

Are banks using their loyalty programmes effectively?

South Africa's Big Four retail banks are sitting with more than R2bn in unspent loyalty points, which, given the tough economic scenario, is strange. Surely the discounts redeemable through these points should be sought after as consumers attempt to make hard-earned money go further?

The financial services industry, specifically the big four banks, have offered loyalty programmes for several years now and have acquired important customer transactional data in the process.



But is this data being analysed effectively to create balanced loyalty programmes that are simple to understand, relevant and differentiated? This is what the 2016 [Truth Loyalty Whitepaper](#) set out to uncover.

Competitive advantage

Loyalty strategies, in the banking industry, were initially designed for rewards to be linked to spend on credit and debit cards. This was mainly to help position the banks in the market and be first in the customers' wallet, from a spend point of view.

The competitive nature of the banking world has led to banks starting to use loyalty programmes as a key differentiator in delivering a competitive advantage and in some cases even provide a lifeline during these difficult times. It's clear, however, that some are achieving this far more effectively than others.

Mobile apps and gamification still winning

Usage has shown that while some banks' loyalty programmes rank quite well when compared with programmes more generally, retail loyalty programmes are still favoured due to simplicity and inclusion of all customers across varied demographics. This presents an opportunity for retail banks to make their programmes more visible and interactive through mobile apps and gamification to attract and retain customer interest.

FNB's eBucks has massive 85% redemption rate

eBucks, in the market since 2000, is by far the most favourable loyalty programme within financial services. FNB reported that R8bn worth of eBucks have been earned since inception and just over R6.8bn spent, yielding an outstanding 85%

redemption rate. Over R400m has been spent on fuel at Engen alone.

Over time, changes have been made to the rules of the programme across earn, redemption and capped spend thresholds. By establishing a virtual currency, forming partnerships and coalitions, redemption rates have been improved to ensure more customers spend eBucks, more frequently.

According to the CEO of eBucks, Johan Moolman, identifying relevant offers by using transactional data effectively and getting the partnerships right has improved the programme.

Absa, Standard Bank and Nedbank – loyalty lowdown

The survey showed that 16% of the respondents used Absa Rewards, 14% used Standard Bank's Ucount and just 10% used Nedbank Greenbacks.

Absa Rewards was launched in 2009 and is a rewards programme for credit, cheque and debit card spend. Meanwhile, UCount was launched in 2013 as Standard Bank's new rewards programme after it had offered value-added services through the Superior Choices programme. Similar to eBucks, UCount is a coalition-type programme and offers cashback at various partners. The cashback percentage is dependent on the tier and overall product holding with the bank.

Nedbank Greenbacks was launched in 2005 and is the only rewards programme still only linked to earn on credit and debit card spend only (i.e. not dependent on the customer's product holding within the bank). No bank-wide programme exists and some complexity lies in the earn component, whereby customers get more accelerated benefit by using the American Express card. The programme launched the Shop card in 2014, which will have actively aimed to reduce the liability of unused points.

"If your loyalty points are sitting as a liability on your balance sheet, we strongly believe you should be driving increased redemption. Apart from lightening the weight on your ledger, 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. We, categorically, encourage higher redemption rates for a successful customer loyalty programme," Amanda Cromhout, CEO of Truth says.