



AUSTRALIAN COMPETITION  
& CONSUMER COMMISSION

# Customer loyalty schemes review

## Consumers' guide

September 2019



Customer loyalty schemes are marketing or promotional tools used to encourage consumers to make repeat purchases. Consumers usually join these schemes to earn discounts or points which can be redeemed for rewards including goods and services.

### Types of customer loyalty schemes

Customer loyalty schemes are common in many parts of the Australian economy, including the airline, supermarket, credit card, hotel and car rental industries. The largest customer loyalty schemes have several million members, and the average Australian belongs to four to six schemes.

### Customer loyalty schemes report

This year the ACCC has reviewed customer loyalty schemes and released a *Customer loyalty schemes draft report*, outlining our draft findings and recommendations.

This guide provides a summary of the key draft findings and recommendations of our draft report that are relevant to consumers.

## What we found

Our research and targeted consultation has identified the following issues.

### **Operators of loyalty schemes need to more clearly outline to consumers how their data will be used**

We've found that some loyalty schemes collect, use and disclose consumer data in ways that do not meet consumers' preferences. In particular, some loyalty schemes do not provide sufficient transparency and meaningful consumer control over the collection, use and disclosure of consumer data. Some loyalty schemes have been found to:

- seek broad consents from consumers and make vague disclosures to them about the collection, use and disclosure of their data
- provide consumers with limited insight and control over the sharing of their data with unknown third parties
- provide only a limited ability for consumers to opt out of targeted advertising delivered by third parties on behalf of loyalty schemes.

### **Operators of loyalty schemes need to review how their schemes are communicated to consumers**

We've found that consumers do not readily understand how some loyalty schemes present their terms, conditions and privacy policies. We've also found that some loyalty schemes make unilateral changes to their terms and conditions in a way that may be unfair to consumers.

## Recommendations

In our draft report we've made draft recommendations calling on loyalty schemes to:

- improve how they provide consumers with information on how they handle consumer data and provide consumers with meaningful control over their data, and
- improve how they communicate with their members.

As some of the observations we've made in the draft report are similar to the issues we identified in our recent Digital Platforms Inquiry, we've also included draft recommendations which repeat our call for changes to the law to protect consumers. We've recommended:

- the Australian Consumer Law be amended to prohibit unfair contract terms and introduce a prohibition against certain unfair trading practices, and
- there be broader reform of Australian privacy law.

## Contact us

The ACCC has put industry on notice in relation to schemes which undertake these practices and will continue to monitor these issues as we move into releasing our final report later this year.

If you've experienced issues with loyalty schemes such as those above, we encourage you to contact the ACCC and report them. The draft report notes that we will consider these reports in deciding whether enforcement action will be required to effect broader change in the future.

If you've experienced issues with loyalty schemes such as those above, you can report these issues at [www.accc.gov.au/consumerform](http://www.accc.gov.au/consumerform).

## More information

For more information on the study, including to read the draft report, you can visit [www.accc.gov.au/loyaltyschemes](http://www.accc.gov.au/loyaltyschemes).