

# South African Loyalty Landscape 2017

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## ABOUT THE 2017 LOYALTY WHITEPAPER

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The 2017 Truth Loyalty Whitepaper analyses changing consumer attitudes towards loyalty programmes and unpacks factors influencing loyalty programme usage. With a detailed look at loyalty within the South African market place, this whitepaper explores strategies on how companies should rethink or evolve their approach to developing customer loyalty programmes.

Following the success of our two previous whitepapers, the 2017 Truth Loyalty Whitepaper is the 3<sup>rd</sup> edition and is a product of the collaboration between Truth, South Africa's renowned loyalty and CRM consultancy, and WhyFive, a consumer insights consultancy. WhyFive's comprehensive, data-driven study, partnered with Truth's extensive experience in the loyalty environment ensures the whitepaper is approached from both a scientific and holistic perspective.

In this whitepaper, insights derived from the current state of loyalty in South Africa were unearthed using results from WhyFive's BrandMapp 2017 survey. BrandMapp is South Africa's largest independent annual survey created using the responses of 28 273 people, answering 270 questions relating to product usage, loyalty programmes, shopping habits and media consumption, across 820 brands and 130 categories.

BrandMapp focuses on profiling, describing and identifying the needs, perceptions and behaviours of respondents, whilst Truth examines and unpacks the insights from a loyalty perspective.

This comprehensive online survey provides a unique analysis of consumers defined in this whitepaper as "economically active", South African adults over the age of 16 with internet access. Respondents include those living in households with a gross monthly income in excess of R10 000, who are in a position to be influenced by loyalty programmes in some capacity.



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## EXECUTIVE SUMMARY

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In this 2017 edition of the Truth Loyalty Whitepaper, we explore the expansion of loyalty programmes, both internationally and within the South African landscape. Interestingly, this surge in loyalty has amounted to a discerning customer reaction, with customers using loyalty more, yet joining fewer programmes than in previous years.

We have seen demand for loyalty grow, with 8% more customers using loyalty in 2017. This emphasizes the need for companies to evolve and differentiate their loyalty offering in order to stay top of mind.

This whitepaper looks to unpack customers' attitudes and perceptions regarding loyalty programmes and understand the factors which influence their loyalty programme participation and behaviour.

This year's whitepaper compares the new 2017 data with the results of both the 2015 and 2016 BrandMapp surveys, in an effort to analyse trends and get perspective of how the loyalty industry is changing and evolving over time.

Through exploring this year's data, it has become evident that businesses need to hone their loyalty offering, as customers seek simplicity in a cluttered loyalty environment.

Within the 2017 Loyalty Whitepaper we have also combined the research findings with global loyalty trends and feature first-hand insights from industry leaders in South Africa.

Our first whitepaper (The Current State of Loyalty in South Africa) discussed the strategic rationale for loyalty and the power of customer data. The second edition of our whitepaper (Consumer Loyalty Behaviour in South Africa) reviewed the loyalty landscape in South Africa in 2016 and analysed customer attitudes towards rewarding beyond transactions.

Previous whitepapers can be found on our website [www.truth.co.za](http://www.truth.co.za)



**01**

**THE  
SOUTH AFRICAN  
LOYALTY  
LANDSCAPE  
IN 2017**

**A three year comparative view of consumer  
loyalty usage in South Africa.**



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# THE SOUTH AFRICAN LOYALTY LANDSCAPE IN 2017

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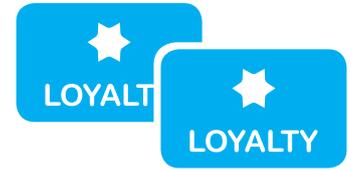
In the third edition of the Truth Whitepaper, we look at the South African landscape as a whole and try to unpack where any major shifts may have taken place. To do this, we use the research provided by our key strategic partner WhyFive and their broad and inclusive BrandMapp 2017 survey to gain a holistic view of the South African loyalty market.

To compare changes year-on-year we look at metrics such as overall loyalty usage (across age and gender), as well as views on the importance of loyalty, attitudes towards loyalty and the number of loyalty programmes to which consumers belong. In addition, we explore customers' perceptions towards loyalty and how they engage with loyalty programmes. Any changes year-on-year exhibited in the following pages tell a story of customers' feelings towards loyalty and how this has affected their behaviours.



## LOYALTY USAGE STILL ON THE RISE

**79%** of consumers use loyalty programmes

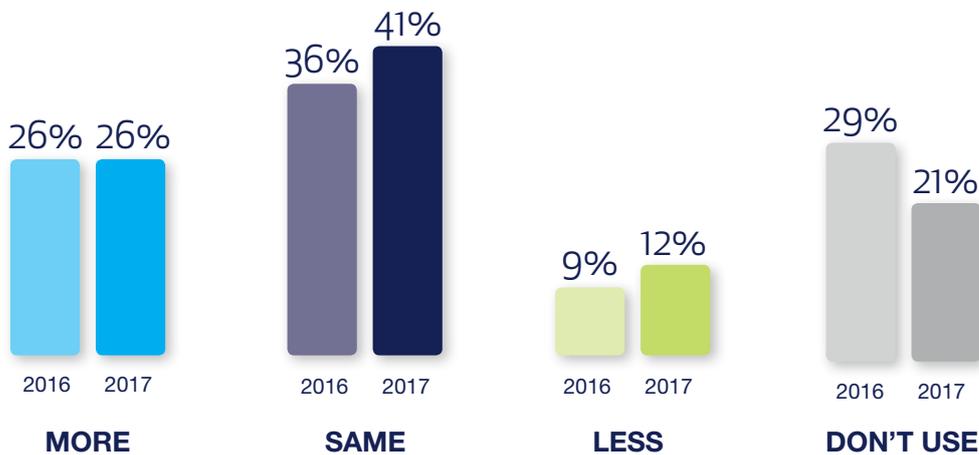


The good news for companies that currently have loyalty programmes, or those looking to enter the loyalty market, is that overall loyalty usage in South Africa has increased by 8% points from 2016 to 2017. This makes the new percentage of consumers using loyalty programmes, a significant, 79%.

The below chart illustrates a more detailed view on respondents' answers to the question: "Do you use loyalty more, less, or the same as a year ago?"

**Figure 1: LOYALTY PROGRAMME USAGE IN 2017 VS 2016**

[BrandMapp Survey 2017]



n = 25 239

The number of customers **not using loyalty** has decreased from 29% to 21% hence the 8% point increase discussed. This shows that overall engagement with programmes is on the rise. The percentage of respondents using loyalty programmes **more** in 2017 stayed consistent at 26%. While overall loyalty usage is increasing, it is interesting to note that in 2017 a larger percentage of respondents indicated that they were using loyalty **less** compared to last year (12% in 2017 vs. 9% in 2016).

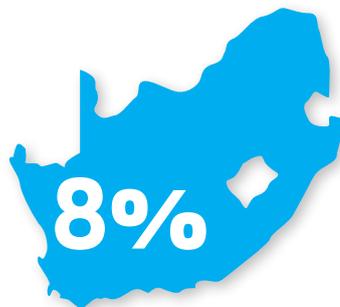
**“ Overall, more and more people are joining loyalty programmes but those who are already using loyalty are using programmes less and becoming more discerning. ”**

What this illustrates to us is that we are seeing more and more customers joining loyalty programmes and seeing the value in them. However, at the same time, we are seeing more customers already part of loyalty programmes who are becoming more discerning.

The challenge then falls to companies to ensure that the value proposition of their loyalty programme is attractive enough to keep consumers using the programme. Too often brands will launch a loyalty programme with a core strategic goal to purely acquire as many customers as possible without focusing on the longer term customer experience. While acquisition strategies will continue to drive the number of people using loyalty up year-on-year, only a customer engagement focus will influence those customers already using loyalty to use it more. Customers will sign up to your loyalty programme if you offer them a good deal but will only continue to engage if the value proposition is attractive enough in the longer term.

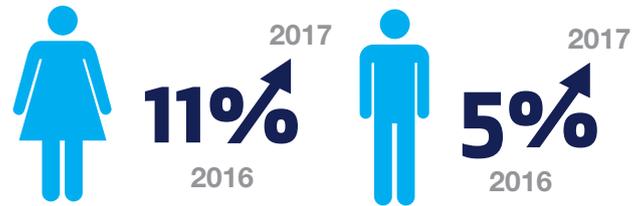
That being said, overall loyalty programme usage continues to rise and this is represented by an 11% increase in women and a 5% increase in men.

**The results from the 2017 Brandmapp survey have revealed that loyalty programme usage has increased by 8% from 2016.**



## FINDING THE RELATIONSHIP BETWEEN GENDER AND LOYALTY

In 2017, women showed a 11% point increase in loyalty usage; 84% of female respondents showed that they used loyalty, up from 73% in 2016. In our 2016 Whitepaper, men showed a greater increase year-on-year in loyalty usage than females and while in 2017 men have still increased their loyalty usage, it is only by 5% points.



**“ The number of loyalty programmes people belong to has stabilised. ”**

One of the key trends we found in the 2017 data is regarding the number of loyalty programmes males and females belong to. Based on the trends exhibited from 2015 to 2016 where we saw an increase in the number of loyalty programmes men and women belonged to, as well as, the increasing loyalty usage figures overall, we expected to see an increase in the number of programmes men and women belong to in 2017 also. However, what we in fact witnessed in 2017 was a decrease of both men (down from 4.6 back to 4.3) and women (down to 5.6 from 6.1).



While this may come as a surprise initially, when looked at in tandem with the results of loyalty usage, we see that this serves as another indicator that customers are becoming more discerning. South African consumers who are using loyalty programmes are, therefore, showing a stabilisation towards their preferred loyalty programmes and are becoming more aware of and disengaged with programmes that add no value to their day-to-day life.

To summarise, it is quite easy to offer people a discount, cash-back or points to get them to sign up for a programme but what figure 1 shows is that if brands want customers to stay involved with their programme and engage with it frequently, something needs to change.

A loyalty programme itself is no longer a key strategic differentiator; everyone is doing it and consumers expect it. What truly differentiates companies who have loyalty programmes is consistent and relevant engagement; those who are getting this right are truly realising the value from their loyalty programme.

## CONSUMER AFFINITY TOWARDS LOYALTY

There is a common misconception between brand loyalty and loyalty programmes, however, a loyalty programme is simply one of the many levers companies can pull in an attempt to drive brand loyalty. Other levers include traditional marketing principles such as pricing, positioning, promotion and getting the right product mix. We, therefore, decided to probe a bit further to better understand customers “true” attitudes towards loyalty and how, if at all, it affects their shopping behaviour. Respondents were asked to indicate which statement best described their feelings towards loyalty.

As you can see in figure 2 below, 38% of respondents indicated that loyalty programmes are very useful and worth the effort. 10% of respondents said that loyalty programmes greatly influence their shopping habits and 30% said that, while they are useful, they do not affect shopping habits.

**Figure 2: ATTITUDES TOWARD LOYALTY**

[BrandMapp Survey 2017]



n = 21 635

What figure 2 highlights is the different ways in which a loyalty programme can drive behaviour change. From a brand perspective, some believe that the loyalty programme itself may not drive a change in behaviour and that it is only the customer data gathered from loyalty programmes, which is used to better increase customer engagement, which drives the positive change in behaviour. However, companies focussing solely on the data may have a very successful engagement strategy but end up diluting their loyalty offering to the point that customers stop engaging with their programme entirely (thereby, halting the data flow). It is important to consider the customer value exchange: i.e. what are you giving customers in return for their data?

This reveals that there is a large percentage of customers +/- 48% who view the actual loyalty programme value proposition as enough to change their shopping behaviour. To appeal to this large percentage of customers, companies need to ensure that, as well as having a great engagement strategy, they must also maintain an attractive value proposition, with exciting and relevant rewards.

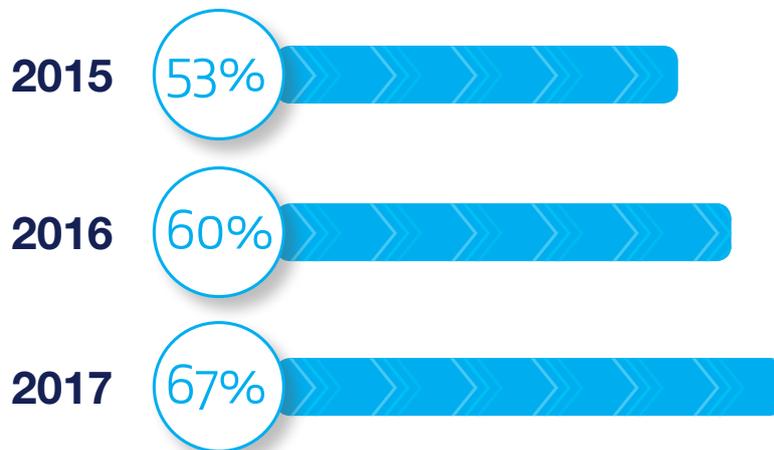


## LOYALTY AND THE YOUTH

At Truth, we believe that important indicators for loyalty programme engagement going forward can be derived by looking at how the youth are currently engaging with loyalty. A positive indicator for loyalty programme owners is that consumers younger than 25 have increased their loyalty usage from 2016, by a further 7% points.

**Figure 3: LOYALTY PROGRAMME USAGE IN YOUNGER CONSUMERS (UNDER 25) FROM 2015 - 2017**

[BrandMapp Survey 2017]



Younger consumers are continuing to increase their loyalty usage following the trend of the population average. Younger consumers are, therefore, finding more value in loyalty programmes because loyalty programme owners are finding better ways to engage younger consumers to make loyalty more relevant and accessible.

Younger consumers will traditionally have less disposable income than their older counterparts. Therefore, loyalty programmes which best engage the youth are often those that can offer rewards for customers' engagement rather than simply the amount spent in store.

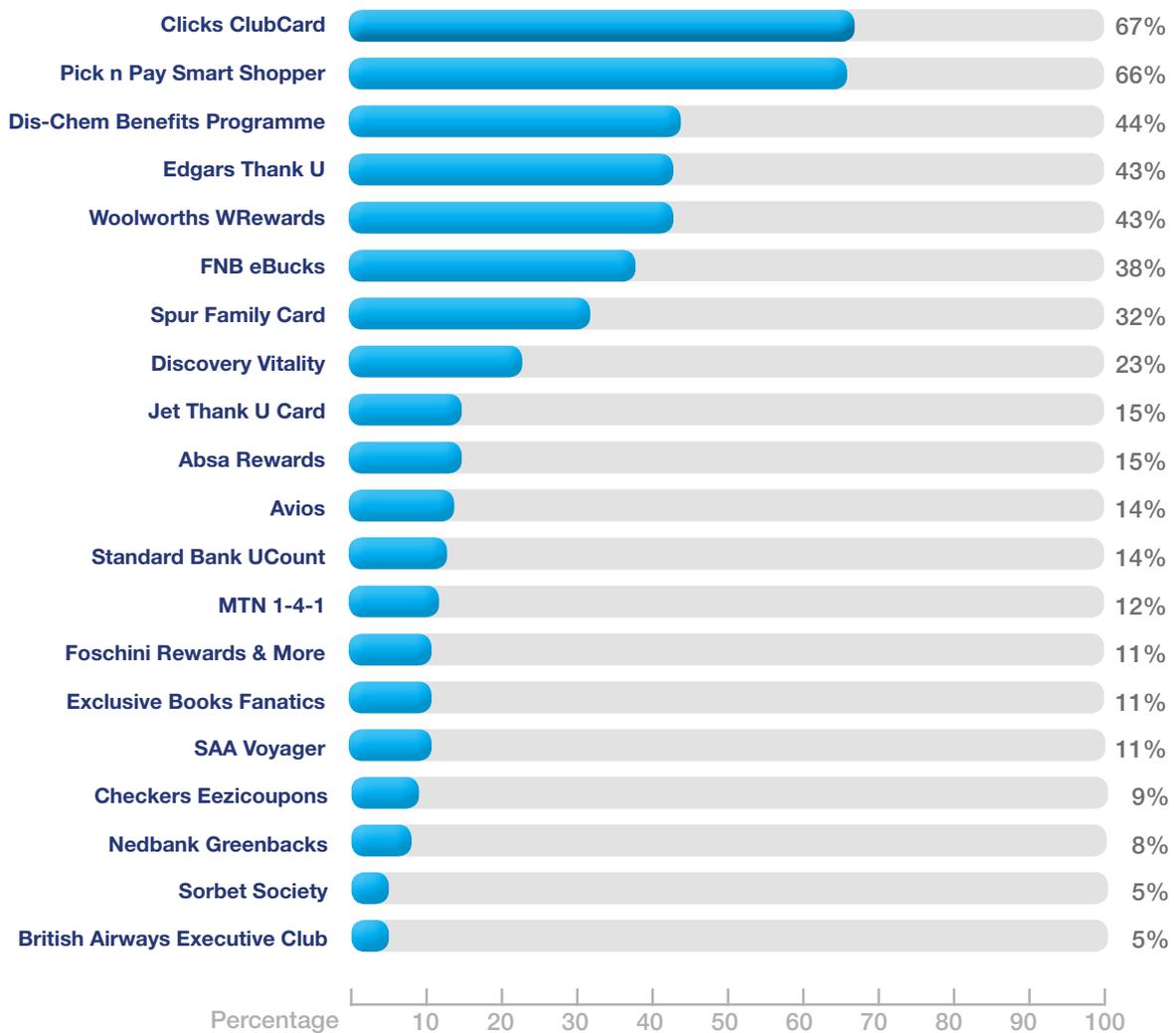
This section has explored how loyalty programme usage and feelings towards loyalty have changed year-on-year, as well as explored how these indicators are affected by gender and age. In the next section, we explore how loyalty programme usage has shifted from a brand specific perspective.

# THE MOST USED LOYALTY PROGRAMMES IN SOUTH AFRICA

The biggest shift in this year's BrandMapp survey is that Clicks ClubCard has overtaken Pick n Pay Smart Shopper as the most used loyalty programme in South Africa.

**Figure 4: THE TOP 20 MOST USED LOYALTY PROGRAMMES IN SOUTH AFRICA**

[BrandMapp Survey 2017]



n = 21 635

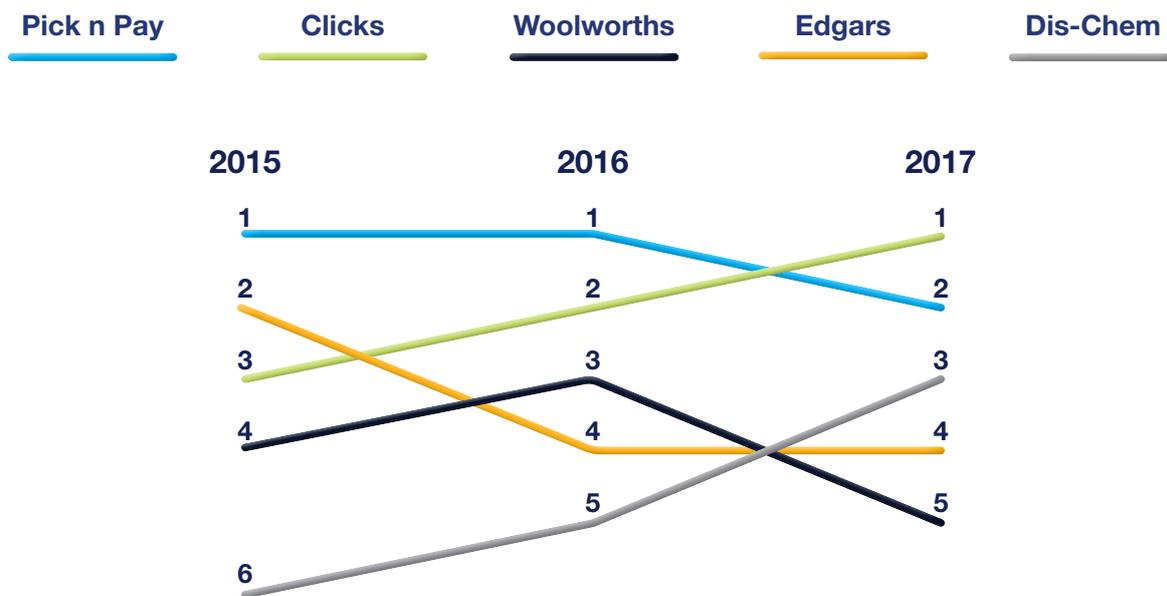
With 67% of respondents indicating that they use Clicks ClubCard, Clicks has surpassed Pick n Pay Smart Shopper as the most used loyalty programme in South Africa. In 2016, Clicks stated in their annual report that they intended to grow their membership base to 5.5 million members, a goal they ended up exceeding by 700 000, reaching a new total of 6.2 million active members.

We believe this development can be attributed to the changes made in 2015 to the Clicks ClubCard programme and the overall simplicity of the programme. Other shifts noted include the drop of Woolworths WRewards from the third most used loyalty programme in 2016, to being the fifth most used programme in 2017. Both Edgars Thank U and Dis-Chem Benefits have overtaken Woolworths and Dis-Chem has claimed its highest ranking to date as the third most used loyalty programme in South Africa.

Dis-Chem Benefits is a simple to use programme which favours a points and card-based system with a 1.5% earn. Dis-Chem has also extended their programme offering to include partners such as Momentum and Discovery which can accelerate your points earned. Dis-Chem’s redemption mechanism currently allows customers to swipe their loyalty card to spend points on their purchase. This is a great improvement from their previous mechanism which forced customers to go to the customer service desk to switch points to cash-back on their card before being able to use it at the point of sale. This serves to further illustrate that improved redemption processes correlate with increased usage over time.

**Figure 5: KEY SHIFTS IN LOYALTY USAGE BY PROGRAMME**

[BrandMapp Survey 2017]



Overall, retail still dominates the field in 2017 and the first non-retail programme represented is FNB eBucks. It is once again, the most used retail banking loyalty programme. FNB eBucks has consistently held this position and we believe that this is due to their focus on a simple user experience, as well as, actively driving redemptions. FNB eBucks consistently report extremely high redemption rates (upwards of 80%). High redemption rates indicate that customers are feeling the value of the programme and, therefore, it is no surprise that eBucks is so highly represented as one of the most used loyalty programmes in South Africa. We unpack this further in a Q&A with eBucks in section 3 (page 25).

FNB eBucks is closely followed by two other non-retail programmes, namely: Spur Family Card and Discovery Vitality, both of which we consider as being loyalty leaders in their respective industries. Spur Family Card, notably the only food and beverage retailer in the top used loyalty programmes, has recently made an adjustment to the rate at which one earns points, dropping the percentage from 5% to 3.33%. This means that customers now need to spend R1500 to earn a R50 voucher to be redeemed back in store. However, based on the results from this BrandMapp survey this has clearly not slowed the number of consumers who use the Spur Family Card.

One of the major headlines in loyalty over the course of this year has been Pick n Pay's decrease of their Smart Shopper earn percentage from 1% of purchase to 0.5%. However, this survey was circulated before the implications of this would have been felt by consumers and, therefore, this change is not represented in the results discussed above. We therefore look forward to seeing whether Pick n Pay will be as resilient as Spur has been despite decreasing their reward percentage and whether customers will be more or less inclined to shift their behaviours when it comes to a brand that sells groceries.

Once again, Vitality is very highly represented and this is especially the case when considering the smaller base of Discovery versus top retailers. We believe this is due to the multitude of ways in which Vitality allows customers to interact with the programme including many non-transactional opportunities to earn rewards and weekly rewards. This is unpacked in section 4.



# 02

## LOYALTY STEERS TOWARDS SIMPLICITY

The evolution towards simplicity and ease of use.



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## SIMPLICITY IS KING

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Simplicity is the new theme echoed in the world of loyalty. Creating complicated hurdles to earn and burn and making it difficult for consumers to participate in your programme is a thing of the past.

“ It’s all about simplicity and ease of use. ”

We have seen companies over the past 12 - 18 months break away from rigid legacy systems and processes to slick, streamlined customer loyalty experiences. Consumers are demanding higher quality experiences from the brands they love. They want simple yet worthwhile loyalty propositions, with even better experiences.

Furthermore, larger companies have started to compete with smaller, more nimble entrants into the market, using flexible tech solutions purely focused on offering an excellent customer experience such as mobile loyalty app solutions with built in payment solutions to geo location surprise and delight rewards.

Some players in the market have made more drastic changes than others, overhauling complicated legacy systems to offer a more tailored one-on-one customer service. We highlight two global examples below.

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## LOYALTY STEERS TOWARDS SIMPLICITY

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In March this year, Air Canada announced its separation from coalition partner Aimia and its Aeroplan programme, bringing all loyalty operations in-house from 2020. The reason for the move is to streamline the customer experience, by eliminating some of the barriers caused by a coalition partnership with a 3<sup>rd</sup> party supplier.



Aeroplan has been the loyalty programme for Air Canada since 1984 and currently has approximately 5 million active members. Air Canada has moved swiftly on the announcement, already highlighting exactly what the new programme will look like and how and when the change will occur.

*“ The new programme, launching in 2020, will offer additional earning and redemption opportunities, more personalised service and a better digital experience for Air Canada customers. Similar to all of Air Canada’s North American peers, by managing our own loyalty programme, we will be able to take better care of our customers by making decisions in real time that address specific needs. We’re excited to take this next step that delivers on our promise for continued investments in the customer experience. ”*

**Benjamin Smith**  
President of Passenger Airlines

In 2016, Red Lion Hotels, also dramatically changed its loyalty programme by revamping its legacy points system to offer an instant gratification and personal recognition programme instead. In an article by Loyalty360, Jason Thielbahr, Senior Vice President of Revenue Optimization & Distribution Services at Red Lion says the move away from the accumulation of points and having to reach tiers was no longer a drawcard for their guests (and future guests). They needed to do something different to keep existing customers engaged while attracting new (and younger) customers.



The new version of the programme offers guests instant rewards every time they stay at a Red Lion Hotel, from room upgrades to discounted activities at the hotel. This is perhaps one of the greatest loyalty trends we’ve seen lately in the global space where the customers’ need for simplicity and a seamless experience reigns.

Imagine the following scenario: A customer travels for business a few times a year and stays at the same hotel every time she frequents the same city for business. Every day, before she leaves for her daily client meetings, she grabs two cans of diet coke from the mini bar. She doesn’t drink anything else but just the two small cans of diet coke. Imagine her reaction if the hotel started to track her daily diet coke ritual and in turn stocks up the mini bar with more than two cans per day (discarding any beverage she has never used before). Or, even better, on her next trip, upon arrival to her room, an ice bucket filled with ice-cold diet cokes (possibly customised with her name) awaits her on her bedside table. Now that is what we call true personalisation.

We hope to see in the near future more brands taking the reins on personalisation. We challenge companies to dive head first into fully understanding what they can do today, to offer a truly personalised experience because those which don’t will find themselves becoming part of the background noise of companies clamouring for consumers’ attention.

## SOUTH AFRICA'S TOP PROGRAMMES: EASE OF USE

Following the trend of simplicity, we sought to understand if there is a correlation between who respondents ranked as the most used programmes vs. how easy they were to use.

**Figure 6: THE TOP 10 EASIEST PROGRAMMES TO USE**

[BrandMapp Survey 2017]



n = 7871

As you can see in the graph above, Clicks ClubCard has once again risen to the top, being ranked not only as the most used programme but also as the easiest to use. While there may not be a direct correlation between these two graphs, we firmly believe that ease of use is a contributing factor to how many people use the programme overall.

We believe that the results shown in this survey, ranking Clicks ClubCard as the number one used loyalty programme and easiest programme to use is partially due to the changes made to their loyalty programme in 2015.

We have watched Clicks ClubCard evolve to offer a more simple, user-friendly approach by offering easy redemption, allowing customers to redeem their accumulated cash-back at the point of sale, in real time. They have also recently launched an app, encompassing all services relating to Clicks pharmacy, such as submitting or updating a medical script as well as being able to view your Clicks ClubCard cash-back balance and points accumulation.

This transition has allowed Clicks ClubCard to further grow its active membership base to 6.5 million members, which now constitutes 77.4% of total sales (stated in the Clicks Group Interim Results Report, February 2017).

Acquiring high volumes of members at sign up is one thing, but keeping your customers fully engaged and active is a whole different ball game. It takes on going measuring and tweaking of your loyalty offering and campaigns to maintain a highly engaged base.

In our experience, one of the key measures of a successful loyalty programme is no longer just about acquisition, it is all about having an engaged base contributing to over 65% of sales with high redemption rates (where applicable). Based on the Clicks ClubCard results mentioned above, this is a particularly impressive statistic indicating that they have managed to create a highly engaged membership base.

When looking at the other companies ranked highly on the list of easiest programmes to use, it is dominated by retail, with Jet Thank U (placing second) and Pick n Pay in fourth position.

Spur Family Card and Vida e Caffè are the only restaurant-related programmes featured on the list. Both players offer an app-based loyalty functionality with Vida offering the “richest” earn rate of 5% in cash-back into the customers’ virtual wallet.

What has really brought Vida to the forefront of loyalty in their respective industry is the simplicity of their app which includes a host of useful, easy to navigate features, such as: allowing customers to pay using their app with a linked credit card, or by using their loyalty balance to pay in full or part cash, part loyalty cash-back. Vida have also included a gifting functionality in their app which allows customers to send digital gift vouchers to one another. We discuss the Vida e Caffè programme in more detail in a dedicated Q&A on the next page.

## Q&A: VIDA E CAFFÈ AND WIGROUP



Mobile payment specialists, wiGroup, developed the Vida app in 2014 and have seen a positive response from Vida customers engaging with the app over the past 3 years. We caught up with Nic Bednall, Commercial Head of Africa for wiGroup and Nick Smuts, Head of Marketing for Vida e Caffè, to find out more about the shift from a card based programme to a mobile app based offering.

### Could you tell us about how loyalty started for Vide e Caffè?

When Vida first launched its loyalty programme, it was purely card based. The concept of loyalty started as a marketing strategy to increase customer engagement and to attract a new target audience, whilst at the same time giving something back to loyal customers. However, being solely a card based programme with limited additional features, it meant that customers could only know their accumulated cash-back amount if they asked the cashier to swipe their card at the point of sale. Often customers were unaware of their cash-back balance, causing lower redemption rates. This highlighted a key opportunity for Vida to improve its loyalty proposition. Fast forward a few years and Vida has one of the slickest, consumer friendly mobile loyalty apps in South Africa with extensive functionality.

### How have customers responded to the mobile loyalty programme offering?

Even though there are customers still using the physical card, the app has double the activity rate of the card. We see that 75% of all redemptions take place via the app.

### What has made the app so successful?

The user experience is fast and seamless. With the built in mobile payment facility, people can pay immediately, using either their accumulated cash-back or pay part cash, part loyalty cash-back. The instant gratification that the app provides over the card system is invaluable. Customers can see their value grow in real time in the palms of their hands, whereas with the card, you have to ask for your balance or you have to log onto the website to view your cash-back balance.

### Explain the importance of mobile in the loyalty industry?

Mobile offers customers higher visibility of their earned loyalty value and a seamless in store redemption process. The ability to earn and burn in a frictionless manner increases consumer engagement levels. This in turn delivers not only better value, but also much faster processes, improving the customers experience as a whole. This has a positive impact on retailers/shop owners too, by enabling faster transaction times at point of sale, therefore increasing throughput per till point. Retailers are able to deliver a scalable programme, with lower costs to maintain and run vs. the ongoing cost of printing and distributing cards.

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## THE LINK BETWEEN SIMPLICITY & REDEMPTION

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Brands have begun to realise that true value for the customer lies in high redemption rates, which in turn, also reduce the weight of loyalty on the balance sheet.

Apart from lightening the balance sheet liability, higher redemption drives a greater brand experience, increased customer loyalty (creating a longer term asset) and greater customer data insight (triggered through increased transactional volumes) and, therefore, the greatest opportunity to achieve customer centricity.

The more complicated a programme the further you will push your members into the hands of your competitors. One too many hurdles will get your customers turning their back on you.

There are many factors leading to low redemptions rates, these include:

- » Complicated earn and redemption rules
- » Too many hidden hurdles/steps in the process to redeem
- » Unappealing rewards
- » Low to no engagement once a member has signed up to a programme
- » Irrelevant rewards
- » Irrelevant, impersonal communication
- » Poor customer experience across channels

“ **Non-redeemers are 2.3x more likely to defect than those who redeem in the past 12 months.** ”

*Bond Brand Loyalty*

As you can see, there are many reasons influencing low or even no redemption. One in particular, which we find many programmes still fail to deliver on today, is customer engagement, post the sign-up process.

Customer engagement really begins once a customer has signed up to the programme and is a key driver to high redemption rates (and therefore, customer satisfaction). Customers need to be reminded of the value that companies are offering and the benefits they are eligible to receive. This can be as simple as a monthly statement indicating specific loyalty offers and any rewards or points balance. However, this can also be as dynamic, personalised communications offering relevant vouchers, offers or benefits. It is important to note that different customers engage with loyalty in different ways and what may appeal to one customer in terms of redemption may not to another. It is, therefore, important to offer customers a choice as to how they engage with your programme.

**03**

# **THE CRITICAL IMPORTANCE OF REDEMPTION**

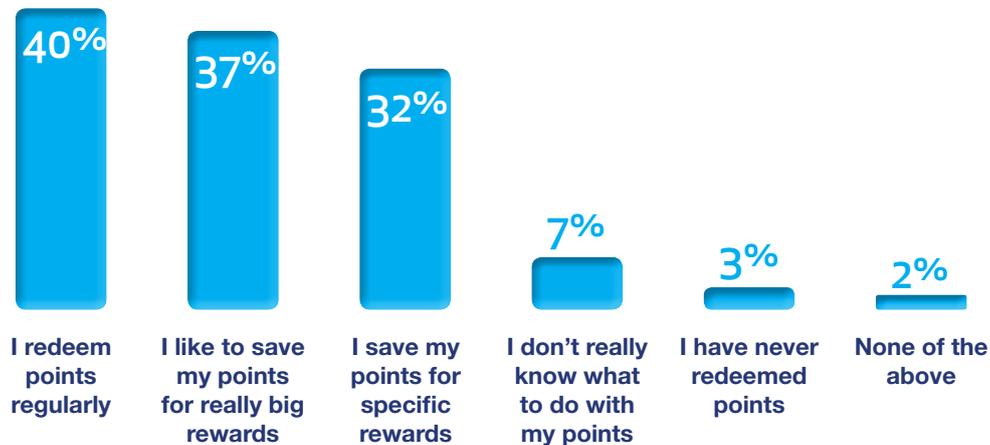
**The days of relying on breakage are over.**

## CUSTOMERS DEMAND CHOICE

Whilst a great deal of consumers choose to redeem points frequently, there are many who practice patience with regards to points accumulation. In addition, as reward programmes expand, so do consumer preferences in terms of rewards types. With this in mind, it is important that brands allow for consumers to have the freedom of choice in terms of points saving, frequent spending and rewards options.

**Figure 7: USAGE OF LOYALTY POINTS**

[BrandMapp Survey 2017]



n = 21 635

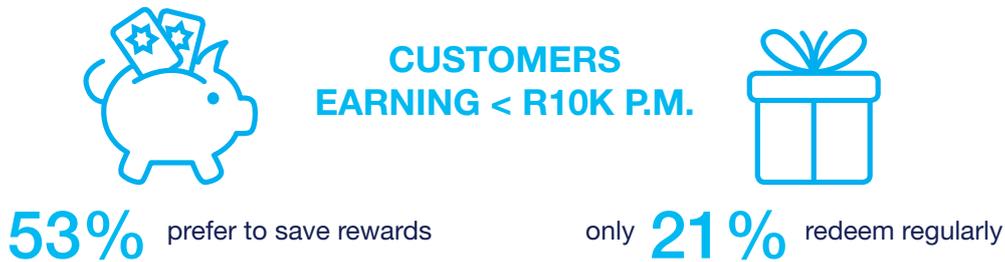
The BrandMapp results reveal that 40% of survey respondents redeem points regularly, with the greater portion of this group being female and in the 35-49 year old age category.

The most significant portion of survey respondents prefer to save their points, with 37% opting to save for really big rewards and 32% saving for specific rewards. Interestingly, whilst no single age group stands out amongst these responses, it's clear men tend to be inclined to save points for specific rewards, over big rewards.

**“ Females prefer to save for larger rewards while men prefer to save for specific rewards. ”**

This implies that females, on average, see the benefit in redeeming points for something of great value, where males gain satisfaction by redeeming for a specific reward pertaining to a particular want or need. As women tend to save points for rewards of greater value, they are more likely to prefer cash back rewards or discount related offerings, with perceived “saving”. Men, however, saving for specific rewards, are likely to strive for flight upgrades or rewards considered to be more exclusive and VIP.

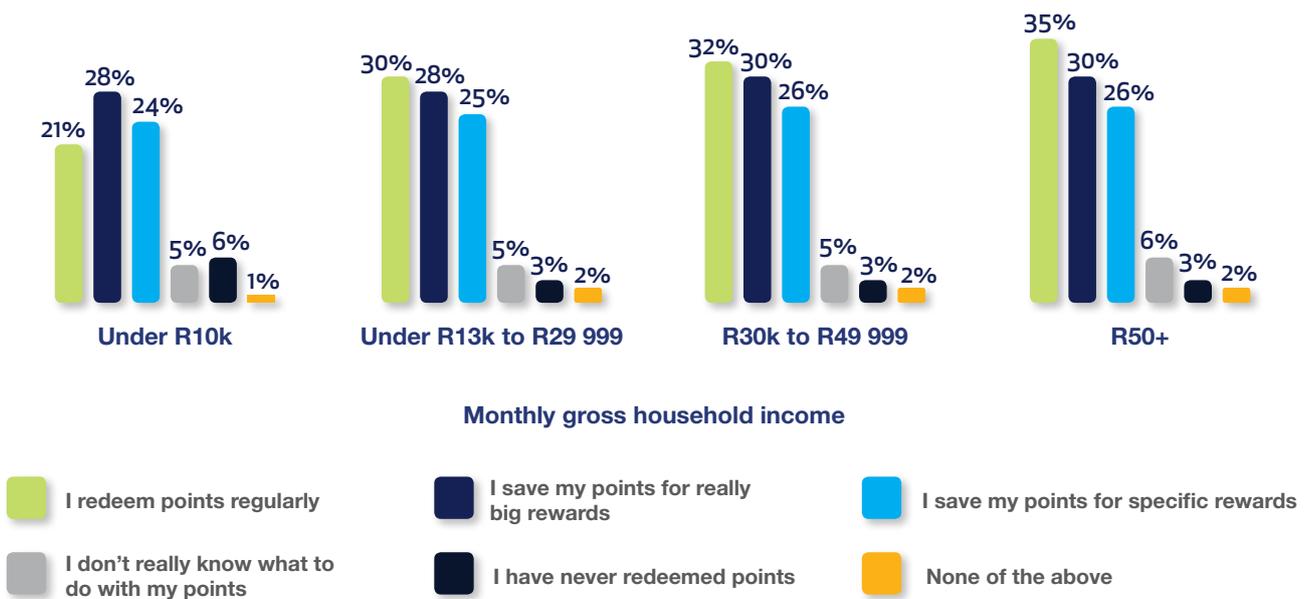
Respondents in the lowest income bracket tend to save, with 53% saving for either specific or valuable rewards, as opposed to the 21% who redeem points regularly.



The data clearly revealed that the wealthier respondents are more likely to redeem points regularly.

**Figure 8: POINTS REDEMPTION BEHAVIOUR IN TERMS OF INCOME**

[BrandMapp Survey 2017]



n = 28 272

The BrandMapp survey results indicate that respondents belonging to Absa Rewards, Vida e Caffè and Sorbet Society are much more likely to redeem their rewards frequently across all loyalty programmes. As discussed in section two, high redemption is perhaps due to the nature of their programmes, with navigation being simple and easy to use. While, Momentum and Standard Bank members are least likely to redeem regularly.

With these results in mind, it is evident that brands need to ensure their loyalty offering caters to both the point spenders and savers. Point-saving consumers need the capacity to save without impending expiration of their points, whilst point spenders need quick and seamless redemption options.

Driving increased redemption can be a costly exercise for companies as it requires increasing customer awareness (through increased communication) and potentially increasing the richness of rewards / benefits on offer. However, this cost can be offset by the benefit of increasing customer retention. In our experience, we have witnessed a clear interplay between redemption and attrition. Programmes which struggle to encourage high redemption of close to or above the industry benchmark of 70% are much more likely to experience customer attrition. An example from a recent client also indicated that customers who did not redeem were 50% more likely to attrite than those who redeemed regularly.

In conclusion, increased redemption rates benefit not only the customer in his / her experience but also the brand which will benefit from more engaged customers, richer data as a result and a clear decrease in attrition.



## Q&A: EBUCKS



Our whitepaper results indicate that FNB eBucks is once again the most used retail banking loyalty programme in South Africa. Over the years, we have seen eBucks grow aggressively in the digital space enabling increased engagement and redemption, across multiple channels with their customer base.

In an interview with Carlos Simões, Head: Strategic Business Development, we ask a few questions relating to their digital evolution, not only as a bank but for their loyalty programme too.

**eBucks is known to have particularly high redemption figures. Is driving redemption a key strategy of yours or a by-product of a good loyalty offering?**

We refer to “redemption rate” as our “spend to earn ratio”, which is indeed sitting at a very healthy 86%, compared to the global average of around 60%.

Managing this index is a strategic driver for us, as it is a good measure of our programme health, i.e. are we offering our members the correct partners and opportunities to spend their eBucks, thereby passing on the value to our base?

After all, one of the reasons for us existing is helping our members stretch their wallets to do more of the things that are important to them.

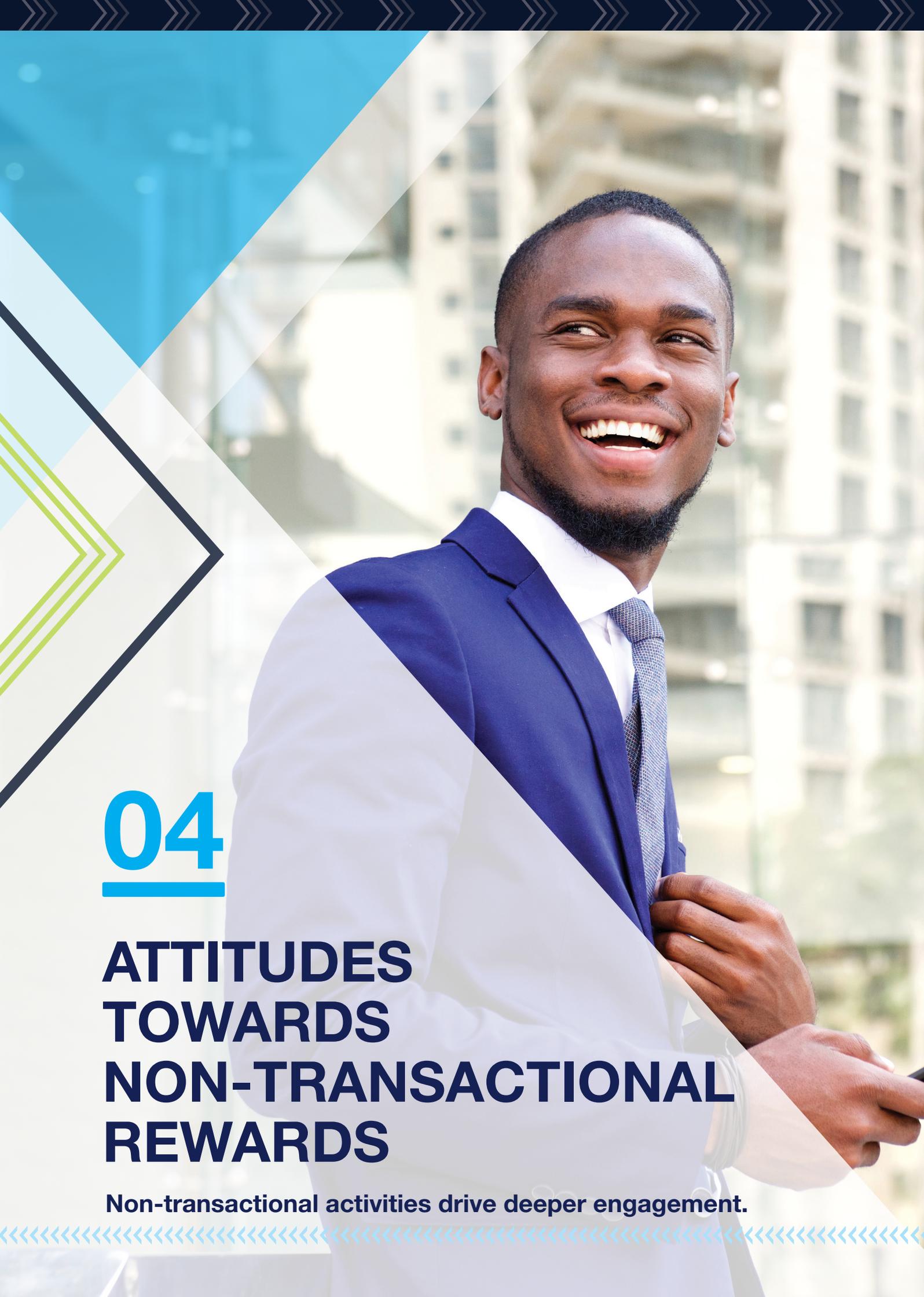
**Digital interaction is obviously a form of engaging with your customers in a non-transactional way. Please expand on how you stimulate engagement across digital channels?**

Digital interaction is the future; in fact all things digital is the future and here, FNB is a forerunner. We’ve seen a good migration to our digital channels, so much so that almost all our Premium Customers (Premier, Private Clients and Private Wealth) have migrated to this channel and in the Gold base we see migration at double digit growths month-on-month. Therefore, for now at least, we will focus on this migration and incentivise our members to do so.

Furthermore, because we have great partners and delivery channels we are also able to reward our members on-the-go for doing day to day things, or we are able to extend value by means of special offers and discounts. Going forward these value driven rewards will play an important role in our instant rewards component of the programme.

**A big theme in this year’s whitepaper is the ease of use of South African loyalty programmes (74% percent of respondent who indicated they used eBucks, rated it easy to use). Is this a core focus of yours and what strategies have you implemented to ensure eBucks is easy to use?**

Individuals will typically engage with and consume specific components of the programme that resonate with them. We use advanced analytics and predictive modelling to anticipate what our members will more likely be doing next and then we engage with the member on that point. Being relevant at the right time and place then ensures positive engagement and that drives the earn and spend ratio mentioned earlier. Therefore, in spite of the programme’s complexity, this is part of our core focus.



**04**

**ATTITUDES  
TOWARDS  
NON-TRANSACTIONAL  
REWARDS**

Non-transactional activities drive deeper engagement.



## NON-TRANSACTIONAL ACTIVITIES DRIVE ENGAGEMENT

Over the past few years we have explored the rising trend of rewarding loyalty members for non-transactional behaviours and according to this year's data, consumer interest and attitudes are improving.

The popularity of incentivising and rewarding desired behaviours beyond transactions is understandable. From a brand perspective, advantages from non-transactional rewards are reaped in the form of increased consumer engagement and data gathering. Consumer insights surmised from actions such as online surveys, reviews and social media activities are invaluable.

Rewarding beyond transactions is frequently used as a mechanism to drive specific consumer behaviours. Higher usage of an app may be encouraged and rewarded in order to reduce postage costs of statements or incentivising consumers to update contact details will ensure the business's database is up-to-date, containing correct information.

It is, however, not solely the brand that benefits from non-transactional behaviour; consumers do too. Rewarding customers beyond transactions ensures the consumer feels valued by the brand outside of monetary exchange. The interaction becomes more personal and consumers, who may not have the spending power to earn frequent points and instant rewards traditionally, feel a sense of inclusivity when given the opportunity to earn through action-based activities.

BrandMapp survey respondents revealed their opinions on desired activities to earn extra loyalty points. From an array of non-transactional behaviours, these were the most popular:

- »» Download and use an app
- »» Update details on a website
- »» Open and read an email
- »» Social media activity
- »» Taking online research surveys

The most popular non-transactional activity amongst consumers is taking online research surveys, with 59% stating this as their preferred point earning activity. This is up 5% points from last year's results.

Not only have attitudes regarding surveys improved, respondents in 2017, in general, have a much more positive view towards point earning via non-transactional activities.

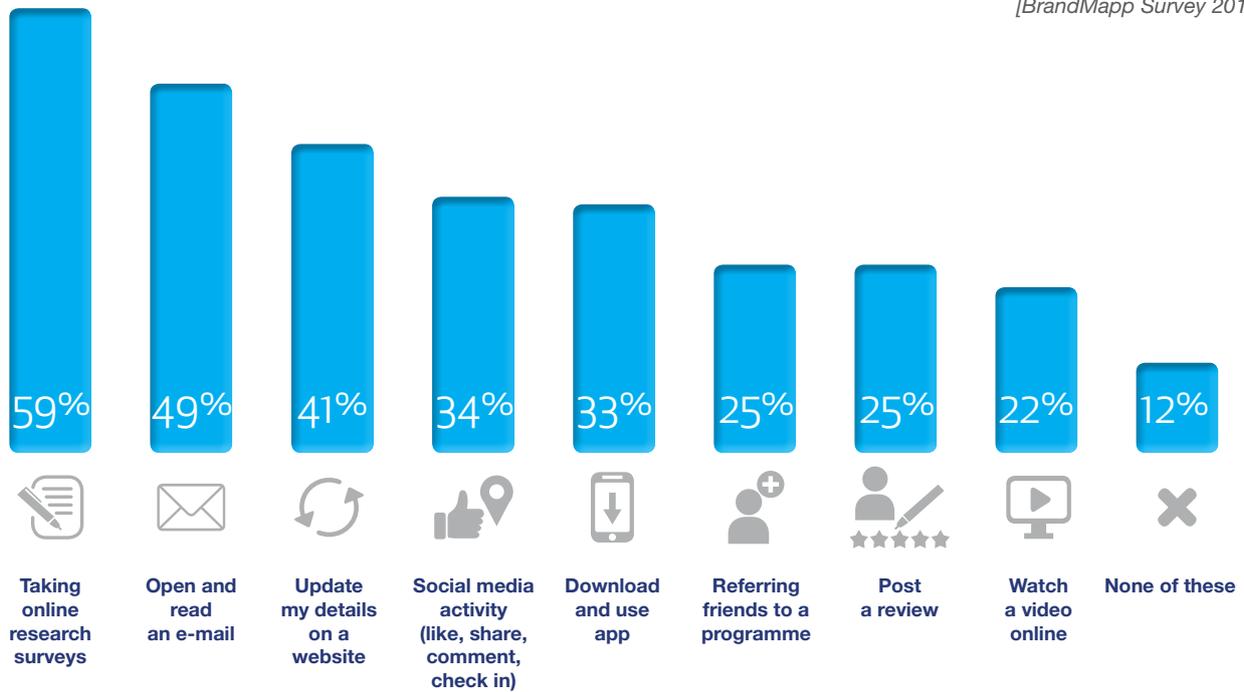
Whilst last year 27% of the respondents declared that they would do none of the listed activities in exchange for loyalty benefits, in 2017 this figure has promisingly decreased to 12%, with the majority of respondents being in the 50+ age category.

This emphasizes a huge shift towards a greater understanding of the advantages of non-transactional activity from a consumer perspective.

“ Younger respondents are more likely to open and read an email. ”

**Figure 9: PREFERRED NON-TRANSACTIONAL ACTIVITIES TO EARN LOYALTY POINTS**

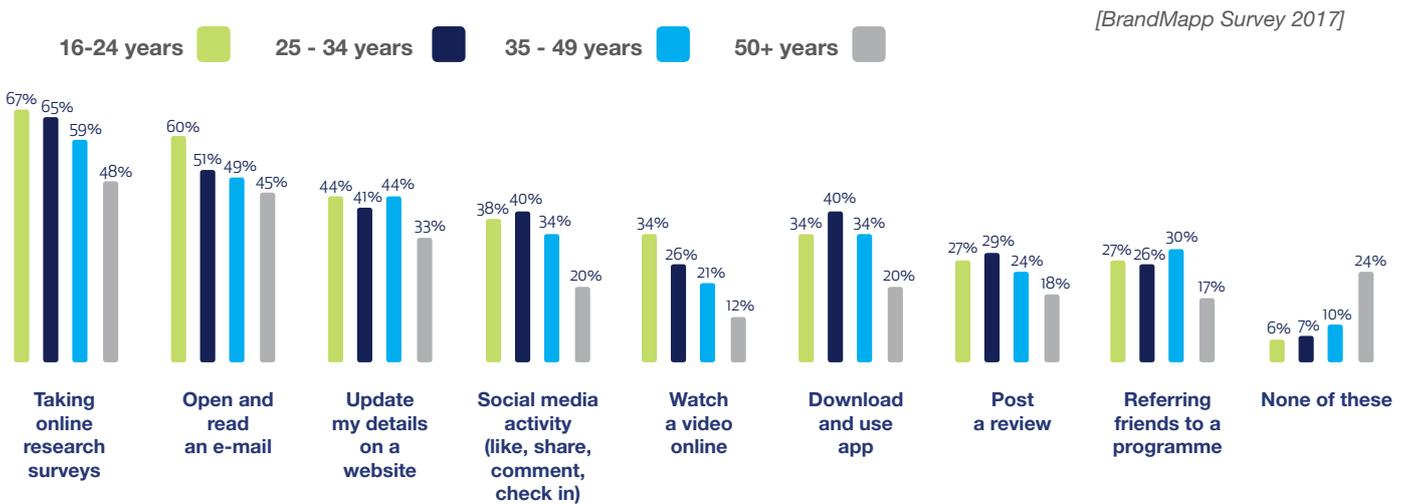
[BrandMapp Survey 2017]



n = 21 635

Opening and reading an email is significantly more popular amongst the younger generation with 60% of 16-24 year olds selecting email as a desired activity to earn extra loyalty points.

**Figure 10: PREFERRED NON-TRANSACTIONAL ACTIVITIES TO EARN LOYALTY POINTS BY AGE**



n = 21 635

Respondents aged 16-24:

- » 9% points more likely to open and read an email than respondents aged 25-34
- » 11% points more likely than respondents aged 35-49
- » 15% points more likely than respondents aged 50+

Gathering and effectively utilising data captured through non-transactional activities and social interactions helps brands to develop a real-time, holistic view and understanding of the consumer throughout the purchase cycle. By doing this, effective customer-centric buying experiences can be delivered based on strategic insights. The more tailored the buying experience becomes, the more likely repeat purchases will occur.

In general, respondents have demonstrated a positive shift in attitude towards non-transactional activities. From 2016 to 2017, attitudes towards updating details on a website and social media activity (like, share, comment, check in) have both increased by 7% points, while referring friends has increased by 5% points.

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## ARE SOUTH AFRICAN RETAILERS REWARDING NON-TRANSACTIONAL BEHAVIOURS?

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In comparison to international trends, there has been a slow uptake on rewarding beyond transactions in the South African loyalty landscape.

In 2017, Discovery Vitality is arguably the most prominent South African brand rewarding for non-transactional behaviour. The programme incentivises users to “improve their quality of life” by rewarding health checks, frequent exercise and healthy food purchases. Vitality Active tracks members fitness activities and the app delivers weekly rewards once personalised, short-term goals are met. Weekly rewards may be selected from various Vitality partners and include Ster Kinekor movie tickets and Vida e Caffé coffee vouchers.

FNB used non-transactional rewarding in an effort to incentivise customers to use their mobile app as their primary channel for payments, transacting and banking. Throughout 2016, in order to qualify to earn eBucks, FNB Premier, Private Clients and Private Wealth account holders were required to use the FNB app at least once a month.

In strong relation to this year’s data pertaining to attitudes with regard to downloading and using an app, FNB had to adapt and relax these new rules, in order to cater to age group differences. As of January 2017, customers under the age of 60 are required to download and use the FNB app at least once a month in order to qualify and earn eBucks rewards.

Premier customers over the age of 60, however, are not required to download and use the app monthly in order to earn eBucks but will need to transact once a month on any of FNB’s electronic banking channels (online, telephonic, or cell phone banking).

These FNB changes mirror this year’s data, as it is evident that respondents aged 50+ have the least positive attitude towards downloading and using an app.



Of the ‘big three’ South African loyalty retailers, Pick n Pay, Clicks and Woolworths, it is only Woolworths that rewards members for specific purchase behaviours.

Through WRewards Green, responsibly sourced food and fashion at Woolworths is specifically marked with green hearts. Woolworths incentivises the purchase of these green items by accelerating members’ tier status, as organic and environmentally friendly products have a point-earning rate of x1.5.



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## REWARDING BEYOND TRANSACTIONS IN THE INTERNATIONAL LOYALTY ENVIRONMENT

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Xbox Live Rewards members earn loyalty points by taking part in occasional surveys, allowing Xbox to gather extensive fan information.



UGG Australia members can earn points online by adding products to a wishlist, writing reviews and sharing products on social media.



Starwood Hotels and Resorts program, Starwood Preferred Guests, runs promotions that allow guests to earn points by checking in, socially, at their hotels.



Express Next rewards members for opting in to receive SMS alerts and electronic rewards only.



Gilt.com rewards members for interacting on social media, referring friends and visiting the website on five consecutive weekdays.

All of these behaviours increase member engagement with the brand, amplify brand marketing through social media posts, check ins and referrals and allow for consumer data to be gathered and harnessed strategically.

**05**

# CONCLUSION



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## CONCLUSION

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The studies in the 2017 Truth Loyalty Whitepaper have shown that there is continued growth in the South African loyalty landscape. Across males, females and all generations, consumers are embracing and investing time in loyalty programme participation.

With loyalty membership numbers on the rise, consumer demand for more sophisticated, yet simplified loyalty programmes needs to be recognised. Loyalty programme owners need to differentiate themselves in order to stand out in a competitive loyalty environment by offering compelling value propositions that reflect an understanding of consumer attitudes, perceptions and behaviours with regards to loyalty.

If customers are willing to update their details or take a survey, extra steps should be in place to not only reward those activities but enhance the loyalty offering by using data gathered to create compelling and personalised communication.

It has become apparent in 2017 that ease of use and simplicity will be defining factors in loyalty programme success.

Loyalty sits as part of your brand's entire ecosystem. Customer experience across all your touchpoints, including loyalty, must be positive to achieve real long-term customer loyalty. As the loyalty industry continues to thrive, consumers are reducing the amount of programmes they interact with in order to focus on and gain the most out of a select few. With this in mind, loyalty providers must find ways to simplify and streamline loyalty mechanisms, in order to stand out in a wallet overflowing with loyalty cards.

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## AUTHORS – ABOUT THE TEAM

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Amanda is the founder & CEO of Truth. Amanda’s extensive experience in the field of loyalty & CRM has put Truth at the forefront of loyalty in South Africa. She spent 11 years at British Airways leading sales & marketing teams across UK, Africa, Middle East & Asia.

She has also spearheaded the Customer (CRM) division at Woolworths, where she led the department encompassing customer insights, research, customer strategy, loyalty/MySchool, direct marketing and financial services marketing.



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Ros, Truth’s Loyalty / CRM Consultant and Marketing Manager, joined the company from Woolworths in 2010. She has successfully developed and implemented loyalty solutions for many of Truth’s clients.

Ros also runs Truth’s training and development product, Customer Academy, focusing on delivering educational loyalty & CRM workshops and online courses.



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Miles joined Truth in February 2016 as part of the Truth internship programme and from there joined us as a Marketing and Research Assistant.

He is now the Product Manager at Truth and manages the operations and implementation of Truth’s customer centric products, namely Loyalty Boutique and Loyalty Lite.



» **CAITLYN ROOTMAN**  
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Caitlyn is a marketing graduate who joined Truth’s internship programme in June 2017.

In her role as the Marketing Intern, Caitlyn delivers Truth’s marketing plan and provides assistance with client research & workshop preparation. She is also responsible for supporting the Customer Academy team ensuring the sound delivery of our educational portfolio.



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## OUR PARTNERS

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Truth is proud to be associated with WhyFive, together bringing great insights about customer loyalty trends in South Africa.

WhyFive is an innovative consumer insights and marketing consultancy underpinned by a unique data set called BrandMapp. WhyFive's BrandMapp is used by many leading South African companies including: Edcon, MassMart, Takealot, Momentum, Telkom, Sanlam, Yuppiechef, Liberty, Old Mutual, FNB and a number of leading media owners and agencies.

For this specific whitepaper, results from WhyFive's BrandMapp 2015, 2016 and 2017 surveys were used to drive insights about the current state of loyalty in South Africa.

[@WhyFiveSA](#) // [www.whyfive.co.za](http://www.whyfive.co.za)

And special thanks to our thought-leading contributors:



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## WE'D LOVE TO HEAR FROM YOU

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We hope you enjoyed this third edition of the Truth Loyalty Whitepaper. Should you have any comments you wish to discuss with us regarding the contents of this paper, we would love to hear from you.

The whitepaper is part of Truth's education programme, Customer Academy, a knowledge-sharing education centre using Truth's expertise and learnings in the fields of loyalty and CRM.



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## WE'D LOVE TO SHARE MORE INSIGHTS WITH YOU

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If you require in-house training with a bespoke industry focus, we will bring our expertise to your office for a tailored, team-training loyalty experience.



*Truth has proudly delivered loyalty programmes and customer centricity strategies for many of South Africa's best known brands, including Pick n Pay, Edcon, Foschini, Mr Price, Virgin Active, Distell, Nedbank, Avios, Absa, Massbuild, Sorbet, FNB and many more.*

*Our international footprint for consultancy services & conference speaking span USA, Hong Kong, New Zealand, Europe, Ghana, Kenya, Mauritius, Hong Kong, Indonesia and Malaysia.*





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