

# Loyalty programmes - research indicates perceived value of rewards must outweigh cost

The pilot South African Loyalty Programme Member Engagement Survey canvassed 750 members of loyalty programmes in key sectors across the country in an online survey conducted by Tritech Media (formerly Value?Network) and portfolio company Eighty20.

This follows research of loyalty programmes from the programme's perspective published in the Value?Network Loyalty and Rewards Survey in November 2014, the first survey of its kind in South Africa (copies are available online from Tritech Media).

There are over 100 loyalty or rewards programmes operating on a national basis in South Africa today. Some are hitting the mark, others less so. By understanding what drives the success of loyalty programmes, programme owners can provide better value to members.



Image via Pxabay

The survey examined programmes across a range of consumer sectors, including grocery, health and beauty, general retail, credit cards, banking, insurance, medical aid, travel and hospitality, restaurants and fast food outlets.

## Five key findings

- 1. It is all about engagement** - Loyalty programmes have the potential to be powerful mechanisms to enable and support rich engagement between the brand and the consumer. To harness this potential, programme owners need to understand what their members value and then make it as simple as possible to interact
- 2. If it is all about engagement, measure it** - Programme owners should be tracking key metrics over time in an engagement audit. These audits should include rigorous analysis of transactional data, campaign data, redemption patterns and qualitative feedback from members
- 3. If customers do not engage, redesign** - Benefit redesign is a critical requirement for programmes that find themselves with high reported membership but low active use. The challenge for these programmes is to combine benefits and platforms into a holistic package that aligns with their customers' priorities and passions
- 4. Incentivising more than small change** - Programme owners should carefully track behaviour change to ensure that they are not richly rewarding customers for behaving the same way they always have
- 5. Big data, bigger returns** - Loyalty programmes enable companies to build a rich customer database. This asset, if leveraged effectively, can help programmes personalise rewards, which in turn will help improve engagement, build the brand and enhance customer profitability significantly.

## Other insights

- Respondents are members of nine programmes on average across the spectrum. While this may seem high, the number of programmes actively used is much lower. On average respondents were actively using five programmes or just over half of the programmes they are registered for
- Loyalty programmes enable companies to build rich customer databases. Programme owners would argue that they are leveraging this data effectively. However, the survey found that in most cases, less than half of the respondents agree that programmes are effectively using data to customise reward / benefit offerings
- Given the proliferation of loyalty and rewards programmes in South Africa, it is unsurprising that many respondents are loyal to more than one programme in the same sector. This was most clearly visible in the Health & Beauty sector where 49% of respondents are both a Clicks ClubCard and Dischem Benefits member
- Beyond divided loyalties, programme owners should also be concerned with what behaviour change, if any, the programme is creating. The survey found that in both the food retailer and banking sectors, in most instances, the majority of members indicated that the programmes did not influence their purchasing decisions
- The act of redeeming points (or using benefits) is the most important signal of engagement. The survey found that the majority of respondents that say they derive the most benefit from a programme have recently received or redeemed rewards
- A number of loyalty programmes in South Africa use tiering to incentivise members to abstain from using other providers. Many respondents do not know what tier they are on and do not know what it would take to move up a tier. The noticeable exception is Discovery Vitality with its effective communication.

The full report is available for download [here](#).