

## Is one billion a big number?

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We leverage our **industry experience** and **strategic thinking** to design programmes from concept to launch



#### Optimisation

We help clients **review** and **optimise** the performance of existing programmes



#### Tracking

We leverage **data science tools** to track customer behaviour and provide ongoing **business intelligence**



#### Personalisation

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Look out for our next loyalty research:  
**2020 Loyalty Programme Member Engagement Survey**



INSPIRED BY CUSTOMERS | DRIVEN BY DATA

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**I**n this depressed economy, consumers are looking for ways to save their hard-earned rands while companies are trying to protect their market share. It is little wonder that loyalty and rewards programmes have become big business, with 75 per cent of economically-active South Africans using them, according to the 2018/19 *Truth & BrandMapp Loyalty Whitepaper*.

Francois Loots, managing director of multipartner rewards programme Infinity, estimates that there are more than 100 loyalty programmes in SA, with more cropping up: in July, Freshstop at Caltex and Mango Airlines both launched programmes.

The industry has come a long way since the first loyalty programmes were launched in the 90s, but what does the future hold?

Stephen Burnstone, CEO of Eighty20 Consulting, which provides advisory services to loyalty programmes, says the spend-to-earn-points model has lost its shine and programme owners should be looking to be more innovative with their rewards. He believes that brands are looking for ways to excite and keep their customers engaged beyond that one per cent cashback. For this reason, several trends aimed at providing a more convenient and relevant experience for consumers are becoming evident.



Steve Burnstone

## APPS

The convenience of apps is offering another touchpoint for companies wanting to engage with their customers. But, says Burnstone, SA has a huge mass market that is price sensitive and the high cost of data can limit the use of apps. "Businesses need to find a solution that speaks across different segments, from the mass market to the more affluent consumers," says Burnstone.

## PERSONALISATION

While apps may work, customers still want a programme whose rewards are relevant and of value to them. This is highlighted in *Eighty20 and Tritech Media's Loyalty Programme Member Engagement Survey 2018*. The report states: "If members do not perceive the reward to be worth the effort, they are not going to engage (no matter how hard you try). However, a key point often overlooked is that this reward does not have to be purely monetary. The reward could be truly personalised". "Customers have to feel that there's value in engaging with the business," says Burnstone.

## COALITIONS AND PARTNERSHIPS

Brands are forming partnerships with other brands as they have realised that customers are holistic beings," says Burnstone. "Consumers buy airtime, fuel and clothes. So, many loyalty programmes are entering into partnerships with, for instance, fuel companies for additional benefits for their consumers."

## CONVENIENCE

TLC Marketing CEO for Middle East and Africa Preneshen Munian believes a successful rewards programme is one that offers ease of earning points and redemption. "It needs to be simple and engaging," says Munian. "Customers want the reward to be relevant to them." It seems the time is ripe for those businesses that don't offer loyalty and rewards programmes to start doing so. While Burnstone believes most companies that need loyalty programmes already have them, Munian says companies in the telecommunications sector have not really launched a proper rewards offering and many insurance providers are falling behind the likes of Multiply and Vitality.

# New directions

**Mpho Lukoto** gazes into her cry to see what the future holds for loyalty and rewards programmes



Preneshen Munian

Burnstone says the real issue is not whether or not brands need loyalty programmes, it's what they are doing to innovate their programmes within their industries. One only needs to look into the newest programme to see brands are listening to consumers and innovating accordingly. Acting CEO of Mango Airlines, Marelize Labuschagne boasts that with Mango's new loyalty programme, passengers won't have to wait for their rewards: with every flight booking they will make, they receive an instant personalised reward. ●

## GAMIFICATION

Gamification is becoming a possibility for loyalty programmes, especially with increased usage of smartphones. Companies are asking how they can make engaging with the brand more fun. Some established rewards programmes like Vitality have already incorporated games such as weekly targets or spinning a wheel, says Burnstone.

**FAST FACT** According to *Moneyweb*, micromarketing is the next big thing in retail, with retailers using their loyalty programmes to understand who their customers are and what they are buying. This then allows retailers such as Pick n Pay and Clicks to offer personalised discounts based on the consumer's purchase history.

**T**iered loyalty programmes are those that segment customers into different levels based on their spend or activity. These programmes are popular in the medical aid, insurance, financial services and retail sectors, with some of the most recognised brands being Discovery Vitality, FNB's eBucks, Momentum Multiply and Woolworth's WRewards.

Steven Burnstone, CEO and head of analytics at Eighty20 Consulting, says there is extensive debate in the industry on the role that tiering plays in enhancing the value of a loyalty proposition. "Typically, tiered propositions in the past have aligned a customer's absolute value to the business to a tier," says Burnstone. "In other words, if you have more disposable income and can spend more, then you are more likely to be eligible for a higher tier."

Higher tiers generally give higher earn rates and better rewards. As a result, customers who already have more receive even more; effectively, the rich get richer and the poor, poorer.

Burnstone points out that in an economy such as South Africa, where a significant amount of economic spend happens in the mass market (high volumes, but low transaction values), this kind of one-dimensional view

# To tier or not to tier

How many tiers is too many? **Puseletso Mompei** investigates tiered loyalty programmes and how valuable they are in retaining customers

of tiering does not work. It is for this reason, among others, that programmes are increasingly rewarding customers' relative values (their loyalty and level of engagement with the brand), rather than only on absolute value (the amount they spend).

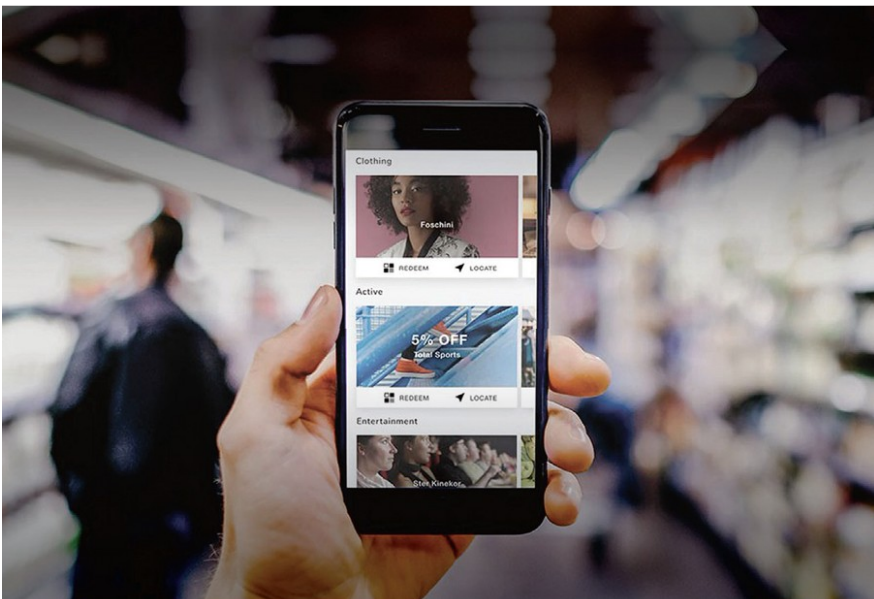
## IS EQUAL REALLY EQUAL?

Burnstone points out that proponents of tiering argue that it facilitates a richer and more targeted and/or personalised offer, and allows optimal resource allocation and alignment of reward to the value that the customer brings to the business. So, in effect, it rewards those that "matter more" with a more meaningful reward. At the same time, it provides programme owners with the ability to reward members who behave in a desired manner more richly. "In other words, it dispenses with the notion that all customers are equal and, therefore, all warrant, by way of an example, an identical earn rate or redemption value or benefit set," he clarifies.

Tshepiso Manyoha, CEO of rewards and loyalty services management company Loyal 1, says businesses have to have a very clear value proposition for their customers in terms of which behaviour they are rewarding. "Gone are the days where rewards programmes were just about points and vouchers," says Manyoha. "One has to understand what drives their customers and encourage that behaviour in line with business objectives." He adds that "one of the downsides of tiering programmes is that customers with lower level of spend capacity can get very discouraged, thus making them feel that the benefits they really want are unattainable, so they may disengage or even seek other alternatives".

## HOW TO KEEP THEM COMING BACK

Ros Netto, CRM and loyalty consultant at Truth consultancy, explains that from the onset, companies need to be thoughtful and strategic in designing a programme that derives optimum benefits for themselves and users. Prior to launching, companies should have a solid business rationale that includes a high-level financial model to evaluate programme strategy impact on return on investment, anticipate the ideal structure for their business, and outline how many tiers will be part of the programme and the benefits within each level. In addition, top-performing businesses develop various scenarios and have well-designed >



**DOT YOUR I's AND CROSS YOUR T's** A tiered loyalty programme should be aligned with legal requirements such as consumer protection regulations and privacy protection laws such as POPI. Additionally, the terms and conditions must be updated as the programme evolves.

Source: Ros Netto, Truth Consultancy

## STRUCTURE

“One of the downsides of tiering programmes is that customers with lower level of spend capacity can get very discouraged, thus making them feel that the benefits they really want are unattainable, so they may disengage or even seek other alternatives.” – *Tshepiso Manyoha*

processes alongside in-depth roll-out plans with quantifiable goals.

A robust technology solution has to underpin a successful tiered offering, advises Netto. “Companies need to be able to collate analytics and generate business intelligence to determine which are their most valuable to least valuable customers, calculate their customer retention rates, understand purchasing patterns, gather data for their customer segmentations and collect ongoing feedback on the success of their programme,” she says. “If implemented correctly, technology can ramp up customer acquisition, engagement and retention.”

What Netto looks for in a technology platform is its ability to generate KPIs to monitor customers’ movements and migration across the tiers, and analyse the impact of these migrations on the bottom line. In addition, the tools need to be agile enough to cope with a growing subscriber base, automatically tabulate whether or not users are redeeming benefits, recognise and execute rewards per tier, and also automatically migrate users up and down the tiers.

### ELEVATING AND ENHANCING THE CUSTOMER EXPERIENCE

Netto says savvy brands are extending rewards beyond monetary gains, especially for top-tier members for whom a few points here and there don’t make a huge difference. In this case, it’s all about the emotional value of the offering. “A perk could be as simple as allowing a top-tier customer early access to a new collection or allowing them to skip the queue at an event,” she says. “Tiers allow businesses to reward top-tier customers, give them a VIP experience and administer more value without necessarily spending more cash, but rather elevating their experience of engaging with the brand.”

Manyoha observes that a lot of brands are deploying mobile apps in addition to more traditional channels like cards or vouchers. In these cases, the app must communicate the tiers, be easy to navigate, and offer improved engagement and a seamless experience.

He also emphasises that, in addition to going digital, companies need to review whether

• **75 per cent of South African consumers use loyalty programmes.**

Source: South African Loyalty Landscape 2018/19

• **42 per cent of survey respondents find programmes with tiers appealing, while 46 per cent feel it makes no difference to them.**

Source: BrandMapp 2018/19

• **77 per cent of registered retail banking loyalty programme members are active users.**

Source: South African Loyalty Landscape 2018/19

“Most retailers using tiered programmes are behind the curve and need to come up with new strategies.” – *Tshepiso Manyoha*

the levers they used to reward customers will work on a digital platform. “Most retailers using tiered programmes are behind the curve and need to come up with new strategies. It has become increasingly important to leverage data analytics to structure a programme,” he says.

For Netto, a strong communications strategy is central to a successful tiered offering. “Interactions, whether by email, SMS or in-app notifications should be timely, relevant, personalised and motivate customers to take the correct actions to unlock maximum benefits. The brand

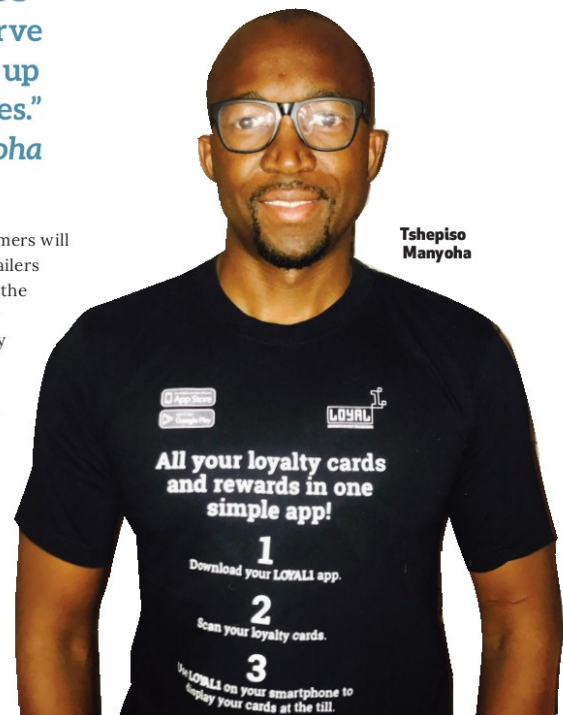
should talk to members about the benefits across the tiers in a way that brings the brand to life and evokes positive emotions.

This is especially important for players in industries such as financial services where there is the potential to become overly technical, and in the process lose the meaning or the ability to relate and break their emotional bond with their customers.”

In pursuing lasting success, engaging consumers and building emotional connections between their products and customers’ needs should be a constant priority for brands.

Burnstone emphasises that the optimal solution to maintain (and improve) engagement levels lies not in avoiding a tiered proposition, but rather in getting the communication elements right around what it means to achieve a higher status. “Tiering can only work if members know about it and, more importantly, know what they need to do to move up a tier.” ●

Images: Supplied



**Tshepiso Manyoha**

**AIRLINE PROGRAMMES**



Lyle Scritten

**A**irline rewards programmes are some of the most appealing for frequent flyers, offering the potential for free trips and other flight perks. But what loyalty programmes are available locally? And are they worth joining?

**EARNING MILES IN SA**

There are two major ways to earn airline rewards and miles for locals: through dedicated airline or alliance loyalty programmes; or credit card rewards programmes.

When it comes to programmes, South African travellers can sign up for both regional and international airline rewards. A few choices include SAA Voyager, Mango Go rewards, and British Airways' Executive Club. Programmes such as Executive Club operate within an airline alliance, meaning that members can earn points by flying with partner airlines or spending money at certain Avios travel partners.

However, another increasingly popular way to earn flight miles is with credit card rewards programmes, since their benefits are not exclusive to travel companies. For example, Absa Rewards and Travelstart have partnered to offer cashback incentives for flyers. Meanwhile, FNB's eBucks Travel programme allows customers with eBucks accounts to apply discounts to travel bookings.

Images supplied

**BENEFITS OF AIRLINE REWARDS**

The exact benefits of joining an airline reward programme differ according to each company, with diverse rewards and incentive schemes offerings.

"Benefits vary, but the main selling point boils down to the culmination of points or miles, which could be used for discounted airfares," says Lyle Scritten, marketing campaign manager at Travelstart. "Simply put, it is always worth your while to be part of a rewards programme as you are rewarded for your time in the air," he adds.

However, travellers should weigh up which programmes will best fit into their spending and travel habits. Sue Petrie, British Airways trade commercial manager for Southern Africa, notes that rewards programmes can extend past simply getting flight discounts. "Executive Club was created to provide choices about how to earn and redeem, and it also spans different airlines and other partners," she says.

"For example, rewards include pre-booking seats, upgrading cabins, hiring cars, or booking hotel accommodation. Meanwhile, On Business rewards companies for their loyalty, while considering the particular needs of SMEs."

These programmes have tiered rewards, with more benefits unlocking as members earn more points. Tier-dependent benefits include upfront discounts, pre-booking perks, access to airport lounges and more.

**OPTIMISING REWARDS**

Scritten says there aren't really any drawbacks to joining an airline rewards programme since it's free to sign up to them. However, travellers should aim to look for the best ways to earn points and decide which programmes are worth their time. "Consumers should look for programmes that offer free upgrades using accrued miles. They should also look for discounts and offers at various other retailers," he says.

Part of the points-earning process includes making sure to add your loyalty membership details to relevant platforms, such as online booking sites. "It is important to ensure that the frequent flyer number is inserted into the booking," Scritten notes.

On platforms such as Travelstart, users can manage their booking details and add their rewards member number. However, as with traditional travel agents, staff can also assist travellers with adding their loyalty programme details.

When it comes to more general rewards programmes such as Avios or eBucks, travellers should educate themselves about the various ways they can earn and spend points. Petrie points out that travellers are even able to submit qualifying spending for rewards retroactively. "There are also many other ways to collect Avios: hotel stays and car hire as well as shopping online with Macy's, Nordstrom, Apple and eBay via the British Airways Avios eStore," Petrie says. "The Executive Club website and app also allow members to claim missing Avios retroactively." ●



Sue Petrie

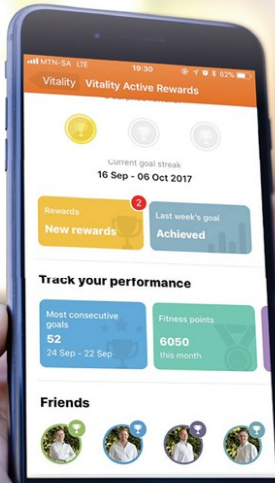
**HOW MUCH IS ENOUGH?**  
 Not sure how much you have to spend before you earn points? Check the details of your loyalty rewards programme and make sure to log in to the programme's website or app to get a better understanding. Some programmes include reward calculators, the rand value of points, or a listing of rewards with their point values.

# Flying high

**Megan Ellis** takes to the skies to investigate airline rewards programmes



## ALTERNATIVE THINKING



# Rewarding outside the box

**Beth Amato** takes a look at some of the more novel ways of rewarding customers

## FRESH IDEAS

Rob Anderson, CEO of Brandhub, says brands that want to stand out from competitors only offering financial incentives can consider adding loyalty incentives such as:

- offering gifts with certain purchases
- giving loyal customers early access to sales
- buy-one-get-one-free offers
- teaming up with an associated business to offer reciprocal discounts
- openly favouring your loyal customers on social media
- rewarding referrals
- providing free e-learning courses, or helpful articles sourced through curated content. A novice runner, for example, could get content about training for a big race.

46 LOYALTY & REWARDS SA

**W**hen it comes to joining loyalty and rewards programmes, South Africans don't need convincing.

The 2016 Nielsen *Global Retail Loyalty Sentiment Report* showed that South Africa had the highest number of respondents (84 per cent) who were members of a loyalty programme, compared to the global average of 66 per cent. However, savvy and discerning consumers want more than financial incentives. It's critical, therefore, that companies embrace innovation to elicit that wow factor and keep their customers for life.

### CONVENIENCE OF ORDERING AHEAD

For tired and strung-out parents on a morning school run, there's nothing better than imagining a takeaway coffee stop, but without getting out of the car to collect said coffee, or wait in long queues paying a drive-through teller. The "ordering ahead" craze means people can order ahead, make payment and earn rewards in one transaction. The tired parents only then need to roll down their window, collect their cup of java and get on with their day (if the waiters are willing to rush out onto the pavement, of course).

Mia Morkel, managing director of retail rewards at wiGroup, says that "skipping the queue" should be a phrase that's top of mind for brands. "This enhanced customer-engagement channel enables a customer experience that is truly frictionless and adds value," she says.

### PRIORITY AND PERSONALISATION ARE KEY

The global economy has taken a knock and customers are looking at price and value to inform purchasing decisions. Rachel Wrigglesworth, chief commercial officer at Clicks, notes that in this context, loyalty programmes must continue to deliver transparent financial rewards, but that in a sector like beauty, "priority access to new launches" has proved a hit. Furthermore, options like first access to end-of-season sales make customers feel special.

Ros Netto, CRM and Loyalty consultant at Truth consultancy, explains that people feel prioritised through "experiential rewards". These aim to exceed member expectations by providing them with access to experiences of things that can't be replicated. "These types of rewards offer a level of personalisation that a transactional reward cannot. They can create memorable experiences that have a far greater impact than simply earning points or a discount," she says.

Experiential, personalised rewards include early access to sales, priority queues, sales alerts, celebrity meet-and-greets, personal shoppers or stylists, extended returns, express or free delivery options, "no questions

asked" guarantees, fast-track customer service queue, and free alterations. However, both Wrigglesworth and Netto agree that there's no one-size-fits-all reward. Customers have different expectations needs and interests.

It remains critical to consider, says Netto, that the most enjoyed benefit offered by a loyalty programme remains "cashback". South African consumers prefer monetary benefits such as discounts, coupons, vouchers or savings to exclusivity. "However, it's not to say exclusive benefits shouldn't be offered as part of a programme's value proposition," she adds. "These benefits appeal to specific types of customers, creating a heightened perceived value."

### REWARDING WORTHWHILE NON-FINANCIAL ACTIVITIES

While money makes the world go around, brands are drawing in customers by rewarding them even if they don't spend cash. Non-transactional activities worth rewarding include the updating of contact details, downloading the app and completing a survey. "Rewarding customers beyond transactions ensures that the customer feels valued by the brand outside of a monetary exchange. The interaction becomes more personal and consumers who may not have the spending power to earn frequent points and instant rewards feel included," notes Netto.

It's not only the customer that benefits. Incentivising consumers to update contact details, for example, will ensure the database is up to date. Furthermore, increased consumer engagement provides valuable data. Consumer insights garnered from online surveys, reviews and social media activities remain invaluable to any company. ●



Mia Morkel



Rob Anderson

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