each spent approximately ten to fifteen minutes discussing loyalty programs in specific. The majority of focus group participant were members of at least one loyalty programs, but there were several that chose not to participate in these programs.

#### 2.2.1.2 People

The people who participated in the focus groups as part of the development of the GPD survey had diverse personal backgrounds. These ranged from students to retirees to urban professionals, with apparent differing levels of educational attainment and income. As suggested above, their involvement in loyalty programs varied, as did their knowledge of surveillance and privacy issues. The responses in the focus groups (and my representation of this in chapter 6) compares well to other texts with similar concerns and methods, suggesting these persons were fairly representative of consumer responses to loyalty programs and forms of consumer surveillance. Their responses invariably reinforced the perspectives of the loyalty program executives, and yet at other times deviated significantly from their expectations.

As this research hinges primarily on the descriptions of loyalty programs by these corporate executives, it is important to note the diversity of programs represented. As

responses accumulated, it became clear that loyalty programs tend toward two generally different foci. The programs that participated in this research have been divided into two broad categories. First, several programs represent everyday or frequent consumer transactions, such as occur in retail stores and pharmacies, gas stations and grocery stores. For the purposes of this research, these are described as *Household value loyalty programs*. A second broad category represents leisure and business travel, entertainment, financial services, and coalition programs. These are described as *Leisure accrual loyalty programs*. These programs are primarily geared toward recreational and leisure activities as forms of rewards for both personal and business patronage. Although these categories are not clearly distinct from one another – household value loyalty programs often contribute to leisure activities and several leisure accrual loyalty programs are part of everyday consumer transactions – these categories are intended to be representative of the main intents for the loyalty program. The table below indicates the pseudonyms given to interviewees, the pseudonym of the company they represent and, except in the two cases where the program has the same name as the company, a pseudonym for the program itself. As these programs are at different points of ‘maturity’ I have also listed the range of years for which these programs have been in existence:

**Table 1: Interviewees and Loyalty Program**

Interviewee	Company	Program name	Years
<b>Household Value Loyalty Programs</b>			
Barry	Brands	Brand bonus	5-10
Ruth	Canada Miles	Mileage gains	10-15
Suzanne	Destinations	Destinies	10-15
Wendy	Purchases	Purchase plus	15+
William	Emporium	Product perks	5-10
<b>Leisure Accrual Loyalty Programs</b>			
Carl		On target	0 to 5
Gary	Routes	Routes Plus	10-15
Nancy	Financial solutions	Financial points	0-5
Paul	Donavans	Dividends	5-10
Peter		Advantages	15+
Simon	Summits	Summit Plus	5-10
Stephen	Travellers	Travel shares	15+

### 2.2.1.3 Coding and analysis of qualitative data

Each of the focus group transcripts and the transcripts from interviews with loyalty program executives were analyzed using a qualitative data software analysis program. Within this program, QSR's Nvivo 2.0, the texts were coded into thematic nodes, and these nodes were then analyzed to produce overarching concepts of relevance to the research questions. For instance, the notion of loyalty programs 'points' seen as 'currencies' was raised in several interviews with program executives. In evaluating this, it became clear that their use of 'currencies' was seen as an important aspect for 'shaping' consumer behaviour. That is, the interviewees indicated that program incentives related to these currencies (such as doubling or additional points) allowed

them to move consumers toward particular purchases. Likewise, transcripts from the focus groups suggested that the focus group participants had varying levels of awareness regarding the amount and diversity of information that loyalty programs collect. Those responses by participants indicating a significant level of awareness and concern regarding the use of their information were identified as a node, and then this was connected to the overarching concept of personal privacy and information protection.

This coding and analysis of the qualitative data was continually evaluated in terms of its relevance to the questions of this research, and how these concepts connected to the emerging themes of the chapters that follow. Documents that may have been provided by interviewees on their programs and the publicly accessible information on loyalty programs were likewise evaluated to note the connections these had with the emerging themes of the research. Following Jennifer Mason's discussion on how sociologists are able to analyze the data they collect, I proceeded to 'read' the data in three analytically distinctive (but overlapping) modes: literal, interpretive, and reflexive (2003:149-150). Mason describes the *literal* reading of data as a focus directly on the content of the data, including its style, structure and form. It is a mode of reading data that centres its attention on "documenting a literal version of 'what is there'" (ibid.: 149). As such, this research makes ample use of the actual words of the interviewees and focus group participants, and in many moments, the questions and responses I made in the process.

Mason's description of *interpretive* readings of data suggests that the analysis incorporate other perspectives and critical comparisons to similar literature. As this research project progressed, I continually evaluated what was in my data against other

relevant texts and research. At different points, I questioned my readings of the data in comparisons with other texts. In some cases, this interpretive reading changed my analysis of the data as it became clear that my readings were not at all consistent with similar research. For example, my interpretation of consumer ambivalence toward loyalty programs was shaped by several other texts which suggested that there was a wide variance in perspectives on privacy and consumer surveillance. I had originally seen responses of focus group participants only in terms of apathy toward loyalty programs, but this interpretive reading suggest there was far more occurring than a simplistic continuum of apathy and engagement. In other cases, though my reading of the data diverged from similarly positioned research, it was evident that my reading emphasized a point that had largely been ignored by other research. For instance, it is clear in my data that the association of ‘points’ with the notion of a ‘currency’ is more important than the description of these as forms of consumer ‘incentives’ allows, which is largely where critical assessments of loyalty programs tend to stop.

Finally, my *reflexive* reading of the data recognizes the ‘situatedness’ and ‘contextuality’ of my own analysis. I describe my orientation to this research and the changes and transformations of my perspective in the process below, as I sought to follow Mason’s suggestion that a researcher needs to critically think “about what you are doing and why, confronting and often challenging your own assumptions and recognising the extent to which your thoughts, actions and decisions shape... what you see” (ibid.: 5). This process led me to recognize that I had overlooked some important aspects in my analysis of data and to re-evaluate the data with this knowledge, though there are likely

other aspects of the data left unnoticed. I anticipated many of the themes and concepts described in the chapters that follow, drawing from my own perspective on loyalty programs as a form of consumer surveillance. However, other issues and concepts emerged that were unanticipated. In the process of this research, the empirical work, the analysis and its expression in this text, I have attempted to be cognizant of the ways in which my perspective may have skewed the views of my interviewees and the focus group participants, and may have led to a misreading of other documentary sources. I have done my best to contextualise this research in relation to other literature on consumer surveillance, to maintain a fair appraisal of corporate practices, and call attention to the implications of loyalty programs in the personal information economy.

### **2.2.2 Methodological reflexivity**

Methodologically, the triangulation of different research methods (qualitative interviews, quantitative survey and focus group interviews) and the continual comparison with similar research is an attempt to accurately represent a sociological view on loyalty programs in Canada as a form of consumer surveillance. The findings of this research, though highly specified, are arguably able to be extrapolated to other contexts, contingent upon these findings being seen as instructive rather than prescriptive. In the process of conducting this research, there were however several significant methodological issues of which I was cognizant.

First, I was keenly aware of the relatively negative connotations the term surveillance has in Canadian society and particularly that it was not a term with which corporations would want their practices to be associated with. Just as Andrew Smith and

Leigh Spark's work on loyalty programs jettisoned the use of the term surveillance in the transition to a publication in a more prestigious marketing journal (2003; 2004), it was clear that loyalty programs were unlikely to be receptive to participating in research on consumer surveillance. As such I focused my questions and my interest on the implications of what I see as surveillance in sociological terms, that of the relationship between personal identity and external identification. Loyalty programs enable corporations to identify their best customers through the collection of personal information, but they also act as indicators of the personal consumption lives of their participants. Given the definition of surveillance outlined above, I represented this research as a study on the relationship between corporate identification of consumers through data gathering and analysis and the expression of consumer identities represented in consumption practices. Positioning the research in these terms also connected to a very relevant issue in marketing literature and practice, that of the connection between consumer attitudes (or motivations) and their consumption behaviours (see for instance Kumar and Shahb 2004).

Though this research is on loyalty programs as a form of consumer surveillance, it has a very limited discussion of privacy. This may seem idiosyncratic, given the common association of the two concepts. Only one question was specifically geared toward privacy in the interviews with loyalty program executives, and this was specifically in relation to perceived program liabilities (see Appendix A). While the concept of privacy and the legislation that surrounds privacy is a significant tool for dealing with issues and implications of surveillance practices, it does not resolve or even address all of these (see

Stalder 2002). My intent in this research was not to spend a significant amount of time on issues of privacy compliance and data protection that may distract from my research questions. However, most all of my interviewees were more than willing to ensure that they were compliant with current privacy legislation in Canada. In one interview though, there was an exceptional moment which my interviewee made a comment about people he described as ‘privacy freaks.’ This blanket label imposed upon a group of individuals likely concerned with the implications of information processing caused me to re-evaluate the questions I intended to ask during that interview. Although it was a very cordial interview, I specifically avoided pressing further any comments or questions regarding privacy during the remainder of the interview.

Aside from this notable interaction, the concept and issues of privacy remained relatively subdued in this research. Privacy is an important aspect in the discussion on consumer responses to loyalty programs described in chapter 6. This is in part because the GPD survey and the focus groups were oriented specifically toward issues of surveillance and privacy. It is also because this chapter is about the responses of consumers to consumer surveillance, and a concern about privacy is a basic response toward surveillance practices.

In the process of conducting these interviews with loyalty program executives, I was also keenly aware that I was viewed as another consumer to convince of the values and benefits of the program. It was as if perhaps convincing me and impacting my work positively (despite the ensured anonymity of the program) might further convince other consumers to join their program. Several interviewees sought to convince me that the

program they represented had the best value on the market, the best advantages, the best rates of reward accrual, no hidden disadvantages, and so on. When true, as was the case in five of the twelve programs, I chose in my interviews to self identify as a ‘member’ of the loyalty program they represented. This allowed our conversations to go a bit deeper into the practices of the program rather than focus on program logistics. In these cases, it also seemed to establish a stronger rapport between myself and the interviewee. It should be noted of course, that my participation in these programs reveals a bit about my approach to this research. Despite the significant political, social and economic concerns raised in later chapters, I find it advantageous for myself and my family to forfeit personal information for the advantages these programs offer. The research has, however, caused me to be far more critical in the evaluations of the programs to which I belong, and more strategic in the information I can control.

There were several conceptual frameworks that I was certain that the data I gathered would reinforce, and that are illustrated in the chapters that follow. Though this research began by viewing loyalty programs as a surveillance process, my perspective on surveillance has been heavily influenced by the notion of mutual shaping or co-construction found in Science and Technology Studies (STS) literature (see in particular Oudshoorn and Pinch 2003). That is, though there are differential power relationships between forms of surveillance and their users (or subjects), the technologies and mechanisms of surveillance become shaped to differing extents by the purveyors, systems, and subjects of surveillance. I choose to use the terminology of mutual shaping rather than co-construction in my descriptions to deemphasize any notion of equality

between those who engage in surveillance and those that are subject these practices. The notion of how mutual shaping becomes evident in loyalty marketing is made clear in chapter 7. This notion of mutual shaping also is indicative of the complexities involved in the way in which loyalty programs exist and operate in Canada.

I had anticipated a variance in perspectives by my interviewees, but was surprised at how diverse the range of perspectives and practices was in this research. The programs represented can be seen as extremely divergent. Though this research does make some representational simplifications, I deliberately sought to illustrate the complexities of the relationship between these diverse programs and their consumers, at least as described by my interviewees. Their comments and my rendering of them in the pages that follow are intended to maintain the diversity and complexity of their views. Of course, despite the divergence of programs, these programs are to differing extents in competition with one another. As such, I had anticipated I would find a competitive market between these programs, and this was very much evident after the first few interviews.

What may be more interesting in this research is what I discovered that I had not anticipated. First, I had not anticipated how open and willing the interviewees would be to discuss their program, loyalty marketing in general, and, to differing degrees, the issues and implications that stem from loyalty marketing. In large measure, they rarely refused to answer any of my inquiries directly, and most were more than happy to give me more than the initial hour requested for the interview. Second, I had not anticipated how these programs were readily discussed in similar terms as currencies by those interviewed for this research. As the majority of programs were built on point systems,

these secondary forms of assets for the consumer (and liabilities for the corporation) were readily compared to legal currency as accrued capital and capital expenditures. As detailed in chapter 5, my interviewees suggested that the *leisure accrual loyalty programs* were significantly focused on the status levels of consumers in terms of point accumulation and patronage. Those programs that were not based on point systems had significant perks for frequent patrons in a manner similar to the high status consumers in point based programs. Along these lines, I had not anticipated that the historic insights of Thorstein Veblen's 'conspicuous capitalism' (Veblen 1899/1994) would become manifest in this research (see chapter 5).

The significance of social stratification and class with loyalty programs was also a surprising finding for me in this research. Though I had anticipated some degree of difference between programs with selective tiers of affluent clientele, I assumed that because these programs were open to consumers regardless of socio-economic status (unlike credit cards, for instance) there would be limited socio-economic distinctions in the major objectives of the programs. That is, I assumed based on marketing literature that all of these programs would segment out different socio-economic tiers of consumers in order to focus on giving differential and personalized incentives to their best customers. I was surprised to discover that this was not always the case, with a significant distinction between the type of program operated and an orientation toward value or personalization that was clearly related to socio-economic stratifications and a re-articulation of social class.

I had also not conceptualized the information processing of loyalty program data as a part of a “parallel and largely unknown (to academic sociologists) world of ‘commercial sociology’” that maintained the “sophistication” of sociological insight (Savage and Burrows 2007:888). This commercial sociology has a clearly different intention than academic sociology, yet its practitioners have at their disposal the methods, practices and analytical tools that sociologists have often taken for granted as solely their own. Viewing loyalty programs as a form of commercial sociology proved particularly useful in connecting their practices to certain theoretical framings of surveillance. I was surprised at the variance and depth of methods and analysis connected to what I view as the realm of sociology being employed to improve marketing practice and market share.

Last, in the research and writing of this text, I had anticipated that my work in each chapter would logically build upon previous sections. While the chapters that follow are certainly interrelated, it was suggested to me in my first completed draft that this is less of a cumulative analysis than one that represents several differing perspectives on loyalty programs. Rather than unconvincingly building the chapters into a singular argument, this ‘perspectival’ approach best demonstrates the complexities inherent in the interconnections of corporations and consumers. It also raises numerous issues and implications of loyalty programs as consumer surveillance that a singular approach may have made obscure.

The descriptions above are intended to demonstrate how this research process was intentionally and reflexively evaluated to ensure a fair and measured discussion of loyalty programs as forms of consumer surveillance. These reflexive notations on my

methodological practice are not intended to suggest (increased) objectivity in this research. Rather, the inclusion here demonstrates the progression of this research project and its own social positioning. It is one which has transitioned and matured to produce a robust, complex and multiple accounting of loyalty programs as a form of consumer surveillance.

### **2.3 Conclusion**

This research, situated in the context of other consumer surveillance texts, uses loyalty programs as a means of answering the question of the relationship between corporate information processing and consumers in the personal information economy. It pursues several different methods to answer this question and to discuss the current and potential social effects embedded in this relationship. In relying on empirical research to describe consumer surveillance practices, this text fills a gap from multiple perspectives in an area of surveillance studies research that has been relatively under examined. This chapter sets out the context and assumptions of the research in terms of related literature on consumer surveillance as well as describing the methodological perspective and methods used to evaluate loyalty programs within the personal information economy. The discussion of related consumer surveillance texts, my methodological perspective, the methods used and my reflexive analysis of those methods underpin each of the different perspectives within chapters that follow.

## **Chapter 3**

### **Market Research: Relating to the Loyal**

The rise of narrower segmentations of consumers for marketing, from micro-marketing to relationship marketing to mass customization, has assisted in creating an environment in which personal information is a crucial component of contemporary marketing practices. This personal information is vital to Customer Relationship Management (CRM) systems which are the technological basis for much of contemporary marketing practices. Marketing literature suggests that the better a corporation knows or understands its consumers and orients its business practices toward this, the better it is able to meet the needs of those consumers and to create a “sustainable competitive advantage” (Narver and Slater 1990:20). This orientation toward knowledge about consumers is important for the implementation of marketing concepts and strategies (see Kohli and Jaworski 1990). As evidenced in the context of this research, loyalty programs are seen to provide an informational portal on specific consumer’s consumption behaviours, preferences, and geo-demographic information, amongst other information.

Loyalty programs have, to differing extents, become a key source for development of segmentation strategies, relationship marketing with program members, and the customization of some parts of the programs. After discussing these forms of marketing and the connection between loyalty programs as informational sources for CRM, this chapter uses interviews with program executives to discuss the state of loyalty programs in Canada. The chapter is critically focused on business and marketing

literature and concludes by describing how consumers are largely understood by corporations in their use of loyalty programs – a view that emphasizes technological representations of consumers and their consumption patterns both in terms of segmentation and consumer specific behaviours.

### **3.1 Database marketing and the use of CRM**

Market research boomed in the post World War II era (Arvidsson 2004; Miller and Rose 1997). Numerous organizations collected significant amounts of demographic and psychographic data that sought to discover “attitudes, opinions, and interests” of consumers (Arvidsson 2004:464). The goal of this practice was to understand or perhaps ‘create’ (see Miller and Rose 1997) segmented markets of consumers and to offer these segmentations particular types of products. While the market research of the 1950’s provided the abilities to describe and capture consumer attitudes (as underlying motivations for purchasing) and behaviours (actual purchase practices), this differentiated segmentation of markets began to give way to increasingly “smaller and smaller units of analysis... so as to target [consumers] with greater and greater precision” (Holbrook and Hulbert 2002:716). The market research techniques of the 1950’s “paved the way for today’s ‘data mining’ services by developing the statistical clustering techniques employed, and by establishing new ways of thinking about consumer behaviour” (Arvidsson 2004:458).

This transition toward smaller segments and clusters of consumers occurred largely in relation to the growth of new information technologies and data processing. Its prevalence is perhaps most evident in the development of geodemographic information

systems. In the 1970's, Jonathan Robbin developed a system of consumer segments in the United States according to ZIP codes using the acronym PRIZM, short for Potential Rating Index for ZIP Markets (see Weiss 1988). A similar system called ACORN – A Classification Of Residential Neighbourhoods – was developed in relation to postal codes in the UK by Richard Webber at about the same time (see Burrows and Gane 2006). Both Robbin and Webber relied heavily on technology and softwares to indicate ‘social clusters’ – “where people tend to congregate among people like themselves” (Weiss 1988:11). This information is seen as extremely valuable, because:

from the point of view of marketing professionals knowledge of where someone lives is a particularly powerful predictor of all manner of consumption practices, values, tastes, preferences and so on” (Burrows and Gane 2006:795).

As Michael Weiss indicates in *The Clustering of America*, clusters are crucial for marketing to differentiated consumer segments, particularly as these digitized clusters can be searched in terms of affinities between consumers and a given ‘product.’<sup>2</sup> He asserts that this type of “knowledge is power” when it comes to customizing “products and sales efforts to reach specialized audiences” (Weiss 1988:14).

Engaging with differentiated clusters of consumers is described as micro-marketing. Morris Holbrook and James Hulbert suggest that micromarketing, through the techniques of data mining (see below) and database marketing, is when:

segment sizes shrink to a point at which the relevant groupings of customers become extremely homogeneous in their needs, wants, tastes and values – with the result that the precision of focusing appeals in their direction increases substantially (2002:176).

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<sup>2</sup> Weiss describes the use of PRIZM clusters for marketers as well as for political campaigns.

Michael Weiss states that these groupings or clusters do “more than just create cash transactions; they pigeonhole people according to their attitudes and aspirations” (Weiss 1988:15). It is precisely these ‘attitudes’ and these consumer ‘aspirations’ that become the basis for understanding consumers not solely as audiences to market to, but consumers with whom the corporation can develop a relationship. While clusters and micro-marketing are an attempt to make connections between similar types of consumers through the ‘mining’ of interactive databases and are often seen as a form of ‘relationship marketing,’ the term relationship marketing or one-to-one marketing is intended to move beyond clusters. It attempts to:

treat each individual customer as an entity to be cultivated in depth. The firm orients itself toward the long-term value of each customer and, focusing on those for which this potential long-term value exceeds some cut-off, targets its efforts accordingly” (Holbrook and Hulbert 2002:176).

Leonard Berry, a renowned services marketing academic, is largely credited with coining the term ‘relationship marketing,’ indicating that is a business strategy that seeks to develop and nurture long-term relationships with profitable consumers to create a sustainable competitive advantage (Berry 1995; see also Patterson and Ward 2000; Beckett 2004). These marketing practices are, as Berry himself points out, an “old-new” concept with plenty of historical examples (1995). However, the centrality of this ‘one-to-one marketing’ (see Peppers and Rogers 1993) became increasingly dominant in the 1990’s (Morgan and Hunt 1994) as has its reliance upon information technologies.

Though relationship marketing is often understood in terms of intimate relationships with a few select clientele, the term has also been broadly used to conceptualize what may also be understood as ‘mass customization’ (Holbrook and

Hulbert 2002:716). Mass customization occurs when corporations view “each customer as a separate market,” invites “the customer to play a role in the design of the appropriate offering” and the corporation produces a “customized product package to satisfy all pertinent aspects of the customer’s demand” (ibid.). Micro-marketing and mass customization, as well as the notion of one-to-one marketing, are often incorporated into the more generic term of relationship marketing. Each require personal information to be actively sought and compiled about both current and potential clients in order to establish corporate-consumer relationships that go beyond a single commercial transaction (Perri 6 2005; see also Elmer 2004; Peppers and Rogers 1993; Reichheld and Teal 1996).

The success of these marketing strategies, particularly when generalized as relationship marketing, may be traced partly to the development of CRM systems: technology (and software) driven marketing practices that initially developed as information integration systems. The primary goal of CRM may have been to enable a consistent flow of consumer and related information throughout various segments of a corporation, but it also serves to organise this information for marketing purposes (Xu et al. 2002). In the late 1990’s, CRM literature asserted that significant profitability could be had through the implementation of CRM software and information technology practices. This was to be achieved by using growing searchable databases to model consumer behaviour and preferences to indicate current – and predict future – profitability levels of particular customers. Marketing, services, product availability, and other corporate functions could then be made accordingly on a segment by segment basis, or at an individualised level in accordance with the produced consumer models.

However, despite such goals, many corporations were unable to recoup the capital put into these CRM systems (Almquist, Heaton and Hall 2002). This failure to attain the lofty profits projected in the ‘early’ years of CRM prompted CRM advocates to emphasize that CRM is not simply an information technology solution, but instead, a practice that needs to be conceived of as fundamental to an overall relational business strategy (Payne and Frow 2006; 2005; Crosby 2002). The failure to generate anticipated profits in the use of these interactive searchable databases is often seen as a failure to contextualize CRM systems in relation to the purposes of relationship marketing – that is, developing relationships focused specifically on the value of consumers (see for instance Ryals 2005). Though CRM was seen as a means of accomplishing the goals of relationship marketing by customizing products for particular consumers, it had been largely promoted as an information technology solution with marketing capabilities. It was not seen, as it is increasingly understood and described by its advocates, as an overall business strategy (Kale 2004). The poor performance of CRM systems, previously described and understood as a technological “magic bullet” (ibid. 2004:44), led to an attempt to abandon the term. This is the point of Estaban Kolsky’s paper for Gartner Research, “Want to succeed in CRM? Don’t call it CRM” (2004; see also discussions about the “death” of CRM in “Tom Siebel’s Vision for the Software Industry” 2002).

Despite the limited previous successes of CRM initiatives, and however problematic associations with the term CRM, the fundamental practices and principles of consumer segmentation, relationship marketing, and market customization remain. Their technological embodiment in CRM systems is crucial to their success. Organizations are

committed to the principles of developing focused segmentations, ongoing relationships with their consumers and with producing customized offerings in order to attract, maintain and enhance consumer relationships. CRM is seen as part tool and part strategy for achieving that goal (Kale 2004; Payne and Frow 2006). The technological capabilities of CRM systems provide the basis for micro-marketing, customization and one-to-one marketing. It is part of an increasing desire to move away from mass marketing practices and towards more cost effective ones focused on the needs and desires of consumer segments and individual consumers (Peppers and Rogers 1993; Beckett 2004). It is, in the words of Nancy, one of the interviewees for this research, “about understanding and knowing your customer.”

As CRM techniques have developed, the gathering of consumer data that can be subsequently amalgamated into virtual representations of individual consumers has intensified (Zwick and Dholakia 2004b). The overall strategy of CRM is in using these representations to facilitate the identification, attraction, and increased retention of profitable consumers by intentionally managing these relationships (Ryals 2005; Bradshaw and Brash 2001). In the process, the segmentations of consumers are related to metrics for their potential lifetime value (LTV) – their continually accessible data is subject to profiling related to their current or presumed economic worth (Danna and Gandy 2002). This LTV is used to manage future transactions, and, according to some advocates, should be the focus of all CRM practices (see specifically Ryals 2005; see also Payne and Frow 2005; Crosby 2002). The LTV serves as an indicator of risk, signifying the likelihood that a corporation will recoup its expenditures (described in terms of an



the specific consumer), loyalty is often intended by the corporation to be more than simply limited to corporate ‘touchpoints’ such as transactions and call centre interactions. Rather, to create and maintain these sorts of loyal relationships, as well as to manage them, CRM relies on the collection, integration and analysis of consumer data to better understand consumers (Xu et al. 2002). Of course transactions are crucial for this, as one of the interviewees for this research suggest. William:

*It’s really at this point [the data are] fed into our marketing data warehouse, including the fields that we have chosen to pick up, everything pertinent to that transaction. So which store did it happen at, what was the time, and then we capture it at a SKU (Stock Keeping Units) level, so every Stock Keeping Unit of product that’s been purchased gets attached to that consumer. The retail price of the item, whether it was bought at discount or not, the bonus points that were applied, all of the pertinent information to that transaction is captured in the marketing data warehouse. There’s no rolling up or decision that the system makes at all at that point, it’s just a matter of capturing everything there for purposes of future analytics.*

In this case, using a loyalty program, purchases are connected to particular consumers and destined for analysis in a CRM system.<sup>3</sup> CRM systems bring together disparate pieces of transactional and other data into a singular view of consumers; it then serves as the means for analysis of this data, and finally it disperses this information throughout the corporate enterprise. This process allows for consistent forms of communication with the consumer regardless of the contact point, and these contact points become the means for tailoring marketing and service to individual consumers (Radcliffe 2004; Xu et al. 2002).

The relationship between the consumer and corporation, with emphasis on the loyalty of the consumer and a corporate conception of their value, is technologically mediated and based on data deemed statistically significant – data seen as representative

of individual consumers (Zwick and Dholakia 2004b). Representations of the consumer may in other contexts be discussed as ‘data doubles,’ ‘data-images,’ ‘data-shadows’ or ‘digital personas’ (see for instance, Clarke 1994; Lyon 2001; Haggerty and Ericson 2000), but in this context, they are the basis for the development of a personalized relationship with the corporation. It is a technologically facilitated relationship:

*JP: The goal is to actually be able to have that sort of information appear right in front of your agents so that...*

*Gary: The idea is to get a single view of a client.*

*JP: Okay.*

*Gary: Where in one screen you could capture basically who it is this person you are talking to is, and much of the historical information of their travels and relationship with Routes.*

This interviewee, Gary, emphasizes data capture here, but the significance of this captured data are in its representation on ‘screen’ – a digital representation of what is deemed important about the consumer. This data screen serves to facilitate the personalized relationship with the consumer. It informs the corporate employee for instance, the importance of a particular consumer to the corporation and thus the amount of time, energy, and focus that should be spent during a transaction. It is suggested that the relationship between the known information on the consumer – her data representation – and the corporation should grow in a manner akin to other personal relationships (Barnes 2003). Though this perspective on the ‘intimate’ development of corporate-consumer relationships has its detractors (see for instance Millard 2003), the move toward micro-marketing, relational marketing, and mass customization have made corporate practices more focused on developing personal relational elements in their

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<sup>3</sup>. As discussed below, the use of CRM by loyalty programs is not universal. William makes clear in the interview that the data gathering through the loyalty program is specifically meant for CRM practices.

consumer interactions. These relationships are various, as is clear in the context of this research, yet the desired result on the part of the corporation is to successfully leverage informational assets to produce a longstanding loyal relationship with profitable consumers.

### **3.2 Measuring consumers in the CRM paradigm**

The focus of a great deal of corporate literature on forms of relationship marketing is on creating longstanding relationships and on how these relationships become meaningful to both the consumer and the corporation. Fundamental to both of these foci is the character of corporate-consumer relationships. According to Anthony Beckett, two broad perspectives can be identified within relationship marketing literature (2004). First, some literature emphasizes relationships as part of a social exchange, in which the role of commitment and trust are fundamental. These programs tend to focus on relational involvement embedded in personalized relationships and on constructs of personal and corporate identity, a perspective exemplified by Barnes (2003), Fournier, Dobscha and Mick (1998), Morgan and Hunt (1994), and Peppers and Rogers (1993). This is often connected to one-to-one marketing, or a more narrow view of relationship marketing. It is also a description of attitudinal loyalty, which concludes “that loyalty is a function of attitude manifested as behaviour” (Hart et al. 1999:545).

As the “attitudes of customers are notoriously hard to capture” (Bell et al. 2002:84), a second set of literature emphasizes more of a managerial perspective on relationships. It sees the frequency of consumer interactions as determinate for the relationship rather than a suggestion as to their ‘nature.’ In this view, continued

interactions or purchases are indicative of the strength of and stability of a relationship (see for instance Payne and Frow 2006; Reinartz and Kumar 2003; Ryals 2005; Grönroos 2004). In large measure this is described as behavioural loyalty, as it is consumer behaviours that are measurable and can be seen as indicative of loyalty.<sup>4</sup>

The difference between these two emphases, as Beckett indicates, is important. The attitudinal and more personal perspective of relationships drawing on conceptions of social exchange implies that “commitment and trust are outcomes of reciprocated identity” (Beckett 2004:46). That is, corporations are focused on maintaining a fit between the ways in which the consumer sees herself, her own personal identity, and the ways in which the relationships with the corporation is presented as intimate in some sense. The managerial approach removes the necessity of this reciprocation by transferring the ownership of the ‘relationship’ to the corporation. The latter managerial approach removes the necessity of reciprocation, suggesting that these relationships can be seen as “organizational artefacts, owned and controlled by the firm” (ibid.). That is, they become embedded within databases and the significance of the clusters that consumers are deemed to be a part.

In practice, it seems that the marketing orientation of programs in this research operate on a continuum between the ends of this spectrum. This reinforces the conception that there are different types of relationships between the corporations and consumers

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<sup>4</sup> These same two distinctions between approaches to loyalty programs are made using the terms ‘strictly behavioural’ and ‘attitudinal/composite’ in Smith, Andrew, Leigh Sparks, Susan Hart, and Nikolaos Tzokas. 2003. “Retail loyalty schemes: Results from a consumer diary study.” *Journal of Retailing and Consumer Services* 10:109-119.

(see Cannon and Perrault 1999).<sup>5</sup> Some of the programs in the current research follow Leonard Berry's notion that not only do firms want loyal consumers, but consumers are eager to find a firm that "evokes their loyalty" (1995:237). These seek to create intimate one-to-one relationships with program members through interactive processes.

However, to some extent these programs (largely the 'leisure accrual' loyalty programs described in chapter 5), seem to ignore certain dimensions of corporate-consumer relationships (Cannon and Perrault 1999). They embody critiques made by Susan Fournier, Susan Dobscha and David Glen Mick, who point out that rather than building relationships, corporations all too often destroy them specifically because consumers are not willing participants in the relationship (1998). These authors argue that consumers have developed coping strategies to deal with the demands of marketplace relationships, attempting to negotiate the continuous advances of an unsustainable number of corporate relationships. Their argument is oriented toward re-conceptualizing the notion of relationship marketing toward an intimate and mutual relationship built on a "deep understanding" of "customer's day-to-day lives" (1998:49). The *Advantages* program, according to Peter, is seeking to develop these deeper relationships with consumers. As is clear from our conversation, however, connecting with consumers at that deep level begins with some notion of current behaviour:

*...we do encourage redemption experience at some point. But what bucket<sup>6</sup> they end up in, in terms of their behaviour that is more of interest to us in terms of finding a way to continue to create the right experience and the right relevance*

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<sup>5</sup> This article describes several different types of buyer-seller relationships and suggests these exist on a similar continuum from 'bare bones' buying to a fully developed 'customer is king' relationship.

<sup>6</sup> This term in this case is used as another means of referring to differentiated segments and clusters, particularly related to 'deciles' of profitability and their 'avid' scores which are described in further detail below.

*for them in what we communicate. It is more about the experience and the relevance of the communication that goes out. That's really where, I hope, we are trying to get to two or three years time. For example, a consumer would open a package and have that eerie feeling that Advantages is a little bit like their best friend that seems to know everything that they do - but in the best friend kind of feel. And that it is trusting, - yeah it is a trusting, 'they really help me out' type of relationship. This would be as opposed to 'the big brother is watching' and 'creeping me out' kind of relationship. So we are very careful on the language we use in the communication.*

Perspectives focused on more managerial or solely behavioural aspects of relationship marketing, such as discussed Ryals (2005) and Evans (2002), emphasize the value of consumers indicated by transactional or behavioural histories. It is not that companies like *Advantages* ignore the importance of transactions; rather they see it bound up in an emotive relationship instead of focused primarily on the importance of the transaction. Contrast Peter's comments above with this interaction with Paul's discussion of the *Dividends* program:

*JP: At what point is this information being processed together to give you a sense of how to better market and how to meet their needs?*

*Paul: [W]e start by and looking at the health of the business - who are bringing into the program on what we call a value score. So, which is their past spend behaviour. We value them on that the total dollars spent over historic periods - typically in one year increments, but we also look at shorter increments. And then we look at the behaviour beneath that which is driving it, which is, what are they buying? What categories? Because different categories have different margin values for us.*

*JP: Okay.*

*Paul: How frequently are they buying, what is the average transaction when they are buying, are they a large basket ? customer or are they a small basket customer? Those are the three kind of underlying fundamentals to value. And we use those, to some extent predict the value of these customers.*

Paul makes evident (here and throughout the interview) the importance of the transaction in his corporate context over and against concerns voiced by Peter and others regarding

emotional connections to the loyalty program. This more transaction-oriented view of loyalty marketing is supported by Werner Reinartz and Victor Kumar's article "The mismanagement of customer loyalty" (2002). The article claims that attempts to cultivate loyalty are misguided by a tenuous link between loyalty and profitability; the former does not necessarily imply the latter. Reinartz and Kumar suggest that rather than focus on loyalty per se, companies need to segment out customers into categories of high and low profitability, and short and long term relationships (ibid.). They state this clearly: "...the decision to continue investing in customer relationships needs to be based on customers' profitability" (ibid. :91).

A resulting graphical matrix in Reinartz and Kumar's article of where consumers stand in relation to profitability and length of transactional relationship is labelled in categories of "true friends," "strangers," "butterflies," and "barnacles" (ibid. :93). True friends are of course highly profitable and are long term, whereas the strangers are the opposite. Butterflies are highly profitable and short term, and barnacles have low profit levels yet are long-term customers. The placement of the consumer within this matrix indicates the type of relationship the corporation should seek with the consumer, from ignoring "strangers" to delighting and consistently communicating with "true friends" to measuring the "share of wallet" of the "barnacles" and then either strictly controlling the relationship by limiting the intensity of services rendered for instance, or attempting to up or cross sell them with other products or services. Again, according to Reinartz and Kumar, the crucial piece in this process is identifying consumers in terms of profitability

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<sup>7</sup>. The 'basket' term refers to how much consumers purchase in a single transaction.

and relationship length. This can only be done by properly measuring these consumers at an “individual level” (ibid.:93). Loyalty programs, as discussed below, are a means for providing that detailed and specific information at the individual level.

The data gathered for CRM systems in general and through loyalty programs specifically, can be divided into four general yet often overlapping categories for which differentiated segments or clusters are developed (Michman 1991; also cited in Elmer 2004; see also report by CIPPIC 2006). First, *geographic* data are used to describe a given region and includes population density, climate, and geographic features within a specific market area. These are demarcated by telephone area codes, postal codes, internet urls and domain names. This base information is always connected with specific and unique demographic information on consumers. This second set of *demographic* data includes basic personal information such as name, age, sex, marital status, income, education, race/ethnicity, and occupation. A third set of data, *psychographic* data, connects the first two “geodemographic” forms of data to more social aspects of consumers in terms of class, values, lifestyle, life stages, and personality. Last, these data are connected to the consumer’s previous interactions with the company. *Consumer behaviour data* includes frequency of patronage, brand loyalty, product preferences, product knowledge and marketing responsiveness. Consumer data are clustered within these categories to provide the means for micro-marketing and knowledge for use in one-to-one marketing initiatives and the means for mass customization.

Creating and collecting these categories of data occur in a number of ways. The variety of data collected depends upon an organization’s core business, and the purposes

for which data are to be used. Loyalty programs, amongst other forms of data collection, provide a substantial amount of individualized information on consumers. In fact, with increased attention given to consumer data, virtually every consumer transaction can provide some form of ‘data trail’ (CIPPIC 2006), linkable either directly to a particular consumer or a particular type of consumer.<sup>8</sup> Personally identifiable data are generated through the use of loyalty cards, credit cards, bank cards, mobile phones, the internet and more (see *ibid.*:18-24) by means of connecting a particular consumer with a particular instance of use – that is, a purchase, search or phone call are all attached to a unique identifying number (such as a card/phone number or internet protocol address) that corresponds with the owner of that particular technological artefact (the card, phone, or computer). This provides legitimate economic means for the exchange of money, information, services and products, noting that there are numerous laws that govern the use of this information. Specific types of data are generated through specific channels, with a customer’s enrolment in a program (whether a loyalty program, service agreement, store membership, etc.) and subsequent transactions serving as the basis for specific demographic and customer behaviour data. Additional data are generated through customer surveys, focus groups, promotional contests, product information requests, call centre contacts, web site cookies, consumer feedback forums and credit transactions.

For loyalty programs, certain types of information are foundational for understanding their consumer. This is demographic data, which, in the words of Stephen from Travel Shares, may be called “tombstone data” – “which is name, address, you

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<sup>8</sup> Cash transactions, though anonymous, are seen as indicative of a particular consumer type.

know date of birth of that kind of stuff.” In addition, shopping histories and indicated preferences referred to above as psychographic or consumer behaviour data, allow the corporation to know a bit more about who that consumer is. Yet as Stephen continues, it is clear that for *Travel Shares* (and the majority of other programs), this information is not enough. Instead, third party information is used to “get a little more colour around that particular member at present.”

*[W]hat we have is information that you volunteer as an individual. We have information that looks at your behaviour at any given time. We look at what you buy, and what you don't buy. This behavioural information is used in what we call third party overlays. So with those two pieces of information you can start to see a lot of who that customer is and what they do. What third party data provides you is little bit more enriched view of that particular member so we can start to get things like 'attitudes'.*

Again, these attitudes are most important for loyalty programs focused on a reciprocated notion of relationship marketing – attitudes are seen to reveal the ‘why’ of consumer behaviour. Putting third party ‘overlays’ upon proprietary *internal* data serves to fill in or enhance what is unknown or unclear about consumers, specifically motivations behind consumption practices (Evans 2005).

These forms of data are derived either from state agencies and non-profit organizations (StatsCan, Census Bureau, National Statistics) or from a growing number of companies that specialize in consumer data collection (see CIPPIC 2006). The data broker business has seen dramatic growth, resulting in a burgeoning market for consumer information and providing a wealth of knowledge to corporations eager to know more about their customers. These companies gather data by combining publicly available data (for example, the census and the phone book), with data produced by promotional contests, warranty information (complete with extensive surveys), and door-to-door,

telephone, and shopping centre surveys. They also examine media and informational subscriptions and track web page traffic. In some specific cases, the data collected (geodemographic and psychographic) are connected to postal codes, resulting in geodemographic profiling such as PRIZM and ACORN mentioned above. This renders the inhabitants of a given street as “prudent pensioners” or “fledgling nurseries” or “rustbelt resilience” (Burrows and Gane 2006). These defined clusters, and the consumption expectations and interpretations they embody, are referenced in the next chapter as a form of “commercial sociology” (ibid.).

The value in appending internal data with external data is that layered data create usable consumer information – information seen to enhance the potential for corporations to establish relationships with consumers. Peter describes the importance of these layers to the *Advantages* program:

*There are a number of layers. First of all we have a huge data warehouse with all the information. I think we keep something like 32 months worth of data. All that transactional data, as well as all the self reported data which includes things such as how many people in household, and their self reported income. We also do overlays with Stats Canada so we are coding down to the LDU [Local Delivery Unit] level, where we can add on what Stats Canada is saying because you don't have full self reported data on everyone; so you have to project some of it back onto the [customer] base. If the consumer has answered additional surveys at any point, those are retained in the base as well. So too is a consumer's promotional response [whether they purchased a product as part of a specific market campaign]. We also go through the data to do straight RFM segmentation (recency, frequency, monetary) to identify the, what we broadly call 'top desk' or 'avid consumers'. We have also profiled them. We have also done modeling, statistical modeling.*

The profiles and models of consumer behaviour are predicated on interconnections between layers of data and serve to determine marketing practice. This is the means by which companies engage in micro-marketing, one-to-one marketing and the customization of products. By focusing on narrower bands of consumers, these

corporations subsequently decrease marketing costs and increase response rates. This is far cheaper than mass market or broadcast channels of television, radio or print marketing (see discussion on “narrowcasting” in Carlson 2006). Paul uses the data generated to connect geodemographic profiles to loyalty program members and thereby direct predetermined offers to predetermined groups:

*We apply a mosaic data, which kind of basically assembles ...a variety of different data sources on household composition and media consumption habits, general consumption habits, or different categories that we might not even participate in, that allows us to perform further...We have basically indices against each of those along with statistics. And we can either use those statistics by postal code independently or we can use mosaic to produce groupings, where they define their 20 different kinds of groups of consumers. They may be called Established Canadians or Prairie Farmers ...then we use that information to determine, for example, a bundled product offer, that may, by the content or the type of products, appeal to a certain kind of consumer group, such as Traditionalists.*

The choice of some companies to overlay third party data are based on the desire to extract relatively sophisticated segments of consumers – ones that indicate similar consumption patterns and relationships within consumer segments. A few corporations within this research, all of which are *household value loyalty programs*, have either chosen not, or have not as of yet, brought in third party data to help understand their consumers. However, these few programs tend to intensely focus on their own in-house loyalty data to evaluate either their members or trends in the marketplace. Most programs see third party data as an important means of positioning consumers within particular socioeconomic and geodemographic contexts.

Much as with the development of geodemographic systems, the production of segments of consumers occur, as mentioned above, by means of ‘data-mining’ – techniques designed to extract useful information from large sets of data (Gandy 2006a;

Danna and Gandy 2002; Rygielski, Wang and Yen 2002). More sophisticated data mining, often referred to as Knowledge Discovery in Databases (KDD), further assists in discovering previously unknown and *non-obvious* relationships within sets of information – patterns that are not expected or programmed into the system (Vedder 1999; Tavani 1999). The ‘product’ of data mining and KDD systems is perhaps most visible in the mass customization of web personalization systems, such as is employed by Amazon.com, which use multiple sources of data to predict the likely preferences of current shoppers, from purchase histories to indicated preferences to other books that have been ‘browsed’ (Fink and Kosba 2000) These techniques enable both descriptions of patterns of behaviour and predictions for behaviour, within a range of accuracy, by assuming that consumers will replicate the patterns of others before. Models of consumer behaviour serve to demonstrate the propensity of consumers to buy certain products, respond to targeted marketing campaigns, be at risk for attrition, become a credit risk, and so on.

At its most basic, modeling consumer behaviour by creating consumer profiles, provides information for corporate marketing practices such as with micro-marketing. These models tell businesses where, when and why consumers are shopping, and therefore where, when and how to market to them. With more layers of data and more sophisticated analysis, these techniques can provide a ‘total’ or ‘360 degree’ view of the consumer which serves to simulate current and future engagements with individual customers in line with more relational marketing or forms of customization (see Evans 2005). It is, as suggested above, for most of these programs, important to capture as much

data as possible to produce the knowledge that, as William from Product Perks suggests, “future analytics” may provide. This information is integrated into a ‘single view’ of the consumer which represents consumption propensities – and it allows for the development of long-term corporate-consumer relationships.

### **3.3 Fitting loyalty into the CRM paradigm**

Loyalty marketing is often hailed as one of the best examples of one-to-one or relationship marketing. It is often touted as exemplary of corporate-consumer ‘relationships’ in action (Hart et al. 1999). The collection of loyalty program data is said to be an important aspect by which corporations are able to identify, maintain and increase “the yield from best customers through interactive, value added relationships” (Capizzi and Ferguson 2005:72). While the most visible manifestation of loyalty marketing is the loyalty card scheme, loyalty marketing is not limited to card based programs, nor is this research (a few of the programs interviewed do not use ‘swipable’ cards or point systems to engage loyal consumers). In large measure, however, card programs are seen as representative of loyalty marketing trends (Hart et al. 1999). They are relatively prolific worldwide, with the most substantial growth in the past twenty years. The Canadian market has been defined as one of the more ‘mature’ loyalty markets, at least in terms of card programs (Capizzi and Ferguson 2005).

Describing current loyalty marketing as a means of identifying and relating to customers is a transition in the approach to marketing practices, one based largely on the availability of ICTs. Historically, loyalty marketing was about rewarding customers who frequently make purchases at a particular establishment. Myriad methods were and are

employed to bestow particular benefits upon frequent shoppers. Discount punch or stamp cards are one prominent example, through which consumers obtain a prerequisite number of punches or stamps with each purchase to eventually receive a free item or purchase discount. Other examples include the distribution of proprietary forms of coupons that can be used for future purchases – the epitome of which in the Canadian context is the Canadian Tire Corporation’s use of Canadian Tire ‘money.’ These coupons or currencies are awarded in small increments based on dollars spent for each purchase, and can be applied directly against the cost of any purchase.

While both forms of currency and discount cards remain relatively pervasive for smaller enterprises, many larger companies have phased these programs out. These rewards systems are no longer seen as attractive marketing tools because they do not provide specific details about their users. More modern and sophisticated means of engaging in loyalty marketing occurred with the emergence of frequent flyer programs, beginning with the American Airlines program in 1981 (Lacey and Sneath 2006). As with the development of geodemographic information systems, loyalty programs developed alongside the growth of ICT’s. Numerous programs came into being in the late 1980’s and early 90’s, including the majority of programs participating in this research. Each of these programs carries an individuated data collection component in recognition that gathering customer specific information using unique identifiers has gained an unparalleled primacy (Perri 6 2005). As most of the interviewees in this research attest, this information gathering has also increasingly become the point of engaging in loyalty marketing.

Often loyalty marketing is conflated with concept of ‘rewards’ programs (as is clear in Gary’s comments below). To be clear, rewards programs, like those of stamp cards and coupons, give incentives for repeat patronage but tend not to gather data for future analysis. On the other hand, loyalty programs are used to reward patrons while connecting purchase behaviours with individual consumers. In order to make both rewards and loyalty programs successful, the incentives must be worthwhile. This in turn requires significant program investment with enormous costs. As Ruth states, “a lot of companies are struggling with the cost of these programs,” something particularly true for what are defined in this text as *Household value loyalty programs*.

*Ruth: They are figuring out what value they bring to the company... and how do you measure that? That’s the fundamental number one trend to see. [Then] they are looking to justify the program is what value they can get out of the database, because the reward program generates a database of transactional information and therefore just what does one do with that?*

*JP: Yes.*

*Ruth: So these two models [are] forming: one, using the database to prove that we can reduce cost – which is inventory cost, promotion cost and things like that. Number two, use the database to target best members and make money off them. So, both of them are a way to prove to the company that the existence of the rewards program, which is costly, can be justified by having the database, because the database therefore drives some type of business results.*

The production of data, in these words, is central to the program’s existence, whether connected to particular consumers or not. Leveraging these data is deemed the “real potential” of loyalty programs (Hlavinka and Ferguson 2005:5).

This is a shift in focus for most in the *household value loyalty program* category Ruth’s corporation represents. Of the five programs labelled *household value loyalty programs*, three are in a transition from simply rewarding consumers to using the loyalty program database for CRM and other practices. The two others in this category are

farther along on the spectrum of evaluating consumers, but are not, in the interviewees' descriptions of their own programs, quite as advanced in their use of consumer evaluations as most *leisure accrual loyalty programs*. These latter programs strongly tend to already see the program as fundamental to CRM and other data intensive corporate practices. This is implicit in the distinction Stephen makes between loyalty marketing and CRM:

*Stephen: There is definitely a distinction, and for me, the distinction is quite simple - loyalty programs are member-centric.*

*JP: Okay.*

*Stephen: You could classify Coffee Cards, Advantages, and Travel Shares - they are all loyalty programs. Buy cosmetics and you get a bag - it is a form of a loyalty incentive. CRM is partner-centric or business-centric, so the difference is, if you want to do CRM then a loyalty program is one way to collect data. So you see, a loyalty program is a means to an end.*

*JP: Okay. The end would be the CRM.*

*Stephen: The end is the CRM, it is understanding who your customers are, how valuable they are, what they are doing, what they are not doing and managing them.*

Loyalty programs, though not synonymous with CRM, provide vital information for this 'management' of consumers – something that can be seen as a clear practice of surveillance described in the following chapter. They are often seen as the most “robust source of behavioural data” (Lacey and Sneath 2006:461), and allow for the capture of “detailed transactional and preference customer databases” (ibid.:461). The data produced through loyalty programs are seen as the true measure of how individual consumers can be rendered known, serving as a significant tool that provides for “unique opportunities to track an individual” (Smith and Sparks 2003). The current and future vision of the *Routes Plus* program as a tool in connection with other databases concurs with this:

Gary: *It's not just a reward program, it really has become a CRM tool; the corporation is becoming more customer-centric. ...the loyalty program often has a more restricted view, while the CRM has a much broader view, from a corporate perspective. The loyalty program is often synonymous with reward program, as it is in our case. Basically, the company gets hard benefits and soft benefits against the investment they make with the company, right?*

JP: *Right.*

Gary: *But, when you're looking at the customer relationship management the aspect is there. We have our customer relations which is – or so some people will say – the complaint department. But when they receive information, they also have database and information on their interactions with their consumers. Now the customers may not be part of the reward program. We also have people who go on our websites and book directly there, but again they may or may not be a member of the reward program. We may have people in our reward program to whom we don't have access to e-mail, so there is different databases out there. There is also, from an accounting standpoint, some people who may have done some claims to get reimbursements or made complaints. We need to have that information as well. So, there are three or four different databases of interactions with consumers that fall under the CRM definition. The loyalty program is one of them.*

Gary's comments are indicative of the importance of loyalty data amidst a number of other sources and potential overlays of data that regards specific consumers. He later emphasizes that the program is no longer relegated to being a "peripheral program" for the company, but in fact part of an "umbrella" of programs that focus on "customer experience" and "marketing planning." The process of retooling *Routes'* customer engagements toward a more customer centric vision indicates the vitality of the *Routes Plus* program as a surveillance tool.

The importance of loyalty programs for understanding consumers should not be underestimated; these programs allow corporations to extract insights about their consumers. They have become almost ubiquitous in Canada, Europe, Australia, and to some extent (depending on the market and category), the United States (Capizzi and

Ferguson 2005). The number of Canadians who participate in these programs is quite high in relation to other developed nations. According to the survey conducted for the Globalization of Personal Data project, 66.2% of people in Canada carry at least one loyalty card (see chapter 5), though this is a bit lower than other surveys indicating more than 70% (see Capizzi and Ferguson 2005), 72% (see “Building Loyalty” 2006) or, significantly, 97% according to AC Nielsen.<sup>9</sup> The penetration of each program varies, though the largest coalition program, Air Miles, boasts upwards of 63% of Canadian households as members (“Building Loyalty” 2006). The loyalty program of the largest nationwide pharmacy chain, Shoppers Optimum, claims to have 50% of Canadian women as members. Another major coalition program, Aeroplan, has only 28% of Canadians as members (ibid.), yet it claims to have 92% of Canadian business travelers.

The Canadian market is viewed as one of the most mature markets globally (Capizzi and Ferguson 2005), a position echoed several times in the interviews, as with this example from Suzanne:

*I think Canada is, as loyalty programs go, a very developed market for loyalty programs. People come here to look at us because we have a consolidation of networks that is national - like major retailers, you know all of them have a major loyalty program. That is just the way the world is here in Canada. People find this astounding.*

Canadian loyalty programs are often seen as the model for other programs. In Suzanne’s organization, people “come to Canada” to look at the program:

*We create the model for them to explore, when they are looking at designing new offers in other parts of the world.*

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<sup>9</sup> The survey by AC Nielsen was of members of AC Nielsen’s HomeScan program. See [http://www2.acnielsen.com/pubs/documents/2004\\_q1\\_ci\\_frequent.pdf](http://www2.acnielsen.com/pubs/documents/2004_q1_ci_frequent.pdf).

Several factors contribute to this Canadian proficiency according to the interviewees, including the often monopolistic nature of many business sectors in Canada (retail, financial, airline), and the size of Canada's population. The value of Canadian programs is also seen as an important element in their success, as Carl's remarks indicate:

*The Canadians are like twice as active, interfaced, as they should be and we see the stuff we do with Canadians generally gets a much bigger response. This is because Canadians are not inundated with this much sort of 'spammy' kind of marketing stuff as they have in U.S.. And I think Canadians take their programs more seriously because they know how to get more value out of them because I think the programs deliver more value in Canada.*

The ability of Canadian corporations to keep consumers engaged in programs and for a majority of Canadians to find value in them suggests that the Canadian consumer is rendered increasingly known and knowable against the backdrop of fairly developed personal information economy.

Though consumers are concerned about the value of these programs and desire to use them to their full advantage (as is suggested in chapter 6), corporations are using the data gathered to get more value from their consumers. This value is always defined monetarily, but can be distinguished by whether the program is focused primarily on a managerial or behavioural definition of value or one focused on social exchange or underlying attitudes. The program representatives interviewed for this research varied in their approach, with some corporations oriented toward seeing the value of customer transactions and subsequent relationships primarily in terms of the metrics of 'Recency,' 'Frequency,' and 'Monetary value' (RFM). This behavioural orientation is perhaps exemplified best by Ruth's description of the *Canada Miles* program in which loyalty is defined as "give us more of your business." Her point is reinforced later:

*If you don't like the brand, and you don't like the product being offered, and you don't like the location and you don't like the service, then it doesn't matter what the lower product price is. The loyalty program is like the blanket that lies on top of the brand, the icing on the cake. It helps to stimulate behaviour, it plays a role to enhance brand image and it helps to enhance the value people see in their PSO [Product Service Offering] or not, and its fit with them or not. That's what a loyalty program is meant to do. And if you know at the end of the day it is not - I think it's kind of silly word, loyalty program. They are a reward program. To generate true loyalty, is a great challenge for a company. They must first come up with what measures define whether or not they have been successful at increasing loyalty.*

The goal of loyalty in these terms is as a means for producing certain consumer effects, regardless of whether it is motivated by a true loyal relationship. The concern is consistently about increasing the corporation's 'share of wallet,' but in this context little concern is given for the motivating relational factors behind consumer 'spend.'

Other programs are presented as something beyond just a rewards program – more than just “the icing on the cake.” Their focus is on how information gained through the program can be “leveraged” to enhance the “brand’s core value proposition” by using this to talk in a relevant way to individual consumers (Hlavinka and Ferguson 2005:5).

This attitudinal focus is demonstrated fairly clearly in Gary’s description of where *Routes Plus* program is heading.

*Gary: If you look at all other programs, such as Lifestyles or Emporium – what's in it for them to have these programs? I think it's not that it is a differentiator, but that as a company, if they can use that information and change the way they do their business or the way they approach our clients and the way they do their direct mails and the way they do [whatever,], then it's leading back to that point.*

*JP: Right.*

*Gary: It's basically becoming the way you do business and the way you talk to your client. It is much more than just a program that stands there and gives you points for dollars and so on and so forth.*

This description of a loyalty program is actually indicative of the current and intended operation of the majority of Canadian programs, including, as acknowledged later,

programs such as Ruth's. These programs are tools for measuring corporate engagement with consumers and the connection of this relationship to profitability because they allow for increased knowledge about consumers. While there may be differences in focus on behavioural and attitudinal loyalty, as well as a difference between the incentives and rewards used to gain and maintain corporate-consumer relationships (see chapter 5), loyalty programs are a fundamental means for providing consumer specific data. This data that renders consumers "known" and "knowable" – at least what can be surmised from them in terms of their consumption behaviour. Databases associated with loyalty marketing have taken on an "increased significance as the fuel to power the [corporate] CRM engine" (Capizzi and Ferguson 2005:77). The relationships drawn out of this CRM process provides the means by which corporations understand and relate to their consumers. This is, at all points, and most importantly, a technologically enabled understanding. It is a relationship built on data that enables companies to manage and/or control these relationships through a number of technically produced and oriented marketing strategies.

### **3.4 Understanding and relating to the consumer**

Loyalty programs perform two duties. They are first and foremost incentives for consumer patronage, but they are also tools for gathering data connected to specifically identifiable consumers (Capizzi and Ferguson 2005). As Jennifer Rowley states, they provide information that most consumers would not be able to provide:

The basic principle underlying loyalty and reward schemes is that each time a customer makes a purchase the member's loyalty card is swiped, allowing the scheme manager to record the transaction to support the twin actions of collecting data on customer purchases, and calculating the

rewards due to the customer for their continuing purchase behaviour, or loyalty. Customers are exchanging data on their purchase activities through specified outlets or groups of outlets for modest rewards. Since most customers do not record, analyze and profile their spending habits and trends over time, loyalty scheme operators often know more about customer purchase habits than the customers themselves know (2005:122).

The data gathered is deemed as more accurate and more trusted than data a consumer might readily provide in person – it is seen as a true reflection of that consumer (Cuthbertson and Laine 2004). The aggregated data of consumer behaviours becomes an intimate knowledge of each consumer and “allows retailers to transform cold data ... into warm relationships and eventually into a genuine customer loyalty founded on mutual understanding and trust” (Mauri 2003:13). Though there are differences in approaches, loyalty programs are often seen as a means to an end – a relationship end. Stephen:

*[I]f I have a relationship with a customer, and I am very comfortable in defending that relationship -- I can sell them tomatoes, cell phones, banking products blah, blah, blah. It's all about the relationship with the customer. So, if my price to entry is the loyalty program, if that's the hook, I will build out the infrastructure to manage those customers, through which I can evolve my business around.*

With over two-thirds of Canadians ‘hooked’ in Stephen’s words, the entry price of the rewards given to consumers clearly works. Programs enable companies to know their consumers better, to market to them better, and ultimately manage their relationships with them, reaping financial benefits in the process. This is clear in the way Wendy describes the program at *Purchases*.

*...[T]he benefit to us is that the more customers that use their Purchases Card, the better we can follow their behaviours and provide better service or better opportunities for customers, because that's what we are always looking for. We are using some of their buying behaviours, to give them what they want in terms of the shopping experience, and of course, the benefit is that we get to make money.*

Wendy's focus here, representing a *household value loyalty program*, may be on consumer behaviours rather than the attitudinal motivations, but the relational experience is important particularly in terms of profitability.

Beyond profit, loyalty programs make corporations privy to a range of personal information previously not connected to, or tenuously connected to, identifiable consumers. Smith and Sparks suggest that the "development of loyalty schemes and associated technology and software has transformed basic market research into an ongoing consumer surveillance system" (2003:368). This market research data collection is pervasive and exacting on each consumer transaction when consumers personally identify themselves through the use of their card or number. Paul indicates the extent of transactional data collected in the *Dividends* program:

*[I]n each transaction, we are capturing the full detail on that transaction and associating it with the member PIN [Personal Identification Number], which is the number of the card. So we capture everything from the [item], the store purchased, the day purchased, the time purchased, the [other items] purchased, the list price of those [items] and the final net price of those purchases after discounts, whether they are general promotional discounts or Dividends discounts. We also capture any promo codes, what we call related with that transaction. So if they apply a Bonus Reward coupon or another coupon to that transaction, we capture that information.*

These transactional data are connected to personal membership information, such as name, address, gender, family, etc., and this amalgamation of data allows corporations to render consumers increasingly as 'known.' It is information then used to prescribe the means for developing, or conversely, not developing corporate/consumer relationships.

At their very base, corporate-consumer relationships developed through loyalty programs exist to increase corporate profitability. The data gathered are used to improve corporate marketing efficiency and effectiveness (Uncles, Dowling and Hammond 2003;

Lacey and Sneath 2006). To that end, marketers can be seen to “serve as the boundary between consumer and the company” (Fournier, Dobscha and Mick 1998:51), connecting what consumers want with what the company is offering. Increasingly it is loyalty data that corporations rely on to indicate marketplace trends. For Suzanne, the program is indicative of consumer behaviour:

*[I look] for the data to give me some insights. Say the business went soft for a while, we ask why did it go soft, where did it go soft? Was it in the major centres, was it in what we call our distributor area?. Is it specific to a region? Is it specific to a customer site? Is it specific to the usual stuff. We have all that information. As we try to nail it down, we can eliminate what it isn't too. If you do uncover something, for example, all of a sudden you start to see a decline in a certain segment of customers you may respond “well it is not this and its not this so... that's not what I would have logically thought and now I have to go do research because you can't see that.” You see behaviour; you don't see why they are doing this.*

Gary uses the data for similarly strategic purposes, yet his comments are more suggestive of an attitudinal or one-to-one marketing approach:

*[It is] a kind of thing that will not only help us derive strategies for our reward program, but obviously for the Corporation at large, in terms of our sponsorships, our ad placement and our purchasing of media next year. This is the kind of information that will have some impact. That's why I was saying before, the reward program is not excuse to collect information, but now it really is part of a CRM strategy, it's a lot bigger than just points and free trips.*

Whether focused on behaviour or consumer motivations, loyalty data does not just lead to either specific insight about prior consumer behaviours or in determining areas in which more consumer knowledge is required. Rather, as Gary hints, the data can be relied upon for all sorts of analysis, from market forecasting, changing value propositions, modeling consumer attrition, or demonstrating return on investment (Capizzi and Ferguson 2005). The programs exist as more than incentives for consumers – they are integrated in a

myriad of ways to determine aspects of the relationship between the corporation and the consumer.

Loyalty data allows corporations to “build and aggregate customer information systems and assemble in-depth, enterprise-wide portraits of individual consumer purchasing behaviours” (Lacey and Sneath 2006:461; citing Nunes and Dreze 2006). This information, discovered and assembled through practices of data mining and data analysis, enables corporations to develop “statistical models to improve customer loyalty, support customer service, and develop new offerings to help reduce defection and increase customer lifetime value” (Lacey and Sneath 2006:461). The corporate-consumer relationship within loyalty programs are built upon transactional and enrolment data. This is supplemented by third party overlays which allow corporations to know, serve and market to consumers with increasing accuracy. This is the goal for most loyalty programs, and one that Simon sees as coming to reality within the *Summits Plus* program:

*I think that as companies get more intimate with their data you will be able to further personalize. ...we can capture the things that you see on the enrolment form, cultural events, food and wine, family travel, etc. I know that we are working with some technology companies so that we can further enhance our database to become a little finer with our marketing, and a little more targeted. ...I think that the data piece, as we become more intimate with our data, allow us to become better at relationship marketing.*

Again, data is crucial. The aggregation of data is essential for facilitating corporate-consumer relationships.

As mentioned, Canadian loyalty programs have various approaches to how intimate their marketing is or will be. Depending upon business categories, some programs are focused on substantially creating client relationships that connect the consumer intimately with the corporation – attempting to form a relationally loyal

interchange between the corporation and the loyalty program member. Others are focused on repeat patronage – interested in maintaining loyal consumer behaviour. Yet, no matter the intentions of the program, each interviewee was concerned about their program remaining relevant to the consumer. In some cases this was focused on whether program rewards were deemed worthwhile and ensured continued patronage. In others, such as the one Barry represents, the relational aspect was seen as a critical component:

*So, you should feel as if the loyalty program is working well. Well enough that the company is making efforts to develop a relationship with you, either through, the program itself (for instance it could be special promotion for loyalty members, or in our case Gold members), or it could be simply by putting relevant offers in front of the consumer, that companies without loyalty programs won't be able to do.*

This relevance is built upon the collection and analysis of data. Consumers that use a loyalty program self-identify – they connect their purchase with their own specific identifying number in order to gain the rewards of the program (see Capizzi and Ferguson 2005). In this case, they should expect specific offers clearly connected to what the consumer and her previous data has indicated are of interest, whether this is oriented to a given cluster of like consumers or individualized to their needs and desires. William:

*From a data perspective our relevance is key. So when we are doing a mailing to a customer, and it is a brunette product that we are sending to people who have brought brunette hair color, we want them to see the link. We want them to know that we have used data to think this information is going to be relevant to the other information. If not it is just a waste of effort.*

By defining this corporate-consumer relationship in terms of relevant rewards and relevant offers, loyalty programs draw heavily on technologically mediated processes to make their programs viable. The power of these programs is in the database and the extraction of knowledge from that database.

*Ruth: The loyalty program has a main power. Do, you know what's its power? It's a database. It is back to the database, right?*

*JP: And about its customers.*

*Ruth: Right. The program's value is the fact that there is a database one can talk to... you come in and you sign up, you get a piece of plastic – I certainly know who you are. I can track you and we've got the frequency of visit to do that. ...So all those leads back to, the rewards program providing a piece of plastic to give us this infrastructure of data...*

At their essence, loyalty programs, and their associated artefacts, from plastic swipe cards to luggage tags to associated credit accounts, are a marketing ploy that allows corporations to define consumers in terms of representations of statistically significant data (see Zwick and Dholakia 2004b).

To understand consumers and develop marketing practice, from clusters to relationships to customization, corporations rely on continual access to data. The analyses of data are used to leverage corporate-consumer relationships in order to maintain corporate profitability. As such, consumers are seen primarily in terms of their relevant data and its input into technologies that model their presumed behaviour. Consumers cannot be understood apart from their data and its integration into the personal information economy. This suggests, as the next chapter elaborates, that consumers can be seen to be 'made-up' as they come to fit into the categories and clusters created specifically for and about them (Hacking 1986). Loyalty programs, as detailed here in the context of predominantly business and marketing literature, produce technologically mediated relationships through the gathering of personal data. They are seen to induce consumers into a system that reproduces and reinforces ingrained social expectations of consumer practices, as later chapters suggest, all the while rewarding consumers for their everyday consumption practices.

## **Chapter 4**

### **Surveillance Frames: Theorizing loyalty programs as commercial sociology**

This chapter proposes that marketing techniques and their reliance upon the development of CRM systems serve to define consumers in terms of statistically relevant sets of data. They are quantified and measured, and as such, consumers can be manipulated and moved in statistically relevant ways. Loyalty programs serve to produce consumers as technologically constructed representations through the means of what is best described as a form of ‘commercial sociology’ – a means for securing corporate profitability by discovering the social (not to mention economic) significance inherent in consumption patterns. These practices, I argue, are fundamental to contemporary surveillance understood as the collection and use of personal details for the purposes of managing, influencing, entitling and/or controlling subjects.

Theoretically, this chapter frames loyalty programs as forms of commercial sociology in terms of several distinctive articulations of surveillance: surveillance as simulation; surveillance as re-creation of an enclosure; and surveillance as the systematic production of personal truths. These theoretical frames have their strengths and weaknesses in the evaluation of consumer surveillance, yet I argue that these specific positions taken together best demonstrate the means by which consumers are ‘assembled’ together or ‘made up’ in the context of the personal information economy. In connecting commercial sociology to consumer surveillance, the loyalty programs researched in this study are representative of the paradoxical nature of contemporary consumption

experiences which appears to “offer us as individuals all sorts of opportunities and experiences,” but simultaneously serve to direct consumers “down certain predetermined routes of consumption” (Miles 1998:147). Through loyalty programs, consumption practices are codified, evaluated, and then the analysis and segmentations produced are projected back onto consumers. All of this is contingent on the contemporary forms of surveillance inherent in commercial sociology.

#### **4.1 Digitizing the consumer**

At a loyalty roundtable event I attended as part of this research, a panel member lamented publicly at this meeting that what he “hated about marketing for years is that it was not measurable.” He suggested that loyalty marketing was different from other kinds of marketing however, as everything is measurable and, perhaps more importantly, its practitioners are accountable for everything that they do. He further suggested, drawing from his undergraduate background in microbiology and biochemistry, that the use of scientific measures, specifically the use of control groups, allows loyalty programs to best understand and leverage collected data. The creation of this kind of measurability and leveraging of data requires a consistent monitoring and codification of consumer ‘biographies’ (see Evans 2003). These biographies are subsequently reassembled into data-images of consumers on which ‘scientific analysis’ can be done by sending similarly categorized groups different types of offers and then measuring marketing response rates.

The data-image is “what counts” in this process (Lyon 2001:26). It is how the consumer is understood and marketed to in terms of the propensities she may have in purchasing decisions. Personal narratives which may or may not correspond with this

view are rendered less significant. The data-image takes precedence in marketing practice. As discussed below, some information gathered on consumers through more personalized interactions may be attached to a personal information file – the digital space within databases from which a data-image is drawn. These ‘notes’ are used for service interactions through call centres and other ‘touch points’ (corporate consumer interactions), but are often intended for use in refining marketing campaigns. Regardless of whether additional personalized information is added, the consumer is routinely seen as the digitized collection of various segments or categories (deemed significant by the corporation) that he or she is perceived to belong to. These processes create a conglomeration of individuals that have similarities to other digitized biographies, creating differentiated clusters in terms of similar neighbourhoods, previous product purchasing patterns, age, gender, income levels, and other characteristics. Most of these designations are corporation-specific. However, third party categories may be combined or used to overlay other previously developed categories.

These categories or clusters are important because they represent marketing offers made to a consumer, service levels, fees required and the accumulation of loyalty program points. Loyalty program representative Paul listed a number of categories when asked about how consumer data was integrated into marketing campaigns:

*...[T]here is a whole list [of segments] ...there is a value segment, there is a campaign history segment, there is category history segment, there is genre segment, ...there is frequency score, there is RFM [recency, frequency, monetary] score ...there is mosaic demo[graphics], there is the life stage segment, and there is age. So in any given campaign we may use all or some of those. ...And within the value segment, there are ten possible groupings, and in different campaigns we include whether the consumer has or has not received or responded to other particular campaign.*

Consumers may find themselves in many of these segments or their subdivisions.

*Paul: A typical segment might be ...50 to a 100 thousand consumers. Our narrower segmentation is ...2000 to 5000.*

*JP: How many different categories might a particular person [be] in?*

*Paul: Very many.*

Paul's response is indicative of an intentional micro-marketing, not necessarily a one-to-one relationship, yet the accumulation of these segments renders the consumer as increasingly known. Their buying habits, income levels, familial status, amongst numerous other categories of 'belonging,' are readily apparent to marketers with access to these systems. A data-image that is indicative of a consumer being a 'retiree,' a 'garden enthusiast,' and living in an 'up-scale suburban neighbourhood,' with added data from a loyalty card allows for highly specific targeted micro- or even one-to-one marketing. Likelihoods for receiving specific corporate offers, from discounts to new product offerings, depend upon whether the data that constitutes an individual's data-image fits into a particular marketing campaign or not. Associations with particular segments may also influence the speed at which a consumer's call to a call centre is answered and whether or not a service fee is waived or not (see for instance Winnett and Thomas 2003; Bibby 2006).

The use of categories – enumerating personal biographies into database segments – allows corporations “to capture information on customers in a useful and accessible fashion” (Evans 2003:668). The categories become “a sort of surrogate for the type of tacit knowledge of customers that the ‘corner shop’ of old, would possess” (ibid.). Capturing data to use as a substitute for tacit knowledge is precisely the point of CRM; it seeks to enable relational corporate-consumer interactions at an intimate level through the

collection and analysis of data. Though my interviewees debated the extent to which this was possible, something likewise debated in CRM literature (see for instance Millard 2003; Payne and Frow 2005), viewing the consumer in terms of their data are central to personalized conceptions of consumers. William makes this very clear:

*...[T]he whole program was built on the idea of understanding our customer better. So how we use it and work with data is a very important part of our program.*

Despite some differences on how data may be interpreted, and to what use the data might be put to, all of the interviewees indicated an unquestioning view on the use and measurability of data produced by their loyalty program. They each saw this form of data collection as valuable to their corporation and deemed it more accurate than other means of understanding consumer behaviours, including data derived from focus groups and surveys. There was a strong tendency to observe behaviour first, rather than attempt to surmise attitudes and motivations behind this. Suzanne is blunt about looking elsewhere: “I wouldn’t trust focus groups to give me an answer on anything.” While others are not quite so stark, this perspective echoes much of the value placed on the data produced by loyalty programs in other interviews. That loyalty programs are seen to produce more accurate information on consumers concurs with Cuthbertson and Laine’s study of European CRM programs in retail locations. One of their interviewees put it this way:

*Customers will always tell you something that they think you want to know. A customer that is less affluent is not going to admit that they go in and buy [the] cheapest possible products, because they have a personal image and they don’t wish to say that. You have to interpret that data. Whereas [with] our data, we know exactly what they have bought, therefore it’s a lot more accurate, a lot more valuable, and there’s a lot more in it (2004:293).*

These sentiments were frequently held by interviewees for this research.

The above quote, however, does not make clear that data drawn from loyalty programs has to be interpreted. The executives in my research each specified, in different ways and to differing extents, that the interpretation of data is seen as a crucial component for the existence of loyalty programs. Often the ability to interpret data was insinuated to justify their own corporate positions. In one discussion, Ruth explained the importance of interpreting the meaning of consumer data, something that she felt *Canada Miles* was moving toward. Rather than simply looking only at financial measures, such as corporate profitability, a ‘customer centric’ organization understood the role of measuring consumers:

*[I]f you don't understand the consumer performance measures you need to learn them. If you are going to a meeting with the President or to some people that are very influential in an organization and you don't know those, you better learn them quickly. And if in your job you cannot prove you have moved those measures the consumer wants, there is a problem. Those drive the financial measures; that's the difference. ...It's the consumer measures that drive the financial measures and in our corporation there is a real desire now to put them together.*

In the context of this quote, Ruth contends that corporate profitability increases by placing consumer information as the driver for financial practice, something that she stated has long been the case for ‘packaged goods.’ She describes her work at *Canada Miles* in terms of drawing on loyalty program data to create a more customer-centric corporation, a view that echoes marketing literature that emphasizes the need for CRM programs to be customer-focused as an overarching business strategy, and not simply a technological integration solution (Payne and Frow 2005). Whether as the primary source for consumer data or as one of several means for understanding consumers, each of my interviewees conveyed that loyalty programs positively contribute to corporate

profitability. Invariably they indicated the value of the program on the basis of the amount of data gathered on individual consumers.

Though a number of these loyalty programs began as a means of increasing consumer retention, the programs themselves have expanded in outlook. The data collected in the programs have become central to their existence and, despite (as several interviewees made clear) being a significant financial liability due to the costs associated with running the programs, they are increasingly central to corporate profitability. The program creates measurable and meaningful knowledge of consumers; it is how the consumer is known and understood. The gathering of data and its attachment to a particular person creates digitized consumer replications that prescribe the means by which a corporation should engage in corporate/consumer relations.

*Gary: Well, obviously this whole getting a single view of a client is sort of like the backbone. How can you provide a good service to a client if you don't know the client?*

*JP: Right.*

*Gary: So, it's sort of [that] you have got to adapt if you know that he is 50 plus, he likes to have a peace of mind when he travels and this and that. Well, then you design that service and the product accordingly.*

The creation of consumers as aggregate collections of data has “revolutionized the way capital assesses, values and relates to the customer” (Green 1999:34). These electronic databases “play a central role in the production of consumer identities” (Zwick and Dholakia 2004b:32) and create the means by which consumers become organisational artefacts, “owned and controlled” by the company (Beckett 2004:46). In the creation of data-images, the social and consumptive ties that serve as the basis for the expression of personal identity (see Bauman 2001; and Zukin and Maguire 2004) are rendered digitally malleable. Though the corporation cannot act directly upon a particular consumer, the

created image of the consumer “effectively stands in for the real consumer. It becomes the consumer’s identity” (Zwick and Dholakia 2004b:34), at least as far as the corporation is concerned. Once consumers are constituted as data-images, these entities can be engaged with and acted upon strategically, further subjecting them to the mechanisms of surveillance under which they have been constituted.

Marketing campaigns, for instance, are considered successful if a certain percentage of consumers respond. The response or lack of a response to such a campaign is then integrated back into the system as part of their data-image, creating a more refined conception of the marketing stimuli to which a given consumer may respond. The consumer is continually reproduced as a collection of data within organizational infrastructures that represent a world ‘out there’ in the form of categories that depict everyday consumption. There is a clear connection made between the categories created and the means by which consumers are seen to fit and enumerate those positions. As discussed below, loyalty programs can be seen as productive systems that serve to ‘make up’ consumers by means of a ‘dynamic nominalism’ (see Hacking 1986).

These systems also demonstrate the means by which knowledge production is applied not only in the context of marketing purposes, but also in the political and social context that generates this form of consumer evaluation (Bowker and Star 1999:61). It is a context in which a form of ‘commercial sociology’ is intricately connected with contemporary surveillance practices. As such, the theoretical frames in which practices of surveillance are understood serve to illustrate how corporations are seen to both create ‘actionable’ knowledge from these consumers as well as simultaneously participate in

assembling or creating these digitized loyal consumers as significant and meaningful in the context of the marketplace.

#### **4.2 The nature of surveillance in commercial sociology**

For years, market researchers trained in fields of psychology and anthropology have attempted to make connections between product choices and socioeconomic characteristics such as class, income and education (Zukin and Maguire 2004). The perceived problem with these processes was that they were “unable to make visible individual consumers” (Zwick and Dholakia 2004a:217). Historically researchers were able to make relatively detailed accounts of shopping behaviours but made few attempts to make these swaths of description specific. Certain institutions can be said to have set out to create or ‘assemble’ subjects of consumption through complicated means of psychological engagement that ‘mobilized’ certain consumption practices (Miller and Rose 1997). These connected knowledge of the consumer with advertising practices in an attempt to direct consumers choices by “forging intricate, intimate connections between specific product attributes ...and human passions, fears, and values” (Zukin and Maguire 2004:183). Yet even these practices remained focused on large segments of the population. To understand the individual consumer better, ‘psychographic’ analyses of consumers in the form of surveys about “self concepts and their preferences on a broad array of topics—e.g., spouses, household arrangements, pets, leisure time” were employed (ibid.). Though this information may not have had a direct connection with particular products, the data was refined into ‘clusters of attitudes’ which could stand in as proxies for consumer product choices.

Increasingly, given the expansion and capabilities of information and communication technologies (ICTs), personal data has been integrated into these systems of knowledge, improving the degree to which individual consumer habits are understood by placing them against a backdrop of consumer segments.

The hitherto ‘massified’ consumer [understood only in terms of large scale segmentations] who remained epistemologically absent while anonymously slipping in and out of markets, can now be inscribed, recorded, and classified according to attributes, capacities, and conducts and finally differentiated against other individual data profiles (Zwick and Dholakia 2004a:217-218).

Fundamental to this individualized inscription and classification is the creation of data-images and their corresponding existence in databases.

The attempt to better understand the relationship between “consumption patterns, tastes, values and preferences” with consumers has been described as a form of “commercial sociology” (Ellison and Burrows 2007:299; see also Lyon 1994:142; and Burrows and Gane 2006). By utilizing a multiplicity of data gathering techniques akin to those employed by the social sciences, and by placing data-images of individual consumers in relation to sets of others similarly clustered, marketers anticipate consumers to replicate the patterns of others. But, rather than academic analyses intended for the illumination of that which is deemed social, the intentions of commercial sociology are always and everywhere directed toward corporate profit. Data are gathered to make connections between everyday consumption and how persons are situated within social contexts in order to increase marketing efficiency and effectiveness. The routine processes of these forms of sociology – gathering, sorting and evaluating data to establish social patterns and subsequently assigning these patterns degrees of worth (financial, in

this case) or potential risk (whether corporate investment in marketing to certain consumers will ‘pay off’ in this context) – are also central to contemporary surveillance practices. Surveillance is understood here as systematic and focused attention to personal details in order to variously influence, manage, protect, entitle or control its subjects (Lyon 2001) and commercial sociology fits this description well.

Considering commercial sociology as a form of consumer surveillance can be theoretically seen as a continuation of critical discourses on consumer culture. It focuses attention on the notion that consumption, while offering an abundance of opportunities and choice, also very much directs consumers down particular predetermined routes for this consumption (Miles 1998). In that consumers “no longer have any choice but to choose”(Giddens 1991:81) between competing consumption options, expectations for consumption habits and the implications these have for corporations to exert a degree of influence and control that remains subtle and pervasive. The “illusory nature of consumer freedom” (Zukin and Maguire 2004:183) obscures the degree to which the surveillance of consumers creates opportunities for corporations to ‘deselect’ or ‘demarket’ certain consumers by minimizing marketing engagements with them (see chapter 6 in Turow 2006b; see also Gordon 2006). Digitizing past and predicting future patterns of consumption are indicative of systems of classification that embody “moral and aesthetic choices that in turn craft people’s identities, aspirations and dignity” (Bowker and Star 1999:4). Surveillance, in this context, has effects upon consumers that are sometimes visible, yet more often remain concealed to consumers, distracted by the abundance of choice they have in the marketplace.

Commercial sociology, as practiced by loyalty marketers, can be framed as a form of surveillance in several different ways as noted above. First, the creation of data-images may be constituted as simulations of the consumer. Following William Bogard, these technologies of simulation can be seen as “forms of hypersurveillance control”(Bogard 1996:4). Second, the databases that underpin commercial sociological practices can be seen as extensions of the panoptic gaze that Michel Foucault describes as ‘structures of domination’ (Foucault 1977). The database is seen as a form of enclosure that constitutes and normalizes certain individually prescribed consumption patterns through systems of rewards and punishments. Last, as a mode of self-identification, loyalty programs feed into commercial sociology as a production of truths about oneself. Commercial sociology can be seen as techniques that involve producing discourse about oneself (i.e. technologies of the self) as a means of constituting the consumer subject. This suggests augmenting the metaphors of simulation and panopticism in a way that indicates the ability of consumer profiling to blur together “both punishment and rewards” (Elmer 2004:6). Each of these frameworks illustrates how the dynamic commercial sociology practices of loyalty programs work. Taken together, these frames are informative about the social, political, and economic spheres in which a data-image, and its corresponding physically embodied consumer, can be seen as assembled or ‘made up’ through an interpenetrating relationship (see Hacking 1986).

#### **4.2.1 Surveillance simulation**

Loyalty programs, as a form of commercial sociology, can be seen to simulate surveillance. The process of digitizing consumer information to predict and anticipate

consumer behaviours serves to create profiles as a means of modeling the behaviour of the corresponding embodied consumer. These digitized profiles replace “‘actual’ with ‘virtual’ processes” and “‘real’ consumers with electronic representations,” forming the basis for consumer simulation (Bogard 1996:3). The simulation of a consumer’s behaviour allows collected data to become useful; it is the process in which the ‘real’ consumers have projected, through their monitored and analyzed habits and preferences, a data-image that subjects the consumer to particular corporate expectations. The ‘avid’ score for *Advantages* consumers is one such example. It is determinative for the offerings consumers receive and indicative of how each consumer is corporately understood. The score exists as the predictor by which to develop digitized stimulations. It is specifically deployed for direct marketing to consumers. Peter:

*[W]e have gone out and built what we call an avid score – that is, a propensity to be highly responsive to Advantages as an offering. The avid score is based on a series of 5 questions that we ask about the consumer. Depending on the scores that come back, we then compare that back against behavioural data. This is called an attitudinal and behavioural response and then what we have done is model a sample base. I can’t remember how big it was, 5 or 6 thousand consumers that we collected the core ...qualitative and quantitative data on. We [then] built a predictive model off of that and ...scored the entire data base against ...the model that was developed. [W]e could then say you might have a 0.65 avid score and ...draw a line somewhere in the mix to say above this line we consider you avid, below that line in the score we consider you an average consumer.*

Peter also indicates that these avid scores are broken down into several segments, from deciles of top tier best customers to a final tier simply labelled ‘demarket’ – consumers with whom the corporation has ‘deselected’ as optimal customers. At the very least, this indicates an intention by the corporation not to devote any resources to that set of consumers or the corporation may actively implement measures designed to discourage

ongoing patronage through extended service wait times, fees and higher prices (see Gordon 2006). While offering rewards to certain consumers for specific spending behaviours, there are also clear forms of ‘punishment’ for those that do not ‘measure up.’ The avid score – a digital demarcation of marketing responsiveness – is taken into consideration for any and all future transactions, from marketing campaigns to service interactions. It is a crucial factor in how the offerings of *Advantages* are made, from whether something will be offered at all to what type will be marketed to what types of specific consumers.

Avid scores are taken to be representative of an important aspect of consumer behaviour. In the context of their use, they stand in for the consumer, virtually embodying a collection of past behaviours that have been quantified and compared against other consumers. These scores, along with other ratings, categories, and segments, primarily focus on the behavioural aspects of consumption but are not clear indicators of the attitudinal dimensions of consumer behaviour – the “why of consumption.” Although the scores built into these systems (clusters and categories have similar traits for other programs) are seen, as Peter indicates occurs with the avid score, to exhibit consumer attitudes, their real value is in the way the consumer is implicated in future offerings.

Though individual consumers are simulated in the modeling or mapping of data-images, it is a constant and dynamic simulation of all corporate-consumer relationships that allows for increasingly refined marketing practices. The cumulative knowledge of

consumer responses to previous marketing events is built into each new offering, and these typically replicate and expand upon previous marketing campaigns. Wendy:

*We will do a points offer and then a dollars offer to see which one has more value [as an incentive for consumers]...And then what we do is measure the response rates from both programs. We have done things like that in the past to help us direct what the next offer might be or what the most beneficial response rates might be.*

Response rates to particular offerings and comparisons between the factors that affect these rates are vitally important to loyalty marketing as Wendy claims. It is a practice that is ubiquitous amongst these programs. Digitizing consumer behaviours through loyalty programs is increasingly about improving response rates – simulating consumers and offerings that mutually accommodate one another. While the analysis of this occurs within a digital context, the everyday practices of marketing and consumption are affected by how both marketing offers and data-images have been virtually rendered.

These virtual renditions are simulations. That is, they are “models of a real without origin or reality” (Baudrillard 2001). Yet it is not in this specific case that we do not know from whence the data-image came. Rather this description of virtuality from Baudrillard reminds us that in the context of database creation and the modeling to which they are subject, data-images are a means of representing consumers as well as a means of consumers representing data-images. Theoretically, this inextricable interconnection of consumer and data-image comprises what William Bogard believes is a form of hypersurveillant control – an intensification of surveillance while also taking it to its absolute limit (1996:4).<sup>10</sup> However, this simulation of consumers in the production of

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<sup>10</sup> William Bogard claims that simulation should not be seen as a ‘theory of surveillance’ but rather an accounting of a society willing to “sacrifice” itself to simulation in order to gain the control that

data-images is not, as Bogard states, a production of “false images.” Rather, data-images can be seen as profiles that exist “at the intersection of actual and virtual worlds” (ibid.:27). It is an intersection that connects consumers with their digital representations. What Bogard suggests is less about how simulations resemble their corresponding subjects, but how subjects, in this case consumers, increasingly start to resemble their profiles (ibid.; see also Lyon 2001: 117). As consumer behaviours are deemed significant only in so far as they are observable through corporate metrics, these metrics, and not an embodied consumer, become the focal point of corporate marketing.

Suggesting that simulation is a form of hypersurveillant control makes visible the intentions of commercial sociology: the prediction of consumer behaviour. The speed at which new information and communication technologies are able to operate “makes it possible for them to overtake themselves” and become predictive, assimilating historical data and projecting it on the present at a very rapid rate – simulated surveillance is always forward looking surveillance (Lyon 2007:56). While the irrational consumption behaviours of individual actors has proved difficult to deal with (see Bauman 2001), conceptualising individual actors as a set of statistically significant categories provides for an approach that makes consumers far more predictable. The simulated consumer – a data-image – is quantified, measured, and statistically categorized, allowing the corporation to trace future outcomes of corresponding consumers by modeling marketing effects on the data-image (see Stivers 2004). The simulation of consumers can be seen to sever connections with embodied or physically present consumers (see chapter 1 in Lyon

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surveillance promises. See page 24 in Bogard, William. 1996. *The Simulation of Surveillance:*

2001), as consumers are seen by the loyalty program solely in terms of buying behaviours and digital characteristics. The emphasis in commercial sociology is on how these digital representations of behaviours and characteristics fit within digitized models or profiles of consumers. As described in chapter 3, the screen containing an analysis of the consumer's data is the primary means of 'knowing' the consumer.

An important and perhaps illustrative area of focus in the daily operations of loyalty programs is on the potential for consumer attrition – the loss or minimal participation of a consumer previously engaged in the loyalty program. In my interviews, there was a nearly ubiquitous and continual concern with regards to evidence of consumer attrition found in program databases. This is seen as indicative of the overall health of the program, and, to certain extents, the health of the corporations to which the loyalty program was connected. Concern about consumer attrition is perhaps the clearest indication of how the simulation of consumers affects the marketing practices of these programs. Data indicating consumer disengagement is taken as an important matter of concern and attempts to reengage those consumers is seen as crucial to the health of the program. Data and the modeling of consumers are central to how this is observed and dealt with. Barry:

*We measure activity by some sort of behaviour within a 12-month period, [whether they are] either earning or burning points during that time. What we are able to do – based on information that we have – is to develop attrition models. Through these attrition models we can identify ...customers who have attrited in the past, and see what common characteristics the customer displayed leading up to the attrition and then we can identify customers who are showing those same sorts of characteristics.*

Barry then describes that these models become the basis for new campaigns aimed at reengaging consumers. Likewise, Nancy asserts that program data are consistently analyzed to indicate levels of attrition. The data are used to signify the general health of the program and are used for the development of marketing tactics to reengage these simulated consumers.

*We ...do analysis to make sure [customers are still engaged in the program]. So, people who are engaged are good group for us, because it means they are out spending. But why is that? We constantly go back and make sure that [engagement is] factual, that it is still happening. Those people who were redeeming frequently, are they still doing this? Yes, they are still doing it. Okay, then the program is still working. And the same occurs with those people who are cashing out of the program – are they attriting? Yes, they are. Then we need an anti-attrition campaign. We need a strategy around that.*

The marketing campaigns that focus on anti-attrition, perhaps most explicitly,<sup>11</sup> demonstrate the means by which consumers are subject to their correlated data-images. It is the simulated consumer, the data-image, which determines corporate offerings. In the case of attrition, data-images that indicate consumer disengagement motivates corporate action – these consumers, particularly those deemed highly profitably or valuable, often receive relatively immediate and highly specified attention.

The primary focus of loyalty programs on consumer behaviour, especially the probabilities and propensities of data-images for particular forms of consumption, rather than on the underlying attitudinal factors that exist behind these, is illustrative of how this surveillance can be seen as simulated. In one sense, the commercial sociology of loyalty programs are not surveillance practices replete with mechanisms for uncovering deep

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<sup>11</sup> Segments labelled ‘demarket’ or similar categories meant to minimize corporate energy put into developing or maintaining relationships may likewise have been an example of this, but interviewees only tangentially acknowledged this and were far less inclined to discuss this.

knowledge about their subjects. Instead, the surface tends to suffice (Bogard 1996:21).

Data images are predictive projections on consumers. Rather than be concerned with underlying attitudinal dimensions of consumer behaviour, the simulation applies small-scale models of consumer behaviour to large-scale populations. Through simulation, a consumer is rendered known and knowable in terms of their behaviour as they come to fit the self fulfilling prophecies of the data-image. Paul:

*[W]e basically ...apply [different marketing techniques] to similar sorts of markets and we measure the list of member PINs [personal identification numbers] that got a stimulus and the list that did not. And then we look at their total spend behaviour and all the variables within a period of time, including prior to the stimulus and after the stimulus. There is some notion that you are basically, with the promotional stimulus, moving behaviour just to another point in time. ... [So to control for that] we look at their total spend behaviour. We index them to make them equivalent, so we might take it down to a single customer by indexing it. And then we blow it back to the actual population to look at the real lift in different [segments]. Did they shop more frequently? Did they buy higher margin goods? Was it a negative cost to us because we were discounting so much that we are giving away business? And we found out that we didn't need to do that kind of thing.*

Consumers then are understood as coming to fit the expectations and transformations of these simulations, as both the marketing practice and consumer are assembled together (see Hacking 1986; Miller and Rose 1997). The application of these simulations – affixing data-images with particular characteristics, traits, propensities and probabilities in mass quantities – serves to map the trajectories of corporate expectations for the consumer to whom a data-image corresponds. It dictates the types of interactions a corporation has both proactively in marketing (or ‘demarketing’) and responsively in service arrangements for each consumer.

In layering consumer data, connecting multiple levels of categories to a particular data-image, and then linking these to specific consumer transactions, “simulations afford

a particular diagnostic and ...governmental capacity” (Elmer 2004:88). They serve to control offerings and interactions differ with any consumer, but are always carefully versed.

*Stephen:* For any given segment of customers you can [do] general marketing [for] those segments. ...[I]f interest rates are going to creep up those that [we can assume] have highly leveraged mortgages are going to have less disposable incomes and may actually look at switching out of their house. You could get a geodemographic view of who those customers might be and ...talk to them about mortgage opportunities. [Y]ou wouldn't say “I'm highly leveraged” [or that we know this], or “my job is on the border and I am having triplets,” [or other things we might be able to] know.

*JP:* Of course not.

*Stephen:* But you can start to look at it in terms of the conditions being right, there might be likelihoods or a high probability or a propensity for something increases and therefore we should put offers and marketing in front of these folks.

*JP:* I see.

*Stephen:* So, we combine all kinds of the four pieces of that data ...your personal information, behavioural, attitudinal and then market information and in one block [to determine our engagement with the consumer].

The reference here is to how a consumer might be diagnosed, but the additional description of what would not be said in any marketing materials affirms an important aspect of the simulation of consumer surveillance – subtlety. Consumers are not directly engaged with information that may be seen as intrusive or perhaps has the potential to be misguided (such as whether one is having triplets). Marketing rhetoric does not reveal the knowledge it has in a way that may disclose itself as a simulation, as Bogard states (see below). Yet, despite this concealment, the conditions to which marketing refers are embodied in simulated profiles of consumers. These frame the meanings behind the sets of categories or data clusters to which the consumer ‘belongs.’

While the consumer is simulated in the data-image, this should not be seen as either illusory or without material effects. Quite the contrary, the material effects of the impositions of digital identity is readily present and is, in Baudrillard's sense, "more real than the real." As Bogard notes the "better a simulation, the less awareness there is an artifice that identifies itself as a simulation" (1996:31). This is clearly the intention of Stephen's marketing practice mentioned above, and is made evident again in the quote already cited in part above about Peter's hope for *Advantages*:

*Peter: I would hope that in two or three years time a consumer would open a package and have that eerie feeling that Advantages is a little bit like their best friend that seems to know everything that they do - but in the best friend kind of feel. And that it is trusting, - yeah it is a trusting, 'they really help me out' type of relationship. This would be as opposed to 'the big brother is watching' and 'creeping me out' kind of relationship. So we are very careful on the language we use in the communication. You know it's never a "Hey! We've," you know...*

*JP: "We have seen you do this before."*

*Peter: Right. That is exactly right. It is not the... "we've noticed you haven't been in our store recently."*

*JP: That might drive more people away than back in.*

*Peter: Yeah. And that is not the intent. I mean the intent is to provide a service.*

In simulating consumers, loyalty programs are intended to be services that know consumers – they know what she likes, know where he lives, know what kind of people she hangs out with, and, most importantly, expects him to act in certain ways. The act of mapping out the trajectories of simulated consumers then becomes very real in its consequences – they have material effects. By positioning a data-image within a certain frame of reference, consumers are marketed to differently, receive different levels of service, are given differing commercial opportunities, are afforded differing degrees of flexibility in their transaction, pay different prices, and their interactions with the

corporation are interpreted through the social and economic positioning of their data-image.

The commercial sociology inherent in loyalty programs controls the actions of consumers in part by controlling the interpretations of those actions. In projecting data-images onto consumers, consumers become made knowable and known. They are influenced, managed, controlled, and entitled through the means of simulation – surface level predictions of consumer behaviour, and this surface is increasingly indistinct from that which it covers. Yet what remains missing in the interpretation of these loyalty program practices, in terms of simulations, is how the “realities come to resemble the image” (Lyon 2001:117). Commercial sociology as simulation theoretically exposes the predictive potentials of commercial sociology, but the surveillance of consumers can be understood to go beyond these ‘hyperreal’ surfaces. Other frameworks allow us to understand both the disciplinary effects of these simulations and how consumers begin to connect with digital expectations at deeper levels. The appropriation by Michel Foucault of the panopticon and its expansion by others in conceptualizing databases as reiterations of the panoptic enclosure reveals that the data-image has more than surface properties.

#### **4.2.2 The database enclosure**

The commercial sociology of loyalty programs needs to be understood in terms of its discursive functions. Loyalty programs embody a relation of power between the consumer and the corporation. It is a relationship that cannot be understood apart from the discourse it is embedded within – digital databases. This includes each database and the information, categories, and processes through which it is comprised. It is the

connection between the database, the data-image, and the embodied consumer that must be understood to create the power relations that render consumption meaningful: these serve to produce consumer behaviours; they serve to sort consumer behaviours into particular categories; and they are the means by which consumer behaviours can be shifted in accordance with corporate desires. William, who above emphasized the importance of collecting consumer data, describes the intentions for its use in this way:

*[F]rom our group's standpoint, you look at things from a relationship side of things and with the purposes of growing the purchase activity of our consumers. We call this 'share of wallet'. Make no mistake about it; we want to find ways to ensure that our customers choose Emporium over one of our competitors, and we also want to migrate them to certain products and offerings that they may not have tried before.*

The offerings to which William alludes are based on recognizing the categories to which a particular data-image may fit, and then making relevant offers. These are intended to entice consumers by rewarding them with a “preset familiar world of images” and new opportunities in line with their data-image (Elmer 2004:49). In large measure, the emphasis on value and repeat purchasing behaviour within a ‘*household value loyalty program*’ simply seeks to target consumers with ever more relevant goods (see chapter 5). However, this same process, particularly in the context of more heavily tiered ‘*leisure accrual loyalty programs*,’ “disciplines consumers to actively seek out the unfamiliar, the previously unseen, purchased, or borrowed” (ibid.). It is the classificatory power of the database that serves to constitute and normalize individually prescribed consumption patterns as well as the system itself; it is a digitized form of enclosure.

The chief architectural framework for understanding these discursive systems within studies of surveillance has been Michel Foucault’s revitalization of Jeremy

Bentham's 18th century envisioned prison, the panopticon. It remains a powerful metaphor of surveillance practices (see Lyon 2006). In both Bentham's and Foucault's estimation, the means by which prisoners were to be viewed, or perceive themselves to be viewed, created practices of self-discipline. This self-discipline existed in order to not attract the concern or attention, or the subsequent punishment, of those in control. The metaphor lends insight into how systems of control create revisions of the self based on external disciplinary practices. Foucault claims that the historical articulation of this system is more a history of the present than one of the past – it is about contemporary relations of power. Through the workings of these power relations, specifically the internalization of power of the guard, prisoners become self-disciplining through the employed techniques of domination. Likewise, the contemporary setting is one in which institutions of power pervade everyday life, “making individuals” according to techniques of power which are simultaneously “modest,” “suspicious,” “calculated,” and “permanent” (Foucault 1977:170).

There are weaknesses to the metaphor, not least of which is how far a metaphor drawn from the intended architecture of a total institution can be used to describe experiences of everyday life today.<sup>12</sup> Though the panopticon provides a sense of both external workings of power and the internal effects of surveillance, it is limited both by its very centralized conception of surveillance and by Foucault's neglect to account for the contemporary use of ICTs. Given the variety of contemporary surveillance

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<sup>12</sup> Roger Deacon argues that Foucault's trajectory of thought holds that these techniques of domination work in tandem with techniques of the self and are therefore part of everyday experiences. See Deacon, Roger. 2002. "An analytics of power relations: Foucault on the history of discipline." *History of the Human Sciences* 15:89-117. This is described in greater detail in the next section.

mechanisms, institutions and the pervasiveness of ICTs, the centralization inherent in the panoptic metaphor is difficult to demonstrate. Yet it is a metaphor that has been extended beyond the confines of a prison system. It is a “privileged example” or an “ideal type” that was part of Foucault’s much wider enquiry into the “how of power” that focused on role of discourse (Elden 2003:246; Foucault 1980b:92).

Extending the panoptic metaphor to conceptualise its discursive nature demonstrates how systems of surveillance are embedded into the fabric of everyday power relations. Whereas Bentham’s panopticon can be seen as a visible enclosure that embodies power relations, the enclosure that Foucault suggests “is more a property of the psyche than a concrete spatial arrangement” (Simon 2005:9). Mark Poster believes that though Foucault purposely never constructed a *theory* of discourse, his histories of punishment and sexuality demonstrated such a theory. Foucault’s use of the panoptic (and the confessional discussed below) lies in describing how a subject “is constituted through practices of subjection” (Foucault quoted in Poster 1995:83). Poster indicates that databases themselves are fully what Foucault refers to as “grids of specification” which classify, objectify and constitute their subjects (1995:88). They are “configurations of language” that serve to position “the subject in relation to structures of domination in such a way that those structures may *then* act upon him or her” (Poster 1996:176, 181).

In Poster’s terms, databases serve to create new sets of discourse and practices that form a “super-panopticon” (1995:85). This is said to be a move beyond Foucault’s panopticism because while the panoptic focuses on the interiority of the subject, the super-panopticon exists as a system that objectifies its subjects (ibid.:93). This

objectification is not intended to imply that super-panopticon completely determines the potentials for its subjects. Unlike earlier critiques of Foucault's work, Poster's work makes clear that subjects still have a degree of agency (see Poster 1995:93). He believes that agency is disbursed through the network and therein lays the potential for emancipation from these systems of domination. Extending the panoptic metaphor into the realm of databases in this way indicates the mixture of personal agency and the means by which the subject is constituted and positioned in relation to structures of domination. The commercial sociology of loyalty programs is precisely about making sense of this mixture.

An exchange cited in part earlier perhaps best demonstrates the mixture of gauging consumer agency, the constitution of consumer actions through the discourse of the database, and the positioning of the consumer for marketing engagement. In responding to a question on the difference between CRM and loyalty programs, Stephen states that the data found in the database is central to managing consumers:

*If you want to do CRM then a loyalty program is one way to collect data, so you see a loyalty program as a means to an end – the end is CRM. It is understanding who your customers are, how valuable they are, what they are doing, what they are not doing and managing them. It is in shifting their behaviour to different channels introducing them to new products and all that.... So a loyalty program doesn't necessarily get to CRM, particularly if you are not collecting and using data. ...The difference is what you do with the data.*

Here again we can see that data used for CRM serves to simulate the consumer, the data-image is demonstrative of the consumer and frames the understanding of all of his or her actions. Yet it is also the means by which the consumer can be 'managed,' allowing Travel Shares to 'shift' behaviour by means of producing particular forms of marketing discourse. Cuthbertson and Laine's study on loyalty programs quotes a loyalty program

executive indicating the means by which another loyalty program was able to promote and influence purchasing patterns through the use of a database:

X manufacturer wanted to promote product Y . . . We then [identify] people who bought children's clothes (the size suggesting the age of their children) that would like to look at Y. We worked out the population of who could buy Y. We then promoted to them and we sold more Y than any other retailer in the country. We continue to enjoy enhanced sales. That was a very cost effective promotion. (2004:294)

The database is, in this case and the one above, crucial for objectifying individual consumers. Roger Clarke suggests that the use of databases for surveillance purposes, or 'dataveillance', is only useful for the means of social control when it is "related to a specific, locatable human being" (1994). This serves to render consumers as 'digital personas' in his estimation – data-images as described here – which are subject to highly specified computer matching and profiling (ibid.)

Though this data image is constituted solely through the database, this simulation has particular 'real world' effects on consumers in terms of the categories to which they belong. Within programs of commercial sociology, data-images are incorporated into 'cybernetic triages' that sort consumers according to presumed economic value – what Oscar Gandy calls the panoptic sort (1993:1). Data on consumers are constantly evaluated in relation to previously categorised 'lifestyle groups' or profiles into which consumers are sorted. This process allows companies to engage in practices of 'demarketing' to certain less affluent or desirable clientele, specifically those that require high levels of service or are labour intensive with minimal profit potential. It also becomes indicative of the spaces in which the corporation can engage in campaigns designed to delight those consumers deemed as high value (see chapter 5 and Turow

2006b). In this way, the database is not only a site of simulation, but it is also a discursive enclosure that regulates consumer inclusion and exclusion.

In the process of being filtered like this, many consumers may suffer from what Gandy has referred to as “cumulative disadvantage” in which certain consumers are precluded from economic opportunities and by extension the social and political possibilities they entail (2006b:319). The importance of databases to practices of sorting consumers is continued in viewing surveillance as ‘social sorting.’ This focuses on the social and economic categories and the computer codes that influence and manage people and populations (Lyon 2003:2). The means by which sorting occurs “embody moral, ethical and aesthetic choices that craft people’s identity, aspirations and dignity” (Bowker and Star 1999:4).

These sorting practices are ones with which people have become increasingly comfortable. They are seen as natural, and as both “descriptive” and “operative” – defining the possibilities for action (ibid.:236). It is the ‘naturalness’ of classifications, Geoffrey Bowker and Susan Leigh Star assert, that creates an environment in which people are socialized to become that which can be measured (ibid.:236). Within the digital enclosure of the databases the classifications and the measurements of belonging, are given precedence over embodied consumers (Zwick and Dholakia 2004b:32). Once again, the data-image are seen here as a simulation, a virtual representation that the corporation views as the true consumer identity, but this is rooted in a database that orders knowledge around that which is observable, measurable, and quantifiable (ibid.

:32). ‘Authored’ versions of consumers (data-images) can be manipulated within a digital enclosure to:

inscribe personalities and identities onto consumers... specifying the system according to which the different kinds of consumers are divided, contrasted, related, regrouped, classified, and derived from one another as objects of marketing discourse (ibid. :38).

As the commercial sociology aims of loyalty programs are to increase profit by rendering consumers knowable, it is able to do this by sorting digitized consumer practices into subsets of categories that appear completely natural. Corporate knowledge of consumers is integrated into the discourse of everyday life just as other bureaucratic measures such as race/ethnicity, income, citizenship and other governmental classifications pervade the consumer’s sense of identity. Value conscious consumers, consumers with bad credit, high end consumers, or consumers labelled with geodemographic descriptors such as through PRIZM or ACORN (e.g. prudent pensioners, white van culture), all come to understand their own shopping habits in both explicit and implicit ways along the expectations of the corporation. Consumers are rewarded for behaviours that fit with their categorization – they are actively engaged with targeted marketing, loyalty program currencies, and promotional campaigns. They are also ‘punished’ by the system through mechanisms such as reduced service, increased fees, and limited exposure to corporate marketing. These ‘demarketing’ practices are intended to reduce expenditures on “the wrong customers” (Gordon 2006:3). Over time, consumers are anticipated to move their behaviour toward preferred corporate trajectories that follow the ‘natural’ classificatory schema embedded in the ‘configurations of language’ that flow from the database.

This framework for viewing commercial sociology as a recurrence of panoptic forms of surveillance embodied in a digital enclosure – a database – indicates the classificatory power is inherent in data collection and analysis. With consumption increasingly understood as the means for realizing human autonomy (see Bauman 2001), the enclosure of the database serves to set economic, technical, social, political, and linguistic limits on its subjects. Autonomy is limited by forms of control that reside in larger systematic structures that govern consumer opportunities (see the discussion on protocols in Galloway 2001). Thus, as an enclosure, the database is not about constructing physical carceral structures as mentioned above, and for which Foucault has been routinely criticized (as is noted in both Simon 2005; and Elmer 2003), but it is rather about the power of the system to include and exclude those that belong or do not. Control within commercial sociology is both a matter of simulation and the objectification of consumers into predetermined categories; it is about dictating the extents to which data-images are anticipated or allowed to move within a digital framework.

In a society in which consumption has become paramount, there is little choice as to whether a consumer is integrated into these systems of surveillance. Consumer data are continually gathered and used for systematic sorting, and each bit of information in the database is important:

Information that has little value in isolation gains value to the extent that it becomes part of an extensive database. Thus, the ability of consumers to choose whether or not they enter into what might be described as the “digital enclosure”—a realm of monitored interactivity wherein they surrender information about themselves—increasingly comes to resemble the forced choice [within capitalism of having to sell ones labour for

financial remuneration]. Consumers may be “free” not to interact, but they increasingly find themselves compelled to engage in interactive exchanges (and to go online) by what [has been] described as “the tyranny of convenience” (Andrejevic 2003:139).

Loyalty programs can be seen as a “tyranny of convenience” as the discourse surrounding these programs is designed to make enticement into the program difficult to resist. These programs are presented as ‘partners’ or ‘solution providers’ for consumers (see next chapter). They are based on the premise of having consumers reward themselves for the consumption that they do on a regular basis. Consumers who choose to remain outside of the system by not participating in these programs end up implicated nonetheless: similarly situated others in their social networks serve as proxies for their participation. Non-participation may limit unique and personalized offerings, but these consumers are still clustered together with similarly conceived digital peers.

Viewing the commercial sociology of loyalty programs in terms of the digital enclosure adds to our understanding of these practices as surveillance. Databases may allow for the simulation of consumers, but they also specifically provide the means for sorting and segmenting these consumers. Their discursive nature objectifies the consumer and implicates all consumption practices in the use of its classificatory powers. While this emphasizes forms of exclusion in disciplinary power, loyalty programs also make use of techniques of inclusion. It is not simply that categories are created and enumerated to define types of consumers, but that simultaneously consumers begin to understand and articulate their lives in these ways. Neither the frame of the digital enclosure nor of simulation makes clear the means by which consumers are increasingly solicited for information as part of the practices of commercial sociology. The means for simulating

consumers and categorically defining their behaviours is drawn from market research in which consumers continually serve to define and redefine their own actions. A third frame for understanding the surveillance aspects of commercial sociology allows for this to become more explicit.

#### **4.2.3 Producing truths through consumption**

Suzanne responded to several interview questions regarding consumer loyalty and the means by which consumers are understood with the comment “That is what I see in the data.” Invariably, if there are questions as to consumer behaviours she made clear to “look first at something you have already got” – the data generated by the loyalty program. Her view is indicative of the importance of data within the database and its role in normalizing what the consumption pattern for a particular data-image and its corresponding physical consumer would be. Yet the conceptualization of loyalty programs as simulations and database enclosures tend to limit discussions of how dependent these programs are on “feedback technologies” (Elmer 2004:38). Loyalty programs continually seek consumer engagement and interaction, appending all of this information when possible to the consumer’s digital persona. Barry:

*[Some consumer information] we know from surveys. [W]hat we can do is add additional information on customers by appending it to their CIP [Customer Information Profile]. So, for instance if we’ve done a survey and we captured their age and marital status we add that if they have given us permission to do that. There are ways to append that to the CIP to help it to become a bit more robust.*

A “robust” profile means that consumers can be known and marketed to more efficiently and effectively, that clusters for micro-marketing are more accurate, and that corporate-consumer interactions reflect the histories of their relationship. To ensure that a profile is

robust, consumer information is constantly updated and modified. Each encounter with the corporation, from purchase to service contacts, can be and often is added to consumer profiles – either as quantified and categorized interactions or electronic notes appended to a consumer’s file. Each of these appended interactions can be seen to incrementally render the socio-economic worlds of the consumer more visible. The dynamic nature of databases and their continual evaluation suggest that the simulation of consumer behaviours and the categories into which they are placed is supplemented by consumer feedback mechanisms – consumers serve to define their own categorization. Loyalty programs are more than simulations and enclosures: they are about encouraging consumers to self identify with particular products and brands.

The encouragement of consumers to self-identify is akin to Michel Foucault’s descriptions of techniques of the self and confession, the theoretical framework he focused on in his later work. His description of the panoptic was intended to demonstrate how it induces “a state of conscious and permanent visibility that assures the automatic functioning of power” on the subject (1977:201). Yet it has been criticized because this does not address the ways in which subjects of power are actively engaged in the formation of their own subjectivity. Though attempts to redress the perceived limitations of the panoptic, alternative metaphors have been made by a number of authors, from synopticism to rhizomatic surveillance (see for instance Mathieson 1997; Haggerty and Ericson 2000). Foucault’s work seemed to respond to critiques levelled at his work in the shift from techniques of domination (the panoptic) and towards techniques of the self (Elliott 2001:84). These latter techniques depicted the means by which human subjects

are creative and knowledgeable agents, demonstrating the processes by which self-identity is constituted in relation to power (Deacon 2002; Elliott 2001).

Foucault uses Western acts of ‘confession’ as the primary mechanism to convey this shift toward techniques of the self and indicate the more “productive aspect of power” (Foucault 1980b:119). Confession can be seen as the guiding theme for his work beginning with *The History of Sexuality* and continuing until his death in 1984 (see Elden 2005). In *The History of Sexuality*, Foucault set out to link the historic practices of confession with contemporary conceptions of the body and sexuality, yet his work changed from its original intention as he questioned “whether to write the history of confession as a sort of technique” (Foucault quoted in Elden 2005:39). This came from the recognition that techniques of the self were historically more significant than their relation to the “domain of sexuality and that of penal psychiatry” (ibid.).

The connection between confession and the self is important. Unlike panoptic techniques of domination that were based in accentuating comparisons of the subject to others, confessional practices were seen as the means by which subjects “directly constitute [their] identity” (Deacon 2002:92). In the case of techniques of domination, the focus on the self is connected to how the subject internalizes comparisons with others, or, how the self is ‘normalized’ in relation to the constant gaze of power. This is seen as an indirect constitution of self through the exclusion of others (Deacon 2002:92). On the other hand, Foucault’s description of confession indicates a much more active means for the production of the self. It is the main ritual relied upon for the production of truth about who one is (Foucault 1980a:58). Foucault defines confession as:

An act by which the subject, in an affirmation of that which they are, binds themselves to this truth, places themselves in a relation of dependence toward the other and at the same time modifies the connection that they have to themselves.(Foucault cited in Elden 2005:30).

The emphasis on confession is in line with Foucault's largely analytical approach toward power, rather than an attempt to create a general theory of power – that is, confession continues a focus not on what power is, but on the means by which power is exercised (see Foucault 1980a:81-91; and Deacon 2002). In the implicit demand that subjects produce truths about themselves, confessions form the basis for an inclusionary form of power, a means by which subjects actively produce their own subjectivity. It is not that the exclusionary practices of panoptic techniques of domination are disconnected with confessional practices, instead in Foucault's work the

“pedagogical and ethical technology of self-formation which is the confession... fused together with more global processes of political and population management into a complex system of relations which Foucault referred to as modern ‘disciplinary’ power” (Deacon 2002:92).

This is connected to what Foucault describes as ‘biopower’ – rationalized interventions upon the vital characteristics of human existence” (Rabinow and Rose 2006:196-197).

The interweaving of both techniques of the self and techniques of domination are the means by which power is manifest and internalized by its subjects, forming the basis for Foucault's “bipolar diagram of power over life” (ibid.:196).

Commercial sociology maintains the discursive functions of disciplinary power by gathering consumer data and segmenting/managing consumers within specified clusters. Yet it is also about increasingly soliciting consumers to divulge personal information – to self identify with consumer classifications and produce knowledge about refining those categories. Paul:

*We would like to know them so that we can serve them better, so we can recognize their worth and that kind of thing. ...[T]he purpose of knowing a customer is about knowing the culture that they ascribe to and participate in, and whether or not [the company] can be a part of that and help solve problems within that. ...[B]y letting us know you, we are going to learn more about you and be better at solving your problems.*

Engagement in a loyalty program, whether producing a card during a transaction or indicating a personal identification number, is a very specific means by which consumers allow a corporation to ‘know’ them and the culture they ascribe to. Seeing this as a form of confession hints that the truth of the subject’s experiences are “first, internal to the self and, second, can be discovered, hermeneutically extracted, and exploited through the intervention of others” (Deacon 2002:93). Loyalty programs extract consumer knowledge in order to exploit this information for profit. This occurs by creating marketing discourse that is seen to serve the needs that consumers themselves have self identified.

In the context of Foucault’s writing, he claims that confessions are “one of the most highly valued techniques” in the West for constituting identity; they are essential moments in which subjects reproduce and modify relations of power in the production of truths about the self (Foucault 1980a:59). This use of confession:

assumes that truth is good and valuable; that it is discoverable but not transparent, and it is mixed up with belief, error and desire; that it requires rigorous procedures which can plumb the murky depths of the self (or the world) and distinguish between the true and the false; and that such procedures often require the intervention or assistance of others who can validate one’s findings (Deacon 2002:93).

It is clear that these procedures and interventions were part and parcel of religious and psychoanalytic forms of confession that constituted the empirical focus of Foucault’s writings. These practices of confession constituted a shift from which a person is no longer “vouched for by the reference of others and the demonstration of his ties to the

commonweal” but rather is only “authenticated by the discourse of truth he was able or obliged to pronounce concerning himself” (Foucault 1980a:58). Yet a multiplicity of surveillance mechanisms can be seen to fit this definition as well, including biometric identification that entails “rigorous procedures” to certify through technological validation an identity as “true or false.” The surveillance of international borders, as is exemplified in an airport, likewise requires authentication via the discourse of documentation (see Salter 2007). In the contexts of commercial sociology, the incremental and mundane use of loyalty programs produce ‘undeniable’ truths about the consumer.

Despite having some clear affinities with Foucault’s description of confession, the swiping of a loyalty card, for instance, does not clearly connect with the profound acts of confessing to priest, therapist or even a border guard. There is no clear and explicit orientation to the corporation as an authority, nor is there a relational dependence upon this power as is made clear in Foucault’s definition of confession. Further, consumers cannot be said to have the connection to their self modified as Foucault describes occurring in confessional acts, through the participation in a loyalty program. Yet in a world in which consumption, as Zygmunt Bauman suggests, is “the moral and cognitive core of life,” the “integrating social bond” and the focus of “social management” (Bauman 1992:49), the production of truths about oneself, through the means of self identification during a consumer transaction, can be seen as a move toward the routinization of truth production. Confession in Foucault’s terms is an obligation “relayed through so many different points” and “is so deeply ingrained in us, that we no longer see

it as the effect of a power that constrains us” (1980a:60). In a society oriented toward consumption, we are increasingly compelled to produce certain truths about ourselves – following the “formidable injunction to tell what one is and what one does” (ibid.: 60). Consumption is one of the “most ordinary affairs of everyday life” which has felt the effects of confession in what Foucault refers to as the “confessing society” (Foucault 1980a:59).

While Foucault’s definition of techniques of the self indicates a need for continual and deep production of truths about one’s self, it can be suggested that the very act of identifying the self with a form of consumption can be seen as a mundane and routine confession of what one is. Rather than at from a distance, power “is now situated and exercised at the level of life” (Rabinow and Rose 2006:196). As such, the informatization of everyday practices such as occurs in loyalty programs are integrated into structures of power. As consumers are socialized to become that which can be measured (Bowker and Star 1999:326), acquiescing to the ‘natural’ monitoring of the most mundane of activities – everyday shopping – seems acceptable especially when loyalty reward are attached. Each transaction linked to a loyalty program is an indication of the need, desire, or use of a particular product or service by an individually identifiable human being. By their very nature these transactions inform the corporation about the self, despite the fact that these transactions are not, as in the case of therapeutic or priestly confessions, moments of deep self-examination. Nonetheless, participation in loyalty programs does begin to open up, to some extent, the “depths of the [consumer’s] soul” (Deacon 2002:94). It gives the corporation a view into one’s ordinary daily practices as well as aspirations.

Loyalty transactions are further supplemented by numerous surveys, focus groups and interviews with consumers designed to draw out social meanings behind consumption practices and how products are integrated into the lived experiences of consumers. It is information that allows a corporation to position their brand in line with expectations of consumer behaviour and understand the consumption needs and desires of that consumer. Paul's desire for his corporation to help 'solve' the consumer's problems mentioned above was reproduced in several interviews. Opening up to the corporations allows the consumer to be known in a 'best friend' sort of way as Peter stated it, and creates an interdependent relationship between the consumer and the corporation. Consumer data gathered through loyalty transactions and the multiple modes of qualitative and quantitative research is continually evaluated and analyzed to improve future consumer engagements, from new marketing campaigns to service relationships to corporate partnerships.

Loyalty programs, as a means for the consumer surveillance, are made clearer when we see them as a mechanism for eliciting consumers to produce 'truths' about themselves. These confessions are important manifestations of contemporary relations of power. Commercial sociology has capitalized on the cultural expectation that one must identify oneself to others. These programs have used data gleaned from both more intimate (in the form of personal surveys and focus groups) and less intimate (transactions) interactions to improve their predictive and prescriptive capabilities. The truths that consumers produce about themselves are readily drawn into a technological system programmed to evaluate them as quantifiable data. These are then used to more

accurately classify, target, and personalize interactions with consumers. Corporations use knowledge obtained from consumers through their participation in loyalty programs to produce relevant marketing for the consumer and others deemed similar. As Peter states, the:

*...loyalty program is simply a device that creates an action that allows you to get consumers to identify themselves. [It] allows you to create segmentations, and differentiate and categorize whatever you want of that consumer base so that you can have a much clearer view of what is really happening [with consumers].*

What is important to note here is that information gleaned from loyalty programs can serve to modify corporate marketing practices, their directions and promotions,<sup>13</sup> by the truths consumers produce in their interactions with the corporation. Databases do not, as Mark Poster describes, maintain a singular flow of information collection (from the consumer to the corporation). Rather databases ‘speak’ or engage with individual consumers in a variety of formats through the use of feedback technologies which confessional practices depict (Elmer 2004:77).

The pervasive and continual injunction to ‘confess’ both allows corporations to rapidly shift marketing practices and prompts consumers into a continual engagement with the company so as to not miss the advantages and opportunities the loyalty program suggests it provides. Productions of truth about who one is and what one buys confirms the health of both the program and the consumer – they are the basis for the anti-attrition strategies mentioned above, and the basis for the punitive practices of freezing or reducing points on particular loyalty programs due to program disengagement. All of this indicates that the eliciting of confessional productions of consumption truths should not

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<sup>13</sup> The overall objective of loyalty programs contributing to corporate profitability does not change.

be seen solely as a means to discover what the consumer wants. Instead, these practices must be seen as an attempt on the corporation's part to use this data to "foster, automate and network the act of consumption" (ibid.: 71). By framing commercial sociology as a form of surveillance that induces consumers to produce truths about themselves, we begin to see how these practices form an important feedback loop that modifies and improves the technological systems, marketing practices, data-images, and the embodied consumers upon which these are based.

### **4.3 Conclusion**

Each of the frameworks discussed above adds to an understanding of the commercial sociology of loyalty programs. They serve to differently analyze what occurs in the move from the physical embodiment of consumer transactions through the digitization of those transactions and into the accumulation of data bound to a particular data-image. This is a process of simulation: it uses models of consumption patterns and imposing these upon a given data-image – it draws on past consumption to predict the future. Yet these predictions must also be understood as disciplinary – simulations require forms of action to be effective, and the database sorts consumers into multiple levels of classifications which determine levels of access to numerous socio-economic and political domains. Connecting these exclusionary practices of digital enclosures with the modes of simulation, to which data-images are subject, does not make clear the means by which embodied consumers participate or act as 'bearers of their own surveillance.' This is made clearer through recognizing the role consumers have in producing consumption truths that are expected, elicited, and rewarded within loyalty programs.

This framework demonstrates the importance of feedback mechanisms in the system and indicates how dynamic the surveillance of commercial sociology is.

All of these frameworks taken together provide a more comprehensive view of commercial sociology and its production of and the utility of data-images. These digitized consumers are meaningful proxies upon which various marketing programs and scenarios can be overlaid to measure their effectiveness and efficiency. The surveillance practices of commercial sociology, here analytically framed in separate ways, lend insight into both the process of assembling consumers and how the consumption trajectories of consumers are mapped out. The assembled consumer is simultaneously simulated, disciplined and solicited. This surveillance of the consumer, and the information gathered through loyalty programs, serve to assist in diagrammatically mapping the consumption trajectories of the digitally produced consumer against an anticipated terrain of consumer behaviour. It is a means for controlling, for influencing, for managing corporate-consumer relationships and directing them toward corporate profits. In this process, the surveillance of consumers assists in maintaining the 'brand' of each loyalty program. The importance of the brand, the surveillance mechanisms by which consumers can also be seen as branded, and the interconnections of the two is the focus of the next chapter.

## Chapter 5

### **Reciprocal branding: The mediation of loyalty consumption**

Loyalty programs, as corporate mechanisms intended to encourage routine and increased patronage, serve as modes of mediation between corporations and consumers in the context of the personal information economy. They exist as independent corporate ‘brands’ specifically designed to ‘assemble’ consumers by collecting, analyzing and accumulating consumer data into data-images. In this process, consumption practices are codified into databases, evaluated, and then the analysis and segmentations produced are projected back onto consumers. Consumers themselves become representative of particular sets of social and economic relations, understood here as ‘consumer brands.’ It is the idea of the ‘brand,’ in relation to consumer and loyalty program, that is the focus of this chapter. This research indicates that the consumer as brand and the loyalty program brands are fitted together and that these relations serve to modify corporate marketing practices, product brand positions, and the collection of consumer data.

Drawing on interview data, this chapter claims that the interactive nature of loyalty programs serves to connect certain consumers with certain forms and expectations of consumption. Differentiation in the programs reflects the social positions of both the loyalty program brand and the branded consumer. Socio-economic categories of income, geographic location, education, lifestyles, values and others not only become replicated in simulated models of consumer behaviour, they also serve to reinforce those models. Loyalty programs, as a form of commercial sociology, serve to assist in diagrammatically mapping the presumed consumption trajectories of digitally produced consumers against

corporate offerings increasingly fashioned for specific types of consumers. In this way, corporate branding practices represent differing levels of program value and personalization for assembled consumers. Loyalty programs reflect forms of social stratification, with the branding and re-branding of consumers and loyalty programs indicative of the recursive nature of the latter as a surveillance practice.

### **5.1 The importance of brands**

Recent sociological and marketing literatures have focused attention on the importance the role of brands plays in contemporary marketing (Arvidsson 2006; Lury 2004; Holt 2004). Though the history of branding began with demarcating a particular product as different from other similarly substitutable products (Lury 2005:184), it has largely evolved to maintain an increased role in the interactions between products and consumers. Brands are seen to play an active role designing products, leading practices, and shaping the market itself (ibid.). They connect consumer lifestyles, already in part produced through marketing practices, with products and services that fit and facilitate those lifestyles. Brands are seen as “medium for the exchange of information between ‘producers’ and ‘consumers’” though the distinction between the two is increasingly blurred (Lury 2004:74). Brands are constitutive of a set of relations, not just representative of a particular product or corporate banner. They exist as mechanisms to include consumers, their consumption, and the “activities that underpin the social circulation of commodities into the production process” (Arvidsson 2006:94). Because brands are inclusive of these aspects, both the products and the digitized versions of consumers are subject to an ongoing redesign.

Loyalty programs are themselves brands. Often this is independently evident, as in the case of coalition programs, but equally as often they are seen as an independent ‘sub’ brand that is supplemental to a master brand. In my interviews with loyalty program executives, William suggested that his loyalty program is “a recognizable brand to the company;” Paul discussed those heavily engaged in the loyalty program as “a brand community;” Peter referred to an “underlying tone about the brand being an enabler of life experiences.” Wendy was clear that value was crucial to seeing her program as a brand:

*We feel that the loyalty program definitely has value because every major retailer or every major business is involved in some kind of a loyalty offering. So we believe it's essential for that. We think that Purchase Plus has brand value because it's a brand that we have built over a long period of time. We have customers who will wait for specific loyalty program promotions and feel that there is clearly brand value in that.*

Wendy speaks about the loyalty program as a brand because it engages consumers in particular spending practices – it is a valuable enticement for consumption, indicating an awareness of the opportunities the loyalty program offers for specific consumption patterns. Awareness of the program and its use is something that is important in Barry’s description of his loyalty program as a brand:

*I would argue that it is a brand in itself because we measure it in terms of awareness. Whenever we do our tracking studies we ask customers about their awareness of the Brands plus brand. And that's an important measurement for us in terms of measuring the customer engagement. We want the customers who shop at our stores to be familiar with Brands plus as a brand. And we also manage it like a brand. We have a very strict set of branding guidelines, around our colour pallets, the types of fonts you can use, the way you can use our name and not use the Brands plus name. It is managed like a brand to protect the equity we built up and then within the organization, in terms of marketing we also need to follow these brand guidelines when using us in their communications.*

This cyclical process of promoting a loyalty program as a brand and engaging in evaluations of the program as though it was a brand hints at how brands can be seen as immaterial informational objects (Arvidsson 2006:13). That is, they objectify a constitutive set of relations into a singular concept (Lury 2005).

The set of relations which loyalty programs constitute is between consumers, products, the corporation, and the program rewards. Describing loyalty programs as brands is embedded within the corporate marketing message, and this message is very specifically connected to particular products. The relations captured in the loyalty program brand include the consumption of those products and their attachment to rewards that themselves take the form of branded merchandise. All of these have their own sets of associations; all semiotically point toward other signs of value and each influences the social associations of the others. Yet in the set of relations captured by the loyalty program brand, it is not only the branding of the corporation, its products, and its rewards that are embedded within. Given the nature of data collection, and the surveillance practices inherent within loyalty programs, ‘branding’ the consumer is an important part of this set of relations. Loyalty programs act as “identification programs,” allowing the corporation the opportunity to individually know buyers, in a “manner somewhat symmetrical with what branding offers to products” (Deighton 2005:233).

These consumer “brands,” as Deighton indicates, like the continually emergent object of a traditional brand (Lury 2005), are mediated and flexible. This is in part due to the nature of consumer monitoring which produces continual feed-back and feed-forward information (ibid.: 197), orienting the brand to past behaviours and positioning the brand

for future (created) markets. The surveillance of consumers through simulation, digital enclosures and truth production, assures that this flexibility is maintained and serves to dynamically connect consumers as brands with particular types of product and corporate brands – the two are mutually reinforcing. The surveillance occurring in this context is indicative of a dynamic evaluation and re-evaluation of consumers and of the flexibility many of the interviewees indicated their loyalty program allowed for in marketing practice. Both the loyalty program as brand and the consumer as brand are continually emergent, objects that are “both dynamic and indeterminate” (Lury 2005:197). Yet loyalty programs are heavily reliant upon the digital productions of these dynamic consumers, assembling them into a marketing form that can be used to map likely trajectories for consumption.

## **5.2 Assembling the consumer**

Historically, surveillance research has not tended to articulate the processes involved through which data are requested and given; instead most have specifically focused on the collection, organization, and deployment of data (Elmer 2004:5). However, as dynamic and indeterminate objects, consumers as brands are relationally ‘assembled’ in meaningful ways in the commercial sociology of loyalty programs. The relational process is continual, particularly evident in the ‘test and learn’ strategies employed by loyalty programs (see chapter 7), but the surveillance frameworks discussed above and taken together are illustrative of the dynamic process of assembling consumers. The truth production work of consumers is indicative of how data is willingly relinquished to corporations by consumers in exchange for modest rewards. This

information is digitized and used to simulate consumer behaviours, and the models developed based on these behaviours become predictive as to how consumers are expected to act. These simulations are based on the creation of data-images that have been captured within digital enclosures. They serve to discipline the consumer into expected categories of action while becoming a discursive frame for how consumers are both understood and how they understand themselves. Of course these systems are reliant upon consumers continually providing the corporation with glimpses of their everyday lives by using the loyalty program as a form of self-identification. These consumption habits and behaviours are also supplemented by the use of research mechanisms such as focus groups and consumer surveys, reiterating the importance of consumers producing truths about themselves (as discussed in chapter 4). The data gathered through these methods of consumer engagement are evaluated, analyzed and integrated into these systems for continually improved simulation of data-images and their categorization within digital enclosures.

The frames suggested for understanding loyalty programs as a form of consumer surveillance are by no means exhaustive. The variety and divergence of these programs suggests that they may also be appropriately depicted as part of a surveillant assemblage, an interconnected rhizomatic network of programs that monitor consumer behaviours in discrete contexts (see Haggerty and Ericson 2000). Likewise, a more synoptic than panoptic perspective can be seen as evident, as many of these companies and their programs are publicly owned and operated with performance measures made public routinely (see Mathieson 1997). Yet the frameworks of simulation, digital enclosures and

truth production are demonstrative of the rather complicated and detailed process of putting together and making sense of consumers and their practices – that is, of branding consumers. Consumers cannot be seen to simply exist in this context – they have to be logically assembled and made comprehensible as objects for marketing (see Miller and Rose 1997). The power and influence corporations may have over consumers is based on

making up or assembling a particular subject of consumption and orchestrating the little rituals and practices of everyday life in a way that links up a particular complex of subjective tastes and allegiances with a particular product or brand (Moisander and Eriksson 2006:259).

This interconnection between consumer brands and corporate brands underscores the idea that marketers exist in the boundary between the consumer and the corporation (Fournier, Dobscha and Mick 1998), but also is indicative of the consumer brand as an ‘object.’ Objectifying the consumer in relation to a particular products or brand sets the parameters of expectations for both the product and increasingly of consumer ‘performance.’ The use of the database, with information confirmed and exchanged by consumers for program rewards, serves to constitute “the customer subject as a known and knowable object upon which the marketer can now act strategically” (Zwick and Dholakia 2004b:32).

Objectified consumers are increasingly seen by corporations in terms of the reputations “ascribed to them” (Deighton 2005:233). Loyalty programs use card information in order to act strategically towards branded consumers, and, as Jennifer Rowley points out, the evaluation of consumption practices in these programs allows corporations to “calculate how many people there are in a home by the number of toilet rolls that are purchased, whether you have just had a child, and when you are about to go

on holiday”(2005:123). This information allows for more personalized marketing practices (as discussed in chapter 3). Rowley continues by suggesting that the:

“intention is to increase customer loyalty, or level of engagement with the business or the brand by analyzing the data in search of marketing strategies that will improve their offer, in such a way that they achieve an increased level of shopping. In short, in exchange for modest rewards and incentive points the customer is granting implicit permission [for the company] to use their data, to enhance business success and profitability. (ibid.:123)

Branding consumers specifically to enhance corporate success and profitability requires that consumers be evaluated at a number of different levels, all of which play a part in the development of marketing practices of the corporation.

Recognizing the most consistent and most profitable consumers for a corporation, and connecting this information with social factors of lifestyles and life stages, is often seen as essential to corporate and program success. These categories become the basis for the consumer profile – the categories, clusters, and macro/micro segmentations to which a data-image is prescribed. This information is said to enable the corporation to ‘understand their customers better.’ Barry describes the key segmentations for Brands

Plus:

*We have a number of ways we segment our customer base, based on recency of shop, frequency of spend, and how much they spend. ...We also look at them in terms of their deciles, so we divide the entire customer base into 10, with the top 10 percent of our customers in decile one and then the next 10 in decile two, etc. This allows us to see them from a profitability perspective. We also look at them from the life-stage point of view. We’ve identified, I believe 12 different life-stages that our customers are at, at any given time. This is largely inferred based on what they are buying, so if we know customers are buying diapers and baby powder we [categorize them] as parents with young kids.*

Life stages are often connected with age, but other corporations such as Dividends see age itself as an important and useful segmentation for their market in addition to the categories related by Barry. Paul:

*We have a general kind of cultural segmentation we have broken into ...generational groups, the traditional kind of boomer, family, careerist, young adult, gen yish, tweens, etc. We then cross that with the mosaic data [third party lifestyle demographics] on which kind of mosaic groups they fall into. And that gives us about five times twenty groups potentially and we tend to use about 15 to 20 of those of groups as they seem to be responsive to communications and are the core of our business.*

These segmentations are coded in the database at multiple levels. Depending on the marketing objectives for different campaigns any number of these can be used, with the levels of connection or belonging with each category forming the basis for how a consumer is conceptualized and perceived by the corporation. With the use of increasingly complex data processing, analysis, simulation, and the means for gathering consumption ‘truths’ from consumers, segmentations were purported by my interviewees to be highly accurate. Increased data collection was seen only to make these become only more accurate.

As loyalty programs can be seen to assemble consumers based on how they are coded within databases, they do so in a way that “engages the central life themes” of the consumer and that begins to shape the consumer’s tastes by presenting them with products and opportunities designed to fit with their (digitally presumed and prescribed) ‘life’ (Deighton 2005:237). Corporations view consumers as a set of statistically relevant characteristics, but these form a self-fulfilling prophecy. The categories outlined by Barry, Paul and other interviewees serve to refine and adjust corporate perspectives on consumers, and transform marketing practice towards clusters of consumers based on the

way they have been branded. These practices are rendered meaningful and deemed successful in terms of how the corporation measures response in the quantifiable “factors they control” (Stivers 2004:106). In this way, loyalty programs can be said to prefigure or assemble the consumer by identifying the intended consumption patterns of current and potential consumers and marketing to them accordingly. The success of a program is measured within a closed system in which the information, procedures, and rules reinforce expected patterns of consumption by the corporation. Failures are seen to be linked to limited data or misinterpretations of the data, and consumers seem ready to oblige corporate expectations, willingly participating in the programs for the modest rewards they offer. At least in terms of the corporate rhetoric in the interviews, the consumption practices of loyalty program members tend to fulfil corporate expectations (see Hacking 1986).

In the process of assembling consumers, loyalty programs provide particular services to consumers and fulfil their expressed or constructed needs. It is not that these mechanisms of behavioural analysis simply produce ‘false needs’ within consumers, though that may be part of this process (see Miller and Rose 1997). Instead, the technological process that renders consumer data meaningful delivers on its intentions by setting parameters around the realm of likely possibilities and rearranging the practices of consumption to fit its own objectives for measurability (see Ellul 1990). The self-fulfilling prophecy of these programs work because they guide consumers into particular transactions that occur within fixed limits and automate consumption into a “cybernetic-like system of reproduction” (Elmer 2004:141). The database and its analysis dictate how

a corporation will engage with particular consumers. Paul makes this clear in what occurs with the Dividends program.

*We measure and decide what the right investment is for different customer groups. We do this according to their value segmentation, their category orientation in terms of which categories they purchase in, and their frequency behaviour.*

By discursively assembling consumers on the basis of layers of data about them, future marketing engagements are able to be simulated (or mapped out) in a way that ensures corporate efficiency and profitability (Elmer 2004:88). The process continues a trend Miller and Rose identified as occurring within marketing research in the 1950's:

[j]ust as one could identify 'product images', so too could one identify 'personality images'. Clearly, what was necessary was to map the one onto the other (Miller and Rose 1997:19).

For loyalty marketers, mapping the trajectories of consumer behaviour onto product offerings is fundamental to their existence. Yet as the layers of data are assembled together to 'make up' consumers, to brand them as a collective set of socio-economic relationships, those same socio-economic factors implicit in the production of these consumers form the very basis for their mapped out consumption patterns. This inevitably reinforces the social structures from which loyalty marketing is drawn and to which the assembled consumer is mapped.

### **5.3 Mapping brands together**

The description of loyalty programs as brands that objectify a set of relations – between consumers, products, rewards and corporations – is rendered clearer in the connections systematically made between consumers and their consumption patterns.

Loyalty programs can be said to contribute to an ontological recursivity in which modes

of being, in this case modes of consumption, become reiterated in the informatization of everyday practices (see Parker, Uprichard and Burrows forthcoming). This is to say that the data drawn from consumers in loyalty program are projected back upon them in a way that anticipates their behaviours and regulates corporate interpretations of these practices. Consumers may “spontaneously come to fit their categories” (Hacking 1986:223), but they are categories that their own consumption habits have helped to create. The reiterations of consumption patterns into forms of marketing serve to, as with all technologies of the self, modify the connection the consumer has with herself. One’s consumption patterns are no longer simply descriptive, but increasingly become prescriptive as well. This suggests that the processes of commercial sociology can be seen as “ideological” in the sense that this:

(a) construes and constitutes identities and relationships, and (b) represents and reproduces systems of belief and power, but also because it (c) establishes and maintains structures of inequality and privilege (Thurlow and Jaworski 2006:100).

Notions of identity, belief, power and privilege are embedded in the meanings affixed to evaluations of personal lifestyles and market segments, with these culturally nuanced conceptions increasingly being digitized for marketing use.

As Paul du Gay summarizes Scott Lash and John Urry’s argument, the

“fashioning of, often seemingly banal, products where these are marketed to consumers in terms of particular clusters of meaning, often linked to ‘lifestyles’, ...is taken as an indication of the radically increased importance of ‘culture’ to the production, circulation and consumption of a multitude of goods and services” (duGay 2004:101).

In many respects, loyalty marketing is at the forefront of drawing in these clusters of cultural meaning to inform corporate decision-making. This is particularly true for certain programs like Brands Plus. Barry:

*We use that information [encoded life stages, lifestyles, geodemographics in the Customer Information Profile] to drive all sorts of business decisions, from the types of products we should be carrying in our stores to pricing decisions, to real-estate – what markets we should be in or not be in. So the real value of the Loyalty Program for us, outside of it being a point of differentiation for customers, is the data that we get from it and our ability to leverage that data to help us make business decisions.*

The cultural attributes of consumers – lifestyles, life stages, ethnicities and beyond – are understood in terms of the digitally defined boundaries between consumption patterns.

Defining these boundaries and defining the people that inhabit these classifications is a growing industry. Loyalty programs may develop their own sets of classifications for their consumers, but a number of the loyalty programs in this research rely heavily on external classifications to define the classificatory boundaries their consumers inhabit.

These classifications often make explicit cultural expectations of these consumers and the effect this has on marketing strategy. Paul's use of external data perhaps best illustrates this:

*We apply Mosaic data [consumer profiling company] in order to overlay the personal information. They [Mosaic data] basically assemble for us, StatsCan [Statistics Canada], B.B.M classifications [consumer profiling company], so that a variety of different data sources on household composition, media consumption, general consumption, or different categories that we might not even participate in, can be applied. That allows us to perform further as we aggregate those. We have indices against each of those, as well as statistics that we can either use by postal code independently or use the Mosaic produced groupings. They define their 20 different kinds of groups of consumers like what may be called 'Established Canadians' or 'Prairie Farmers.' These are a collection of attributes. We use that information to determine, for example, a bundled product offer that may – by the content or the type of products – appeal to a certain kind of consumer group such as 'Traditionalists' for example. So this plays out in our marketing as we have a 'Traditionalist' Campaign versus an*

*'Urban Sophisticate' Campaign with a different bundle of products that we thought would appeal to those two different groups differently.*

For Paul, a myriad of classifications are used to refine perspectives on consumers, including in this case the integration of official statistics from 'StatsCan.' The reliance upon government data, as is evident in geodemographic literature (see Burrows and Gane 2006; Weiss 1988), was mentioned by a number of interviewees.

Overlaying or mapping these classifications onto existing conceptions of consumers based on loyalty program data perpetuates a targeting of "look-alikes" – "people with similar profiles to groups of individual consumers" (Stone et al. 2004:311). What is suggested here is that due to the ideological nature of these classifications, "the structure they seek to produce is self-similar to that which 'exists' anyhow, and that the descriptive narrative that emerges from these classification processes is constructed to reflect that ontology" (Parker, Uprichard and Burrows forthcoming). This recursive process is probably best evidenced in the use of geo-demographics for the marketing of particular locations and the means for marketing divisions *to* market to these locales (see Graham 2005; Burrows and Gane 2006; Parker, Uprichard and Burrows forthcoming; Uprichard, Burrows and Parker forthcoming). Clustering people together in terms of where they live is based on the premise that "people tend to live with others like themselves, sharing similar demographics, lifestyles and values" (Weiss quoted in Burrows and Gane 2006:796). This notion draws on the clichés that 'birds of a feather flock together' and 'you are where you live.' From the "point of view of marketing professionals, knowledge of where someone lives is a particularly powerful predictor of

all manner of consumption practices, values, tastes, preferences and so on” (Burrows and Gane 2006:796).

The evidence in this research demonstrates that similar to how geographical data are integrated into information systems that define geographical marketing, socio-economic consumption practices are recursively integrated within loyalty marketing. Loyalty programs gather, analyze and classify consumer data in a manner that perpetuates the similar socio-economic expectations. The success of these classification systems “lies in their ability to map out and structure patterns of consumption that in turn aid both the enhancement and regulation of the capitalist market” from whence they came (Burrows and Gane 2006:807). In this research, the perpetuation of social expectations is evident in the differentiation of what I’ve termed ‘*household value loyalty programs*’ and ‘*leisure accrual loyalty programs*.’<sup>14</sup> Though the distinctions employed here are often not as clearly defined as these classifications may suggest, the evidence from this research demonstrates that socio-economic factors associated with each set of programs contribute to the way in which loyalty program data are applied to define markets, the classification of consumers, and marketing campaigns. The use of loyalty programs in markets focused on household consumption are concerned largely about program relevance in terms of value and simplicity. The loyalty program brand often reflects this quite explicitly in their promotional materials. On the other hand, personalization and the cultivation of consumer relationships are disproportionately emphasized in programs that

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<sup>14</sup> These can be seen in terms of an ‘immediate’ or ‘delayed’ timing for the reward as differentiated in Dowling, Grahame R., and Mark Uncles. 1997. “Do Customer Loyalty Programs Really Work?” *Sloan Management Review* 38:71-82.

focus on leisure activities. This is perhaps where connecting the consumer as brand with the corporate brand becomes most explicit, as these organizations utilize (at least rhetorically) more individuated approaches to consumers.

Loyalty programs brands can be said to exist on a continuum from, on the one side, consumer value, and to the other, consumer personalization. All of the interviewees from programs that drew on aspirational or elite activities, those defined as ‘*leisure accrual loyalty programs*,’ employed the rhetoric of personalization and consumer relationships. Those interviewees from programs that constituted the ‘*household value loyalty program*’ category may have made gestures toward personalization, but they were far more concerned with program value. Suzanne position is the best example of a value orientation on the continuum. She differentiated her hopes for the Destinations program by contrasting it with another loyalty program that she is a member of:

*Suzanne: I will tell you they have sent me magazines and offers on things that I would never buy in a million years. They do not know me from Adam. That is the reality, they don't know individual people. No [company] knows individual people. You can make some macro judgments on a segment but that is just what you are doing. Don't be so specific to think that I am actually doing something different because you talk to me personally. You don't resonate that deeply, I am sorry. And I don't think that there is any loyalty program that can resonate that deeply because who could know everybody that well? It is impossible.*

*JP: There is no real potential for one-to-one marketing.*

*Suzanne: No, you just pray that you hit on a sort of a macro behaviour that is common enough so that you can say – without offending anyone – “If you'd like this,” “I would suggest...” I don't say “hey come and get this.” I say “what about? Have you considered? Maybe? What if?” You know I don't care what they do, because customers will ultimately make their own choice.*

On the other hand, the corporation Simon works for maintains member relationships with relatively high status and higher-class tiers of consumers and focuses on personalization, particularly for members in the higher levels of the program:

*The true person we want to deal with is the person interested in the personalization and recognition aspects of the program and not just the seeking points or rewards. ...The personalization and the recognition is the main value to the program. And that really happens when you hit the elite tiers of our program because there's far fewer of those members than members we have at the base level of the program. It is easier to provide that one to one recognition, especially when these are your most important guests. They are the most frequent [customers]. They have the largest [transaction] history. Not to say we neglect our base level members, but we certainly focus more on the elite tiers.*

As the quotes above illustrates, there is a range of loyalty programs in which consumers may participate and expect differing types and levels of engagement. Yet in all of these, socio-economic values are embedded within the loyalty program brand and the branding of consumers. Some of these values may be rhetorically defined as in the case of an 'elite' status within *leisure accrual loyalty programs* (see Thurlow and Jaworski 2006), but socio-economic factors are projected back onto consumers through all of these programs. This is most evident in the differing emphasis on consumer value or personalization by *household value loyalty programs* and *leisure accrual loyalty programs*, respectively.

### **5.3.1 Household value loyalty: immediacy and value**

The primary, but not exclusive, emphasis in programs deemed *household value loyalty programs* in this study is on the immediacy of program value. For a loyalty program to gain widespread appeal, it must demonstrate its value in some form, yet in a saturated market (see Capizzi and Ferguson 2005) *household value loyalty programs* focused on making visible the benefits of the program in the short term. Most of those

interviewed from these programs eschewed the future orientation of the coalitions and travel programs that represented the bulk of *leisure accrual loyalty programs*. This point is evident in Ruth's comments about her understanding of loyalty consumers:

*The consumer is clearly saying I am time starved. It used to be a bad thing in the marketing strategies of 10-15 years ago to give out discounts. It is like 'Oh gosh. Rather than giving them a price discount, let's give them a promotion'. Or, give them a coupon because it's not perceived as cash. Give them a loyalty program because it's seen as a trade-off for not giving something on sale. At the end of the day, why are we so worried if that's a bad word, giving a discount? And its coming up to me louder when I look at trends of what people are looking for not only in loyalty programs but in companies at large, is a concern about getting a discount. It is immediate gratification, make it simple for me and then and more of a focus on money saved rather than on aspirational rewards.*

In the terms given here, these *household value loyalty programs* provide immediate gratification to consumers in terms of giving discounts to those consumers.

This gratification is also connected to what these loyalty programs are seen to provide – perhaps best illustrated in William's comments about what his program attempts to provide:

*The way our program is structured is to be very simple, and to provide relevance and value. Those are the three tenets that we apply to the program – simplicity in that it's easy to sign up, and that you get points right away. It is also easy to get rewards. You don't have to go to a catalogue or any of this other kind of business. It is all instantly happens at the cash. The relevance is that you can reward yourself on anything in the store, basically on your everyday purchases, and the third is the value, the fact that you don't have to wait forever to redeem your points or see value in the program.*

These themes repeat themselves several times in the interviews. Barry:

*A lot has changed in terms of the retail landscape [in the past few years] and we have to make sure the program is evolving to ensure it's competitive and to make sure that it's still relevant to our customers. We'll be looking for opportunities to increase value, and simplifying the program mechanics. You know, longer-term ...strategic alliances, potentially with other loyalty programs, that make it easier to earn points outside of the Brands family stores through these relationships.*

Wendy:

*The benefit of the Purchase Plus program is in its great value. If you were comparing it in an Apples-to-Apples comparison with other programs, it has tremendous value. The second thing is that it is convenient. You just use your Purchases Card, you don't have to fiddle around with another card. It is convenient with the use of one card and you've also got selection if you redeem for the certificates, basically you can use it for anything, you can use it for cosmetics, for hardware, for travel, for shoes, for dress, like whatever you want, you know, so, you are not restricted to the Kitchen Aid Coffee Maker, for example.*

Each of these themes, simplicity, relevance and value, are embodied in the *household value loyalty program* slogans, ranging from 'easy rewards' to 'Quick. Free. Simple.' to 'real and immediate incentives.'<sup>15</sup> The intention of these programs is to make the rewards easy to use, but they are also designed quite specifically to move consumers to specific consumption behaviours. These programs are less concerned with gathering data for sake of having data about individual consumers and more concerned with moving large clusters of consumers toward particular behaviours.

Just as the rewards program itself is about demonstrating immediate value to the consumer, for the corporation, the programs are about the pragmatic issues of revenue found in continuing and increasing sales:

*JP            What's the strategic reason for the program?*  
*Ruth        It is to get people to increase their frequency of purchase with us, giving more of their business to us from a competitor. And we measure that in how many visits out of ten, how many purchases out of ten they give us. That is called share of wallet. We look at what percent of the business they were giving us prior to coming into the program and what percent of business they are giving us after being in it and hopefully increasing that. So it is not only getting more share of wallet from another competitor but once we have them as a loyal customer, it is increasing their basket size. So we want to get more purchases from them once they are on the program.*

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<sup>15</sup> Slogans have been modified to maintain the anonymity of programs involved in this research.

Of course, this can be done through any promotional means, but the loyalty program provides a singular branded means for these types of promotions. It is not that these household programs are uninterested in knowing individual consumers, it is that the pragmatic possibilities of this are not as important as shifting consumer behaviour. Again, Ruth puts it most clearly:

*To me [knowing whether the program has value to you] is more meaningful than an overlay of whether you have family or do not. Are you single? Married? An empty nester? All that jazz. Because at the core of it, a lot of that doesn't matter. Let's talk about to the basics. I mean, yeah, I can put in front of that person a magazine for golf because they like golf. But at the end of the day, how meaningful is that versus the fact that you're coming to me to get [everyday items] that have nothing to do with golf. When you look at this complex world we are in and people time starved, I worry that a lot of those kind of new fangled trend stuff that these direct marketing companies are trying to pitch to all of us as the clients is just a way for them to look like they know what they are talking about and therefore get more money from us to spend on their programs. And I say to myself the heart of it is - the customer. And if they sit in the focus group and tell you I could give a rat's butt about whatever, that's it. That's the answer. So I think the success of our program has been built out of the fundamentals. [We reward customers with the things they were already coming to buy.] And it doesn't take a rocket scientist to find out what these people want, what all of us want. Make the reward program simple. If you are too complex I can't figure out what points you need to redeem for something, then you've got too many choices.*

While Ruth is clear that her company uses the loyalty program mainly as a promotional marketing tool, some of the other *household value loyalty programs* attempt to engage more directly with the rhetoric of one to one consumer marketing found in CRM and loyalty marketing literature (see chapter 3). While the emphasis remains on retaining, as William put it, simplicity, value and relevance for consumers, there is a desire to put the consumer data they have to a more focused use. William describes one of the future goals for his program:

*I think that where we want to go is to become more and more targeted with our offering. One of our priorities is to move away from a mass distributed flyer, which we still do on a weekly basis. For a company that has so much customer*

*data and so much intelligence about our customers, can we figure out a way to be more meaningful through our promotions than to still have to do a flyer to millions of people? Hopefully we are going to lead the way in figuring out a mechanism to do that.*

The move to more focused marketing does not necessarily mean one to one marketing; rather it is about targeting offerings and communication in line with presumed consumer segments and seeing this as meaningful. Barry:

*Hopefully the relationship develops into something more meaningful because you are, through communications and through target offering, getting the customer more engaged with the company and its brands. Part of this is in I guess creating that sense that they are more than just a number on the card, that they are valued customer.*

Barry's notion of the 'valued customer' is a mirror image of what *household value loyalty programs* are both expected to provide for consumers and what consumers expect of them. They are heavily reliant on their perceived value for consumers, yet at the same time their ability to move large masses of consumers toward particular consumption behaviours is demonstrative of their value for corporations. The *household value loyalty program* brands encompass a set of relations that revolve around the notion of value and immediacy, and the relatively unspecified branding of consumers tends to focus less on individual or small scale segmentations of consumers than on the behavioural actions of large masses of consumer types in the retail landscape. As is discussed below, this value branding of consumers and products systematically replicates and normalizes frames of action in the informatization of everyday life.

### **5.3.2 Leisure accrual loyalty: experiential consumption and personalization**

*The other thing that is important to the program is to have the dream - the week in Tuscany, for example. Alright, so we know very few people get the week in Tuscany but it's nice to know it is out there and they save for that.*

The above quote from Carl focuses on the ‘aspirational’ nature of *leisure accrual loyalty programs*. It is a concept is made even more rhetorically explicit in the slogans these programs maintain: for example ‘rewards for your lifestyle,’ ‘possibilities within your grasp,’ and ‘add up your rewards.’<sup>16</sup> While those opportunities are available to *household value loyalty program* members in some form (all of the programs had travel or other exchange partners) there is far less emphasis on these lifetime and leisure lifestyle opportunities. In fact, the potential for the consumption of ‘life experiences’ based on loyalty program points led to the development of the Financial Points product.

Nancy:

*Financial Points was a product that had been considered for some time. We recognized that there was a gap in the experience and we felt that customers were asking for it. Research showed that customers were very excited about it. They loved talking about Tuscany, cooking classes, and so we recognized that it was a gap and, given historically what was happening in the business world at that time, the timing of the launch seemed logical.*

Of course it is not just that *leisure accrual loyalty programs* provide, in this case quite specifically, the ‘Tuscany dream’ Carl sees as important. *Leisure accrual loyalty programs* are not simply about products with a financial value added incentive, but rather indicate that the notion of ‘value added’ for these programs is far more than about discounts and in store rewards.

Membership in these programs varies. In the spectrum of programs described as *leisure accrual loyalty programs*, some are relatively exclusive, while others are more prolific than most *household value loyalty programs* in terms of consumer penetration rates. In some of the more exclusive programs, those that require particular levels of

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<sup>16</sup> Again, these have been modified from their original phrasing.

spending to maintain membership status, the tiers embedded in the program demarcate one's hierarchical status. These may be associated with specific artefacts – different style of cards or as Simon describes, tags:

*We have tags that indicate program status, so instantly the employee knows, 'oh this person is a [middle tier] member, I need to treat them with a certain level of service.' Not that they wouldn't treat them with respect, they would treat everybody with the same level of respect, it is just that this is an identifier that says this person is a very frequent customer, so I should take extra care of this member.*

Regardless of whether status is physically indicated through some sort of artefact, each *leisure accrual loyalty program* maintained clearly delineated consumer segments in terms of profitability deciles. The avid scores discussed in chapter 4 were developed specifically to identify top consumers, following the corporate expectation that 20% of customers provide 80% of corporate revenues. As these are the most profitable consumers, those in the upper tiers of profitability receive a disproportionate amount of corporate attention. To keep them continually engaged in the programs, they were often the recipients of 'surprise and delight' campaigns prevalent in CRM literature. These are intended to demonstrate service above and beyond the service given to average consumers. Gary:

*This year with our anniversary, members who had been with us for whole time at the highest level were sent a little gift. We got letters of people saying 'Wow!' 'Great!' 'Thank you.' I think that was a tangible example of surprise and delight. This is not expected, but we had said in a letter in the anniversary mailing that we have a little gift coming their way. But, you know, most people see that and thought 'points' I will get or whatever. But these folks they take the time. They will call or they will send us a letter or an email, and they will let us know that they liked it or they didn't like.*

The intention of identifying different levels of consumer engagement and/or profitability and then indicating this with gifts or artefacts that indicate status is to draw

consumers into deeper and more engaged relationships with the corporate brand. In terms of CRM literature, *leisure accrual loyalty programs* are far more likely to indicate a clear ‘customer centric’ perspective. This is done in part by personalizing consumer experiences. Far more than the household programs, these programs seek a direct relationship with individual consumers. Each leisure accrual loyalty program interviewee articulated very personalized forms of interaction with consumers, suggesting that a larger percentage of their clientele are focused on more than earning rewards. This may be a self-fulfilling prophecy. The expectation that those heavily engaged in the program are seeking a more engaged form of marketing tends to lead to a relationship that on the corporate side, according to most of my interviewees, is fraught with balancing marketing objectives and maintaining a high level of consumer trust. Stephen:

*We have direct relationship with households for which financial services organizations and retailers would love to have a direct relationship. Some of these organizations can't seem to create the brand and product affinity with those households while we are able to. They tend to be a little bit more sophisticated buyers, lot more discerning and discriminating, so marketing to them, creating the perception in the marketplace around brand product, service, and all those other elements, is not that easy.*

Of course while some consumers may be a bit more discerning, there also seems to be certain social expectations based on the status afforded to the brand Stephen represents. A number of people within the program latch on to this as a status symbol. For programs like this, the potential to indulge in activities that are normally not within one’s socioeconomic reach, at least with ease, is an important basis for maintaining and growing the membership base. Stephen’s corporations and others work hard to maintain specific associations with their brand:

*There is an aspirational element to the brand, which says, 'I am part of an elite club, I am part of the business set, jet-set people.' It represents a bit of an aspirational brand for them that says 'I have just elevated my status.'*

This suggests that the branding of *leisure accrual loyalty programs* is largely about promoting or maintaining associations with other brands that have the same social cache.

Commercial sociological research done by companies like Stephen's often focus on drawing out the associations consumers have with the program, and following the comment above, Stephen believes most of these are extremely positive. Their corporate research revealed a prevalence of words like 'prestige' and 'aspirational' connected to associations with their brand. Likewise, he suggested that further research on brand association using visual imagery consistently revealed connections with the items such as luxury cars, diamonds and gems. This tended to be the case with most of these leisure programs. Almost all of the programs indicated a degree of pride or an indication of feeling special due to program association by a significant portion of the loyalty program members.<sup>17</sup>

The importance of associations with *leisure accrual loyalty programs* came to the fore in other areas. Many of the promotions these corporations employed were connected to luxury items, including campaigns that gave opportunities to spend time at a European sports car testing facility, stays at exclusive resorts, or attendance at high end fashion events. Similar opportunities may have been promoted to some extent in the *household value loyalty programs*, but there was a clear intent in the *leisure accrual loyalty programs* to make connections with higher status consumption goods and services. This

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<sup>17</sup>. This was either a significant portion in terms of member percentage or in terms of monetary spending.

is in part because the expectation of a larger majority of these consumers as Stephen states, are less concerned with the question of ‘how much money is it’ than ‘what do I get for my money?’ Promotions are again largely tied to lifestyles and life experiences rather than discounts or forms of immediate gratification for these less ‘price sensitive’ consumers.

Beyond promotions, this high status association is evident in the practice of selecting partner brands and defining markets to pursue. Simon:

*So, we are interested in partnering with something that speaks in the same currency if you will. We have partnered with [specific credit card companies] to woo people into the program, maybe with a special agreement with those credit card companies if we are hitting their elite tier people. For instance we may offer these individuals an accelerated status in the program, [meaning we would lower the purchase amount needed] to achieve an upper tier in the program. We would love to have those high end [credit card] spenders in our loyalty program and [patronizing our company for their needs].*

The programs that Simon’s company decides to partner with are intentional: they reflect the values, goals, and lifestyles of a particular type of consumer – in large measure ones of relative affluence. Stephen, Nancy, Paul, and Gary all made similar comments about the necessity of finding the right fit for partners with their loyalty company brand. Most of these partners were not oriented to everyday consumption necessities; rather they included travel opportunities, spas, upscale catalogue companies, and others with relatively high social cachet – i.e. marks of quality/distinction. The notable exception to this was with the coalition programs, but even these suggested they were quite selective about which ‘everyday consumption’ partner they would have. These associational marketing tactics are ones that seek out a particular type of consumer – they are perpetuated by a focus on growing the customer base with similar market orientations

and tastes. As a clear example of Roger Burrows and Nicholas Gane's description of geodemographic clustering (2006), Simon expresses the importance of the locations of those who are already program members for obtaining new program members:

*We also engage in site clustering as well, with the theory that birds of a feather flock together. So if you are from a fairly affluent neighbourhood in [a particular city] and a program member then we may work with the postal service to target that specific area. Maybe you are not a member of the program or maybe you have never been to [one of our locations] but as I said you are in one of those affluent neighbourhoods – then you might actually be targeted.*

This targeted marketing indicates that consumers themselves become branded based on the digitized information corporations are able to know about them. There is a continual quest for consumers that are high status 'brands' – loyal and profitable. To discover these individuals, and to further engage them in the corporate marketing apparatus, is seen to necessitate an intimate knowledge about consumers. Yet the difficulties of marketing to these 'sophisticated buyers' requires continual program fine-tuning (see chapter 7): a test and revise process in which consumers are given specialized offerings and compared to generic promotions without specific offers. While this testing strategy was mentioned by several interviewees, Paul succinctly described its importance:

*Within our specific campaigns, an interesting thing occurs quite often: the power of making a great recommendation is more powerful than a financial incentive. We have in many campaigns offer-no-offer tests, and if consumers are sent a generic communications, they don't respond as well. Recommendation offers generally outperform generic communication – for example a promotion that says 'come visit our store, we've got a lot going on this month' or 'there is a great promotion and service opportunity this month.' When we use targeted recommendations, speaking in our promotions as though have a more personal relationship with the customer, we see dramatically increased response.*

As in this case, personalization is equated with greater engagement, volume of purchase, and spending by consumers. Increased retention and analysis of data, combined with qualitative data gathering for interpretive purposes is a priority for these *leisure accrual*

*loyalty programs*. All of the data gathered from consumer purchases and gained through the commercial sociology methods of these loyalty programs are used to help these corporations, to paraphrase Stephen, ‘position themselves relative to others in the marketplace.’ This knowledge allows corporations the insight to produce consumer specific opportunities, which is of tremendous benefit to certain consumers but overall is seen to increase the profitability of the corporation. Consumers may become more engaged through personalized marketing but this can also be seen as focusing their spending toward desired corporate directions.

During the interviews for this research, the leisure accrual loyalty marketing programs maintained a far stronger emphasis on program personalization – of facilitating customer specific marketing – than their household value loyalty counterparts. This emphasis and the noted focus on relatively affluent consumers within the program indicated a distinctly different set of values and goals for these programs. The leisure accrual loyalty program brands reflected a similarly distinctive ‘brand’ of consumer which implicated each other in a recursive marketing cycle. Certain types of consumers are afforded the best opportunities the brand offers, and certain types of brands are deemed attractive by certain types of consumers, at least in terms of the way this was described by my interviewees. These ‘assembled’ brands, both consumers and corporations, can be said to mutually shape one another (see chapter 7), but at the same time they reinforce particular types of socio-economic expectations. The distinctions between leisure and household loyal programs suggest an integral but highly socially structured relationship with consumers.

#### **5.4 Class, brands and consumer surveillance**

What is implicit in the brand positioning of *household* and *leisure accrual loyalty programs* in the above discussion is the socio-economic distinctions between differing categories of consumers and their attachment to these programs. It is a distinction best conveyed in terms of social class. Although the usefulness of class as a sociological concept has been the subject of debate, including claims of the 'end of class' (see Bottero 2004; on the 'end of class' see Lawler 2005), the empirical evidence in this research is made clearer by a reengagement with more historic critiques on consumption and their focus on conceptualizing social class and status (see Schor 2007). Following Burrows and Gane's argument that the software behind geodemographic systems serve to "recast class and status as spatial categories" (Burrows and Gane 2006:809), the informatization of everyday consumption can be seen to reiterate social class and status as consumption categories. Class, status and consumption have, of course, always been bound together, but the surveillance practices of loyalty programs perpetuate and reinforce the intrinsic relationship between these and are made evident by the social positions and lifestyles of consumers and their differentiated engagement with loyalty program brands.

In several ways, loyalty programs can be seen as exemplary of the critical examinations of consumption imbued with notions of social class made by Veblen, Horkheimer and Adorno, and Bourdieu. Critiques levelled against these notwithstanding, these authors offer indirect insights on the role of and connections between social stratification and loyalty programs as differentiated in the previous section. For example, Thorstein Veblen's description of conspicuous consumption in *The Theory of the Leisure Class* (1899/1994) is evident in the specialization of *leisure accrual loyalty programs* in

producing personalized consumer offerings and services. These offerings and services are meant, in many cases, for public display, enticements for others who hear of this personalized attention by a corporation. Personalization is a crucial element in a shift towards consumption in symbolic terms, in which the rich and *nouveaux riches* are no longer concerned with excesses in consumption (as Veblen originally suggested) but in the cultural tastes presented in consumer products that his successors have discussed (see specifically Shipman 2004; see also Baudrillard 2001).

An interpretation of loyalty programs within Veblen's theoretical framework emphasizes the importance of associational social value and its connection to particular consumption practices. This is most graphically represented in the partnerships purposely sought and made between the *leisure accrual loyalty programs* that "speak in the same currency" as Simon maintains. This currency is not about obtaining any kind of consumer; rather it is about obtaining the right kind of consumer or at the very least, evaluating each consumer and placing him or her into hierarchical categories. The evaluation of consumers is likewise often reciprocated in their evaluation of loyalty program brands. Unlike household programs and despite their relative openness,<sup>18</sup> leisure programs largely attract, in Stephen's words, particular types of 'discerning' members. These consumers are attracted to the symbolic importance placed on different programs, as evidenced in the pride some focus group participants had for their membership in particular programs (see Baudrillard 2001). Veblen's text indicates that the members of the leisure class were very much single minded, maximizing their social

status and using their capital to enhance social opportunities. Despite clear differences from the incredibly affluent members of the leisure class Veblen studied, the characteristic maximization of socio-economic opportunities is evident in the desire to participate in the right kind of loyalty program and in increasing socio-economic opportunities through the use of co-branded credit cards, patronizing corporate partners, participating in program research, amongst others.

The model that Veblen describes also suggests a trickle down effect in which patterns of the wealthy are actively adopted by those less wealthy. “As incomes rise, high-status luxuries become lower-status necessities and new luxuries develop” (Schor 2007:18). The origin of loyalty cards in airline programs was aimed at relatively frequent (business) travellers – thus the generic reference to ‘frequent flyer’ programs. Over time these were subsumed by programs of convenience as loyalty programs proliferated into ‘household’ markets. From Veblen’s perspective, this produced a need for differentiation: in different programs tier status levels were introduced or solidified, a number of loyalty programs emphasized the personalization aspects of their programs, and other entirely new programs were created and oriented toward experiential consumption. The description above of Financial Points could certainly be view using this framework.

Despite the parallels of this historical framework for understanding loyalty programs, examinations of consumption through the theoretical lens of Veblen have been strongly critiqued. Given the wide diversity of consumer products available, consumers are not often aware of the specific value of most goods. In this case, it is evident that

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<sup>18</sup>. Only one of the *leisure accrual loyalty programs* studied had minimum requirements to establish and

conceptualizing the value of program ‘points’ and ‘miles’ is especially difficult. Likewise, the diversity of products available has eroded any potential for a homogenous status system that Veblen envisions (Schor 2007:19). Consumption can also no longer easily be seen as focused on the Veblen’s accumulation of status symbols; instead it is now seen as a “project of individual self-creation” (ibid.:20). Yet what is interesting is that this project of the self seems to be increasingly linked to brands and the deployment of these brands for personal ‘status’ production (see Elliott and Wattanasuwan 1998). The self, increasingly wrapped up in consumer terms (see Slater 1997b; and Bauman 2001), is often a creation of “differentiated identities” from a collection of branded styles and choices (Schor 2007:21). Though an accumulation of these branded styles and choices is no longer the purpose of Veblen’s ‘conspicuous consumption,’ their strategic use in the production of self is not excluded from the means and mechanisms of social inequality and status hierarchy that Veblen set out to examine. Brands are part and parcel of “cultural practices” that are “bound up with the reproduction of hierarchy” (Bottero 2004:989), and loyalty program brands need themselves to be understood within the classed nature of the social and cultural practices that surround contemporary consumption (ibid.).

Veblen’s analysis of consumption has much in common with examinations of consumer society within Marxist traditions: more specifically, Theodor Adorno and Max Horkheimer’s pessimistic descriptions of ‘culture industries’ which portray consumers as cultural ‘dupes’ against a backdrop of capitalist production (1944/1972). In this

framework, the production side of consumption is primary in their analysis. Consumption is seen as controlled and manipulated by cultural elites, as consumers are oriented to a menu of consumption options closely regulated and designed to satiate systematically produced desires. This process allows for “the illusion of choice [to be] sustained even in the reality of a continually narrowing range of options” (Gandy 1996). Consumer research, or in more contemporary terms, data collection and analysis is used to more accurately connect hapless consumers with desired behaviours and to quell, in their terms, any revolutionary potential (i.e. anti-capitalist) embedded in cultural activities.

There are parallels here in the operation of loyalty programs: loyalty programs actively target particular offerings and opportunities to specific consumers based on what corporate executives and technicians have deemed relevant. Product promotions with the advantages of double, triple, or more bonus points/rewards motivate consumers to pursue particular items in line with corporate expectations. And, while the use of the program generates significant data about consumers, consumers tend to be either ignorant or ambivalent about the surveillance practices of loyalty programs (see chapter 6) and their implications. All of this emphasizes the importance of production in understanding consumption practices. However, the emphasis on production by Adorno and Horkheimer has also garnered a number of critiques. Over time their totalizing and functionalist analysis lost ground to analyses that focused on consumer-centric interpretations of consumption. Within loyalty programs, the limitations of production is probably most evident in the fact that targeted marketing raises response rates only by small margins – loyalty programs members are far from simple consumer dupes. They maintain a degree

of agency not expounded on within Adorno and Horkheimer's work, something that is abundantly evident in micro studies of consumption and their theoretical counterparts (see Baudrillard 2001; Bauman 2001).

Of course these depictions of agency rarely take fully into account how corporations, in this case loyalty programs, have the ability to set limits on consumer choice, thereby reducing the potential for consumer agency. With Schor, I suggest that any analysis that "looks only at production or consumption are always partial and risk either incompleteness or getting it 'wrong'" (2007:24). She continues:

[T]he agents versus dupes framing has been a theoretical cul-de-sac. The strong agency view results in an inability to analyze producers' power or the relation between individual choice and predictable market outcomes. Furthermore, it often conflates the micro and macro levels of analysis – the individual consumer and the market (or economic structure) – and insists on an isomorphism between them (ibid.:24).

While Adorno and Horkheimer's perspective suggests an 'over-determined' consumer with limited consumption options, given the context of increasing consumer surveillance that allows corporations to intimately know consumers, the view that consumer agency is limited by the power of cultural industries (including loyalty programs) is increasingly compelling.

Even more compelling is that the recursive nature of loyalty data collection, analysis and its projection onto the routines of everyday consumption indicates a strong affinity with the work of Pierre Bourdieu. Bourdieu (1984) takes into account the agency of consumers and connects this with a high level of determinacy in consumer practices. He employs the term 'habitus' to indicate the social and mental schema that are structured by what he calls the "conditions of existence" that themselves serve to

structure consumption practices into lifestyles. Habitus is described as “a central conduit between objective positions (classes) and patterns of practices” (Henry 2005:766).

Contrary to arguments that categories such as social class have lost meaning in posttraditional, postmodern societies, Bourdieu’s research shows how taste is deeply rooted in class position and relative access to economic, cultural, and social capital. If rich, well-educated consumers prefer one kind of art, bread, or travel to that preferred by workers, farmers, or cultured but less-affluent professors, then lifestyles reconfigure (and disguise) – rather than replace – class positions as patterns of consumption (Zukin and Maguire 2004:181).

Loyalty programs, particularly in the differentiation between household and leisure programs, are indicative of the cultural expectations of its members. In large measure, relatively high status programs focus on personalization specifically to attract consumers with either significant personal wealth and mobility or access to corporate funds for these activities. Household programs focus on the retention of consumers through consistent patronage, and use largely economic incentives to draw consumers in. In both cases, the programs can be understood to reinforce cultural expectations regarding the program brand, and at the same time produce particular brands of consumers for corporations to pursue. This is not to say that consumers do not have agency – the ability to choose their own consumer lifestyle. “Far from being duped, Bourdieu’s individuals are savvy strategic actors,” yet they still “reproduce determinate and predictable class-based consumption outcomes” (Schor 2007:24-25).

For instance, the commercial sociological research of loyalty programs serves a self-replicating and self-refining purpose. These either hone in on the most likely consumers for particular offerings through the use of personalization in the case of leisure programs, or serve to move mass audiences toward desired spending behaviours. The

same is apparent in the production of geodemographic profiles. Bourdieu's assessment is precisely the understanding of geodemographic recursivity in which Roger Burrows and his collaborators work (Burrows and Gane 2006; Ellison and Burrows 2007; Parker, Uprichard and Burrows forthcoming; Uprichard, Burrows and Parker forthcoming). Their suggestion that location becomes embedded in the production of class through the informatization of everyday life is one that parallels the value branding of loyalty programs and consumers. This set of relationships systematically replicates and normalizes frames of action for consumption based on social positions and is embedded in a culture in which getting a bit extra for consumption (e.g. points/miles, personalized service) is expected. The expectations are intricately connected to the social worlds from which they are generated; they are different based on the social position of the brand and of the branded consumer.

While Bourdieu's description of the habitus and consumption may illuminate the different orientations of leisure and *household value loyalty programs*, his framework for viewing consumption is also not without its critics. In many ways Bourdieu extends Veblen, yielding a framework that describes consumers' agency as effectively minimized against a backdrop of deeply rooted cultural practices. Bourdieu's focus on consumers rather than producers can also be seen to be problematic, particularly as agency (or subjectivity) is "increasingly constructed *by* producers" as they play "a large role in generating meanings and driving the pattern of tastes" (Schor 2007:25). As discussed above, this is abundantly evident in the prolific use of brands as anchors for the production of personal identity and, in this specific case, the enthusiastic affiliation of

some consumers with loyalty program brands (and their rewards). Yet what Bourdieu's work does do is reiterate the importance of social context (i.e. habitus) in understanding everyday practices of consumption. This context is inclusive of forms of social class and status, and the differentiation between the two types of programs begins to reveal how these are embedded in the rhetoric and practices of loyalty programs.

What renders aspects of these controversial, 'totalized' readings of contemporary consumption by Veblen, Adorno and Horkheimer, and Bourdieu increasingly plausible is that the role of consumer surveillance has allowed corporations to grow more rather than less powerful. With Schor, I suggest that what is "striking [is] that this growing power has been accompanied by the dominance of an ideology that posits the reverse – that the consumer is king and the corporation is at his or her mercy" (2007:28). This ideology is misleading at best, and at worst obscures the means by which consumers are created/assembled, rendered meaningful, and directed toward particular consumption choices through their digital production. The connection between class and the differentiation of leisure and *household value loyalty programs* is tied to the ability of these programs to assemble consumers as meaningful sets of data. Loyalty programs become successful because of their "ability to map out and structure patterns of consumption that in turn aid both the enhancement and regulation of the capitalist market" (Burrows and Gane 2006:807), in this case, specifically the regulation and enhancement of loyalty program brands. These relatively structured programs points to the need, at the very least, to rethink some of the dominant "assumptions of the sociological analysis of class" (ibid.: 805), their relation to consumption, and its

implications for consumer surveillance. One of these implications may be the production of “flawed consumers” whose lack of integration into these systems of surveillance render them outside of systems oriented toward value or personalization (see Bauman 2007).

## **5.5 Conclusion**

Loyalty program brands represent a set of relations that includes the creation of consumers as brands. Consumer brands are made possible through the digitization of consumer histories developed through continual and pervasive forms of consumer surveillance. Consumers are assembled as discursive objects for purposes of marketing and mapped to particular trajectories of consumption behaviour. The interconnections between loyalty program brands and consumers as brands predetermine many consumer offerings and opportunities. These are largely differentiated in terms of social class and status. The connection of social class and status to consumption reproduces some classic critical assessments of consumption. However, the over-determination of the consumer subject in these studies has been criticized for good reason – it does not do justice to the empirical lived experiences of consumers.

In the examination of loyalty programs as mechanisms for consumer surveillance, it is essential to gauge how consumers respond to their increasing ubiquity. To suggest that loyalty programs are a form of surveillance should raise questions about why and how consumers can and do interact with these programs on a day-to-day basis. Consumers are given new opportunities and offerings on the basis of their collected information, yet are also directed toward particular modes of consumption, often ones

that reinforce expectations bound up in social class and status. Of course there are varying levels of knowledge of and engagement with loyalty programs on the part of consumers. Consumers may or may not know that they enable corporations to ‘brand’ them in the process of rewarding them for their consumption behaviours, and they may or may not be concerned about this. This is the primary concern of the next chapter.

## Chapter 6

### **Consumer Ambivalence: Evidence of loyalty responses**

Information on consumers is increasingly sought in a variety of forms for the purposes of improving corporate productivity and profitability. The intensification of consumer surveillance is part of the ‘customer centric’ marketplace in which corporations seek to digitally encode the desires, preferences, locations, lifestyles, and transaction histories of their customers to better serve and market to current and potential clientele. Though to some extent consumers are increasingly aware of and concerned about corporate gathering of personal information, they continue to participate at relatively high rates in programs designed to extract this information. Their awareness of these programs might well be expected to provoke concerns about privacy and surveillance. However, as the Globalization of Personal Data International Survey (GPD Survey)<sup>19</sup> indicates, there is no clear relationship between participation in these programs and concerns about the corporate tracking of data produced in their use. Privacy is much more of a relative value than some may expect.

A number of factors contribute to this ambiguous relationship, and the survey responses actually indicate an ambivalence already present both in similar loyalty research and evidenced in the English speaking focus groups carried out as part of the GPD Survey development. In what follows, this chapter focuses on making clear the connections between membership in programs in the United States and Canada with surveillance and privacy concerns, contextualising both against a backdrop of

differentially savvy consumers and relatively sophisticated marketing practices.

However, the relationship consumers have with their own surveillance (including knowledge of it) is complex, and the GPD Survey responses do not give a full picture of what is occurring beneath the statistical rendering of loyalty programs and consumer attitudes, knowledge and engagement with them as mechanisms of surveillance.

Following Randall Collins, I suggest that “amassing statistics and survey data does not convey an accurate picture of social reality unless they are interpreted in the context of their microsituational grounding” (2000:18). As such, a more in depth examination of the factors that underlie the survey data, rather than demonstrating consumers as simply naïve about the surveillance of their own consumption practices, indicate a very complex and diverse relationship with loyalty programs. They are seen as simultaneously beneficial and intrusive.

### **6.1 Loyalty membership and ambivalence in the US and Canada**

While this research concentrates on Canadian loyalty programs, the proximity of Canada to the United States and the fact that several Canadian programs are open to US residents (and vice versa) indicates some similar affinities within the two countries. The Canadian loyalty program market is seen as one of the more mature global markets (Lacey and Sneath 2006; Capizzi and Ferguson 2005), but the growing market in the US for these programs has been described as reaching a point of “saturation” (Ferguson and Hlavinka 2007:314). Yet with currently a wide range of programs in both countries, and new programs added every year, the loyalty programs market has been described as

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<sup>19</sup> See Appendix B for more information on the GPD Survey.

“fatigued” (Capizzi and Ferguson 2005:72). Authors observing these trends are continually seeing and seeking a way forward in loyalty marketing, in part because, like my interviewees, their work and positions depend on this industry.<sup>20</sup> Yet in some form or another, as best as can be discerned from the projections of corporate literature on the subject (both that of the industry and of academic institutions), customer-specific loyalty programs are unlikely to be short-lived. This is precisely because they work: they provide vital marketing information about consumers that informs marketing strategies.

John Deighton, professor of business administration at Harvard Business School writes that loyalty programs are better understood as “identity programs” as they enable corporations to personally identify consumers with their consumption. He believes that as such they are indicative of a future of “pervasive portable digital identities” in which “some version of our reputation travels with us wherever we go, whether we like it or not” (2005). The somewhat ominous reference to reputations following us “whether we like it or not” might be thought to provoke concerns about privacy and surveillance amongst consumers, particularly given enduring references to consumer freedom and autonomy in the United States and Canada. However, the GPD Survey indicates that there is no clear relationship between participation in these programs and concerns about the pervasive reputations they develop through the tracking of consumer data. A number of factors contribute to this ambiguous relationship, and the survey responses indicate an ambivalence already present both in similar loyalty research and evidenced in the English speaking focus groups carried out as part of the survey development

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<sup>20</sup> Several authors referenced in this document either work directly for loyalty programs or for consulting

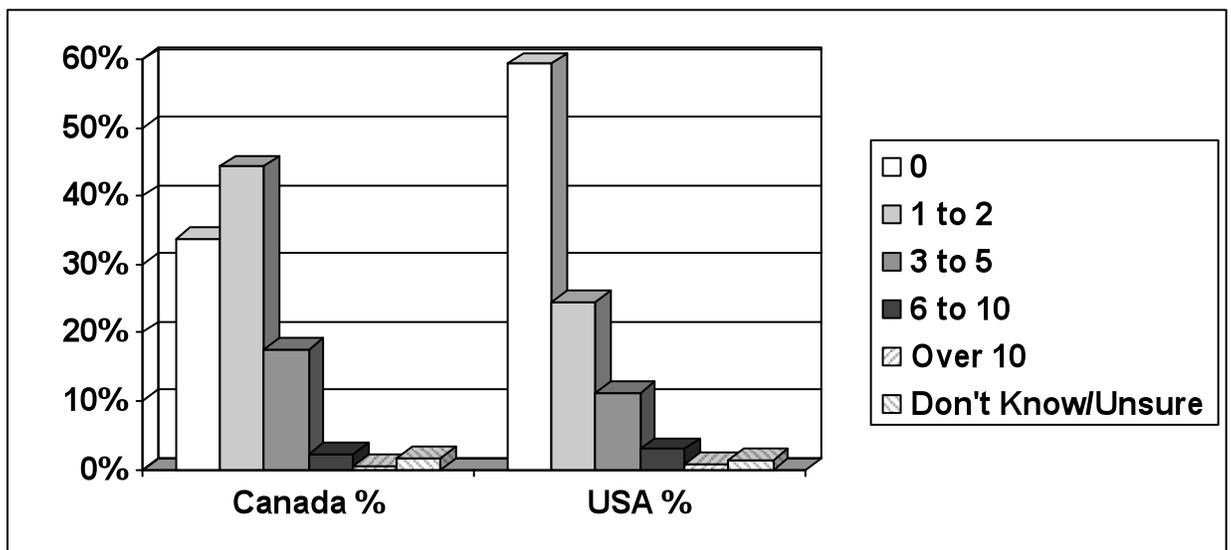
As suggested, membership in loyalty programs within Canada and the United States is fairly widespread, with Canada's 'mature' market indicating higher penetration rates than in the United States. According to the survey, 40.6% of people or approximately 88 million adults in the United States participate in card based loyalty programs.<sup>21</sup> In Canada, the survey indicates that 66.2% of people or approximately 18 million adults carry at least one loyalty card (see Figure 1). The survey results on this question are lower for both countries than other research indicates, though some of these surveys do not claim to be representative.<sup>22</sup> In the United States, a number of factors contribute to lower level of loyalty memberships, including distinctive market regions, no viable nationwide coalition programs, and the widespread use of credit cards that maintain their own loyalty reward systems (see Ferguson and Hlavinka 2007). In Canada, there is a much higher penetration of loyalty cards for certain companies. The largest coalition program, Air Miles, boasts 69% of Canadian households as members. The loyalty program of the largest nationwide pharmacy chain, Shoppers Optimum, claims to have 50% of Canadian women as members. Though the other major coalition program, Aeroplan, has only 29% of Canadians as members, it claims to have 92% of Canadian business travelers (these statistics are from corporate web sites and "Building Loyalty" 2006).

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firms that specialize in loyalty marketing.

<sup>21</sup> Loyalty programs and loyalty (or reward) cards are not necessarily synonymous. However, a majority of loyalty programs are card based, and these are typically seen as indicative of trends within the loyalty market. See discussion in chapter 3.

<sup>22</sup> AC Nielsen indicates that 81 % of the US population and 97% of the Canadian population participate in loyalty programs. However, those surveyed in each country are already members of AC Nielsen's HomeScan program. See [http://us.acnielsen.com/pubs/2004\\_11\\_fff\\_loyalty.shtml](http://us.acnielsen.com/pubs/2004_11_fff_loyalty.shtml) and [http://www2.acnielsen.com/pubs/documents/2004\\_q1\\_ci\\_frequent.pdf](http://www2.acnielsen.com/pubs/documents/2004_q1_ci_frequent.pdf).



**Figure 1: Number of programs from which survey respondents collect rewards or points**

**Question 27 – GPD Survey**

Consumers who are members of one program have a tendency to populate a number of other programs, ranging from frequent flyer programs, supermarket discount cards, to retail points cards. In the United States, 37% of consumers that are loyalty program members belong to frequent flyer programs, and an additional 20% are in grocery and specialty retail programs (Ferguson and Hlavinka 2007). The bulk of Canadian participation is in coalition programs like Air Miles and Aeroplan, but as suggested a number of other proprietary retail programs have strong penetration rates. Almost all of these programs in both countries, from coalition to proprietary cards are co-branded with a credit card, such as Visa or American Express through particular financial institutions. In the United States there is a strong tradition of financial institutions offering rewards programs in conjunction with the use of their own credit card such as

CitiBank's Citi Rewards and Capital One's No Hassle rewards card. Similar programs are appearing in Canada as well, such as RBC rewards and CIBC's Aventura program.

Competition amongst loyalty card programs and their value is fierce, and as many consumers are members of several programs the term loyalty is often understood as a misnomer (Mauri 2003:14). However, large investments have been made both to ensure that members are in fact loyal at least somewhat to these programs and that these programs are profitable. For the most part, profitability is accomplished through leveraging the consumer data gathered in the program, which serves as the basis for creating detailed profiles of consumers which can be sold (in some cases) or used to market to specific categories of consumers. Consumers seem largely unaware or indifferent to the data analysis and processing that stems from their use of these cards, and this ambivalence and/or apathy is something evident in the survey responses. The survey responses are best contextualized against the backdrop of both other surveys that focus on consumer profiling and the articulations of those that participated in focus groups that occurred prior to the collection of the survey data.

## **6.2 Contextualizing Consumer Profiling Ambivalence**

In the GPD Survey, directly following the question on loyalty and rewards programs<sup>23</sup>, is a question about corporate information processing. Question 28 asks:

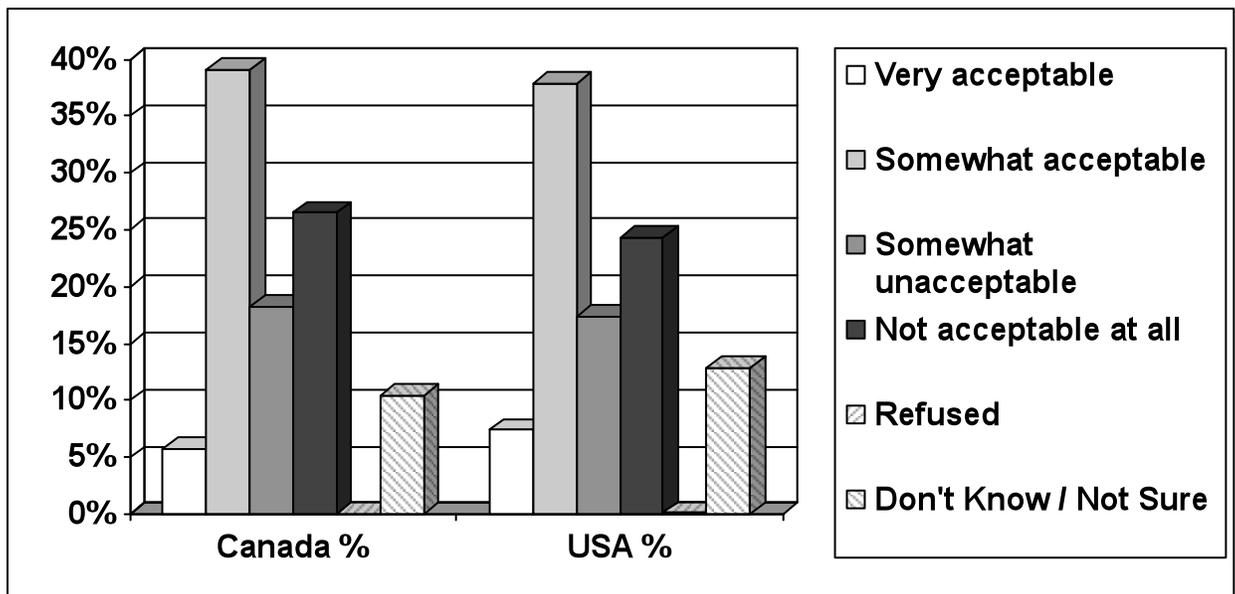
Many businesses create profiles about their customers that include information about purchasing habits, personal characteristics and credit history. How acceptable to you would it be for a business to use

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<sup>23</sup> Question 27 asks "Some companies offer customer rewards programmes where you can earn points or rewards based on how often you buy something from them or use their services. How many of these types of programmes do you collect points or rewards from?" The results to this question are indicated in figure 1.

information from your customer profile to inform you of products or services that they think would be of interest to you?

Though this question, unlike the one that precedes it, does not specifically mention loyalty and rewards programs in specific, the order of the questions seemed likely to force a connection between the two. However, a statistical analysis of respondents specifying a membership (or not) in these programs indicated no clear affinity to the responses given in regards to customer profiling. Those survey respondents who were members of loyalty programs responded in mixed ways as to the acceptability of consumer profiling, as did those that were not members. Participation in customer specific loyalty programs does not correlate with an acceptance of profiling, nor does non-membership indicate that profiling was seen as less than acceptable. What can be inferred on the surface from this data is that people either do not know about loyalty programs as a means for consumer surveillance, or that they are unconcerned about the connections between the two. The responses to the profiling question can be seen to indicate a continuing ambivalence toward this practice in both the United States and Canada. The acceptability of these practices is evenly split between being more acceptable (45% in both Canada and the U.S.) and less acceptable (45% in Canada and 42% in the U.S.). The remaining respondents (10 to 13%) were perhaps ambivalent themselves, indicating they either did not know or were unsure as to the acceptability of profiling. (See Figure 2)



**Figure 2: Acceptability of consumer profiling**

**Question 28 – GPD Survey**

Though the survey indicates ambivalence on the part of respondents, questions remains as to whether or not consumers are fully aware of the extent to which their consumption is surveilled, and the degree to which these consumers might be concerned about this. Are they resigned to this as an inevitable practice? Are they pleased to know that their preferences are taken into account? Do they recognise that loyalty programs form a major basis for consumer profiling? If they are aware of this, is their response concern, apathy or are they pleased with this practice? These questions regarding ambivalence and potential apathy, concern or pleasure on the part of consumers are best contextualized by answering a number of related questions:

- What can we gather from other consumer-oriented questions in the survey?
- What is the relationship of this survey’s responses to similar surveys?

- What can be understood from other sets of literature about this data?
- What information can be drawn through the analysis of focus group data?

Essentially these questions are focused on (1) the degree to which consumers are knowledgeable about profiling practices and (2) the degree to which they indicate concern are about this.

### **6.2.1 Consumers' knowledge of loyalty profiling**

Are consumers aware that loyalty programs provide an important means for consumer profiling and surveillance? In many cases, the answer is no. Loyalty programs, while their very name is indicative of an incentive for customer retention, have increasingly become central means for collecting personal information for use in relationship marketing. In an open ended U.S. survey on the collection and use of personal data with 480 participants, Timothy Graeff and Susan Harmon indicate that 49.8% of consumers believe loyalty cards to primarily be about loyalty and competitiveness, with another 15.5% suggesting they have to do with individualized promotions and price discounts. Only 16.5% mentioned or associated it with database marketing and the collection and use of data on customer buying habits (2002). This limited knowledge was also born out in the focus groups completed prior to the GPD survey, as is clear in these two different discussions led by a moderator in different Canadian and US focus groups:

*Moderator: Well, why do they exist?*

*Steve: Because there is no company that doesn't have one. ...They exist, they're just waiting on market share, that's what it's all about, they want to see how much of a market share can they get out of you.*

*Moderator: What are the purposes of these programs?*

*Tamaya: To make you spend money.*  
*Moderator: Make you spend money.*  
*Keith: To make you spend money wisely.*  
*Tamaya: Wisely?*  
*Lisa: To make you loyal to the company.*

As is apparent, these participants in the focus groups for the GPD Survey are in line with the majority of respondents in Graeff and Harmon's quantitative survey. Loyalty marketing is in fact about market share and producing the incentives for consumers to shop predominantly at one particular retail outlet, but the programs largely do this through database marketing applications. Knowledge of one's customers is essential for marketing and loyal individual specific loyalty programs allow the company to have this knowledge.

Some consumers are aware that there is more to these programs than just the loyalty aspect, though often are not sure how much information these companies may know, as evidenced in this discussion in the focus groups:

*Moderator: Well, what type of personal information do these programs collect?*  
*Sonia: They know exactly where you shop and how you spend your money.*  
*Moderator: Anything else?*  
*Sonia: They probably know more, but I'm not aware of it.*  
*Moderator: What's the purpose of these programs?*  
*Jay: They are to make you buy more, sort of like an incentive. Also, I think it's tracking your movements, what you buy, and how.*

Though there is a lack of knowledge connecting the purposes of these programs with the collection of personal information, Graeff and Harmon's survey does indicate that some consumers are particularly knowledgeable when it comes to understanding this relationship. On a couple of occasions, this was evidenced in the GPD Survey focus groups, as is apparent in this participant's response to a question posed by the moderator:

*Campbell: I think it's the cost of doing business. If you know who your customer is, then you'll be more financially savvy in developing your business*

*toward that customer... They want to know distinctly who their customer is, what they're buying and what they want, so that they can see a six-month projection of the past six months, that our majority of customers in this age bracket, they're buying this and that, they can be better prepared for it...*

Yet what remains unknown and unclear was what effect Campbell's knowledge had on his purchasing behaviours. Does this make him and others more reticent to use loyalty cards when making some purchases? Does this actually encourage him to buy items that fit within presumed spending habits? To what degree do consumers want these loyalty programs to know about their lifestyle? Responses to this, much like the survey answers, seem to vary.

### **6.2.2 Consumers' knowledge and use of possible responses**

As the previous quote from Campbell indicates, some consumers are very cognizant of their consumption habits being surveilled and their preferences profiled. In cases when consumers are highly knowledgeable about these practices, they may engage in what Tiffany Barnett White describes as "disclosure management" (2004:49). For White, this includes a reluctance or refusal to disclose information – indicating that consumers are not always willing participants in their own surveillance. This point was likewise made explicit in the responses to question 7 in the GPD Survey. Seventy seven per cent of respondents in both Canada and the United States (the highest amongst all 8 countries) say they have refused to give information to a business when they found it unnecessary. The decision to engage in disclosure management is based on multiple factors according to a survey conducted by Alessandro Acquisiti and Jens Grossklags, including what the consumer knows, how much they care, and how costly/effective their

actions are perceived to be (2005). As the basis for these types of decisions, Acquisiti and Grossklags survey on privacy and consumption indicates that consumers in fact often lack enough information regarding privacy sensitive decisions. As is often the case, they suggest that consumers are likely to trade off long-term privacy for short-term benefits.

In contrast to this, when consumers are informed about privacy protection mechanisms, having indicated some concern and conception that their use will be cost effective, they are likely to use them. Several well-known and highly publicized examples of information control are evident in the GPD Survey for example, in which respondents indicated a high use of these privacy control mechanisms. In survey Question 7, 71% of Canadian respondents and 77% of those in the U.S. have asked to be removed from a company's marketing list to protect their information. Likewise, 66% in Canada, 73% in the U.S. have requested that their name and address not be sold to another company. Strategies such as these have become more well known in both countries likely due to the changes made and media coverage in 2003 over the 'Do Not Call Registry' run by the Federal Trade Commission in the United States (See Dommeyer and Gross 2003) and perhaps because of the institution of new privacy legislation in Canada (See CIPPIC 2006 report for more on the effectiveness of this legislation). Strategies such as name removal and requesting information not be used by other companies require minimal effort. These have become largely socially accepted means of protecting one's privacy, particularly as both are predicated on a notion that the phone calls and mail that stem from using consumer information in this way are seen more as nuisances than desired consumer encounters.

While these are useful means of controlling personal information, consumers rarely use proactive privacy protection strategies that are either less well known or less socially acceptable. For instance, according to the survey, only 28% of Canadians and 37% of Americans have asked a business about policies on the collection of consumer information, something that could be rather enlightening, but also a likely time-consuming venture. Likewise, respondents very rarely ask about what other personal information a company had in their consumer records (18% Canada, 24% U.S.). Again, it can be inferred that strategies to deal with practices of consumer profiling that take a fair bit more time to work through are less likely to be used. A vast majority of consumers also tend to be honest with the marketers that they encounter, rarely lying or giving incorrect information. Only 20% in Canada and 22% in the U.S. have used dissimulation as a means for protecting privacy. This again is seen as a creative but less socially acceptable form of privacy protection, as evidenced by the female participant's comment, the laughter, and the change in Keith's response in this focus group interaction:

*Moderator: What other things? What other things does anybody do to protect their privacy?*

*Keith: Lie.*

*Moderator: Lie.*

*Female Participant: That's not good.*

*[Laughter]*

*Keith: Selectively I give information.*

When it comes to consumers' knowledge of surveillance practices and privacy protection strategies, the GPD Survey mirrors an earlier survey indicating that most consumers have relatively little knowledge of marketing practices and regulations (Dommeyer and Gross 2003). Though the earlier survey indicates that consumers may be somewhat well informed about some privacy protection strategies, mainly those that have

gained a high degree of recognition (the ‘do not call registry’ and technology like Caller ID/Call display) their use of other strategies remains rather minimal (ibid.). When it comes to the specifics of connecting loyalty programs with profiling, a number of respondents in the GPD Survey likely did not make a connection between the two as Graeff and Harmon suggest (2002). Some more knowledgeable respondents either saw consumer profiling as inevitable and therefore somewhat acceptable or a few likely see this practice as beneficial (as will be discussed below). It is important to note that no matter the knowledge of consumer profiling practices, very few see this as a very acceptable practice (6% in Canada and 7 % in the US), though an additional 39% and 38% in Canada and the US respectively find this to be somewhat acceptable.

### **6.2.3 Consumers’ concerns about loyalty profiling**

Despite not viewing consumer profiling as ‘very acceptable’, consumers are rarely concerned about consumer profiling. Rather often they find it advantageous particularly when it comes to receiving some form of compensation. Though a number of surveys, including the GPD Survey, indicate that to differing degrees consumer privacy is a fairly important concern, it tends not to be a very powerful disincentive for joining a loyalty program (Smith and Sparks 2004). In fact, consumers are often “willing to trade privacy for convenience or bargain the release of personal information for relatively small rewards” (Acquisti and Grossklags 2005:26). For example, despite raising the potential for omniscient tracking by a corporation, in this encounter with the moderator of a focus group, June remains unfazed:

*Moderator: So that doesn't bother you, in terms of being able to track everything that you buy? Any issues there? June?*

*June: Not really, no. It doesn't really bother me.*

Of course June's response is not exactly enthusiastic one way or the other, simply that this tracking (and perhaps profiling) does not concern her. Others simply appreciate the incentives they receive:

*Moderator: ... you said reluctantly. You're not forced to. Why?*

*Sonia: I got it at work as an incentive for us, and that's how I started. And I just carried it on, but I know ...*

*Moderator: But why don't you stop?*

*Sonia: Because I'm greedy, I want my points.*

*[Laughter]*

*Moderator: Okay. Lena? Why do you participate?*

*Lena: I want my points. I get free movie passes, I give them away at Christmas time. You get gifts, you know, whatever you are looking for.*

Still others see consumer profiling not only as not being a concern but they are actually rather enthusiastic about it. These consumers see profiling as beneficial, particularly as this increases the convenience of their shopping and service experience:

*Vanessa: I think it's how they market it. I mean, I look at Amazon.com. They are the most successful online bookstore because as soon as you log in, "Welcome back, Vanessa! Today we have ..." Here's 10 books that you might love. It's customer relationship management, and it works. Absolutely!*

*Female participant: I don't see a problem with that.*

*Vanessa: I mean, they're basing it on your interests, right?*

*Valentine: And then you still have to decide if you want to buy it.*

Clearly a number of consumers are aware of the practical benefits that loyalty programs bestow upon them. Yet despite these examples, others have more specific privacy concerns. In fact, even those like June, Sonia, Lena and Vanessa are likely to have more serious concerns when it comes to disclosing particularly sensitive information. General buying habits are seen as less of a concern, especially for those with middle class or higher incomes, but information indicating one's socioeconomic status,

financial data, personal identifiers, or that lead to more junk mail tend to be areas of strong concern. It appears that consumers in general are less concerned about lifestyle disclosures, demographics or shopping habits than about status, finances and personal information (Phelps, Nowak and Ferrell 2000; Paul 2001). This is clear in the strong objection to and qualified acceptance of companies being able to sell personal information to other companies in the GPD Survey's question 19. In Canada 49% objected to this, and 31% found this acceptable with the consumer's consent. The number in the U.S. was similar with 48% objecting and 28% allowing for it with consent. Graeff and Harmon's survey returned a similar number with 84% disagreeing or strongly disagreeing with companies selling personal information to other companies (Graeff and Harmon 2002).

Consumer concerns tend to centre on issues of trust and personal vulnerability. Shopping habits and basic demographics are seen as less of a concern, but personally sensitive data in the wrong hands remains an often vocalized fear:

*Jay: I don't want my information to be spread around or like people using my information, so I try to hide the information that I can. Because I think that the privacy is my responsibility and is how they keep out.*

*Moderator: So you just mean your personal information or what?*

*Jay: No, no I'm saying that my personal information can be used. I know it can be used and I don't trust systems that I don't know.*

*Ellen: There are specific types of information that I don't mind people knowing what I do, but there are other types of information that I really want to be mine, and not to have anybody aware of. But I think the fact that there is more data in many different banks now than there ever was makes us much more vulnerable to some degree.*

Jay and Ellen's responses are dissimilar from other consumers less concerned about the personal information that becomes available through consumer surveillance. Yet both

sets of reactions and the role loyalty programs play in gathering consumer information seem to vary on the basis of one's knowledge of these practices and the level of trust consumers have with the corporations they do business with. While the GPD Survey does not get into the specifics of what drives these concerns, it does reinforce that which is evident in focus groups and other surveys on consumer privacy and surveillance. Some consumers are concerned and others are not. Some consumers are knowledgeable about being profiled but most are not, especially when it comes to the role that loyalty programs plays in this. Yet the concerns regarding consumer surveillance and the role of loyalty programs in helping to create consumer profiles are important, and worthy of evaluating whether the payouts of the short term gains for consumers are greater than the potential long term privacy losses.

### **6.3 Loyalty program interviewees and privacy liability**

Corporate attitudes toward these issues varied, at least as far as they were voiced by my interviewees. In large measure their approach was pragmatic toward the privacy and surveillance concerns loyalty programs may raise. Several interviewees acknowledge that these issues were one of the liabilities for the programs, but many of the larger programs saw these concerns as something that could be addressed through continued communication with their members. It is about reinforcing program benefits and value against the “threat” of privacy. Stephen:

*I think [consumers] understand there is some value in these [programs], you know, they'll get special offers and then of course they are going to get the redemption of some sort of reward with some restrictions. So that's straightforward. From a business standpoint, we have a long way to go with using the data in a sophisticated matter, but privacy is not necessarily an issue. If*

*people think it's a big threat, then if you work with your members, you can solve for that.*

As in this case, privacy concerns about consumer information gathering and processing are juxtaposed against the desire for the program to engage consumers by offering relevant products and rewards. This is clearly the perspective of William:

*We are respectful of privacy but at the same time we want to be relevant to you. Our only interests [in information processing] are as they pertain to products in our store and facilitate an ongoing long term relationship – one that is respectful of the customer for the longer term. We haven't had any issues with this. In fact for every one complaint from a customer which we might have from time to time, we will have 10 people saying "I heard about this offer and I want to get it." From marketing perspective, the agencies and the service providers that do this type of work for us have said that they don't see that anywhere else.*

For William, and presumably other interviewees, the ambivalence of consumers such as indicated above is largely a result of products and rewards that were irrelevant. The goal of loyalty marketing and of CRM practices is to produce marketing offers that connect at some level with the lifestyle of the consumer. This is something that Vanessa cited above obviously saw as positive with Amazon, and people like Sonia and Lena saw as advantageous in the program rewards.

My interviewees recognized the concerns of those like Jay and Ellen who were very keen to control how their information was going to be used. Several interviewees suggested their (commercial sociology) research on members and non-members indicated a rather strong concern about spam email and junk mail. In fact, Carl commented that this concern was prevalent in the process of signing people up for his company's program. He is aware that the more personal information his company requests in the creation of an initial consumer profile, the more consumers are going to say, in his words: "Why do they want to know all this stuff? What are they going to do? Spamming me? Is this going

to turn in to a ...maybe this isn't for me." Perhaps the most polemic statement regarding the issue of privacy was from Peter, who seemed to be the most frustrated with privacy as a consumer concern regarding participation in a loyalty program. What is interesting is that he believes that the means for resisting on this basis are relatively futile given the abilities of the technology:

*There are consumers who are privacy nut cases, who just think "I am going to do everything I can to make sure that nobody knows what I am buying where and whatever." They say "I am not going to participate in any of these programs." Then there are a few who are nut cases who also have some fun with it. So there is some guy, for example, who wrote an article about this and said "I am shopping happily because I am using my mother's card. They think I am an 80 year old woman living in Kamloops. Every time I go and buy gas in Vancouver, they think I am an 80 year old woman living in Kamloops." So we actually can do the analysis and identify where there are multi-collecting households. You can cluster where the collections are and you can tell whether it's a mother-daughter, whatever, father-son or any combination that are shopping in discrete, geographic locations – they are often so far apart [in their purchases and locations] that there are many things that we can distinguish even though they are consolidating their collection behaviour.*

Given the choice of words, I chose not to press Peter on the issue of privacy, in part because he was keen to talk about engaging current consumers, both those actively engaged through consumer specific segmentation marketing and those not 'fully' engaged through incentives. The implication of our brief discussion on this was that 'privacy nut cases' were frustrating because they did not see the benefits of the program specifically in terms of customization. This is, as already cited, meant to be a 'best friend' sort of feel and not a 'creepy big brother' sense of the program.

It is the comfort level of consumers with the corporation that my interviewees were concerned about. For those that engaged my question of privacy as a liability directly, their references to 'solving' for it, or ensuring relevance of offerings were often

connected to references about consumer trust in the corporation. Barry expressed this the most clearly:

*I think if you have a well defined privacy plan and you have the good history of protecting consumers' privacy then it shouldn't be a liability. I think our company has done a very good job of that. We are one of Canada's most trusted companies and we certainly wouldn't want to ruin that reputation by not protecting consumer data. I think for us, I wouldn't say it's a liability just because we have done such a good job. We have documented privacy policies and I mean though there are opportunities there, obviously [there is danger in not protecting this] when something bad happens to tarnish the brand.*

We return once again to the issue of the corporate brand as central. Though privacy regulations severely limit the amount of exchange a corporation can do with consumer information (without explicit consent), it is clear that these programs have little desire to readily share or sell information to other corporations. This is in part because this information is seen as incredibly valuable from a marketing standpoint and in part because compromises on data integrity are seen as potentially damaging to the trust consumers place in the loyalty program brand.

Overall, my interviewees indicated a concern about privacy issues based on legal and potential cost (particularly in terms of brand reputation) issues. They did not see this as a concern about their program members, nor was it raised as a concern by program members. Convinced of the value of the program, the interviewees strongly implied that those who opted not to participate on the basis of privacy were overstating it as a concern (as evidenced in Peter's reference to 'privacy nut cases' or Stephen's intention to 'solve for privacy'). Again, the approach to privacy, just as the loyalty programs were set up to be, is pragmatic in nature. These programs are designed to be relatively straightforward exchanges of goods and services (rewards) for consumer information and patronage. In

the same manner, privacy is seen as protected in that information stays largely internal to the corporation and is used solely to produce increasingly relevant marketing to the consumer. From a pragmatic view, what could be wrong with that?

#### **6.4 The Problems of Consumer Profiling and Loyalty Data**

Corporate interviewees were only minimally concerned about privacy as a key or crucial issue regarding participation in loyalty programs. But the survey and the focus groups suggest that there are certainly many consumers who are concerned about the issue of privacy in this form of consumer surveillance. As such, what are the long-term privacy and surveillance concerns that loyalty programs raise? Or to ask the question of the focus groups and the survey, why should consumers care about this? What should they know? Though shopping habits are seen as relatively mundane and innocuous for most consumers, loyalty programs can provide extensive and detailed personal information. In large measure, as Andrew Smith and Leigh Sparks suggest, “consumers appear to be highly unaware of the level and volume of data held on them” (Smith and Sparks 2003:371). These programs serve to create what may be called ‘biographies of consumption’ which are indicative and representative of the lives of millions of consumers (see Evans 1998). In an article on these types of programs and the surveillance/privacy issues raised, Smith and Sparks describe an anonymous loyalty program member named ‘Eve’:

- is overweight but very concerned about her appearance, especially her poor complexion
- has long hair, wear contacts and glasses occasionally, and have numerous problems with her feet
- has hay fever and struggles to overcome a common cold several times a year

- has a boyfriend or partner she occasionally buys items for
- is someone who plans holiday gifts and cards well in advance.

The list continues and is presumably even larger than that presented in the paper, but this brief list of information was solely surmised from a mere two years of loyalty card data. The authors state:

The products she buys say a lot about her. They provide an ‘archaeological’ record of who she is. Retailers are party to sensitive information (2004).

Given the amount of available information on consumers through data brokerages and other information resources, the data that the authors were privy to in this example are relatively limited. Retailers are able to make connections between shoppers with similar spending behaviours as well as add on layers of other variables – from geodemographics to financial indexes – that would indicate even more crucial and illuminating details on this particular consumer than her loyalty card purchases are able to indicate.

Loyalty programs are increasingly part and parcel of a system in which consumers produce information simply by making routine purchases. This creates mechanisms for an informational feedback loop in which the “act of consumption is bound inseparable” from the gathering of transaction generated information (Elmer 2004:38). Data gathered from loyalty programs serves several purposes. It informs corporate decision-making. It defines consumer experiences of marketing communication. It defines experiences in the service process (Rowley 2005). Through this form of data collection, market researchers seek to discover what consumers want, but simultaneously this data is used to “automate and network” consumption practices (Elmer 2004:71). Consumers become an integral part of the reproduction of the consumer markets they exist within, demonstrating the

ontological recursivity suggested above as a result of their purchases, queries, and exchanges (ibid.:142).

Though this may provide many consumers with great benefits, they also lead to categories of preferred and non-preferred consumers, the latter of which “are less likely to be offered incentives to continue to engage” (Rowley 2005:107; see also Gordon 2006). Integrating loyalty data with other forms of data leads to a recurrence of Oscar Gandy’s panoptic sort: a ‘cybernetic triage’ separating consumers based on their presumed economic and political value rather than on their initiative and self-determination (Gandy 1993). In the end, consumers with higher perceived values get the best of corporate treatment while those with poorer transaction records (perhaps are coupled with other factors like social class and location as suggested in chapter 5), receive far less attractive offers if they receive these at all (Rowley 2005). While this raises certain concerns about potentials for consumer equity, in that some consumers may be relegated to a life in which very few opportunities are afforded them, other consumers are obviously eager to gain whatever advantages they can. Yet the distinctions between categories of advantage and those that are not are never transparent, and the expectations of treatment and the categories of action on the part of the corporation, whether marketing or service related, may not always match.

## **6.5 Conclusion**

Despite an unclear statistical relationship between responses regarding the use of loyalty cards (question 27) and the question on consumer profiling (question 28) in the GPD survey, the two are in all likelihood very much connected. This is not evident in the

numbers themselves, or through any sort of multivariate analysis. Instead, the quantitative data in the survey reemphasizes an ambivalence between the two which is also demonstrated in the focus groups and similar research. Some consumers are knowledgeable about the connection between program involvement and profiling and others are not. Some consumers care deeply about consumer profiling (and perhaps the role of loyalty programs in this) and others do not. The use of both qualitative and quantitative data in this chapter gives a far more robust picture of this. The attempt to connect the survey responses with the “microsituational grounding” (Collins 2000:18) from the focus groups and from executive program interviews demonstrates the very complex and ambivalent relationship between consumers and concerns about surveillance and privacy.

In the end, the sentiment of Smith and Sparks about their anonymized Eve is probably accurate, as they suggest that even with the limited knowledge they have of her, they “know more than she would be comfortable with” (2004:382). This is not a concern shared by those loyalty program executives interviewed for this research. Their focus remains on relevance and sees privacy as not being a major concern except in terms of trust. However, it is not just trust and consumers being ‘comfortable’ that remains a concern here. Categories created through consumer data profiling have real effects on consumers’ life chances and opportunities. As Jennifer Rowley suggests, consumers need to “enhance their awareness not only of the data that organisations hold about them, but also of the knowledge-based processes that businesses use to create value from that data” (Rowley 2005:109).

It is interesting to note that the survey process itself may have created some of those concerns. While one of the focus group participants regularly used her loyalty card in the past, the questions raised in this process led her to rethink this a bit.

*Angie: I use it. But the theory bothers me. It's hard to explain. The idea of it bothers me because I know that I'm never going to get more than you're supposed to, or ... I'm not really getting a big benefit out of it, but it's just kind of like it's an incentive. ...probably before this conversation I only thought of it as maybe I will get a benefit somehow, but you're making us kind of think.*

Angie may weigh the opportunities against the concerns of loyalty card use and still decide to continue to participate, yet at some level her use of the card may be far more informed than it was prior to this discussion. While the categories and process of consumer surveillance remain far from transparent, the tools for protecting one's privacy may become better understood and utilized through the distribution of these survey results.

Of course if concerns about privacy and surveillance in the context of consumption are increasingly voiced by consumers, this may yet become another liability or issue for corporate communications and public relations departments to 'solve.' Yet Angie's dilemma at the end of the above quote is still indicative of that which the GPD Survey does tell us: there remains a complex and diverse relationship between loyalty program participation and concerns over consumer surveillance and profiling.

Corporations are able to set the parameters and potential identities of consumers, yet it is the very use and expression of things like privacy concerns that get integrated and shift the practices of loyalty corporations. It is to this effective mutual shaping of consumers, corporations and technology that we now turn.

## Chapter 7

### **Mutual shaping: Interrelationships between consumers and program technologies**

The preceding chapters paint a picture of loyalty program practices as ‘informationally’ powerful entities that use surveillance techniques to connect their brands with consumers also defined as brands. Quotes from the interviewees serve to demonstrate the abilities of corporations to target and sort consumers into segmented and stratified categories. This is juxtaposed against an ambivalent and, to some extent, apathetic public with many fervently participating in these programs to gain the rewards they offer. These consumers are relatively unaware of the social effects to which data information practices contribute, particularly that these are mechanisms that reinforce socio-economic layering and expectations that have significant impacts on their future consumer choices and opportunities.

However this account leaves out some significant features. The pragmatic realities of everyday consumption and its evaluation through the analysis of data continually intervene in a recursive manner with the informationally powerful position loyalty programs have over consumers. The assemblage of human beings, corporations, technologies and artefacts continually shape each other. Consumers who choose to self identify through participation in loyalty programs are subject to surveillance practices that digitally produce them as significant, they are also part of “continually interacting processes in a ‘cultural circuit’” (Zukin and Maguire 2004:178). That is, the consumer surveillance by loyalty programs may be able to meaningfully and in some cases

profoundly shape the consumption behaviours of consumers as described earlier, yet this same surveillance serves to alter, modify, and transform the very practices of loyalty programs. For instance, ‘confessional’ practices of consumers can now be seen as integral to the shifts and transformations of marketing practice.

As such, loyalty programs can be seen as ‘qualified’ for consumer engagement in the same way that consumers are ‘qualified’ by loyalty programs as meaningful for marketing. Following Michel Callon, Cécile Méadel and Vololona Rabeharisoa, this chapter proposes that increasingly this “qualification of goods is at the heart of economic competition and the organization of markets” (2002:200). Drawing on the interviews with loyalty program executives, their programs can be seen as exemplary of a ‘highly reflexive market,’ simultaneously qualifying (i.e. supplementing) their master brand(s) as distinctive and valuable as well as qualifying (i.e. measuring) consumers as valuable marketing targets. They are crucial to both consumer perceptions of corporate value and corporate perceptions of consumer value.

This indicates a key point made by Callon, Méadel and Rabeharisoa, that there is an intertwined relational process between the consumer and the corporation in which supply and demand are adapted to one another. Yet this “mutual adaptation between what a firm proposes and what consumers want always seems somewhat miraculous” (2002:200-201). In this chapter, the seemingly miraculous but clearly interconnected relationship between supply and demand is hinged on the continual shaping and modification of both consumers and loyalty programs as described in my interviews. Consumers are shaped by means of the incentives, the currencies, they are given and the

informational processing that underlies and depicts their consumption behaviours. Yet loyalty programs are constantly modified within a matrix of gauged consumer response and engagement, data evaluation, program comparisons, and technological infrastructure. As consumers respond to corporate marketing programs, their responses serve to modify, or qualify, the marketing practices of these corporations. Neither consumers or loyalty programs are passive in this context, rather the surveillance practices here must be understood as a dynamic feedback loop with significant implications for how we understand the future of a consumer society that has become the “cognitive and moral focus of life, the integrative bond of the society, and the focus of systematic management” (Bauman 1992:49).

This dynamic relationship between corporations and consumers is best understood in terms of a process of mutual shaping. Loyalty programs demonstrate that both the technologies and their users – including in this case developers, analysts, executives and program members – are modified in relation to each other. The mutual shaping perspective is a useful and effective framework for conceptualizing empirically how this consumer surveillance occurs. It demonstrates how the surveillance-enabling capabilities of loyalty programs are multiply shaped: they come about in the context of user-technology interactions. The social issues indicated in this description of a particular consumer surveillance practice, including concerns regarding the reiteration of social stratification (see chapter 5) and the potential for social exclusion (see chapters 4 and 6), are dependent upon the dynamics of those interactions. This form of surveillance cannot be viewed in terms of a one way and linear imposition of knowledge practices. Instead,

the integrated feedback mechanisms of loyalty programs rendered visible through the mutual shaping perspective demonstrate the dynamic and complex relations that exist between corporations and consumers.

In what follows, we first briefly revisit the shaping of the consumer by loyalty programs. One of the means by which this occurs is through the rewards of the programs. These enticements are the means by which consumer behaviour can be seen to be shifted and moved in statistically significant ways. Yet responses to different offerings are continually measured, indicating one of the means by which the corollary to the shaping of the consumer is demonstrated: consumers and the interpretations of their behaviours shape loyalty programs in significant ways. This feedback loop demonstrates the dynamic and complex nature of the relationship between these loyalty programs and consumers.

### **7.1 The shaping of consumers**

Earlier chapters have indicated the means by which loyalty programs are able to shape consumer behaviour, specifically in how these practices reinforce certain socio-economic expectations. As forms of surveillance, these programs classify and categorize consumers as digitized entities that effectively set the parameters around which consumers are understood and come to understand themselves in a consumer society. In the interviews it was disclosed that the use and analysis of consumer data is the primary means by which consumers are understood and engaged through marketing. Yet what has largely been left unmentioned is the means by which this data is collected through these

programs: consumers are enticed to give or relinquish their personal data by means of loyalty points, miles, or rewards as a form of currency. Barry:

*People treat their points like money, I mean I have seen that in our research with our customers, they feel reward points are earned. They earn it for shopping in there. They take ownership and value them. You will be surprised the lengths the customers go to, to get points that they feel that they deserve; that they believe is their right to have. And if you are taking away something from them and we hear about it.*

The importance of these currencies cannot be overstated. Each interviewee described their loyalty programs as a form of currency, even those programs that did not maintain some form of point system. These latter programs, along with other similarly positioned point based loyalty programs, understood the advantages of their program in terms of what sociologically could be translated into social capital – though having no financial value in and of themselves, the advantages of the program are bound up with the prestige attributed to them. The tier levels maintained by members of these programs gave a particular form of social cachet that was often prominently displayed or indicated, as one interviewee put it, “especially when there was a complaint.” Beyond customer service issues, consumers take ownership of their status in the program and their currencies, using them to their advantage as Barry indicates. Whether the currency is seen as having appreciable capital value or value in terms of social capital, it is understood as a means to reinforce, modify or change consumer behaviour. Stephen:

*The miles become very important because the way we've marketed our program is that 'miles get you something'. It gets your family a free vacation; it gets you a big screen and plasma TV. It gets you this... So the connection between 'I want all these things' and the notion of 'reward yourself', which goes for all loyalty programs, is true. You need to do what you signed up for to reward yourself. ...When you get inside the segment that is most active, earners and redeemers. They are just like, 'why would you do anything else?' It is so simple to them, 'Why would you have any other credit card?' Like, 'why would you not buy gas there? Gas is gas.' Why would you buy at anywhere else other than this'?*

*...People see it as a very meaningful and they've used the word 'currency'. It's a currency now.*

Stephen makes clear that consumers see loyalty programs as having value – of being a worthwhile form of currency. But he also makes clear that consumers are willing to modify their patronage in line with practices that are the most advantageous for their membership in the program. These consumers understand the value of the programs and their actions within. Nancy suggests that the adage of getting ‘something for nothing’ is not the way most consumers conceive of their currency accumulation:

*We often say things like 'travel for free', but the consumer mindset is not that it is free. The consumer mind set goes instantly, I have 10,000 points, I've spent \$10,000. Free nothing, I spent \$10,000. ...They treat it as currency. Their language is around currency. I have earned those points. The customer mindset is not that this is free.*

Though consumers may be seen to take ownership of their currency as both Barry and Nancy suggest, the currencies are not, by and large, owned by consumers. Instead corporations maintain full control over their distribution and collection. Though they are unlikely to make any radical changes to the programs or eliminate them due in part to the brand image and reputation of their programs, they retain the rights to do this at any time.

Consumer ‘ownership’ of program currencies and of the various levels of program membership indicates the way they engage with the program. Active engagement in the program is a fundamental reason for using these currencies as consumer incentives or as disincentives. The currency exists as a tool to move consumer behaviour toward and away from certain forms of consumption. Yet these programs are more than value added incentives, and more than a means to move consumer behaviour. They are mechanisms to provide valuable data on consumers. In one interview, Peter

lamented the fact that corporations often see loyalty programs only as inconsequential supplements to corporate brands. He argues instead that loyalty programs are far more than the surface currencies encountered in the marketplace:

*The most frustrating thing in our business is [that we are viewed] solely as a loyalty program. It's seen as a currency, and we don't need to add that to our value proposition. And my answer to them is that the loyalty program will serve on its own to pay for itself in the behaviour change that the currency provides. If you stop at that point and not leverage the information, if you don't begin to articulate your strategy more tightly as a result of the information that is being provided out of the loyalty program then you are missing a lot; it's like an iceberg, you are missing eight ninths or the nine tenths or whatever it is of the iceberg that is under water. The loyalty component, the currency and the card and the dynamics of promotional element of it is really the top of the iceberg. A whole mass is underneath that, it is what you do with the information to help define the operational merchandising, other strategic placement of stores, distribution of marketing, measuring the resonance of messages that you are putting out there to see if you are moving in the right segments of your customer base and in the way that you wanted to. That's the core of the iceberg. It may not result in anything that changes your loyalty program. Your loyalty program is simply a device that creates an action that allows you to get consumers to identify themselves, allows you to create a segmentation, a differentiation, a categorization in whatever you want of that consumer base. It is used so that you can have a much clearer view of what is really happening under the still seas.*

Peter's metaphor of the iceberg begins to suggest the underlying surveillance powers of systematic data collection through loyalty programs. It is far more than just a promotional element for a given brand. The infrastructure beneath the program allows companies – they say – to meaningfully connect with their consumers, something that has largely transitioned into forms of relationship marketing (as discussed in chapter 3).

Though somewhat contradicting Nancy's description of consumers recognizing how these programs are not 'free,' Barry describes, as cited in part earlier, the process of moving from rewards to relationships:

*I think it's initially that people are signing up to the program to be rewarded. I think that's the motivating factor. Then beyond that, I think goes to developing relationships ...we are finding ways to deepen that relationship with customers*

*and communicating with them more. ...You start with 'you get something for nothing', but then the relationship develops into something hopefully more meaningful. [This is] because through communications and through target offerings you are trying to get them more engaged in company and the brands [represented]. You are trying to create the sense that they are more than just a number on the card, that they are a valued customer.*

A valued consumer however, is always a monitored and measured consumer, otherwise how would their 'value' be known? Their consumption histories and a myriad of geodemographic and psychographic data exist below the surface exchange of the purchase and the currencies of the programs for particular consumption behaviours. William indicates how the values placed on consumers are connected with particular category segments within his store:

*We put a value attachment on all of our customers from [low], [middle], to [high] tiers based on a series of metrics. We line that up with other types of factors like demographics factors to create what we call super segments and those super segments help us again understand what types of synergies may exist between categories within our store among specific types of consumers.*

This description emphasizes the importance of customer lifetime values (LTV) discussed in chapter 3, but it also indicates that real currency of loyalty programs is in the relationship it buys with consumers. These relationships are productive in so far as they yield meaningful and valuable information on consumers and can be used to move consumer behaviour toward more profitable consumption and away from that which is less profitable.

In my discussion with Peter, he raised the issue of connecting the information gained from consumers with the attitudinal drivers behind their consumption. He suggested that traditional marketing does little to answer basic questions about consumers beyond the movement of specific inventory. "Why are they buying? How is their

behaviour changing and how is that affecting what is happening to my various products and category sales?” He continued a bit later:

*The question gets down to, in my view, where the art of marketing marries up with the science of marketing. This is at the point that you can really understand some of the base attitudinal drivers that exist within the market places that you choose to compete. The point at which you can create that differentiated value proposition means that you are speaking in a voice to a set of consumers in a way that they say, ‘hey that’s meaningful to me’. That’s when you hit the marketing sweet spot in terms what you are trying to do. The goal...is to really leverage this wealth of data and information along with the willingness of consumers to step up and share other perspectives, views, and attitudes. To provide an attitudinal dimension that will help us be better marketers, better merchants, and to better define the value proposition that is put in the marketplace.*

Peter’s ‘marketing sweet spot’ is connected to a perspective that emphasizes relationships with consumers, and it is these relationships that allow marketers to produce campaigns that affect consumer behaviour. They may be motivated by the currencies of loyalty programs, but these feed consumer information into an entire structure of marketing and classification that exists beneath the surface of loyalty programs and their rewards. The goal here is to know consumers and for marketers to be able to act upon that knowledge in meaningful ways. Behind marketing campaigns that involve or draw from loyalty programs are digital masses of information that depict in detail consumer trends, lifestyles, life stages, and more.

The engagement of marketing with these depictions of consumers is intended to shape consumer behaviours in a consumer oriented society, as will be discussed below. Yet while there is much going on beneath the surface of currency accumulation and distribution and its effects on consumption, the responses of consumers – their

consumption and confessional descriptions of their consumer self – are continually integrated into the shaping and re-shaping of the programs themselves. As Carl states :

*What you see is a sort of gentle slow motion negotiation between the program and its users. We are constantly getting feedback from the users on what they want to see in the program. And the program tends to respond to that by adding those features in. So you will see the category continue to evolve based on consumer needs. And the category continues to be responsive to consumer needs.*

This negotiation indicates that there is more to the power relations between loyalty programs and consumers. It is more than a singular process of consumer identification through relationship marketing and making a more effective engagement with or manipulation of those consumers. In sociological terms, a very structural argument does come to the fore in a depiction of loyalty programs as a form of consumer surveillance. That is, the discourse of marketing and its use of loyalty programs to create more effective campaigns do serve to shape consumer behaviour and their identity. However, though consumers can be seen as significantly shaped by these marketing practices, they are not without agency in this context. Instead, consumers serve to shape, modify and radically alter these programs as well.

## **7.2 The shaping of loyalty programs**

*One segmentation scheme does not solve for all businesses. It really becomes a question of what's your business objective and then what's the right segmentation view to start with – asking the question, “how do I solve for that?” It may mean using [a more broad based segmentation] ...and then you start to segment down to a very specific group of people, but it should be driven off for what you are trying to solve for.*

Stephen’s description of segmentation indicates that different marketing objectives require different means of meeting those objectives. This hints at the activities executives and analysts take in capturing and evaluating data through loyalty programs.

This information-processing makes loyalty programs financially viable. Each program executive I interviewed was convinced of this. In their words, loyalty programs worked in terms of corporate profitability. Yet this is not to suggest they did not have a fair bit of anxiety beneath the surface of their confidence in their programs.

Though loyalty programs are robust entities in Canada that maintain high consumer penetration rates in comparison with the United States and other countries, a number of corporations in Canada and beyond have ceased loyalty program operations specifically because they were unable to produce positive financial results (see discussion in “Building Loyalty” 2006). Programs that choose to cease operations are most commonly found in retail sectors, where already slim profit margins allow little room for the expenses these types of programs require. Again, loyalty programs must be seen as valuable by consumers in order to maintain participation rates that produce reliable and usable consumer data. As Carl believes, the industry is always in a precarious place:

*Where things can start to go a little wonky is if consumers start to feel that they cannot redeem those miles for things that they value, they will start to push back on the company or to stop using that card as much. They will say ‘I am gaining these miles but they worthless to me.’ There is a subtle kind of balance for programs, continuously adding value to the program and to the currencies so that the users continue to be excited about collecting the miles. ...If any part of that system starts to breakdown all the economics in [this industry] go to hell in a handbasket. There has been increasing pressure from the consumers over the last few years about the availability [and variety of products for] redemption.*

This is why, in Barry’s words, loyalty program executives “have to make sure the program is evolving and make sure it's competitive, to make sure that it's still relevant to our customers.” The anxiety here is abundantly evident in Barry’s statement, and this continual evaluation is intended to maintain its profitability.

As such, the loyalty program market in Canada can be seen to continually evolve and is continually reshaped on the basis of several processes. First, these programs integrate the knowledge they gain from consumers – both response rates to program marketing/initiatives and the information gained through what was earlier described as commercial sociology – to modify or even radically alter their existing programs. Second, these programs are constantly evaluated against internal objectives for the program and against other competitive loyalty programs. They are evaluated to see if they both are producing the intended corporate results as well as whether they measure up to other programs. Changes in one loyalty program frequently results in similar modifications in other programs. Third, programs are reshaped by means of continual experimental practices to discover the most successful methods of loyalty program marketing. Perhaps most important, however, is that behind all of these practices, and the most essential element in the shaping and reshaping of loyalty programs is the relationship between the data production and its human analysis. The shaping and reshaping of loyalty programs all takes place with the specific interventions and integrations of new consumer knowledge made by analysts, managers and executives, and all with the intention of ensuring a positive bottom line.

### **7.2.1 Consumer information as feedback loop**

The discussion in chapter 4 on the commercial sociological practices of loyalty programs indicates that consumer feedback is a vital element in evaluating the general health and status of the program. This feedback is seen to help gauge the necessity of its modification as well. Interviewees suggested that the response rates of consumers to

marketing campaigns were primary mechanisms to view program effectiveness, yet several other processes were crucial in supplementing the ‘hard’ or quantitative data embodied in response rates. William described several methods that his company uses, while finally noting again the importance of participation and redemption.

*There are a few metrics that we have [for measuring consumer responses to the program]. One of the primary ones is our customer service index. It is a random cash register driven survey in which we print out a request on the customer’s receipt asking them to visit our website or call a number and answer certain questions. That is something that we track with [consumer] comments both in terms of a verbatim (file of all consumer comments) and rolled up (qualitatively analyzed) comments. That comes to the group of us as a gauge on what customers are saying about the program. In addition, we have done significant number of focus groups tied to the program, and we do online surveys, like e-mail surveys, gauging response to the program. We look really closely at those key metrics in the program, specifically participation rates and redemption rates that guide for us in what we consider to be customer satisfaction. We also do a Print Measurement Bureau study on which loyalty programs you are a member, which is again a high level indicator for us on how the program is performing.*

Surveys and focus groups, such as those mentioned by William, were almost universally mentioned as tools used to understand and better market to loyalty program consumers.

These occur at the discretion of the loyalty program executives and are used to more effectively evaluate the program’s performance. On the one hand, these research processes lend insight into the potential positive and negative aspects of a future marketing campaign. Barry:

*We get a lot of input on Brands plus through ...surveys and we do ad-hoc focus groups or other types of research when we feel it is necessary. This depends on what we are researching at the time. It is usually Brands plus members we get together to ask about either a program change that might looming or to get their input on something that we are thinking about doing.*

On the other hand, these surveys and focus groups are employed to understand the concerns of program members and potentially find a means to rectify these situations.

Simon:

*We do our due diligence to see what we can do about what they would like to see in the program. ...We do our research to see if a. the benefit can be done and b. whether it makes sense economically speaking. This is again to resolve members concerns and to continue to enhance the program.*

By most interviewee accounts, consumers are more than willing to respond to the enquiries of the loyalty programs as to the effectiveness and value of their program. This was most evident in those programs described previously as ‘*leisure accrual loyalty programs*’ perhaps because of higher consumer investments in these programs. Yet for all of these programs, the overall consensus on consumer response was similar. Gary conveyed it the most succinctly:

*They are vocal overall. They will write a lot, and they will call us. Like in anything else, we tend to hear more about the negative stuff. But now we hear a lot from them, [as was the case with last year’s major survey].I think it says a lot for us that when we send our surveys – most of the times we put like 25 bonus points or something minimal attached to it, but sometimes it is nothing – that the surveys are still responded to.*

Many consumers, it appears, invest heavily in these programs and willingly respond to program enquiries. Others less committed to programs often choose to contribute to forms of consumer feedback as well. However, a few corporations have chosen to specifically develop advisory panels to gather continual feedback from their consumers. These panels are not necessarily associated directly with the loyalty program brand (rather focused on all aspects of the corporate master brand), yet the panel members are almost always members of the loyalty program. For Simon’s corporation, the panel members do all belong to the loyalty program. These members are asked to contribute to the consumer feedback loop four times a year.

*There are 10, 000 members that make up our panel and on that you would have a good cross section of [lower, middle, top] members. Every quarter we present them with an online survey and have them fill it out. The results are tabulated by*

*a third party company that we work with and they evaluate the survey and the results and produces some findings for us to take action on.*

For Paul, feedback from his advisory panel is even more frequent:

*We have a group; we call it the Voices Advisory Panel. So we have 8000 customers that participate in the online panel on a weekly basis. Not all 8000 participate every week of course, but we basically talk to them on a regular basis. They are involved in the business – they participate in the business. They help us to make decisions. We ask them about advertising and saying ‘does this appeal to you? How would you improve it?’ We ask them about customer service experiences and what’s working or not working. We basically use them as a community of heavily engaged customers. They are – I would say – the closest thing we have to a brand community.*

It is the ‘community’ that forms around this particular brand, a group of consumers actively engaged and committed to evaluating and supporting corporate practices, that actively shape these loyalty programs. Their feedback more often than not becomes the basis for marketing strategies. As indicated earlier, loyalty programs are able to set the parameters and consumption agendas for ‘branded’ consumers to some extent, yet those same consumers recursively orient the practices of the loyalty program brand. It is an orientation that can be seen as a reworking of Bourdieu’s description of consumption and habitus as discussed in chapter 5, yet this tends to render opaque the power consumer feedback has in its integration into the practices of corporations – consumers have a degree of agency that remains largely under-appreciated in viewing this through the lens of Bourdieu’s work. Marketing practices do shape consumers, yet those same consumers can be seen to shape marketing as well.

#### 7.2.1.1 Internal and comparative program evaluation

Of course, loyalty programs do not exist within an economic vacuum. While they may integrate consumer feedback to varying extents, each of the interviewees recognized

that this feedback is gathered against the backdrop of a competitive marketplace. Internal program evaluations and comparisons to other programs are seen as fundamental to the evolution and reshaping of loyalty programs. As Wendy states, companies want to be “consistent with how other loyalty programs are offering programs or incentives.” Gary believes that these comparisons are about looking at “best practices” and benchmarking his company’s loyalty product against others. He continues:

*You have to be competitive; if anyone else has something similar to your offerings, you want to look into it.*

But then the focus of his comments shifts:

*In our case, however, it’s really to have a better idea of who our clients are. We had a two tier program then it was basically [lower and middle tiers] by the year 2000-2001. Then we took an approach where we decided to consolidate and see more than just an acquisition approach, we needed to do some retention marketing. This was to get a, perhaps strike a balance. We also wanted to get a better idea of who our better clients were, having a two tiered program didn’t really allow for that. So, we brought in a third tier, a higher level, basically splitting the [middle tier].*

Gary’s comments acknowledge the two pronged purposes of loyalty programs: to create a competitive value added incentive for consumers and a means to accurately evaluate and engage with consumer behaviour. In this case, his corporation’s reshaping of the program was focused on making the program internally more beneficial for corporate knowledge. Simon, on the other hand, does not focus on the production of corporate knowledge about consumers to the same extent, though his focus on improving the program for the benefit of his consumers is similar. Here we can see both internal and comparative evaluations as part of a relational marketing strategy:

*Our major target is to continually enhance the [consumer’s] experience. [The program] has a number of benefits and we would like to continually improve upon those benefits and add more benefits to the program. That is to continually make the program more robust. Every year or every quarter we are constantly*

*talking to various partners or working through new ideas – they may come from our members or they may come from senior management or may come from seeing what the competition is doing.*

Each of these forms of evaluation, comparisons to other programs, appraising the internal benefit of the program, and assessing member experience, are intended to evaluate the market position of the loyalty program. As Barry states, the goal “by doing this annually [is that] we get to track it year-over-year, to get results that help us see which ways we’re trending.” This ‘trending’ needs to indicate that the loyalty program continues to engage consumers and remains competitive with other programs or other competitors within the corporation’s market. For the most part, consumer engagement and competitive effectiveness is primarily demonstrated through consumer responsiveness to marketing campaigns. This can be supplemented by other indicators. Yet the degrees to which a program is seen to not measure up to its internal objectives or against its competition are seen as areas in need of program change and transformation. Though these evaluations orient the directions to which a loyalty program may be reshaped, these often further rely on experimental marketing practices used to better understand and engage consumers.

#### 7.2.1.2 Experimental evaluation

*What you are going to see is that loyalty programs will continue to be really responsive to their users. This might mean they get rid of some stuff and they add some stuff or they come up with new ideas. They are always trying stuff. They are always testing things. ...They are constantly playing with it and measuring the consumer temperature versus what they are delivering. ...Loyalty programs are all very responsive consumer driven organizations because they are trying to modify consumer behaviour. They are quite sensitive to it.*

Carl’s description of loyalty programs being responsive to their users, and sensitive to the way in which marketing practices affect consumer behaviour, is based on

a history of loyalty programs experimenting with incremental changes. Loyalty programs have been and continue to be gradually shaped based on experiences with specific program successes and failures. This shaping is often connected to the personal histories of those involved in the process (see discussion of human mediation below), specifically because of the numerous unknowns in loyalty marketing. In most of the interviews, while recognizing the value of the programs, the program executives suggested their programs were built largely on experimentation. Paul's description of the process of knowledge accumulation within his program is perhaps the most precise description of how this occurs:

*We basically undertake a constant test-and-learn marketing application to [the] information [we process]. So we try discount offers, coupons, invitations to events, recognition or rewards where we are giving them a gift or a special experience. And we basically learn from every one of those. And we measure the impact of each of those activities, using experimental design basically with test and control groups. And then measure and say what's the right investment in different customer groups, according to their value segmentation, their category orientation, in terms of which categories they purchase in, their frequency behaviour.*

Other interviewees suggested similar processes of experimentation with their programs, though the integration of knowledge into these systems may not have been as precise. Yet above all, as Ruth asserts, loyalty program marketing is an industry in which companies can only learn through 'trial and error' – experimentation is crucial.

*You can't just press a button and say here is the data, or go to another company with that same data [and expect the same results]. They will look at it and all go, 'Oh you've made a definition wrong'. 'What definition'? Well it is around household size or whatever. This skews all your data. Then every one is making decisions on the wrong thing. That's my biggest fear in this whole area because it is absolutely critical that you get the right way, the right process, the right understanding of how our business works. The right data, you get the right individuals that know how to analyze the stuff and that they have had enough trial and error that they can go, "this didn't work," "that did work" and they can lead other people through it.*

As suggested, what Ruth points to is that this trial and error processing and the experimentation of loyalty program marketing is inextricable from the people engaged in the production of consumer knowledge. So while the test and learn scenarios are essential to the evolution of these programs, these are embedded in the human analysis and interpretation of technological practice.

#### 7.2.1.3 Human mediation and analysis of technological practice/knowledge

*Suzanne: Before you decide to [attempt to gather consumer] knowledge just for the sake of knowledge, it all costs money, right? So you have to say “am I going to make a different business decision on where I am going or how I am going to invest my money?” before I go ahead and do it. I have learned a lot of this over the years.*

*JP: Through trial and error?*

*Suzanne: Well, you go through that phase where you have the money [to gather general consumer knowledge] but now the budgets are tight and you have to be accountable. We were always were accountable but there was more interest in knowledge when we first started. We had to come to understand what the program is [so we could] optimize this in terms of what we need and what we don't need.*

Suzanne's experience is essential to how her program is leveraged as a tool to gain knowledge about consumers. Any potential knowledge development, from mining program data to engaging in further forms of qualitative or quantitative research, is connected to her experience in her years of work with the loyalty program. As she indicates, there is always a cost associated with any loyalty program practice. The shaping of the program, from changes in data gathering to new forms of marketing practice to engaging in data analysis, always occurs for a reason and with a cost. These processes are subject to the intentions of the executives, analysts and technicians involved in the process. It is something that Ruth made clear as well:

*Analysis is absolutely key – the input of the data, how it's created, how it then spits out into a report and how somebody analyzes this. It is so important*

*because you could be making the wrong decisions. And so what I have seen is that ...an intimate knowledge of the business is required. I have people that have been with the program and understand the way the data is put into our system and cumulated and how individuals are looked at and how we calculate margin and all of that stuff. Every time I think, okay so I get it, then I go and say, 'listen doesn't that mean X? Therefore we should do Y?' Then they will say 'Ruth, no. We don't do this because the reason we don't we recalculate that is because of Z, which is the way our business works and therefore that conclusion (Y) is wrong.' I say 'oh really?' ...That's why human beings are doing what they are doing.*

Ruth acknowledges that there are limitations in her knowledge of corporate practices and the marketing possibilities for her program, particularly as she had only transferred into the position in the past several months. Yet her work in another loyalty program prepared her to recognize that a systematic knowledge of the loyalty program, from its data to its categories, is crucial to understanding the potential and pitfalls for loyalty marketing. Even in the transition into this position, she made clear that “you can only learn through trial and error.” Her sentiments were echoed in a number of other interviews, including my question to Suzanne above. However, trial and error can be a costly venture and few corporations are able to seek knowledge for the sake of knowledge sake given limited budgets. Paul made the process of experimentation crucial to his company’s knowledge accumulation and its connection to the people involved in this trial and error learning a bit clearer:

*Paul: A bit of it is intuition. We try to see a collection of behaviour and say, okay this looks like as if it's a distinct kind of cluster of behaviour and we ask what it suggests. And then we execute a campaign usually to test it. So we'll send a generic campaign versus one we think is suited to them versus a third targeted one that is completely erroneous to as small population as possible. We compare the three and we hope that the campaign we thought was suited to them performs better.*

*JP: ...Your team is gathering this information looking at the data, trying to make sense of what it means.*

*Paul: Yes.*

*JP: And then at that point you will actually test potential or to test particular marketing campaigns, see what the response to the activity.*

*Paul: Yes. ...What we try to do is each campaign we take about 80% of the campaign's budget and apply it against what we have learned in the past. So that is kind of the 80% we know we are going to generate return on it and then we take 20% to test new things.*

Paul's pragmatic and measured approach to using loyalty marketing tools, acting on what is known and allowing for innovation and new customer knowledge production, is not unique. Rather this was its clearest articulation. The goal to which Paul and his team are moving toward is one that allows his company to tailor its marketing to an interested audience and allow for a larger return on investment.

Of course loyalty program data are not simply and solely used as informational backdrops for marketing campaigns. Data may also be used to gain insight into current consumer behaviour which does serve to redirect and shape future marketing practice. These insights are subject to interpretation as well, and these interpretations are again related to the intimate knowledge that one has with the data and its categories. Suzanne:

*I'm looking for the data to give me some insights. You know say the business went soft for a while – why did it go soft? Where did it go soft? Was it in the major centres?...Is it specific to a region? Is it specific to a customer site? We have all that information. As you try to nail it down, you can use it, [the data] is great because you can eliminate what it isn't. If you do uncover something, say all of a sudden you start to see a decline in a certain segment of customers for instance and you go 'well it is not this and its not this' so it is not what I would have logically thought. Now I have to go do research because you can't see [what is causing these actions]. You see behaviour; you don't see why they are doing this. You can make all the guesses you want in the world but they are still guesses and you know the worst guessers are senior managers. 'I know why they are doing this', 'really, do you?' I can surmise the same answer but it sometimes is not always the same [as I would have expected]. There may be subtleties in the ways that it comes out and then all of a sudden you go 'oh just that subtle twist' that you can get in there and [account for].*

Again, Suzanne draws on her experience to understand and interpret the data. Her experience with the data allows her to know what is happening in certain segments of the business and to gather crucial information for what may be occurring in these contexts, though she admits this may at times require further research given the limitations of loyalty program data. It may be, as discussed in chapter 4, that she and other interviewees were focused on reiterating the importance of their positions and of the necessity of experiences in dealing with complex amounts of data. However, for Suzanne and other interviewees, there was a clear and recurring sense of confidence in their ability to work logically with the data they had in many ways helped to design and gather. There is of course more to it than a personal understanding of the data and its context, but this is crucial. Nancy:

*We do actual research - I mean we go out with the focus groups and do survey, lots of surveys. It is not just me saying 'Oh I have a bad feeling with this reward'. So we do research that can be quantitated. But I think that experience still needs to be overlaid with research. ...We use the research but we need to apply it with our experience.*

The intersection of experience and research is seen as the crucial factor to Ruth, eventually using the metaphor of a marriage between the data and human interpretations of this:

*What it boils down to every time is how the information – the raw information sitting in the system – is regrouped, calculated, processed so that we can draw some conclusions about transactional behaviour. This leads ultimately to how one would segment [consumers]. If you have the wrong definitions or the wrong view of the [consumer's] world, then your segments are going to be wrong, right? We have to get a stake in the ground as to what all those basic variables are. What does that mean? What are the kind of things that we need to understand? I'm not just going to add on information for the sake of information, psychographic - demographic whatever, because we have to understand the basic structure, [especially of]...what the data marriage with peoples' brains creates. I think that that's a challenge for companies to manage ...[which is fine] as long as those individuals stay in those jobs really long time and understand*

*that definite level and all that stuff. Then you have got the same continuity of learning and knowledge.*

The personal histories of those engaged in loyalty marketing are essential for understanding how these programs are continually shaped and reshaped as dynamic entities. The use of feedback loops from consumers, comparisons to program objectives, measurements taken against competitors, and trial and error evaluations all occur under the guidance of employees that seek to make the program increasingly profitable. With the tremendous amount of data produced on a day to day basis by the continual use of these loyalty programs, in the words of Stephen, “the biggest trick in this whole thing is to make sense of all that.” It was this point that formed the conclusion of my conversation with Ruth:

*Ruth [Our marketing] is only based on our understanding of what the data is and what it gives us at the end.*

*JP You have articulated that quite well, and it was exactly one of the things I was interested in.*

*Ruth That’s the biggest thing that I have seen in my career that’s not well done in a lot of organizations. [In part because] it requires a real skill-set, intimate knowledge of the business.*

Loyalty program success can largely be seen in terms of how well a connection is made between an intimate knowledge of the business, specifically the data gathering, production and meaning, and an intimate knowledge of the consumer, specifically in terms of her digital representation and associated meaning. Consumption practices and its promotion through loyalty program marketing is best understood not in a focus “only on producers or consumers but on the ‘relational work’ that occurs between them” (duGay 2004:100). Loyalty programs are shaped and modified by consumer behaviours and how corporations integrate this knowledge through the processes outlined above. This

relational work forms the impetus for shaping loyalty programs but it is intertwined with how these programs serve to shape consumer.

### **7.3 Mutual shaping of consumers and loyalty programs**

The interviews indicated that loyalty marketing programs do serve to shape the purchasing behaviours of consumers. There is a clear sense that interviewees gauge the effectiveness of their corporate brand in the lives of their program members, specifically in how it connects to their everyday lives and its integration into daily consumption behaviour. Yet the means of gauging consumers feeds back into this system, continually constructing the need for a reshaping of the program to increase its effectiveness and member participation. This feedback process is built on data, and Stephen's comment to this was that making sense of all this information is "the biggest trick." These programs do produce an immense amount of information about their consumers, from which these "consumer fragments" can be seen to "create as many problems as they solve" (Moor 2003:53). As Elizabeth Moor, writing about the information processing of a particular brand, goes on to suggest:

[T]here is simply too much information – in order to 'process' some pieces of information about consumers, it would be necessary to exclude any number of others, such that some information can never be (or can escape being) re-contextualized as 'knowledge'. On the other hand, this type of information simultaneously provides both too much and too little context, and in translating this contextual information from one site to another it may be difficult ...the difference between what applies under narrowly defined definitions and what applies under general ones (ibid.).

Her description of one particular brand's struggle with the information it has collected and the deployment of its accumulated knowledge for marketing is likewise evident in loyalty programs. What becomes necessary is for these programs to create nuanced

‘snapshots’ of their consumers and the market they are engaging. These are time sensitive and inherently malleable, but, sociologically, like the spatial categorizations of geodemographics these snapshots of consumers in time and space are inherently structural – they are determinative of consumer actions and for corporate understandings of those actions for the time period for which they are in use. Yet, again as with spatial categorizations, “they are also mediated by human agency because the ‘continuous adjustment of system to circumstance’ partly depends on the reflexive decision making of human subjects” (Burrows and Ellison 2007:325).

Loyalty programs are embedded in a consumer culture that dominates modes of being in everyday life (see Slater 1997a; and Bauman 2001). The agential abilities of consumers to modify and change systems of consumption in a ‘personal information economy’ (See Perri 6 2005; Elmer 2004) occur while simultaneously being structurally determined by their categorization. Individual experiences of consumption can be seen as “a balancing act between structure and agency” with “the structures intent on ensuring the longevity of consumerism as a way of life actively provid[ing] room within which consumers can provide their own meanings” (Miles 1998:156). These marketing discourses, or “technologies of consumption” are “both technologies of domination and technologies of self: at once disciplining and liberating” (Shankar, Cherrier and Canniford 2006:1020). As these authors further suggest:

On the one hand, marketing practices like segmentation, targeting, database and direct marketing, customer relationship management, loyalty cards, etc. are disciplinary mechanisms that can be regarded as transforming a heterogeneous mass of people into more homogeneous market segments such that people can be categorized, surveyed and targeted as consumers. On the other hand, people when interacting with

marketing practices like branding, customizing and prosumption may also construct and re-construct their identities, or possible selves ...at will by consuming the appropriate brands or experiences. (ibid).

The latter argument has tended to be the dominant one in most contemporary descriptions of consumption and within the discourse of marketing – there is “is little question that consuming is a, if not ‘the,’ realm of agency in contemporary society” (Schor 2007:24). As suggested in chapter 4 however, a perspective on loyalty programs that emphasizes surveillance capacities tends to limit notions of agency:

[A]rguing that consumers are in control over their life and that they can freely write their own stories appears too simplistic. Society and human beings are indeed too complex and too subtle to simply take a pure agentic approach to marketing” (Cherrier and Murray 2004:510).

The rhetoric within loyalty marketing, embodied within the interviews, indicate that while dependent upon consumer feedback and engagement, loyalty marketers do shape the lives of consumers through the mechanics of their programs. Loyalty programs can be seen as stabilizing elements of a continually changing consumer culture (see Bauman 2001). These maintain flexible and open opportunities for consumer agency which at the same time continually monitored and tracked.

The description in chapter 5 of loyalty programs as brands is important because this description of loyalty programs emphasizes how:

“the emergence of the brand is linked to a changed view of the producer-consumer relationship in marketing: no longer viewed in terms of stimulus-response, [it is a] relation ...increasingly conceived as ...an interaction” (Lury 2005:186).

This shift toward a relational orientation for brands is exemplified by loyalty marketing as part of a larger trend towards relational marketing as discussed in chapter 3. Brands can be seen as “a response to – and as a means of managing – a relation that is constituted

by marketing practices and not merely two way, but also as long term, interactive and inherently open-ended” (ibid. :193). As open ended and interactive marketing mechanisms, loyalty programs rely on practices of the reciprocal branding discussed in chapter 5: programs are modified in relation to sets of consumers that are likewise informationally modified to fit marketing expectations.

Marketing literature is replete with discussions as to how loyalty programs can and are modified to better connect and engage their consumers (see for instance, “Building Loyalty” 2006; Capizzi and Ferguson 2005; Reinartz and Kumar 2002; and Uncles, Dowling and Hammond 2003). Yet in focusing on the surveillance capabilities and powers of these programs over consumers, this research serves to indicate “the ways in which objects and persons are constituted through the discourses and techniques used to describe them and to act upon them” (duGay 2004:100). That is, loyalty marketing practices serve to brand consumers and the description of its intricacies in this text is intended to assist in “tracing the ways in which different sorts of consumer conducts are mobilised, motivated and distributed through specific commercial actions and devices” (ibid.). Possible and actual actions and behaviours of consumers cannot simply be determined by “physical and social barriers and opportunities,” but are embedded in the “ways in which we conceptualize and realize who we are and what we may be” (Hacking 2004:287). Data from and analysis of loyalty programs supplement the discursive background through which the self in a consumer society is understood. The means by which consumers are subject to corporate identifications of their social contexts, whether they acknowledge or know these categories, inevitably impinge upon how these

consumers come to think of themselves and maintain personal identity (see Jenkins 2004). Further:

“As the anthropology of consumption has so clearly shown, classifying products, positioning them and evaluating them inevitably leads to the classification of the people attached to those goods. Consumption becomes both more rational (not that the consumer is more rational but because (distributed) cognition devices become infinitely richer, more sophisticated and reflexive) and more emotional (consumers are constantly referred to the construction of their social identity since their choices and preferences become objects of deliberation: the distinction of products and social distinction are part of the same movement)” (Callon, Méadel and Rabeharisoa 2002:212).

The rational and emotional consumption to which Callon, Méadel and Rabeharisoa refer demonstrates the important role loyalty programs play in a consumer society which increasingly part of a personal information economy. This economy is founded on the ‘convergence’ or fitting together of informational artefacts and social worlds (Bowker and Star 1999:82).

This convergence is another way of describing how the loyalty brand and the consumer as brand are mutually qualified for their economic engagements with each other. This is complete with layered expectations of the brand on both counts. There is an interplay between technologically constructed impositions of identification (or the branding of the consumer) and the social presentation of identity in the behaviours of consumers (or the choices of brands as agents for personal identity). This hints at what might best be understood as a “dynamic nominalism” between persons and their categories as well as corporations and their practices – the categories of consumers and of products come to fit one another (Hacking 1986). This may always be seen as “miraculous” but loyalty marketing is a highly reflexive and deliberate activity (Callon,

Méadel and Rabeharisoa 2002:200 & 202). Within this, forms of production and consumption cannot be seen as “two poles of a commodity chain” but as a “continually interacting processes in a ‘cultural circuit’ where products both reflect and transform consumers’ behaviour” (Zukin and Maguire 2004:178-179). This is why the description of ontological recursivity in chapter 5 is important. It serves to indicate the cyclical process by which consumers produce the social worlds they come to inhabit. For loyalty programs, the open-ended nature of this process means a continual reshaping of the programs by the means described earlier. On the other hand, consumers become subject to the consumption behaviours they engage in, producing socio-economic and cultural expectations as these practices are codified and embedded in the personal information economy.

This mutual shaping of consumers and loyalty programs suggests that, although consumers are steered toward particular consumption practices with varying degrees of certainty, the consumer culture which they inhabit gives them some degree of agency – they are not powerless subjects of the structural impositions of corporations. The operation of these technologies implies an iterative, dynamic process of interaction between consumers as actors and the technical practices of the programs themselves and the persons involved in their production. This mutual shaping perspective indicates an interconnection between what consumers as ‘do with technology’ *and* ‘what technologies do’ to those consumers (Oudshoorn and Pinch 2003:2). Loyalty programs do shape the digital expectations of their consumers and thereby meaningfully and structurally shape the lives of those consumers. At the same time however, they are responsive to those

consumers whose consumption choices and personal agency indicates the necessity of altering or modifying the programs themselves.

#### **7.4 Conclusion**

Prior to this chapter, this research has predominantly looked at the surveillance practices of loyalty programs as forms of commercial sociology. Given the empirical research that underlies this text, the emphasis has largely been on how corporations process information to ‘construct’ consumers and typologies of these consumers. It then emphasized the means by which these constructed or branded consumers were connected to particular brands, and specifically how these were stratified. As a departure from the emphasis on corporate practice, the previous chapter indicated that consumers are largely ambivalent about the social and economic implications of these activities. Though drawing from corporate interviews, *this* chapter emphasizes the intersections of both the production (corporate) and consumption (consumer) aspects of loyalty programs, as “[a]nalyse that look only at production or consumption are always partial and risk either incompleteness or getting it ‘wrong’” (Schor 2007:23). In this process, indicating that the feedback mechanisms or cultural circuits of loyalty programs are a form of mutual shaping is intended to depict the interrelations of the assemblage of marketing relations in the personal information economy. That is, the trivial practices of loyalty program membership and the consumption practices it encompasses, something which John Deighton suggested is often maligned as not very consequential – understood as “cents-off discounting devices, little better than plastic green stamps” (2005:249) – are in fact significant. Following Don Slater, this research attempts to “follow through on the kinds

of connections that are constructed” by a specific cultural object, giving a glimpse of the social production and interrelations that stand behind it (Slater and Miller 2007:8). In this way, this research begins to give significant details about Deighton’s description of their significance:

[A]s we try to anticipate the threats and opportunities, commercial and societal, of pervasive portable digital identities... we have more to learn from the workings of [loyalty] programs than from any other current manifestation of the coming age. They represent a glimpse of life when some version of our reputation travels with us wherever we go, whether we like it or not. (Deighton 2005:249)

This chapter has focused on the interconnections and mutual shaping of the programs and their consumers. The marketing of these programs, particularly the currencies these programs provide and its underlying social meaning, serve to shape consumer consumption patterns and notions of self. Yet there is a degree of agency consumers have in the negotiation of these practices, revealing the socio-technical relations behind system that serve to construct consumers. In this case, both the product to be consumed – an information rich incentive for patronage – and the consumers – digitally transcribed into significant patterns of consumption – actively collaborate together in a way that blurs the “distinctions between production, distribution and consumption” (Callon, Méadel and Rabeharisoa 2002:212). Consumer practices, corporate evaluations, socio-economic stratifications, cultural practices, marketing campaigns, and consumer responses are inextricably intertwined within loyalty programs. In seeing these interconnections as mutual shaping, the power dynamics between corporations and consumers are revealed to be dynamic and complex.

## **Chapter 8**

### **Conclusion**

Loyalty programs are a complex manifestation of the continuous self modifying practice of ‘knowing capitalism.’ As with capitalism, loyalty programs are “perpetually unfinished” (Thrift 2005:3) – shaped by consumers and techniques of evaluation implemented in both automated forms and by the intentions of program practitioners. The dynamic nature of these programs demonstrates that they are not simply mechanisms for discounts or small token incentives for particular consumption behaviours, though this remains an important function. Rather loyalty programs are a significant and complex manifestation of commercial sociology. They are mediators between consumers and corporations, guiding consumer behaviours and modifying corporate practices in a way that cannot be understood apart from the interconnections of this cultural circuit.

As is demonstrated in the perspectives of the previous chapters, loyalty programs are informational portals into the lives of consumers, and a key source for the development of relationship marketing. The information they provide fuels CRM systems that render consumers as digitally meaningful, indicating in an electronic form the desires, practices, and lifestyles made manifest in consumption histories. These digital representations or data images can be seen to constitute the consumer “as a known and knowable object upon which the marketer can now act strategically” (Zwick and Dholakia 2004b:32). That is, loyalty programs enable corporations to systematically examine the personal details of consumers so that they can more accurately manage relationships with consumers through various forms of entitlements, targeted marketing,

or control over offerings and service. This is a clear form of surveillance (see definition in Lyon 2001).

In connecting loyalty programs explicitly with surveillance in this text, three particular theoretical frameworks in the growing field of surveillance studies help illuminate what is occurring in the context of loyalty programs. First, data-images are simulations of consumers. Corporations are able to project numerous marketing scenarios on these simulations to observe and measure results of their marketing initiatives. These simulations should not be seen as false projections of consumers. Rather they exist in the intersection between everyday consumption and information databases. These marketing initiatives, whether targeting categories of consumers for specific ‘opportunities’ or ‘deselecting’ a less profitable category by limiting marketing or service levels, have very real effects on consumers. While the value of ‘points,’ ‘miles,’ or other ‘program perks’ are evidence of clear consumer benefits, the other social, political and economic affects of stratified offerings are less evident.

Of course these categories and the simulations created are contingent upon and reflective of the database and digital categories within which consumers are placed. This second important means of conceptualizing the surveillance of loyalty programs, the use of categories, are forms of digital enclosures. Loyalty programs and the informational systems they are integrated into serve to position consumers through an exclusionary set of practices, sorting consumers into various segments that determine marketing offers, service levels, fees, and more. This creates opportunities for corporations to move

consumer behaviour toward desired results, and is indicative of the classificatory power of loyalty programs.

However, loyalty programs can be also seen through a third ‘inclusionary’ framework of surveillance, not simply one that is ‘exclusionary.’ The exclusionary practices emphasized by a ‘social sorting’ framework of surveillance demonstrates loyalty programs’ reliance upon classifications and their ability to modify these classifications, yet this does not make clear the means by which consumers participate or act as ‘bearers of their own surveillance.’ The third framework through which loyalty programs may be viewed emphasizes the role consumers have in producing consumption ‘truths’ about themselves. These truths are expected, elicited, and rewarded through loyalty programs as the goal of commercial sociological studies conducted for these programs – ranging from surveys to interviews to focus groups. These ‘confession-like’ moments of corporate-consumer engagement are essential elements in building relationships between consumers and their loyalty programs, and are indicative of how feedback mechanisms play a significant role in the continual modifications of loyalty programs. These inclusionary mechanisms can be seen as forms of Michel Foucault’s notion of biopower, focused on the means by which bodies (in this case consumers) are integrated into systematic forms of control (Rabinow and Rose 2006). When juxtaposed against simulations and the exclusionary processes of categorical sorting (as the other ‘pole’ in Foucault’s description of “the bipolar diagram of power over life” (ibid.:196)), this reveals how consumers can be seen to subject themselves to the categories that are

simultaneously created for them (see Hacking 1986). Ian Hacking describes this as a process of “dynamic nominalism,” which this research begins to empirically demonstrate.

It is along these lines that the dynamic processes of feedback mechanisms are described through another perspective on loyalty programs, that of branding. The integrative nature of loyalty programs as a form of surveillance can be seen to contribute to a relationship between consumers and loyalty programs as a process of mutual branding. Loyalty program brands are modified in relation to the consumers they serve to create as ‘brands.’ While program brands are dynamic and under continual modification, this occurs primarily in relation to how consumers are assembled as discursive objects for marketing purposes. The loyalty program brand serves as a means of mapping out particular trajectories of consumption behaviour, predetermining many consumer offerings and opportunities. As brands are reflective and differentiated in terms of social class and status, the mutual branding in the context of loyalty programs serves to reinforce socio-economic divides and stratification.

Though the reciprocal branding of loyalty programs has significant implications for consumers, the perspective of consumers on these programs suggests that they remain largely ambivalent about loyalty programs and their potential for surveillance. Most consumers are unaware of the implications and informational processing of loyalty programs, and others are pleased with the convenience these programs provide. These consumers may or may not know that they enable corporations to ‘brand’ them in the process of gathering rewards for certain consumption behaviours, and, as stated earlier, they may or may not be concerned about this. However, what is evident is that there is a

limited knowledge on the part of consumers about what occurs beyond a loyalty program transaction – the movement and use of transaction data and personal information exists as the ‘black box’ of loyalty programs.

The intent of this research was in “opening the black box” of this technology (Bowker and Star 1999:161). What it reveals is that not only are consumers shaped and produced by the loyalty program, but consumer responses to loyalty programs, both in terms of their purchasing behaviours and attitudinal indications within corporate research, serve to shape and produce marketing, offerings, data collection, point accumulation, partnerships and more for each program. This shaping of programs by consumers alongside the abilities of these programs to ‘move’ or ‘shift’ consumption makes problematic at best any simple distinction between modes of production and practices of consumption – the two are inextricably intertwined. There is a clear form of convergence in which the “information artefacts” of the program and the “social worlds” of the consumers are “fitted to each other and come together” (ibid. :82).

Loyalty programs connect consumer buying patterns, corporate evaluations, socio-economic stratifications, cultural practices, marketing campaigns, and consumer responses together within interconnected cultural circuit that is revealed to be dynamic and complex. They are embedded in an interdependent relationship between the processes of commercial sociology, brand associations, the branding of the consumer, and socio-economic contexts. Though in this process consumers are given new opportunities and offerings on the basis of their collected information, they are also

directed toward particular modes of consumption, often ones that reinforce expectations bound up in social class and status.

The complexity of this cultural circuit may render obscure this last point and some of the simplicity of loyalty programs' appeal. These programs are rewarding in material and (at times) non-material ways. Consumers 'get something extra' for their patronage and are encouraged to participate in a market and to buy products that fit their lifestyle. They engage in particular forms of consumption – producing cards as indicators of 'identity' (at the very least in terms of currency ownership) and purchasing selected items at particular locations – in order to get 'better returns on their investment.' That is, consumers receive more points, more perks, and by sharing more of their personal information, a 'better' and more focused relationship with the corporation differentiated in terms of value and personalization depending on the program. Consumers are, as interviews with loyalty program executives make clear, quite shrewd about their loyalty program participation.

Of course corporate responses are equally as shrewd, with programs continually modified and updated to ensure profitability and continued consumer engagement. The interviews conducted with loyalty program executives for this research indicate an insightful, knowledgeable and astute group of marketers, who both believe strongly in their programs and are convinced of its value. Yet this shrewd relationship between consumer and program and program and consumer should not belie the fact that loyalty programs are, as Nigel Thrift might suggest, "fun" – they are part of "capitalism at play" (Thrift 2005:1). Participation remains high, because, as both Sonia and Lena in the focus

groups point out, consumers want their points, their perks, their advantages, in a diverse and largely anonymous marketplace. Many consumers are actively engaged in loyalty programs, making “more and more extravagant investments in the act of consumption itself, through collecting, subscribing, experiencing and, in general, participating in all manner of collective acts of sensemaking” (ibid. :7).

What then can be said about this enticing and vital element of contemporary capitalism integrated into consumers’ ‘sensemaking’ of everyday life? If, with John Deighton, we see that we have more to learn from the workings of these “identity” programs “than from any other current manifestation of the coming age” (Deighton 2005:249), what are the social, economic, political, ethical and moral implications made visible in this rendering of loyalty programs? Despite the rewards, discounts, advantages and ‘fun’ inherent in these programs, and despite the shaping of these programs by consumers, as increasingly comprehensive informational systems on consumers, loyalty programs do “carry a politics of voice and value that is ...invisible, embedded in layers of infrastructure” (Bowker and Star 1999:229). Loyalty programs provide certain consumer advantages and opportunities at the price of valuable consumer information. They embody the paradox of consumption by offering “all sorts of opportunities and experiences” while at the same time directing consumers “down certain predetermined routes of consumption” (Miles 1998:147). These predetermined routes are one of the fundamental issues raised in the preceding chapters and that remains a concern for the future of loyalty programs. This reinforcement of consumption patterns, tied to structures of social stratification, is interrelated with other concerns which the personal information

economy raises, that of the vulnerability of consumers and the informatization of everyday life.

The suggestion that consumers are vulnerable is intended to reiterate that the often trivial information consumers willingly share with marketers is significant even though it is largely not viewed in this way. Loyalty programs offer a window into the lives of program members. As with Andrew Smith and Leigh Sparks, who readily admit that they do not know all about the loyalty program consumer they anonymized as ‘Eve’, given two years of her program participation they suspect they “know more than she would be comfortable with, even if this is less than the retailer actually knows” (2004:382). This same concern is underscored by Helen Nissenbaum’s description of the “problem of privacy in public” where willingly shared information could be gathered together for disparate sources, analyzed and used to produce a recognizable threat to personal privacy (1998:560). The vulnerability of consumers renews policy concerns for privacy protection and more in the light of these increasingly important initiatives for ordering the social, economic and political world. There are a limited number of consumers concerned or aware of corporate information gathering and the processes behind them. While several found these practices advantageous for their own lifestyles, others were unaware of what information was being collected on them and its use. The personal information economy has rendered consumers increasingly transparent and with little recourse or knowledge of what is known about them.

The vulnerability of consumers is based in the sheer volume of consumer information collected each and every day. Loyalty programs, as exemplary of the

personal information economy, are part of a systematic informatization of day to day routines and practices in everyday life. They serve to gather mundane details about the shopping habits and patterns of ordinary consumers, serving as the means for producing predictable patterns of consumption behaviour. Of course, corporations need not have a loyalty program to gather this sort of information, the largest retailer Wal-mart being an example (see Hays 2004), yet the centralized accumulation of data through these programs assists corporations in managing day to day corporate activities with increased accuracy. While it is a routine practice to ask for personal information such as a postal code or a phone number at a retail outlet, loyalty programs offer this and an even larger set of personal data to which specific consumption can be attached. This informatization of everyday life, its pervasiveness and persistence, can be seen as part of a socialization process in which consumers anticipate their own categorization – they increasingly find it natural to become “that which can be measured” (Bowker and Star 1999:326). These measurements are then projected back on to consumers in a recursive manner – determining marketing, advertising, availability, offerings, and service, amongst others. This informatization perpetuates consumers as actively engaged in participating in their own surveillance.

This surveillance, in what is perhaps the clearest concern in the context of this research, perpetuates and reinforces forms of social stratification. As suggested, the brand association of differing types of consumption with differing types of ‘branded’ consumers form part of a cultural circuit that may be seen to have gained social rigidity. Determinations of the reciprocal branding of consumer and corporation are based largely

on economic, and by extension political and social, value. As Joseph Turow asserts, “the best customers in the best niches get the best deals” (Turow 2006b:147), amounting to, once again, a ‘panoptic sort’ in which consumers are viewed based on their presumed economic and political value rather than on their initiative and self-determination (Gandy 1993:1-2). The categories embedded in these systems of commercial sociology convey a politics (see Suchman 1997) in which the dynamic nature of loyalty programs contributes to recursive relations between consumers, their consumption, and the world they inhabit. Though loyalty programs are continually shaped by the consumers they monitor, and though this process shapes consumption behaviours as well, they exist within a specific political, social and economic context which they serve to reinforce. The fundamental question becomes one of whether the political, social and economic contexts being reinforced are just and equitable.

There is much to suggest that these contexts are not just and equitable. It is not my intention to delve in depth into these concerns here, except to point to some significant issues this does raise. In a world in which consumption is increasingly understood as the means by which life is organized, and the “template or model for the way in which citizens of contemporary Western societies have come to view all their activities” (Campbell 2004:41-42), we increasingly see a rise in “failed consumers” – people who do not have or are unable to maintain a commodity value (Bauman 2007:31). These ‘collateral casualties of consumerism’ as Zygmunt Bauman refers, may simply be ‘the wrong consumers’ as described in the language of ‘demarketing’ (see Gordon 2006) for an increasing number of reputable organizations. They are instead vulnerable to

systems focused on identifying marketable and profitable consumers, and in the process their ‘inherent risk’ causes them to become burdened by increasingly higher fees, limited services, and disengaged corporations. Simply put, this can and too often becomes a self fulfilling prophecy. I am not however suggesting that loyalty programs are the cause of economic disparities, but rather in the pursuit of corporate profits, segmentation, personalization, and customization each reinforces differences and “obscures those things we share in common” (Gandy 2003:39). While it is a desirable goal, theorizing means for resolving these issues is far beyond the scope of this research.

This research intentionally avoids the “automatic response” toward capitalism as “system of oppression,” suggesting it to be a system of “vitality” that can be understood as a “grid of power relations ...which underlie the social landscape and dictate much of what it is about” (Thrift 2005:1). These power relations are patently not fair and equitable, yet they are connected to the increasing centrality of the notion and placement of the ‘consumer’ in the contemporary world. The preceding chapters suggest from several different vantages that these consumers are increasingly seen as digital composites of past and projected consumption. They are understood in terms of deciles, simulations, categories, and brands. Yet these are more than just representations – they are embedded in classification systems that embody “moral and aesthetic choices that in turn craft people’s identity, aspirations and dignity” (Bowker and Star 1999:4). They are a part of a consumer society that anticipates participation and rewards it.

Through data gathering and technologically mediated relationships, loyalty programs induce consumers into a system that reproduces and reiterates ingrained social

expectations of consumer practices. This occurs while rewarding consumers for their everyday consumption practices. Yet these processes have real effects on consumers' life chances and opportunities, some of which are positive, and others of which deepen socio-economic divides. In the end, for better or for worse, loyalty programs work. They work as a means of 'getting a little extra' for consumers and they also work as incentives for marketers. They work as site for data collection in the personal information economy and they work as a means of shaping consumer behaviours and getting to consumer attitudes. Through this, loyalty programs members are integrated into and subject to a system of surveillance forming a continually self modifying cultural circuit.

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## **Appendix A**

### **Loyalty Interview Questions**

#### **8.1 Essential questions (covered in each interview)**

- *(Initial question for all interviews)* What happens to a consumer's information? For instance, when their loyalty card is swiped at the cash register? Where does that information go?
- How does that information become pertinent for your company? With what other forms of information is the register information gathered?
- How does the information gathered assist you in marketing products to identifiable market segments?
- How 'globalized' are the means by which your data is processed? Is your data comparable and compared to other similar sets of customer (such as in the US, UK, or elsewhere) or is the informational analysis exclusively Canadian?
- How do you gauge the success in the use of this marketing tool?
- Do you have evidence or a sense of how customers see themselves as a [loyalty program name] customer? Does this cut across market segmentations?
- What are the difficulties you face in identifying customer behaviours and attitudes with your system?

#### **8.2 Time dependent questions**

##### **8.2.1 Data Flow and Data Processing**

- How do you see this program recouping its operating costs? What sort of return do you have on this technological investment?
- Is the information you gather processed with third party information (such as geo-demographics) for you to better understand and service your customers?
- What sorts of feedback mechanisms are built in to your system to draw from both customers and your retail outlets potential for future improvement?
- How do you prioritize the objectives of customer retention and marketing for this program?

##### **8.2.2 Social and Legal Concerns**

- What sorts of liabilities do you believe the program has?
- What role do information policies, such as those for privacy and information security, play in your deployment of this program?

- What concerns have been raised by customers regarding this program?

### **8.2.3 Customer Identity**

- Do you have a sense or an inclination from your data on customers as to why they act in particular ways? What sense do you make of customer behaviours and attitudes?
- In what ways do customers identify with your company? What sort of measures do you have in place or have you used in the past to gauge customer response (i.e. surveys, focus groups)?
- What do you see as the main benefits for the customer in being a part of your program?
- How do you believe the use of this program sets you apart from your competitors? What sort of competitive advantage does this program give your corporation?
- How do you believe that your customers see this program?
- What sorts of reactions (both positive and negative) have customers had to your program?

## Appendix B

### **The Globalization of Personal Data Project Survey**

Emily Smith, Research Associate, The Surveillance Project

The Globalization of Personal Data (GPD) project<sup>24</sup>, a international, collaborative and multi-disciplinary research undertaking of the Surveillance Project at Queen's University in Kingston<sup>25</sup>, set out to examine the increasing flows of personal information and how ordinary people- citizens, workers, travellers, and consumers- respond to these flows and surveillance technologies. The GPD was concerned with topics of information sharing, border security, national ID cards, airport security, location technologies and theories of surveillance. The largest undertaking within this project was an international survey on privacy and surveillance, led by Elia Zureik, conducted in nine countries with almost 10,000 respondents using the same survey instrument. The countries included were Brazil, Canada, China, Japan, France, Hungary, Mexico, Spain, and the USA, chosen to reflect different histories, political cultures and levels of socio-economic development.

The survey was a large-scale undertaking spanning four years of data collection and analysis, and to our knowledge there is no other survey of its kind on this scale. Previous public opinion polling in this area focuses mainly on privacy and security, or to gauge public reactions to large scale events such as 9/11, and is driven mainly by commercial and media interests (Bennett and Raab 2006; Gandy 2003; Zureik 2004). The

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<sup>24</sup> The Surveillance Project greatly acknowledges the funding for the GPD survey from the Social Sciences and Humanities Research Council of Canada (SSHRCC)

<sup>25</sup> <http://www.queensu.ca/sociology/Surveillance/>

GPD survey set out to get a better understanding about issues of surveillance and the realities of information sharing for citizens in international comparative perspective.

Construction of the GPD survey was an internationally collaborative process. In preparation of the final survey several workshops were held to discuss conceptual and methodological issues, problems with public opinion polling and the questionnaire construction, and numerous researchers, students and experts in the field provided input into the final survey construction<sup>26</sup>. Qualitative focus groups were held in all nine countries to aid in developing the final questionnaire, previous public opinion poll data was gathered and background papers were prepared in each of the countries involved in the survey. This process led to the final survey which contains fifty questions on topics including knowledge of technology and laws, control over personal information, trust in government and private companies, actions taken to protect personal information, experiences of surveillance, national ID cards, media coverage, terrorism and security, CCTV, and some questions directed at worker, traveler and consumers in particular.

The GPD survey was carried out by three professional polling companies. Ipsos Reid collected data in seven countries with a total of 7,088 respondents in Brazil, Canada, Hungary, Mexico France, Spain, USA between June and August 2006. Participants completed the 20-25 minute computer assisted telephone interviews (CATI) in Canada, USA, France, Spain and Hungary, and respondents were screened to ensure nationally representative samples based on gender, age, and regional distribution. In Mexico and Brazil interviews were conducted in-person due to difficulty in accessing participants by

telephone, and quasi-national sampling was employed where urban samples were used instead of nationally-representative samples. Following this the survey was administered in China by Millenriver Marketing with 2002 respondents between August and October 2006 by Random Digit Dialing (RDD) to male and female respondents 18 and above in seven Chinese cities. A final survey was conducted on the web in Japan by Macromil Inc, with 516 respondents that were screened to be nationally representative of age and gender in December 2007. Pretests were run in each country as well as survey translation and back translation.

Once the survey findings were complete a final workshop was held to discuss the results in November 2006 and a book will be published on these results<sup>27</sup>. Various approaches were used to analyse the survey data, including methodological considerations, privacy regimes and resistance to surveillance, by country analysis in North America, Europe and developing countries and by actors such as citizens and identity, consumers, workers and management.

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<sup>26</sup> For a detailed explanation of this process see Elia Zureik and L. Lynda Harling Stalker's introductory chapter 'The Cross-Cultural Study of Privacy: Problems and Prospects'.

<sup>27</sup> Preliminary results will be published in an edited collection called 'Privacy, Surveillance and the Globalization of Personal Information: International Comparisons', Edited by Elia Zureik, with L. Lynda Harling Stalker, Emily Smith, David Lyon and Yolande E. Chan, currently under review by McGill-Queen's University Press.