

2 WHAT IS THE NU CARD SCHEME?

2.1 Introduction

The NU savings programme is an incentive system for sustainable purchasing behaviour by consumers. 'Sustainable' is taken in the broadest sense: environmentally friendly and low on energy use, but also friendly towards humans and animals, and with regard to solidarity, social issues and quality of life. The system is primarily aimed at changing people's behaviour, and to a lesser extent at changing their mentality.

The NU savings programme promotes sustainability:

- consumers are given a new way of looking at sustainable behaviour;
- consumers are informed about sustainable products and sustainable behaviour;
- the visibility of the range of sustainable products in shops is improved;
- the market share of sustainable products is increased;
- sustainability becomes a more integral part of the way producers, suppliers, retailers and consumers think.

From May 2003 on, experiences were gained with the NU card scheme in Rotterdam. This chapter describes how the NU savings programme works, as well as the aims and target groups of the Rotterdam project, and how the project was developed in the marketing mix. This chapter also deals with the technology and the sustainability criteria applied.

2.2 How does NU work?

Saving points

Every cardholder buying a product or service from a shop

that participates in the NU savings programme receives NU points. These points are automatically credited to their chip cards by means of a terminal placed by the NU card scheme.

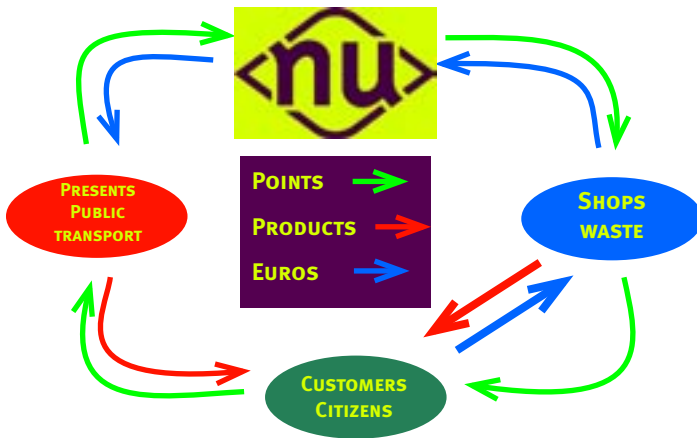
Purchases made at participating shops are rewarded with points equalling a set percentage (such as 1%) of the retail value. Conservationist and environmentally friendly products are rewarded at four times the number of points. This encourages customers to buy sustainable products.

Examples of sustainable products include products with a green label or with a Max Havelaar or EKO label. Purchasing second-hand goods and having items repaired also qualifies as 'sustainable'. At shops with a very large proportion of sustainable products in their range, such as organic food shops and Fair Trade aid shops, all products give high rewards. Another important way in which cardholders can collect points is by separating waste for disposal and depositing second-hand goods at Roteb's civic amenity sites.

Redeeming points

Cardholders can redeem the points they have saved for sustainable rewards at participating firms. In other words, sustainability is promoted on two fronts: when the points are saved and when they are spent. For the government, using subsidy euros to influence the behaviour of the populace, this means that the effect is doubled. Rewards include day passes for public transport, subscriptions to the art library and free admission to local attractions and museums. Points can also be exchanged for '*green specials*' at participating shops: sustainable sample products that suit the shop's range, so that some of the points spent are returned to the shop.

The 'circulation' of the NU savings points is illustrated below.



Circulation of points

For each euro spent, the consumer receives a set number of NU points. These points can be spent as if they were euro cents: they represent monetary value.

The parties granting the points pay the NU card scheme 0.7 euro cents per point, plus a nominal fee for administration costs. The points that savers redeem are refunded to the receiving businesses by the NU card scheme at their trade value: 0.7 euro cents per point. Retailers that both issue and receive points may offset the issued and received points against each other.

This means that the income from the issued points covers the costs of refunding the redeemed points. If the scale of the programme is increased sufficiently, part or all of the administration costs can also be paid from the proceeds because in practice, a large proportion of the points saved with savings programmes are never redeemed.

2.3 Applications of the NU card scheme

Market developments for sustainable products

Making the switch to sustainable production and consumption is an essential step in achieving sustainable development. This means that more producers and retailers have to manufacture and sell products that meet sustainable criteria. Consumers must purchase sustainable articles more often.

The NU card scheme was developed for the purpose of stimulating the sale of sustainable products. By rewarding sustainable purchasing behaviour, the NU card scheme encourages sustainable consumption.

Preservation of independent SMEs

The NU card scheme offers small and medium-sized enterprises an affordable marketing tool for attracting and retaining customers and generating publicity. This increases the chances of survival for small independent retailers, which in turn stimulates the social cohesion and quality of living in neighbourhoods.



Waste collection, reuse and recycling

The costs of waste collection and processing in major cities are relatively high. The NU card scheme encourages people to separate their waste and turn it in at collection points. In addition, turning in reusable goods is also rewarded. These incentives help create a cleaner city while reducing the costs of waste collection.

Recycling firms and second-hand shops also participate in the NU programme to encourage people to reuse goods.

Promotion of public transport and bicycle use

Outside of rush hours, public transport has a large amount of extra capacity. Offering day tickets for off-peak hours as one of the options for using NU points can help put this extra capacity to efficient use. Other sustainable forms of transport, such as bicycles, are also promoted, by involving bicycle shops and bicycle parking facilities in the savings programme.

2.4 Target groups

The NU card scheme can be regarded as an exchange system that supplements normal monetary transactions. This system has both a demand and a supply side.

On the demand side, the NU card scheme is aimed primarily at consumers who, when it comes to sustainability, are passive. These consumers are open to environmental issues, although they do little about them in practice. The NU card scheme can break through their passivity, by making sustainable behaviour easy and offering immediate rewards. The next chapter will discuss in depth the relationship between consumers, sustainability and the NU card scheme.

On the supply side, all firms and organizations that are able to promote sustainable behaviour in the selected target group are essentially eligible to participate in the NU card scheme. These include:

- Shops that offer or can offer sustainable products.
- Producers of sustainable and relatively sustainable products and services.
- Government services.
- Non-profit institutions that offer sustainable products.
- Social organisations.

Chapters 4 and 5 deal specifically with what the NU card scheme can represent to the SME sector and the government respectively.

2.5 The five Ps: Product, Price, Place, Promotion and Personnel

This section describes how we detailed the marketing mix for the NU card scheme in Rotterdam.

Product

The positioning strategy for consumers comprises three elements:

- the NU card scheme is easy, fast and economical in use.
- the NU card scheme is suitable for decisive people who care about themselves and about the world.
- the NU card scheme makes sustainable consumption accessible.

Most people participating in the NU card scheme rarely encounter difficulties. The consumer receives his personal NU savings card immediately upon registering. Sustainable consumption and behaviour become easy and attractive, because a relatively large number of NU points are issued. The points can be credited to the card effortlessly, and once the balance is high enough, various attractive rewards can be collected.

The positioning strategy for commercial participants and organizations is focussed on commercial benefits and behaviour options. These parties can participate in the NU savings programme either as issuers or receivers of points, depending on the products or services offered.

Price

Until early in 2003, consumers paid € 1.50 for a NU savings card. In exchange, the consumer received an opening balance of 150 points (with a redemption value of € 1.50) on the card. The € 1.50 was deducted from the cardholder's bank account by direct debit. This low purchase price created a low threshold, to increase the likelihood that participating consumers would actually use the card.

On 1 March 2003, this system was terminated and NU savings cards were issued free of charge. This change in strategy stemmed from a desire to attract new cardholders

faster and more easily, so that participating shops could benefit from the savings programme sooner.

The costs of commercial participation in the NU card scheme comprise two parts. The first part is the fixed participation fee for the rent of the terminal and administration costs. The second part depends on the form of participation: as a point issuer or as a point receiver. Issuers incur variable costs in the form of the NU points issued. Receivers are paid money for the points received, but only 70% of the normal price of the goods and services offered.

Place

When a savings programme is launched, it is important to both retailers and households alike that a critical mass be achieved as fast as possible. Consumers must be able to save at enough shops in their neighbourhood to make participation worth their while. Participating retailers, in turn, need to have sufficient cardholders amongst their customers. In view of this, a useful strategy is to work with sub-areas. In a neighbourhood-oriented system, entire shopping streets are approached at once, as are the residents.



To allow the broadest possible use of the NU savings card, exclusive businesses were excluded.

Promotion

In December 2001, communications firms Schuttelaar & Partners and Winkelman en Van Hessen, in close collaboration with the NU card scheme, developed a marketing and communications strategy for the launch of the NU savings card. This plan was the basis for further developments in communications media and instruments, partly by advertising agency BBK Informatieoverdracht and partly by Bureau NU-Spaarpas.

The initial communications were aimed chiefly at

generating product familiarity and attracting cardholders. The principal message in the mass communications was the advantage of saving with the NU card. The sustainability aspect was not stressed until the next phase of communications.

After approximately a year, the emphasis shifted to encouraging the use of the card.

The following list summarizes the tools developed:

- Basic instruments: the savings cards themselves, stationery, registration forms, manuals, saving and redeeming booklets, vouchers;
- General familiarity: opening meeting, posters in bus shelters and on trams, publicity flyers, website, advertisements;
- Recruiting cardholders: booths, direct mailings, street teams, neighbourhood campaigns;
- Supporting the recruitment of commercial participants; presentation materials and folders;
- Supporting participating retailers and institutions: shop promotion materials, campaigns, advertisements;
- Encouraging the use of the NU savings card by cardholders: vouchers, the digital newsletter, mailings, the NU-magazine, and targeted mailings.



For direct recruitment of NU cardholders, in addition to the instruments listed, promotional teams were employed and direct mailings were sent to relations of commercial participants and sympathetic organizations. Another important recruitment channel were the retailers themselves, who issued cards to their customers free of charge.

The promotion of the NU card scheme towards the commercial target group was very intensive. Various informational seminars were organized to inform interested parties about participation in the NU card

scheme. However, most commercial participants were recruited directly by personal conversations with the sales staff.

Personnel

At the height of the campaign, more than 20 people worked for the NU card scheme (17 FTEs), largely for the Communications, Sales and Account Management departments, in the recruitment of cardholders and commercial participants. The organization was headed by a project director and a project manager. The principal was the Steering Committee, which included representatives of the parties involved.

Marketing as a model for sustainable consumption policy

by Ton Kuijlen

The present state of computer technology allows for efficient long-term relations with customers. With the tremendous computing power and memory capacity of modern ICT, it is easier than ever to register and analyse customer data. This in turn makes it possible to realize marketing objectives, such as the tailoring of the supply to precisely defined target groups, and at ever lower costs.

The results are a higher degree of customer satisfaction, loyalty and consequently increased turnover and profitability. This applies in particular to businesses that have proven capable of introducing loyalty programmes that manage to enhance the loyalty to the business's own brand, and in doing so succeed in rising above the level of 'saving coupons.' The key is loyalty to a brand, not to the 'coupons or the points.'

The project organization behind the NU card scheme took the accomplishments and knowledge of these disciplines as its example. For example, the MOA model (roughly speaking, the factors that determine the desire and ability to participate in sustainable consumption behaviour) from economic psychology was used.

In this fashion, the possible target groups and their 'contributions to sustainability' were determined. A data infrastructure was also constructed, for tracing and rewarding the participants' behaviour. Finally, a communication strategy was developed that is needed to bring the programme to the target groups' attention in a positive manner and to hold that attention.

Use of the most up-to-date marketing and communication techniques and of ICT laid a solid basis for the NU incentive system.

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2.6 Technology

The NU savings card itself is a simple chip card, which needs only to remember a limited amount of information: its own card identification number, whether or not it has been activated, the transactions completed with the card and the resulting balance. Because the balance is recorded on the card itself, the system can work offline. This means that no dial-up connection is needed for every transaction, as is the case with PIN payments.

Participating retailers are given the use of a terminal and a scanner. The scanner reads the barcodes on those products for which points are awarded. If the shop does

not work with product barcodes, a barcode sheet is made specially for that shop, listing the product categories and consumer prices.

The scanner is connected to a two-piece terminal: a base station with a removable handheld. The handheld contains a slot for the card. It reads the data from the chip card and writes the new data to the chip. The terminal records the information from all the barcodes and the related number of points of products sold in the shop, and of all transactions made since the last data exchange with the central database. At a set time every night, the terminal independently dials up and transfers the figures to the central database. This then returns certain information, such as numbers of cards that are to be blocked or unblocked, or if a particular transaction is to be debited or credited.

The Central System, where the central database is stored, is located in Doetinchem, at Smart Concepts. NU-CS, as this system is called, contains only the most elementary administrative data. In other words, all transactions are stored in the database.

Every night, NU-CS sends a complete 'dump' to the Administrative Module of the NU card scheme: NU-AM. NU-AM contains the information about which household goes with which card identification number, which shop belongs to which terminal identification number, what number of NU points goes with which barcode, etc. Changes to barcode lists, addition of terminal IDs for new commercial participants, blocking and unblocking cards and orders for adjustment transactions are uploaded from NU-AM to NU-CS every day, after which NU-CS sends the necessary information to the terminals at night.

NU-AM holds all privacy-sensitive data, and consequently has very restricted access. NU-AM also generates all information needed for invoicing, replacing lost or stolen



cards, if necessary, and analysing card use, as well as the relevant management information.

2.7 Saving and redeeming lists

The goods and services and the behaviour for which NU points are awarded are listed on the 'Saving List.' The ways in which points can be spent are set out on the 'Redeeming List.' Both lists are to be found on the website of the NU card scheme, in the Saving and Redeeming Book and in NU-magazine.

During the course of the demonstration project in Rotterdam, it became apparent that the system can work only if the participating consumers can rapidly achieve sufficient results with their saving. The greater the number of participating retailers and service providers, the greater the choice and consequently the greater the motivation to participate. This is why a broad definition of sustainability was adopted: environmentally friendly and low on energy use, but also friendly towards humans and animals, and with regard to solidarity, social issues and quality of life.

The criteria that a product or service must meet in order to qualify as 'sustainable' are set out in a list of criteria compiled by the NU card scheme. These criteria were drawn up with the aid of Stichting Duurzame BeloningsPas. The list can be adapted, partly because the subject matter is complicated and continuously in development, information is never complete, and interpretations can sometimes be subjective. The foundation strives to create a comprehensive list of products and services, based on clear-cut criteria with broad support.

Products, services and behaviour that are listed as deemed sustainable on the NU Saving List include:

- products with an acknowledged environment quality mark, such as the biological food label EKO, the green label, the European ECO label, the FSC certification for timber;
- socially sustainable products such as Max Havelaar, Kuyichi, Rugmark;
- animal-friendly products such as those bearing the Graskeurmerk or Proefkoneen logos, or free-range meat;
- commissioning repairs and purchasing second-hand goods;
- borrowing/lending or renting/hiring (e.g. of art, tools, transport);
- green financial products;
- green electricity;
- energy-efficient products such as those bearing Energy Label A or the Gaskeur or Zonnekeur labels;
- depositing separated waste at the Roteb civic amenity sites;
- environmentally friendly mobility, such as bicycles, public transport tickets and related products.



The NU Redeeming List comprises products and services that are deemed sustainable because they cost relatively little energy per euro spent. Examples include tickets to museums, the cinema, the zoo and the Euromast. NU points can also be donated to charitable causes, such as Novib/Oxfam Netherlands.

Honest consumption? Be kind to others too!

by Frits Hirschstein

Why does Novib support a savings programme for consumers? Is all that consumption in the Netherlands

and the entire developed world not an important aspect of exploitation and inequality? Yes, when that consumption becomes irresponsible. But that is not the case with the NU card scheme. Our view on fair trade, sustainability and working conditions ties in well with the manner in which the NU card scheme encourages consumers to consume in a responsible fashion.

*We believe that we will have come a long way if people become aware of the products they buy. Price is still an important consideration when choosing between products. Not only demand, but also trade barriers still make **fair trade** products expensive. And that means that many consumers who may be aware of exploitation and environmental issues nevertheless allow their wallets to decide.*

Novib is of the opinion that the concept of the NU savings is in accordance with our modern manner of communicating. Informational programmes have always been a positive method of presenting issues to the general public. And that has certainly led to successes. One for Africa, in the 1980s, was an example of how the world is able to take the fate of others to heart. But these are always the media-genic and therefore most bitter examples.

In order to improve the everyday lives of people in Asia, Africa and Latin America on a structural basis, fair trade is essential; this means permanent support and dedication. Permanent support cannot be achieved by simply grabbing the cheapest products from the supermarket shelves.

The NU card scheme gives consumers an incentive to buy products that allow people in developing countries to build a better future for themselves. And, even better, the points saved can be donated to Novib. It is a small gesture. But

it does mean admitting that consuming can and must change.

Frits Hirschstein is manager of marketing and fundraising for Novib/Oxfam Netherlands

2.8 Projected results

The NU card scheme defined the following projected results for the demonstration project:

Quantitative

- 11,000 households will participate in the NU card scheme.
- The cardholders will save 7 million points by buying products and services for a total value of € 1.7 million.
- The points saved will be exchanged for products and services with a value of more than € 50,000.
- 100 businesses, mainly retailers in the SME sector, will participate in the NU savings programme.

Qualitative

- The market share of sustainable products will increase.
- The public support for sustainability will increase.
- The support from the business and industrial sector for sustainability will increase.
- Consumers will begin to view sustainable behaviour in a different manner;
- The informational campaigns about sustainable products and sustainable behaviour will improve.
- The visibility of the range of sustainable products in shops will improve.
- Sustainability will be incorporated into the way producers, suppliers, retailers and consumers think.

