

The 2019/20 South African Loyalty Landscape



ABOUT THE 2019/20 LOYALTY WHITEPAPER

Welcome to the 5th edition of the Truth & BrandMapp South African Loyalty Landscape Whitepaper.

From its inception in 2015, Truth & BrandMapp have proudly delivered insights over the last 5 years, analysing the changing consumer attitudes towards loyalty programmes in South Africa, further analysing the factors influencing loyalty usage.

Truth and BrandMapp have successfully published 4 previous whitepapers. The 5th edition is yet another powerful collaboration between Truth, South Africa's renowned loyalty and CRM consultancy, and WhyFive, a consumer insights consultancy.

The 2019/20 Truth & BrandMapp Loyalty Landscape Whitepaper provides 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.

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.

We hope you enjoy this comprehensive, landscape study of consumer loyalty behaviour in South Africa.

AUTHORS



Amanda Cromhout

Founder & CEO
TRUTH

Amanda is the founder & CEO of Truth. Amanda's extensive experience in the field of loyalty & CRM has put Truth at the forefront of the loyalty industry. 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, South Africa.

Amanda is invited to speak, professionally, as a keynote speaker and thought-leader in her field, both in South Africa and internationally.

Amanda is a judge at the UK Loyalty Magazine Awards covering global territories, as well as, the Judging Chair for the South African Loyalty Awards.



Ros Netto

Loyalty & CRM consultant
TRUTH

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 client (locally & internationally) across various industries for both B2B & B2C.

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

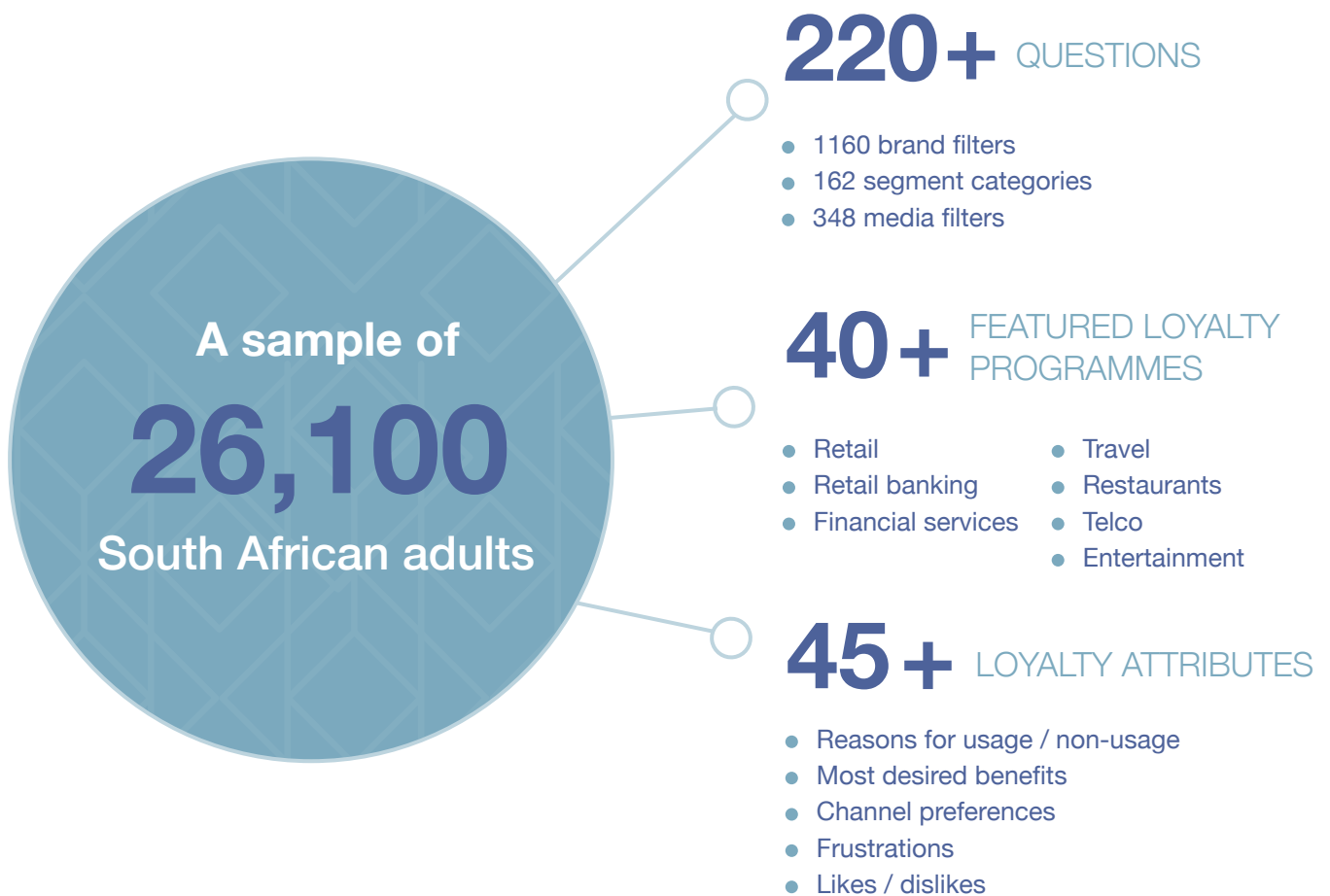


ABOUT BRANDMAPP

In this whitepaper, insights derived from the current state of loyalty in South Africa were unearthed using results from the 2019 BrandMapp survey.

BrandMapp is South Africa's largest independent annual survey created using the responses of 28 826 respondents and includes 227 measures, 162 categories, 1160 brands and 348 media filters. This comprehensive survey provides a unique analysis of consumers defined in this whitepaper as "economically active" South African adults, over the age of 18, 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.

SOUTH AFRICA'S LARGEST LOYALTY STUDY



BrandMapp offers marketers and agencies the ability to segment, profile and fully understand their customers, within this crucial group.



stuart@whyfive.co.za



+27 (0) 83 443 8111



www.whyfive.co.za



@Whyfive

EXECUTIVE SUMMARY

In the 2019/20 Truth & BrandMapp Loyalty Landscape Whitepaper, we see that 72% of South Africans, who are economically active, are using loyalty programmes. This is a slight decline since the previous year. However, it is a 7% points decline in loyalty programme usage since 2017. We conclude that this is intricately linked to overall consumer spend and confidence in South Africa, in a more economically unstable environment.

We do see a difference in all our loyalty measures in this whitepaper between different demographic profiles across gender, age and income brackets.

This year, for the first time, we investigate why South Africans don't use loyalty programmes. In addition, customer frustrations about loyalty programmes are explained. Respondents express concerns about programme complexity, personal data usage and not earning enough to extract value from the programmes, to name a few.

Each year, we ask respondents to outline which loyalty programmes they use the most. Clicks ClubCard remains the most used loyalty programme. We are now able to show how the top loyalty players move between the top spots, with 5 years of history. The top tracked programmes are Clicks ClubCard, Pick n Pay Smart Shopper, Dis-Chem Benefit, Woolworths WRewards, FNB eBucks and Edcon thank U.

We also offer insight into top loyalty programmes, ranked within their relevant category. The 4 chosen categories are: 1. Retail, 2. Financial services, 3. Restaurant/QSR & 4. Travel.

The most exciting new insight revealed in the 2019/20 Truth & BrandMapp Loyalty Landscape Whitepaper is "which loyalty programme can you simply not live without?" eBucks is the outright winner and we see financial services dominate the top 6 loyalty programmes claimed to be indispensable to their members.

We continue to deep-dive into which benefits consumers enjoy in loyalty programmes and unsurprisingly, this continues to be dominated by cashback or monetary rewards. We expected to see a shift in consumer preferences towards using an App for loyalty programme identification but, still, 73% of South Africans prefer to use a loyalty card. We also reveal consumer concerns and expectations from loyalty brands on how their personal data is used by the programme operator.

In conclusion, we offer insight into how much loyalty programmes actually influence consumer behaviour towards where they shop, what products they buy, where they buy fuel and where they bank.? This is strategically critical to understand as more and more brands invest in loyalty. Do their loyalty programmes actually influence consumer behaviour? This is discussed at the end of the Truth & BrandMapp South African Loyalty Landscape Whitepaper.

This is the 5th edition of the South African loyalty landscape whitepaper. Our previous whitepapers are available on www.truth.co.za. Our previous 4 editions discuss strategic view points such as customer data, customer responsiveness to non-transactional rewards, the power of simplicity and the importance of redemption of your loyalty currency, combined with deep-dives into the health and beauty retail category and retail banking.



01

THE SOUTH AFRICAN
LOYALTY LANDSCAPE 2019/20

THE SOUTH AFRICAN LOYALTY LANDSCAPE 2019/20

In the Truth and BrandMapp whitepaper series, we take a deep look at loyalty programme usage in South Africa in relation to the factors influencing usage, such as: age, gender and income.

In the 5th edition, these principles remain key when analysing the results of the 2019 survey as they play an important role in understanding the trends in loyalty usage, in South Africa.

This year, we are able to compare results over a 5 year period from 2015 to 2019, which paints an interesting picture of overall loyalty usage in South Africa.

“ 72% of South African consumers use loyalty programmes in 2019. ”

In 2019, we see a decline in usage of 3% points from 75% of South Africans using loyalty in 2018 to 72% in 2019. Albeit, a small decline of 3% points, it is important to note this change over the previous 3 year period, which indicates an overall decline of 7% points from 2017 to 2019.

Figure 1: Loyalty programme usage over the last 5 years

Source: BrandMapp 2015-2019



When referring to the following figure, which shows the changes over the last 5 years, we see that the most significant increase in loyalty usage occurred between 2015 and 2017 of 12% points, taking loyalty usage up to 79%.

The headline, however, still remains that over 70% of South African consumers, a substantial proportion of the South African economically active population, are still using loyalty programmes.

But what has attributed to the decline? In recent years, in South Africa, the economic uncertainty and pressure on consumer spend has influenced the choices consumers make when it comes to brands they love and ultimately the programmes they use.

In a recent report by Trading Economics Forum, it states, “consumer confidence is at the lowest level since 2017, as households have been experiencing tighter income squeeze amid slow wage growth, high tax rates, and soaring electricity prices.” In addition, according to a recent study by Nielsen on “The Price of Promoting” states that 75% of South Africans claimed to know the prices of grocery items they regularly buy and notice changes in price, versus 69% in 2018. Their spending habits confirm that South Africa is the second-most price sensitive country in the world. Such insight is coupled with conclusions from Deloitte’s annual Global Powers of Retail report of 2020. This concludes that “South African retailers’ drop in rankings reflects tight trading conditions, with spending under pressure amid low consumer confidence, creeping economic growth, and rising prices.”

The below chart illustrates a more detailed view on respondents’ answers to the question: “Are you using loyalty programmes more, the same, or less often than you were a year ago?”

Figure 2: Overall loyalty programme usage in 2019

Source: BrandMapp 2019/20 | n = 26 100



The number of respondents not using loyalty has increased from 25% in 2018, to 28% in 2019, resulting in the slight decline to 72% of survey respondents using loyalty in 2019. 26% are using loyalty more in 2019, 1% point up from 2018, reflecting an insignificant shift.

It is, therefore, undeniable that these economic pressures in tough economic conditions, faced by many consumers in South Africa, influence overall spend and therefore, loyalty programme usage.

What other factors influence loyalty usage? In the next section, we take a deeper look at the factors influencing overall usage such as age, income and gender.

OVERALL LOYALTY PROGRAMME USAGE IN 2019 BY GENDER

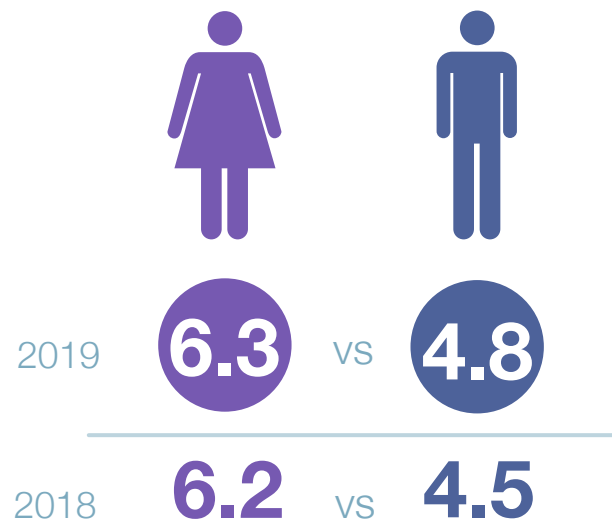
The average number of loyalty programmes South Africans belong to is 5.6. When it comes to gender, typically women belong to more programmes than men. However, as seen in the previous whitepaper in 2018, we continue to see the usage gap between men and women decrease as men increase the number of programmes they belong to and use.



In 2019, women belong to an average of 6.3 loyalty programmes, a minimal incline versus 6.2, in 2018. Men belong to an average of 4.8 programmes in 2019, also showing a slight incline compared to 4.5 in 2018.

Figure 3: Average number of programmes men and women belong to
2018 vs. 2019

Source: BrandMapp

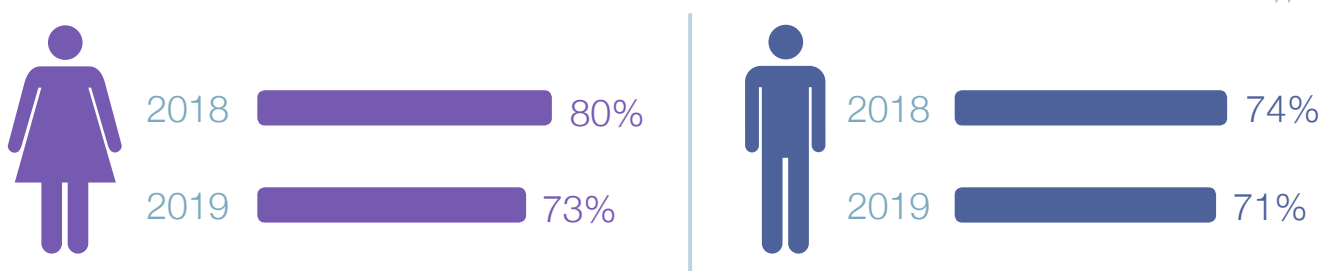


The most significant shift we witness in 2019, is the change in loyalty programme usage by gender. In 2019, women have shown the greatest decline by 7% points (down from 80% 12 months ago), using loyalty programmes a lot less when compared to 2018. It is important not to confuse the 2 measures of % usage and number of programmes woman belong to.

Men also show a 3% points decline in usage, both contributing to the overall decline seen in overall programme usage in the previous section.

Figure 4: Usage by gender on the decline
2018 vs. 2019

Source: BrandMapp



Women typically belong to retail programmes which reward customers for their frequency and overall spend, whilst men typically belong to programmes in financial services, which reward for financial or medical related activities (reaching health goals or financial goals) and not just frequency of purchase or spend. Naturally, when consumers are faced with cutting back on spend, it impacts the use of loyalty programmes especially in retail, thus influencing overall usage, especially by women, who tend to do more shopping than men.

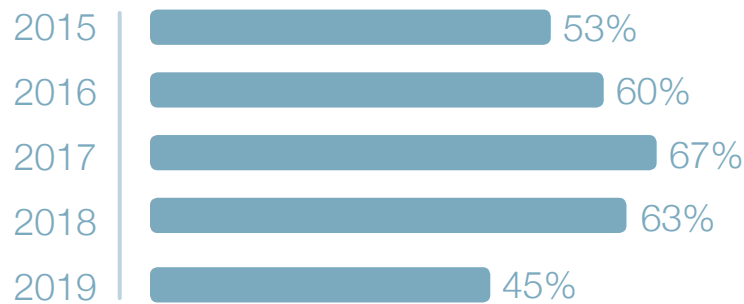
OVERALL LOYALTY PROGRAMME USAGE IN 2019

BY AGE

As with gender, viewing loyalty programme usage from an age perspective can provide insights into the trends influencing overall programme usage.

Figure 5: Overall loyalty programme usage over the last 5 years
Under 25s

Source: BrandMapp 2015 - 2019



In 2019, we see the biggest shifts in usage when it comes to the younger age category 18 – 25. Over the last 5 years, we have seen an interesting trend occur, showing loyalty usage increase dramatically from 2015 to 2017 (from 53% to 67%), then decrease dramatically in 2017 to 2019 (67% to 45% respectively). This incline to decline imitates the same trend seen in overall programme usage from 2015 to 2019, to a greater extent.

We also see the biggest difference, by age, when it comes to the average number of programmes consumers belong to. Age category 18-25 belong to dramatically less programmes than the older age categories.

Figure 6: Average number of programmes consumers belong to
Age

Source: BrandMapp



OVERALL LOYALTY PROGRAMME USAGE IN 2019 BY HOUSEHOLD INCOME

From an income perspective, unsurprisingly, penetration of loyalty programmes remains less in lower income groups. 59% of respondents, with a household income between R10 000 and R20 000, use loyalty programmes. As household income increases, so does loyalty programme usage. This is not surprising and continues along the same trend, year on year.

Figure 7: Overall loyalty programme usage in 2019
Income

BrandMapp 2019/20 | n = 26 100





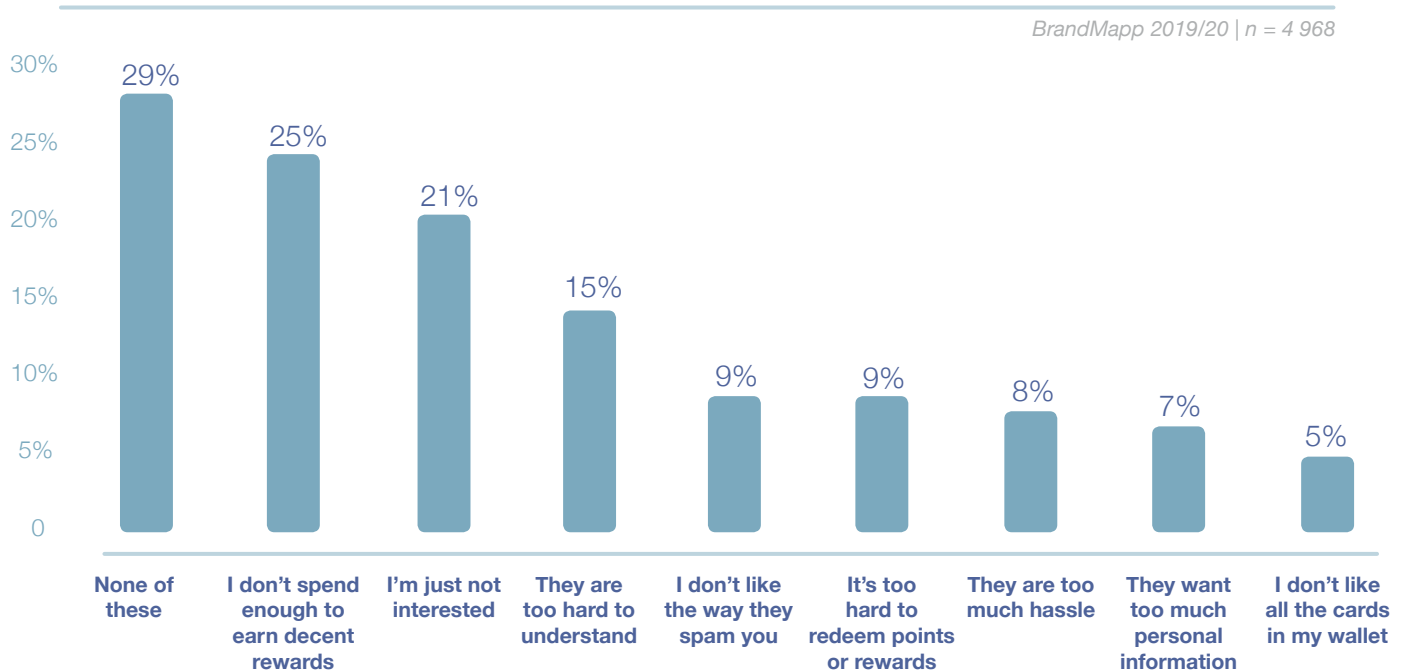
02

FACTORS INFLUENCING LOYALTY USAGE

WHY DON'T SOUTH AFRICANS USE LOYALTY PROGRAMMES?

For the past few years, we have seen the percentage of South African consumers who do not use loyalty programmes change from 33% in 2015 to 28% in 2019. We need to understand the reasons why those consumers do not use loyalty. It is a relatively small proportion versus those who do use loyalty programmes, but even so, we would like to deep dive into this issue. So we asked the question this year: “why don’t you?” to the 28% of respondents who stated “I don’t use loyalty programmes.”

Figure 8: Why don’t you use loyalty programmes?



We can see from the graph above that the first 3 reasons don’t really give loyalty professionals much indication on how to improve their programmes to address this issue. We can see that the consumers not using loyalty claim that they either do not spend enough to get decent rewards or that they are simply just not interested. The former response can be addressed by designing a loyalty programme which can help low spending consumers feel value or create a surprise and delight set of experiences.

For this debate, we’d rather focus on the next level of reasons, which do give us elements of programme design and execution to improve upon. Each of the reasons indicated, after the first 3 responses, are useful pieces of feedback and directly correlate to the reverse of what makes a successful loyalty programme.

15% of non-users claim that “they are too hard to understand” and 8% claim “they are just too much hassle”. Both these reasons play to one of the most important loyalty design elements: the programme must be simple and transparent. Truth’s blueprint for success states its number 1 requirement is for programmes to be simple to understand and must be as transparent as possible, with no hidden rules or complicated hurdles for consumers.

9% of non-users state that “I don’t like the way they spam you” and, linked to use of personal data, 7% of non-users state that “they want too much personal information” as a reason for not using loyalty programmes. We deep-dive into the use of personal and transactional data in section 7 by asking all respondents to the 2019 BrandMapp survey how they feel about companies using data either submitted by the member or collected through purchasing behaviour.

We also note that 9% of non-users of loyalty programmes state that this is due to how hard it is to actually redeem points earned through the programme. There is no question that the process of redeeming points is equally, if not more important than the actual value of points being redeemed. We find that this reason is more relevant for male respondents than female respondents.

“Redemption should be as natural as normal buying behaviour; therefore, excel in your user experience.”

Andre Larisma, CEO Sanlam Reality at Leaders in Loyalty 2019

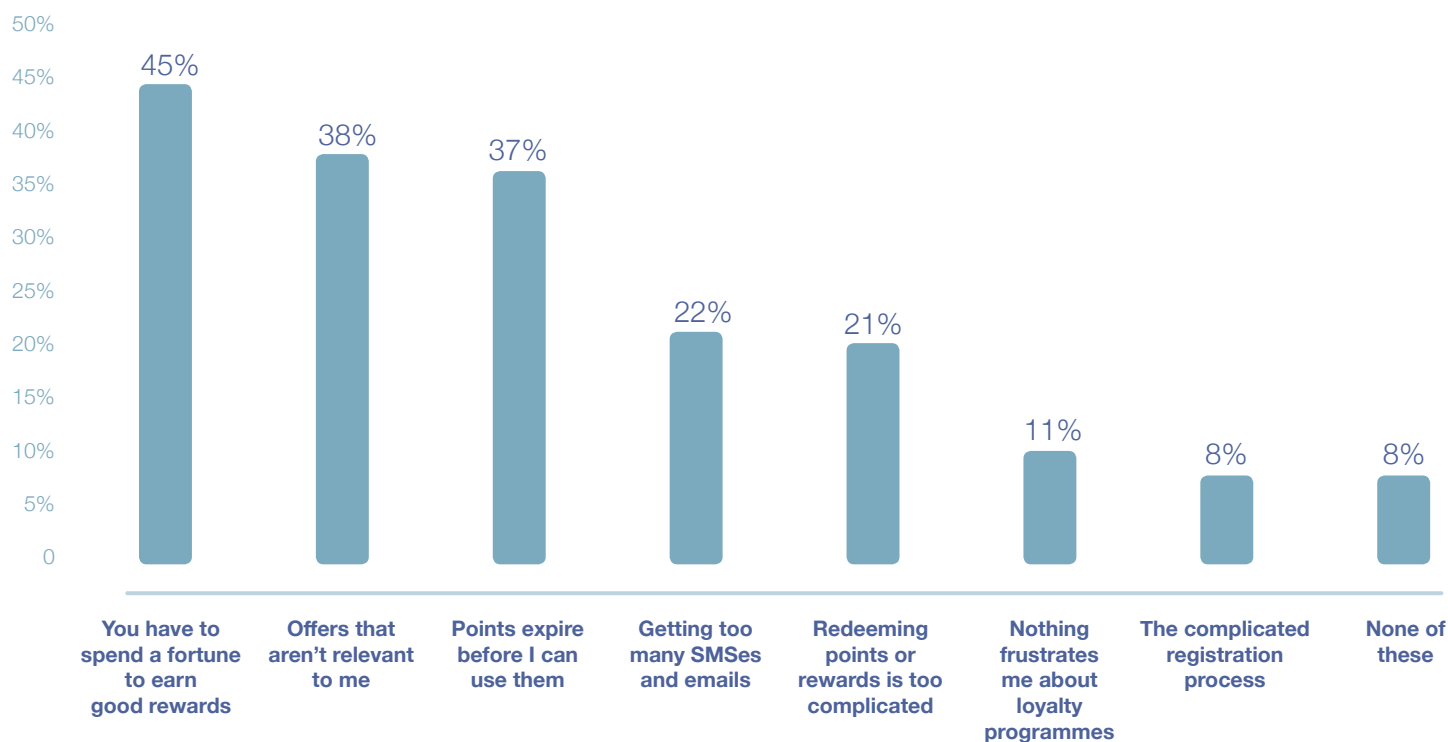
We have seen time and time again that the ease of redemption weighs heavily on member satisfaction and the member often gives up and feels like the effort is not worth the return. Below, we discuss the frustrations consumers experience about loyalty programmes; 21% of respondents state that “redeeming points or rewards is too complicated.”

Finally, we see from the graph in figure 8, that 5% of non-users state “I don’t like cards in my wallet.” This is a small percentage and a fascinating debate. Overall, we see that South Africans are still pro loyalty cards as their loyalty programme identifier versus digital alternatives; this is discussed in section 6 of this whitepaper.

Coupled with asking non-users why they don’t use loyalty programmes, we asked the users of loyalty programmes the following question: “What do you find frustrating about loyalty programmes?”

Figure 9: What do you find frustrating about loyalty programmes?

Source: BrandMapp 2019/20 | n = 21 006



It is significant to note that the number 1 frustration of respondents: “you have to spend a fortune to earn good rewards” correlates to the number 1 reason why some consumers do not use loyalty programmes: “I don’t spend enough to earn decent rewards.” This is particularly important to note when designing your member engagement plan to ensure that you immediately reward members for their effort of signing up to your programme. A small welcome gift can go a long way to reduce this number 1 frustration. Equally, ad hoc, small surprise and delight rewards can keep your members engaged whilst they start to build up enough rewards to redeem and feel reasonable value from the programme.

In numerous articles and whitepapers, Truth has highlighted the importance of personalisation. We see that 38% of consumers find that “offers that aren’t relevant to me” as a major frustration about loyalty programmes. We have seen the most used loyalty programmes in South Africa often state that they offer personalised vouchers to their members. We have witnessed great progress from the South African retailers in recent years to get closer to their customers through personalised offers and communications.

“We make sure, through personalised discounts, that customers get immediate cash off on the products they buy most often. No two Smart Shopper discounts are alike which means our customers get savings on their own essential products.”

John Bradshaw, Head of Marketing, Pick n Pay

37% of respondents state that “points expire before I can use them” as a frustration about loyalty programmes. This is a hotly debated topic. We believe that if a member of a loyalty programme is active, then their points should not be expired by the programme operator. It is a mechanism used by programme operators to create breakage and cost reduction of rewards value. We believe that the cost of the negative experience for your members, due to forced points expiry, outweighs any breakage gain on the balance sheet.

22% of respondents state that they find “getting too many SMSes and emails” as a frustration about loyalty programmes. This can be carefully managed through a member engagement plan, which plans and executes communications across the loyalty programme interactions, marketing promotional calendars and personalised/segmented communications. If such an approach is followed correctly, the loyalty programme operator can avoid over communicating and ‘spamming’ its members.

The final frustration to highlight, is only stated by 8% of respondents: “the complicated registration process.” It is imperative to reduce and remove any friction in the registration process if you wish new members to sign up to your programme.

We would like to highlight what an incredible job grocery retailer, Checkers, has done at the end of 2019 in its Xtra Savings launch and registration process. It is a multi-channel process to match all consumer needs from USSD, whatsapp, web and App. Checkers states that registration takes less than 3 minutes and in their first week of launch, signed up 1 million customers (that’s up to 250 customer per minute).

In a recent interview with Truth, Neil Schreuder, Chief Strategy & Innovation Officer at the Shoprite Group of Companies, provides us with some further insights into the success of their launch.

PROGRAMME TO WATCH

CHECKERS XTRA SAVINGS

Q&A with Neil Schreuder, Chief Strategy & Innovation Officer, Shoprite Group of Companies.



TRUTH: In a media interview at the end of last year, you mentioned that in the first few days of launch, up to 250 customers were signing up every minute.

NEIL: With the Xtra Savings launch, we prioritised a seamless digital sign up process, with instant access to great deals. This meant that we signed up 1 million customers in the first week alone, well ahead of our targets. This meant that the programme was at meaningful scale almost immediately.

Sign Up Now in Under 3 Minutes

Then Get a Card in-Store and Link It to Your Profile!

It's quick and easy! Simply click on the button below or use any of the other 3 ways of signing up.



TRUTH: Which has been the preferred channel for sign ups (whatsapp, USSD, App, web)?

NEIL: USSD and Whatsapp were the preferred digital channels, with consumers favouring simplicity and speed.

TRUTH: How many members have you acquired within the first 3 months? What has been the biggest “Aha” moment for you / and your team since launch?

NEIL: We have acquired 3.5m members since launch and the number grows daily. We always knew instant savings on groceries were favoured over slow-earning, tiered points systems, but we were surprised at just how powerful the instant savings offer was for consumers in the current economy. Consumers are also incredibly engaged and we, therefore, get instant feedback at scale on things they like on a daily basis which helps us prioritise enhancements which consumers actually care about, in an agile way.

TRUTH: What have been some of the challenging / difficult things to have to handle since launch?

NEIL: The sheer scale of executing more than 1000 Xtra Savings offers in every region, in every store, every week, over and above our regular promotional offers was demanding. However, we knew that the success of the Xtra Savings programme will be in its simplicity and transparency of real value, so we have to put in the extra sweat to ensure consumers simply have to swipe their card at the till without having to select or activate offers.



03

MOST USED LOYALTY
PROGRAMMES IN SOUTH AFRICA

THE TOP 25 MOST USED LOYALTY PROGRAMMES IN SOUTH AFRICA

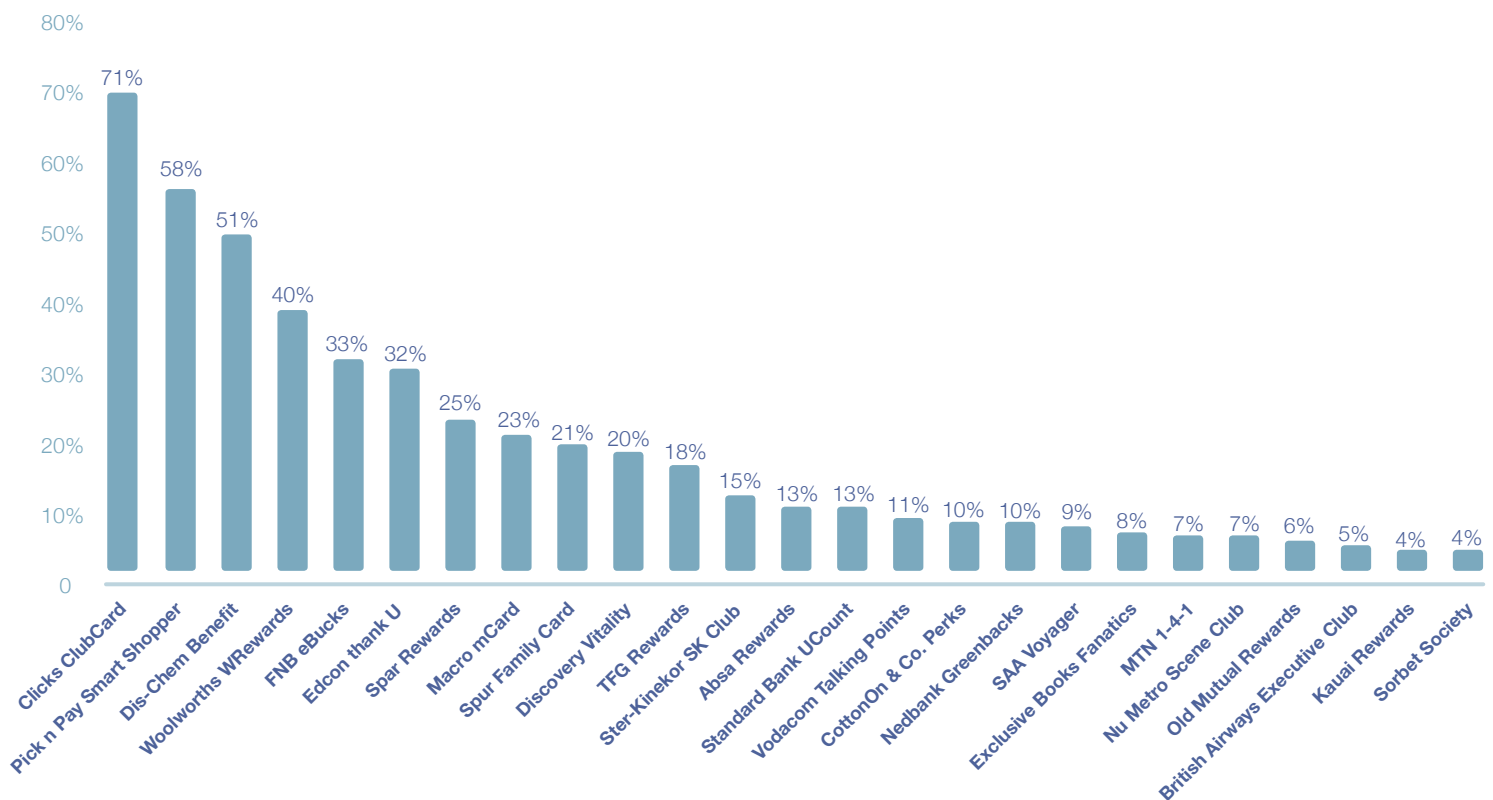
Over the past 5 years, the Truth & BrandMapp Loyalty Landscape Whitepaper has provided readers with insights into the most used loyalty programmes in South Africa. Respondents who indicate they use loyalty programmes are asked to select the loyalty programmes they use the most, giving us a true reflection of loyalty programme usage per programme.

To solely report on how many programmes respondents belong to would only give us a simplistic view of membership volumes, which do not indicate usage. As seen earlier, the average number of programmes South Africans belong to is 5.6; however, this does not indicate how often they are used in comparison to other programmes.

As seen over the past 5 years, retail programmes still dominate the loyalty landscape with 7 out of the top 10 being retail loyalty programmes. Clicks ClubCard remains steady at number 1, with 71% of respondents saying they use Clicks ClubCard the most. Pick n Pay Smart Shopper and Dis-Chem Benefit remain unchanged in holding their positions at 2nd and 3rd place, respectively.

Figure 10: The top 25 most used loyalty programmes in South Africa

Source: BrandMapp 2019/20 | n = 21 206



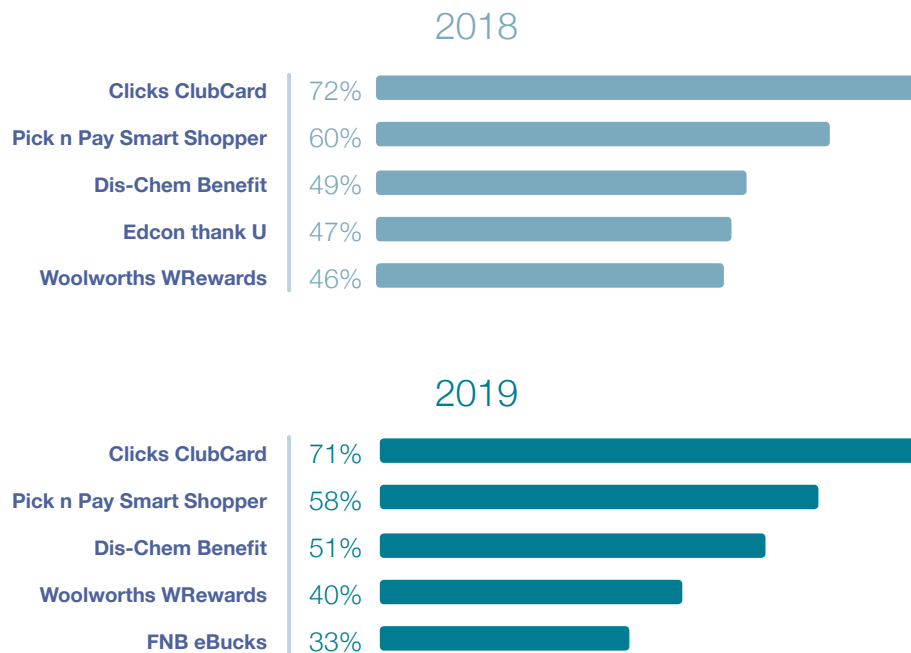
“Clicks Clubcard is extremely consumer centric: There’s a low barrier to entry, the rewards are rich and these are very clearly communicated to consumers.”

Wendy Knowler, Judge - South African Loyalty Awards 2019

However, we have witnessed 2 of the biggest changes in the top rankings in 2019, with FNB eBucks entering the top 5 for the first time since 2015 and being the only retail bank to enter the top 5. Edcon thank U, sees a 15% point decline from 47% in 2018 (at 4th position) to 32% in 2019, settling at 6th position.

Figure 11: The top 5 most used loyalty programmes in South Africa
2018 vs. 2019

Source: BrandMapp 2018 & 2019

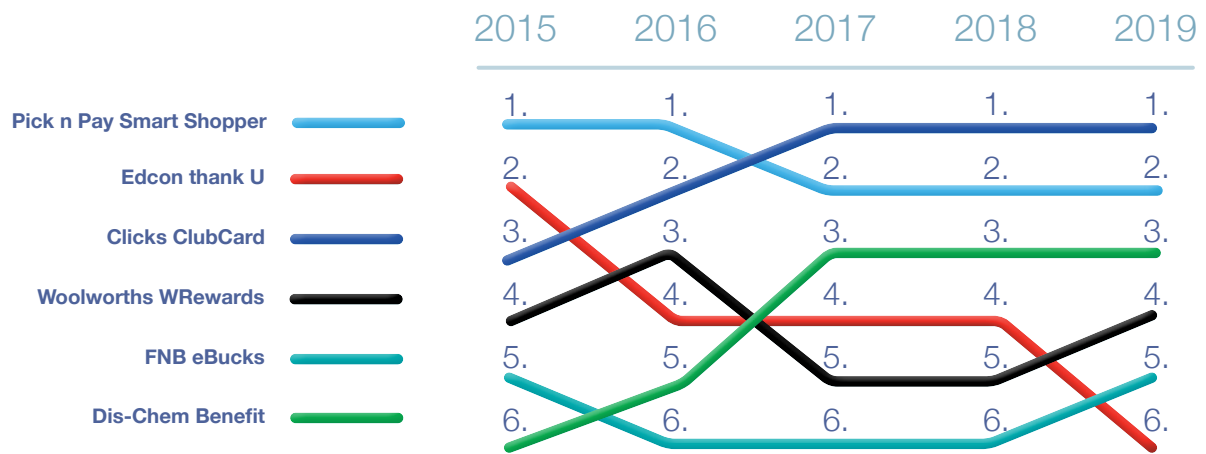


Woolworths WRewards has also improved from ranking 5th in 2018 to 4th position in 2019, having also surpassed Edcon thank U.

Spur Family Card has remained as the only restaurant loyalty programme in the top 10 and has successfully achieved this over the last 5 years. Discovery Vitality also remains within the boundaries of the top 10 and is the only financial wellness programme featured in the top 25 most used programmes.

Figure 12: The top 6 most used loyalty programmes in South Africa over the last 5 years

Source: BrandMapp



MOST USED LOYALTY PROGRAMMES IN SOUTH AFRICA BY SECTOR

To provide a more holistic view of loyalty usage by sector, we have provided the top 10 most used loyalty programmes per industry vertical. This helps us understand which programmes are being used within each sector and how these programmes fare against each other in their respective sectors. This also allows us to comprehensively compare like-for-like programme usage.

The sectors we have selected are based on where we see a prominent loyalty presence in the market place and responses illustrated within this survey. This includes all retail programmes (food and non-food), financial services (including retail banks, medical aid and insurance), restaurants / QSR and travel.

It is worth noting that the restaurant / QSR loyalty industry has shown exponential growth in terms of the number of loyalty programmes which exist within this sector. The adoption of nimble, loyalty and mobile payment integrations has been well received in this sector.

Retail

1. **Clicks ClubCard**
2. **Pick n Pay Smart Shopper**
3. **Dis-Chem Benefit**
4. **Woolworths WRewards**
5. **Edcon thank U**
6. **Spar Rewards**
7. **Makro mCard**
8. **TFG Rewards**
9. **Cotton On Perks**
10. **Exclusive Books Fanatics**



Financial services

1. **FNB eBucks**
2. **Discovery Vitality**
3. **Absa Rewards**
4. **Standard Bank UCount**
5. **Nedbank Greenbacks**
6. **Old Mutual Rewards**
7. **Momentum Multiply**
8. **Sanlam Reality**



Restaurant / QSR

1. **Spur Family Card**
2. **Kauai Rewards**
3. **Panarottis Rewards**
4. **Seattle Rewards**
5. **Mugg & Bean Generosity**
6. **Burger King Crowns**
7. **Vide e Caffè**
8. **Cape Town Fish Market**
9. **Col'Cacchio Rewards**
10. **Bootleggers Rewards**



Travel

1. **SAA Voyager**
2. **British Airways Executive Club**
3. **Legacy Lifestyle**
4. **Avis Preferred**
5. **EuropCar Drive Club**
6. **Hertz Gold Plus**

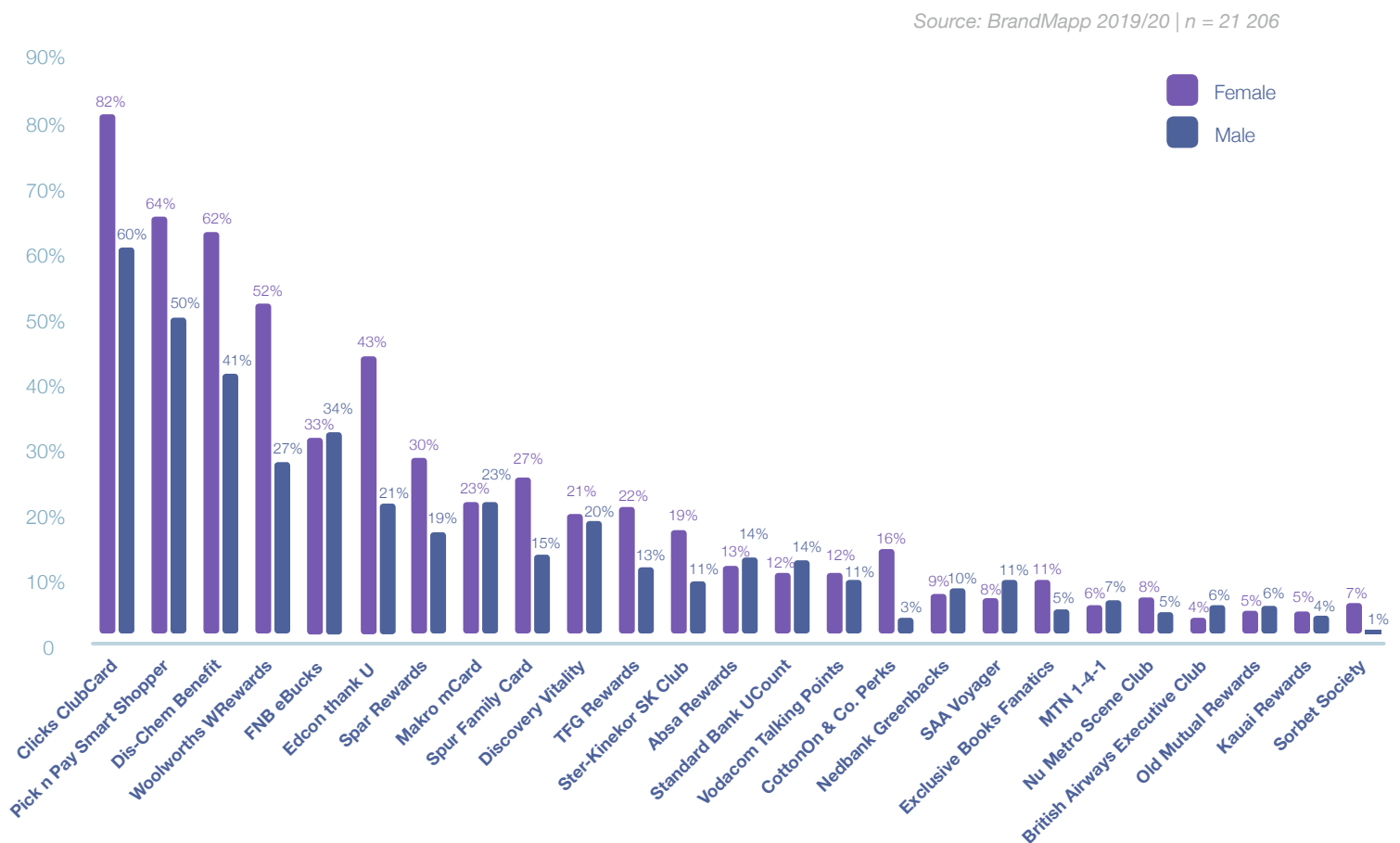


MOST USED LOYALTY PROGRAMMES IN SOUTH AFRICA BY GENDER

When looking at the results by gender, we typically see women skew in usage towards grocery and clothing loyalty programmes compared to men. Men tend to use more programmes in the financial services sector and travel; however, it has become marginally different to women.

The graph below shows the differences between the programmes women and men use.

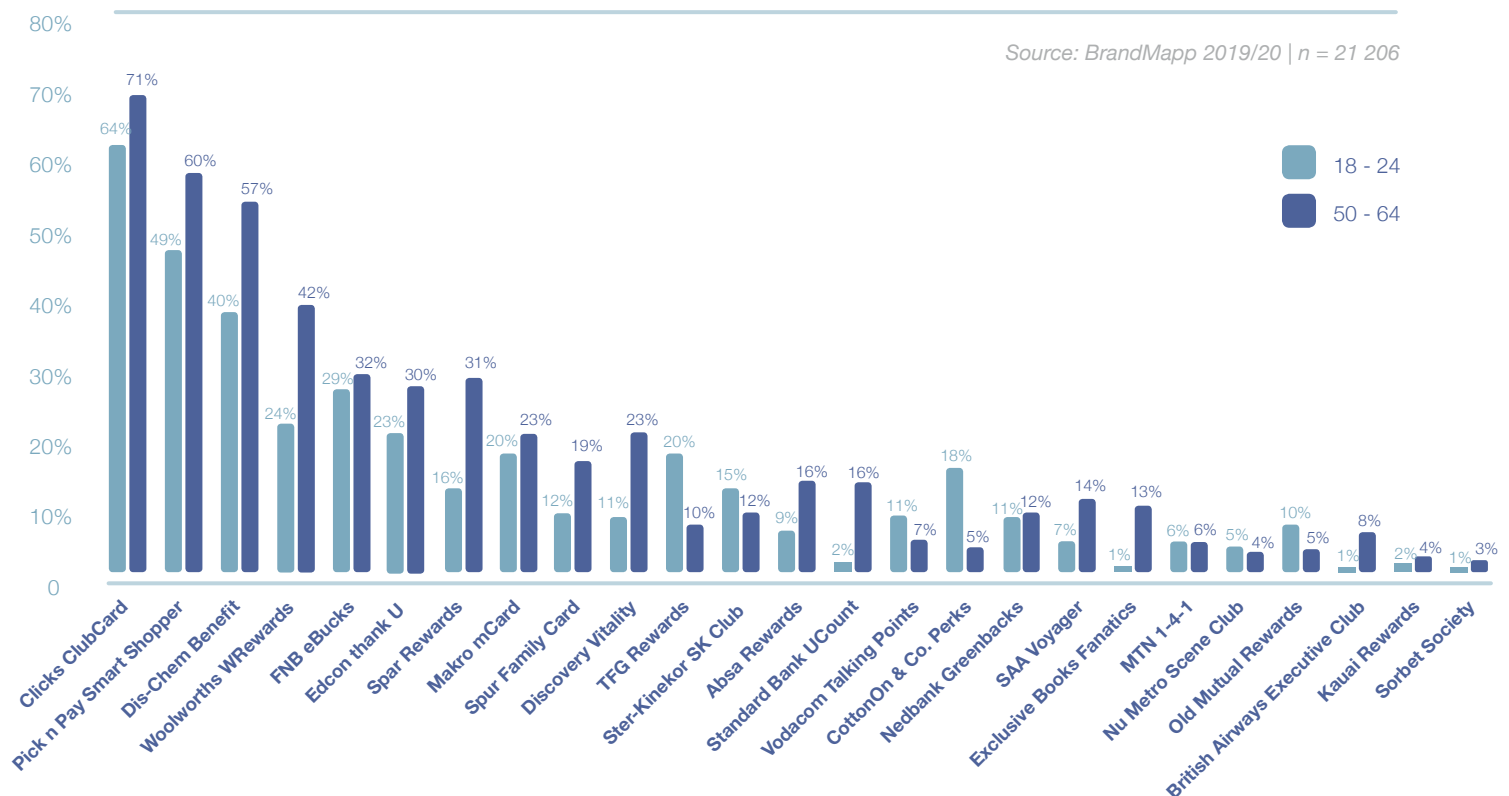
Figure 13: The top 25 most used loyalty programmes in South Africa
Gender



MOST USED LOYALTY PROGRAMMES IN SOUTH AFRICA BY AGE

When looking at the results by age, the notable differences between age categories can be seen between age groups 18 – 24 and 50+ (i.e. youngest vs. oldest).

Figure 14: The top 25 most used loyalty programmes in South Africa
Age (youngest vs. oldest age groups)



In the younger age categories, we see programme usage skew towards programmes focused on fashion, airline/ data and programmes with a low barrier to entry (free and easy to sign up).

To this point, in the 2019 BrandMapp survey, we see the age group of under 25s skew towards fashion retail programmes, such as, Cotton On, with a 13% point difference when compared to age group 50+ and TFG Rewards with a 10% point difference. Vodacom Talking Points also shows a skew towards the younger age category, together with Ster-Kinekor SK Club. Old Mutual Rewards also shows a healthy 5% points difference between these 2 age categories, with a skew towards younger consumers using their programme more than the older groups.

An interesting observation in financial services is how the different ages groups use programmes such as FNB eBucks and Nedbank Greenbacks. FNB eBucks shows only a 3% point difference in penetration, and Nedbank Greenbacks only 1% point difference. Other retail banks show a much larger skew towards an older customer, as high as 14% point difference in some programmes. Discovery Vitality, Standard Bank UCount and Absa Rewards show notable differences in usage when it comes to these 2 age categories, where usage is skewed to older consumers.

The top 5 retail programmes are not as favourable to the younger age groups as they are for the 50+ age group. Taking a closer look at these programmes, Clicks ClubCard, Pick n Pay Smart Shopper and Dis-Chem Benefit provide an extension of their programmes for members over the age of 60, all offering double points every Wednesday, plus a few extra discounts.



04

LOYALTY PROGRAMMES
CONSUMERS CAN'T LIVE WITHOUT

“

If your loyalty programme is integrated into the soul of your brand and becomes part of your core customer experience, you stand a chance of becoming indispensable in the hearts and minds of your customers.

”

TRUTH 2020

LOYALTY PROGRAMMES SOUTH AFRICANS CAN'T LIVE WITHOUT

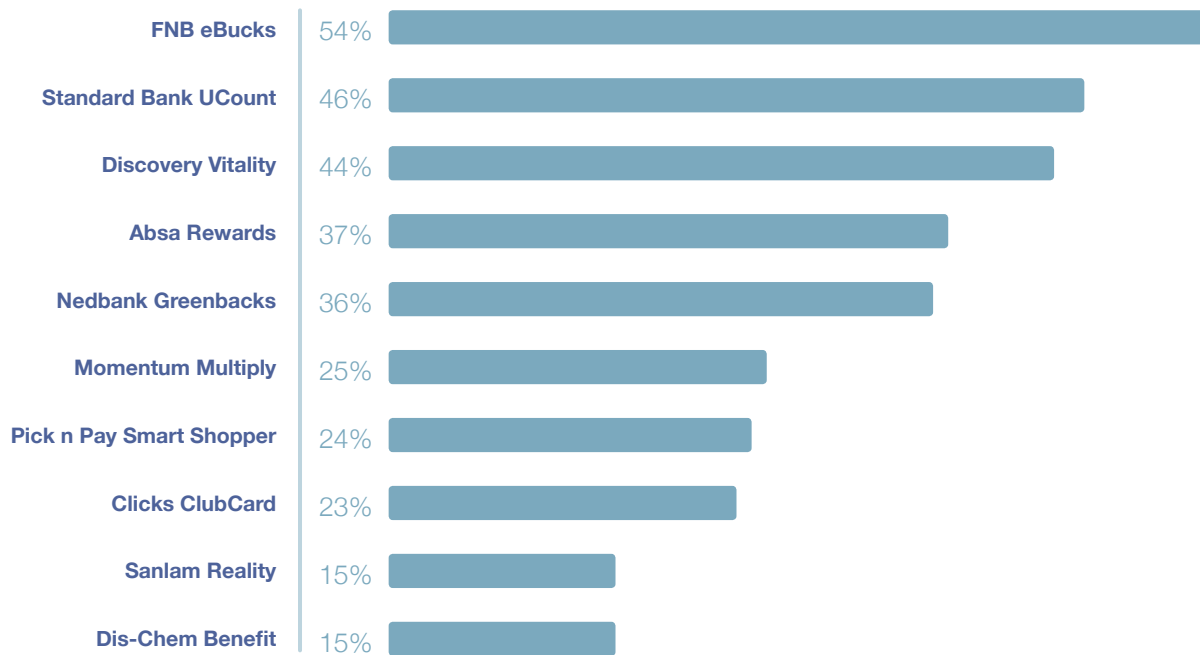
If you could only keep 1 programme, which one would it be? In a quest to understand this, we asked this question to respondents in the 2019 BrandMapp survey to truly understand which programme South Africans cannot live without.

This is a different metric used to understand the most used programmes covered in the previous section, where respondents could choose multiple programmes they use across industry sectors. To identify which programme consumers cannot live without meant respondents could only choose 1 programme from the entire list, across all sectors, they said they belonged to.

The results show the FNB eBucks is the number 1 programme South African consumers cannot live without with 54% of respondents who are eBucks members, indicating it is their no. 1 programme of choice over all others.

Figure 15: The top 10 programmes South Africans can't live without

Source: BrandMapp 2019/20 | n = 21 164



Johan Moolman, CEO of eBucks, has often stated that eBucks exists to serve First National Bank and to drive better banking behaviour. It is, therefore, no surprise how programmes such as eBucks have ensured they are fully integrated into the main banking relationship/product offering from FNB.

“eBucks helps deliver real value to our customers. eBucks helps customers buy that extra bit of airtime, fuel or food when money is tight. eBucks helps you save up for a big occasion and lets you spoil a loved one or friend. eBucks helps customers stretch their wallet when they choose to.”

Johan Moolman, CEO, eBucks

However, further accolades need to be given to the financial services sector as a whole. The top 10 programmes South African consumers cannot live without are dominated by retail banks and insurance companies / wellness programmes.

In our previous loyalty whitepaper (2018/19), we featured loyalty in retail banking as a stand-out sector making big strides in the South African market place. All retail banking programmes claim that their loyalty propositions are a means to help South Africans in cash-strapped times. Through valuable partnerships in grocery, travel and fuel, these banking programmes provide exponential value to their loyal members.

Furthermore, most of these programmes are tightly linked to the primary financial product or transactional activities of the bank and reward consumers according to their banking behaviours. This, ultimately makes it hard for consumers to separate the loyalty programme from the product itself, which has led to the subconscious manner in which members earn rewards and value the programme.

Retail, on the other hand, is surprisingly far less favoured, with only Pick n Pay Smart Shopper, Clicks ClubCard and Dis-Chem Benefit making it into the top 10 on this list. A vastly different view compared to the top 10 most used loyalty programmes in South Africa, discussed previously.

Pick n Pay Smart Shopper takes the lead in retail as the retail loyalty programme consumers cannot live without, with 24% of respondents who are Smart Shopper members, indicating it is their no.1 programme of choice, followed closely by Clicks ClubCard (23%). Dis-Chem Benefit however, narrowly scraps into the top 10 with 15% of respondents (who are Benefit members) saying they cannot live without it.

“The great value offered by our Smart Shopper programme is the most important thing for customers in today’s environment. Customers want to save money and our programme improves all the time to help customers do just that. We’ve always offered value through points, which our customers love, but equally important are the opportunities for immediate cash savings. We offer our very best deals just for Smart Shoppers and make sure through personalised discounts that customers get immediate cash off on the products they buy most often.”

John Bradshaw, Head of Marketing, Pick n Pay

One programme in particular which features in our top 5 most used, but not in this top 10 measure is Woolworths WRewards, with only 11% saying it is the programme to keep. The likes of Cotton On (8%), Spar Rewards (7%) and TFG Rewards (5%) are also less likely to be chosen as programmes to keep by their



05

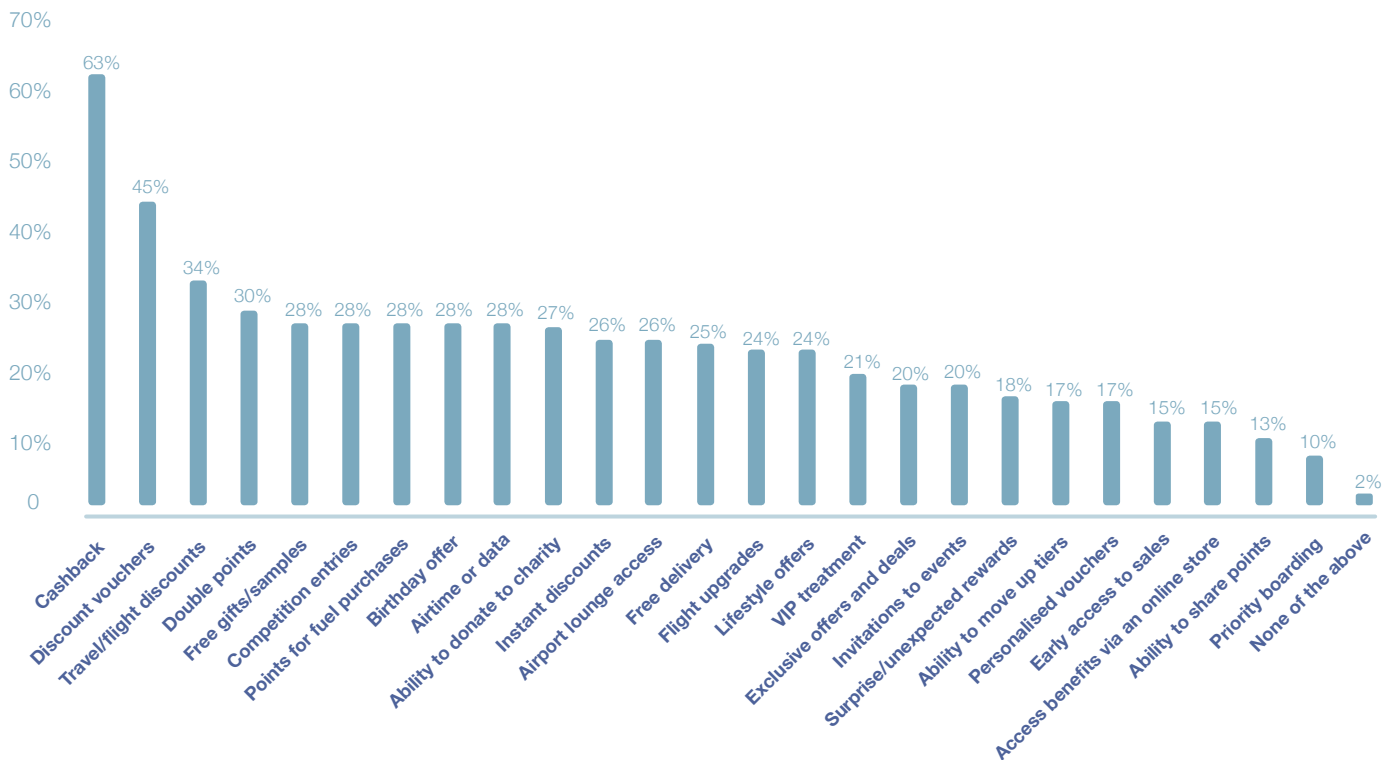
BENEFITS MOST ENJOYED BY
SOUTH AFRICAN CONSUMERS

BENEFITS MOST ENJOYED BY SOUTH AFRICAN CONSUMERS

Every year, we seek to truly understand what South African consumers really want from loyalty programmes in terms of the benefits they have to offer. Whilst some results remain the same year on year, such as cashback consistently being the most sought after benefit, we are particularly interested in what other benefits appeal to South Africans.

Figure 16: Benefits most enjoyed

Source: BrandMapp 2019/20 | n = 21 096



Cashback is the most enjoyed benefit with 63% of respondents indicating this. Discount vouchers rank 2nd, with 45% of respondents stating vouchers are their most enjoyed loyalty benefit. Monetary related benefits are usually more appealing to consumers, particularly in South Africa.

We, at Truth, often see differences when comparing South African consumer preferences to our global peers when it comes to the value placed on benefits such as of VIP/ experiential benefits. In general, South Africans place more value on monetary benefits which provide instant savings and gratification. Across age, gender and income, cash remains king. The most important shifts are witnessed across other benefits.

As you will see in the graph above, besides cashback and instant discounts, there is a range of benefits all yielding similar results, yet are all vastly different in nature. However, where the results change and have clear nuances is when you apply an age or gender filter to them.

BENEFITS MOST ENJOYED BY GENDER

When we break down the benefits by gender, we see a clear differentiation between the benefits most enjoyed by females versus males. These closely correlated to the types of programmes women and men use in terms of the benefits these programmes have to offer. For example, both value cashback highly, but it is significantly more important to women than men. Discount vouchers, double points, free gifts and samples, birthday offers and instant discounts also rank higher for women than men. These are typically related to food or fashion led retail programmes, which women use more than men.

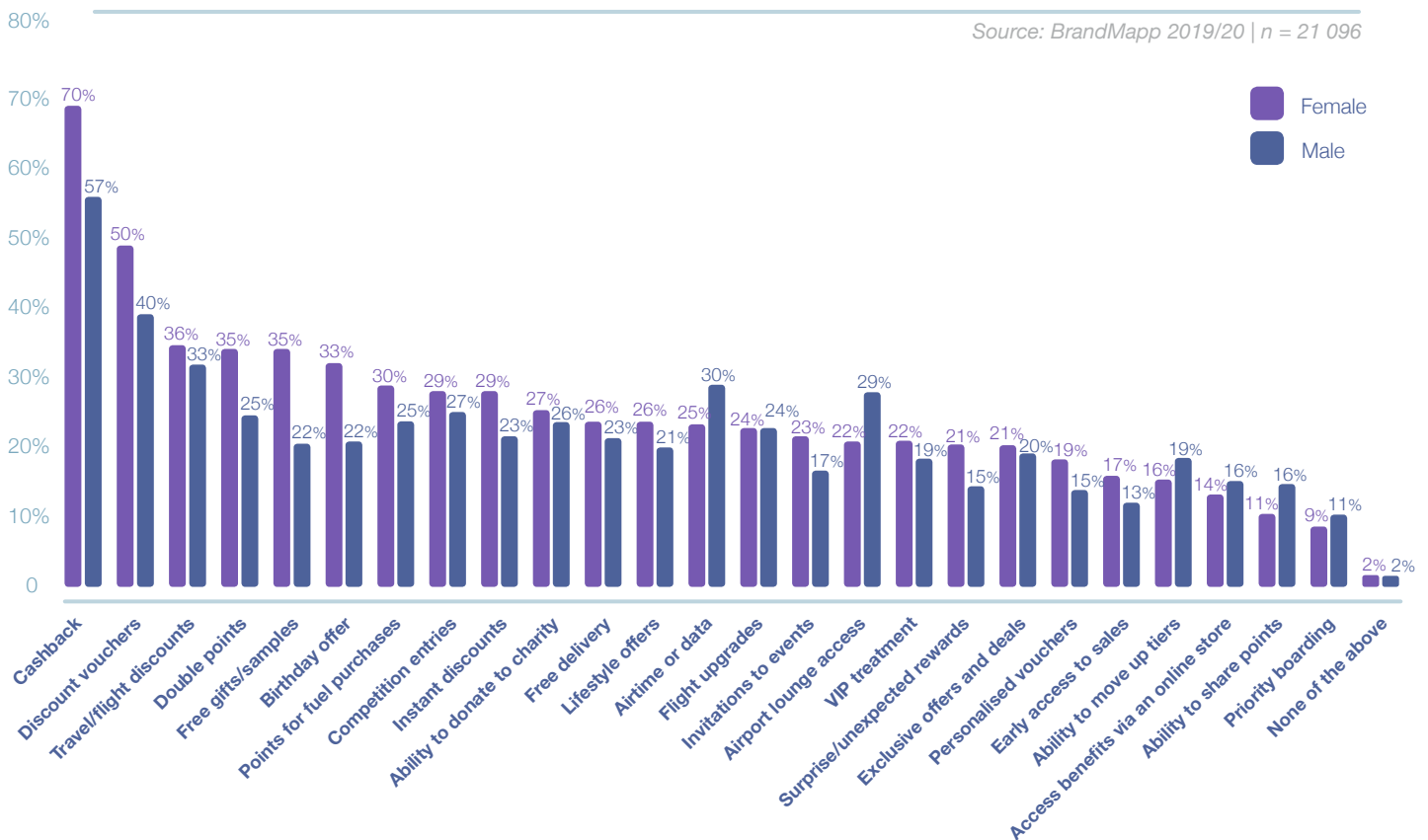
Distinct differences in loyalty benefit preferences women vs. men

Discount vouchers
Double points
Free gifts/samples
Birthday offers
Instant discounts



Airtime & data
Airport lounge access
Ability to move up tiers
Priority boarding
Ability to share points

Figure 17: Benefits most enjoyed
Gender



Men on the other hand, prefer benefits relating to airtime and data and those which are linked to priority access, convenience (such as airport lounge access) or the ability to move up tiers. These are all more closely linked to financial services programmes.

BENEFITS MOST ENJOYED BY AGE

To illustrate the vast difference between age groups, we have selected the youngest category (18 - 24) and the older category (50+). We have done so to illustrate how vastly different consumer preferences are by age differences.

Distinct differences in loyalty benefit preferences by age

Ability to donate to charity
Competition entries
Birthday offers
Free delivery
Ability to share points

18 – 24

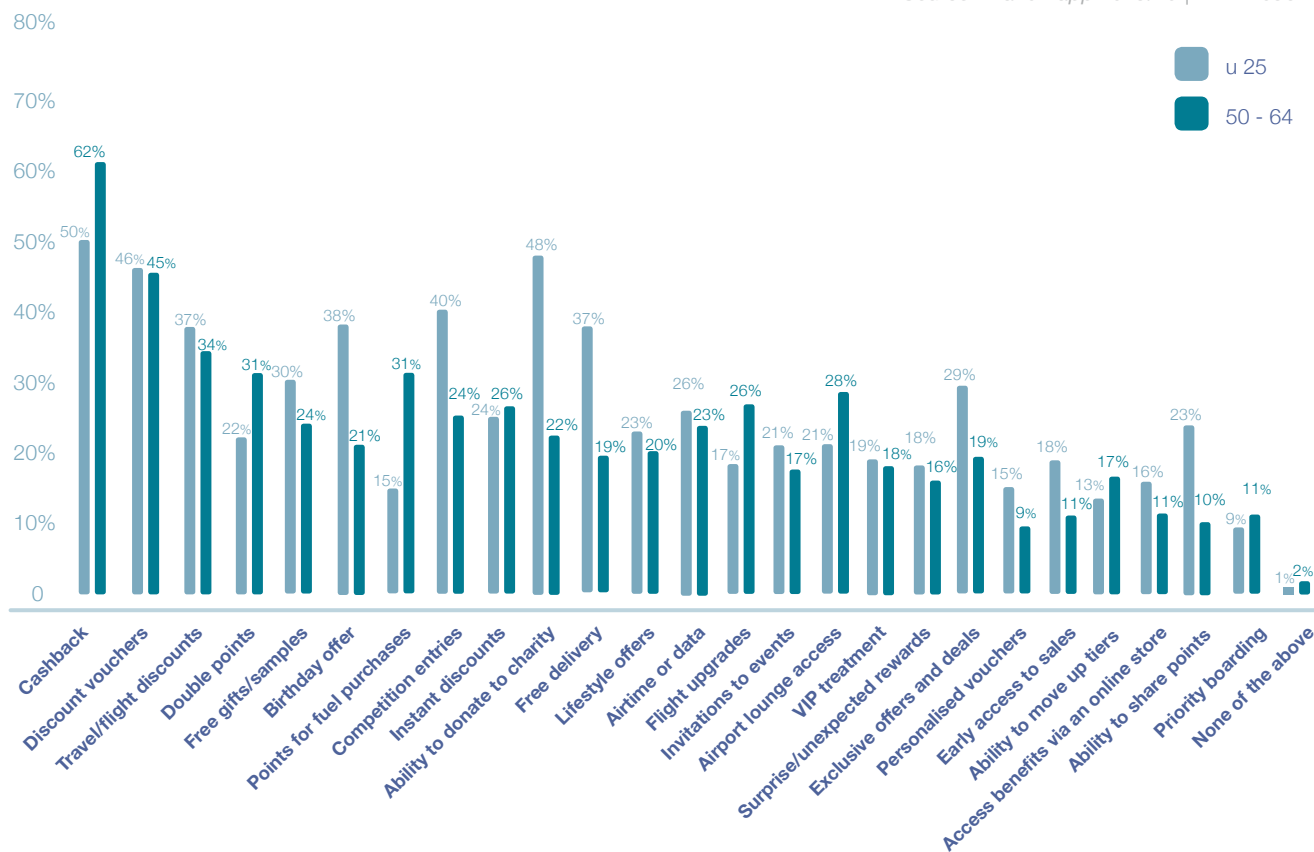
50+

Double points
Airport lounge access
Flight upgrades
Points for fuel
Ability to move up tiers

This is particularly important to take note of when considering the benefits to offer in a loyalty programme as you may have to serve both ends of the age spectrum.

Figure 18: Benefits most enjoyed
Age

Source: BrandMapp 2019/20 | n = 21 096



Younger respondents value the ability to donate and share points. This is higher than any age group recorded in our results, indicating that younger consumers are more likely to want to belong to a programme where they can feel good by donating their points or sharing their points with family or friends.

Free online delivery is also much more important to younger consumers indicating they see value in programmes which offer 'savings' for their loyalty or maybe that delivery is seen as a grudge expense. Birthday offers and competition entries are also more important to this group of consumers, than other age categories.

It seems, the older you are, the more you value travel perks such as airport lounge access, flight upgrades and even points for day to day fuel purchases. These are all tightly linked to programmes which also offer the ability to move up tiers.

The ability to earn double points, is most highly regarded by consumers aged 60+. Programmes which offer double point days as part of their senior or pensioner programmes such as Clicks ClubCard, Pick n Pay Smart Shopper and Dis-Chem Benefit feature strongly for the older consumers as seen in figure 14 on page 21.



06

WHAT IS THE PREFERRED LOYALTY
IDENTIFIER / CHANNEL?

PREFERRED LOYALTY IDENTIFIERS AND CHANNELS

In the previous Truth & BrandMapp 2018/19 Loyalty Landscape Whitepaper, we asked consumers how they prefer to identify themselves as loyalty members when making purchases or interacting with a loyalty programme. Based on industry 'talk' we assumed that mobile solutions such as Apps and contactless payment solutions would start to come out tops, trumping the plastic loyalty card.

This was in fact, not true. Our results in 2018/19 showed that 59% of South African consumers still preferred to use a physical loyalty card.

In 2019, when asked: "In which of the following ways do you prefer to identify yourself as a loyalty member?", results show an even more dramatic shift, with 73% of South African consumers still prefer the use of a physical loyalty card.

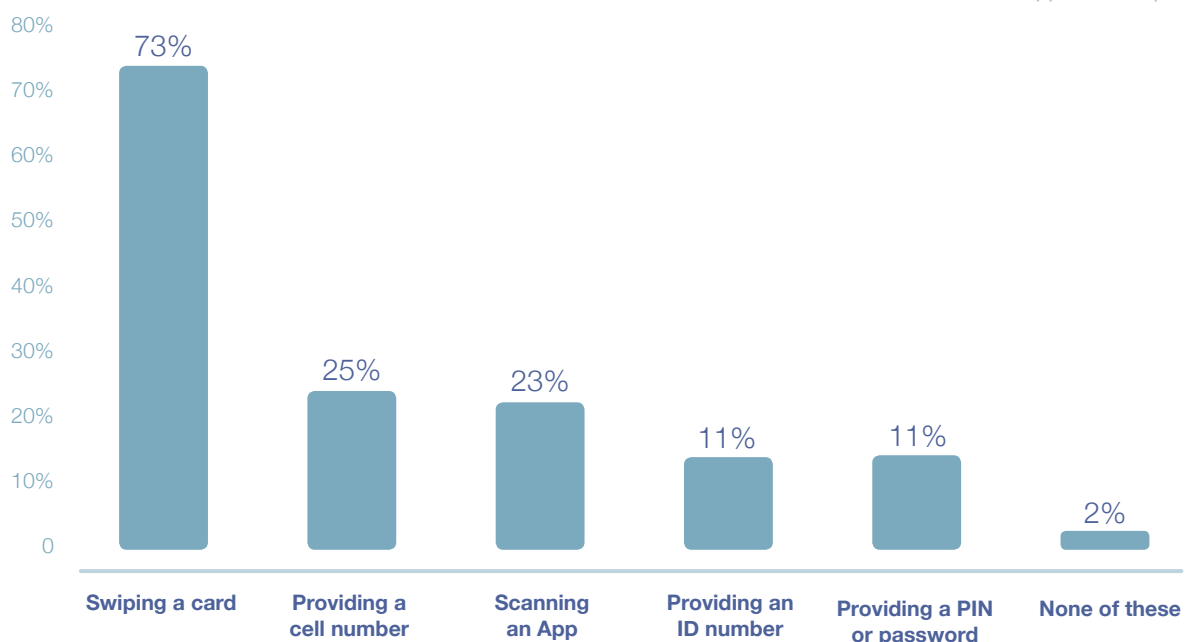


25% of the respondents prefer using a cellphone number, such as the Seattle Rewards programme which only requires a cellphone number at the point of sale, to identify customers as loyalty members.

Scanning an App is still not as favoured as swiping a card, with only 23% of respondents indicating this. Consumers also seem reluctant to provide an ID number (11%) or providing a password or PIN (11%).

Figure 19: Preferred loyalty identifiers / channel use

Source: BrandMapp 2019/20 | n = 20 887



While App technology allows so much more than just a loyalty identification tool (such as order ahead functionality and gifting), the decision to go completely card-less / digital needs to be strategically aligned to respond to what your consumers prefer.

App adoption is still relatively low in South Africa with many leading loyalty programmes still offer more than one loyalty identifier (card, App, cell number). We asked retail loyalty programme leaders, Clicks ClubCard, Pick n Pay Smart Shopper and Dis-Chem Benefit to share their sentiments regarding App adoption in their programmes.

“The App allows customers to manage their own personal information which is favourable amongst our members. Our App is being used more frequently to order acute as well as repeat chronic medication, check pricing, and the App also allows customers to build their own shopping list. We have also seen a massive uptake of customers making appointments via our App for our Skin Strategy Salon and our Clinics.”

Lynne Blignaut, Group Customer Service Manager, Dis-Chem

Dis-Chem
PHARMACIES

Pick n Pay

“We launched Smart Shopper with a loyalty card, but have since improved the programme to include a card-less swipe functionality via our PnP mobile App. Our customers love the convenience of choice: some opt to go completely card-less, while other customers still prefer their card, but also like the card-less option for when they might forget their Smart Shopper card at home. This means they never miss out on points or discounts.”

John Bradshaw, Head of Marketing, Pick n Pay

“We have 8million+ customers and have had 750k downloads to date. Our customers use the App for the ability to track their ClubCard and submit scripts and track their medication. Customers who download the App like to use this functionality and may choose the format as a consequence. Also those who have and use the App may also be customers who have easier access to data/wifi and may have higher functioning (memory) phones. There are a number of considerations in this regard.”

Amanda Graham, Head of Digital and Customer Engagement, Clicks ClubCard

CLICKS+
feel good pay less



07

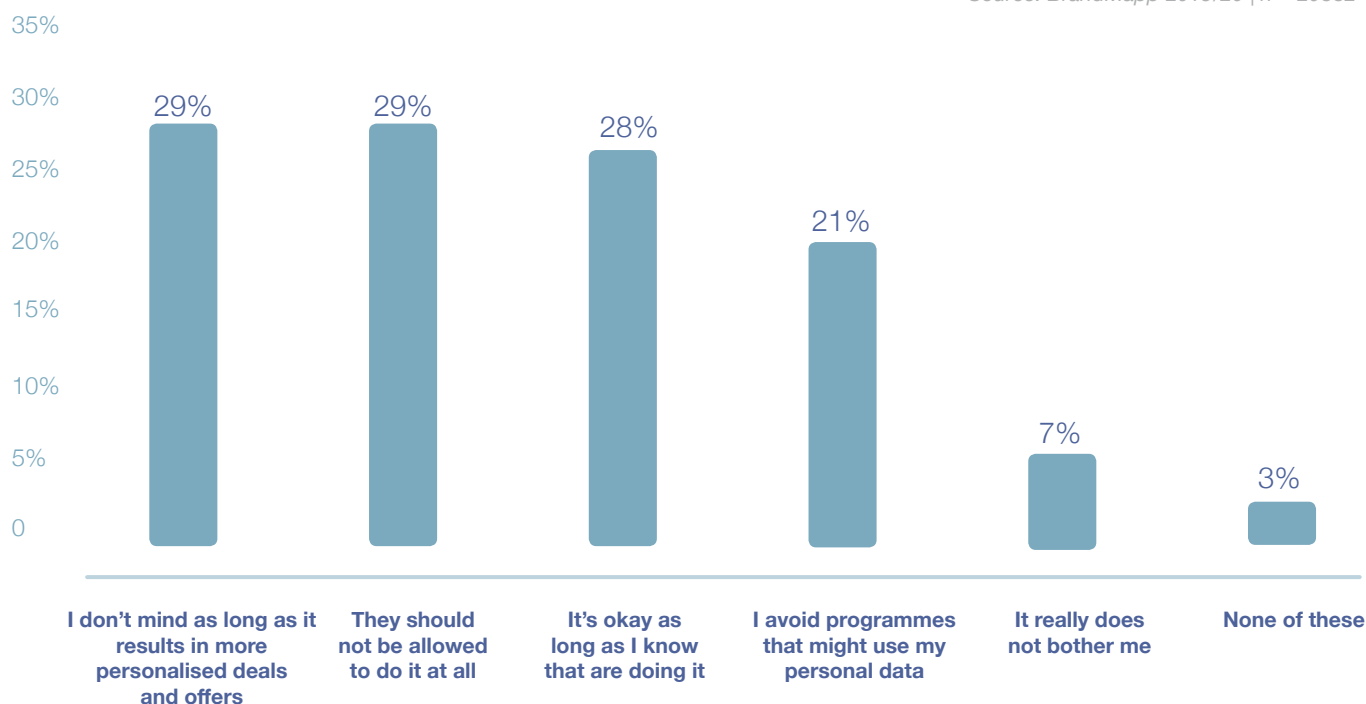
PERSONAL DATA USAGE AND LOYALTY PROGRAMMES

THE USE OF PERSONAL DATA GATHERED FROM LOYALTY PROGRAMMES

Global and local consumers take data usage legislation very seriously. South African consumers are becoming more and more savvy about how they wish their data to be used, if at all. We asked the question: “how do you feel about loyalty companies using your personal and transactional data?”

Figure 20: How do you feel about loyalty companies using your data?

Source: BrandMapp 2019/20 | n = 20882



Not alarmingly, only 7% of respondents state that “it really does not bother me”. Conversely, 29% state that “they should not be allowed to do it at all.” This is a significant proportion of South Africans who feel strongly about personal data usage and the older the respondent, the more passionately they agree with this sentiment, which can be seen in figure 21 on the next page.

We are delighted to see that 29% of consumers state that “I don’t mind as long as it results in more personalised deals and offers.” This sentiment sits at the heart of the strategic approach to designing and running a great loyalty programme. A US study by Bond Loyalty states that 87% of loyalty members are interested in having various details of their activity watched, monitored and tracked to receive access to personalised rewards & experiences.

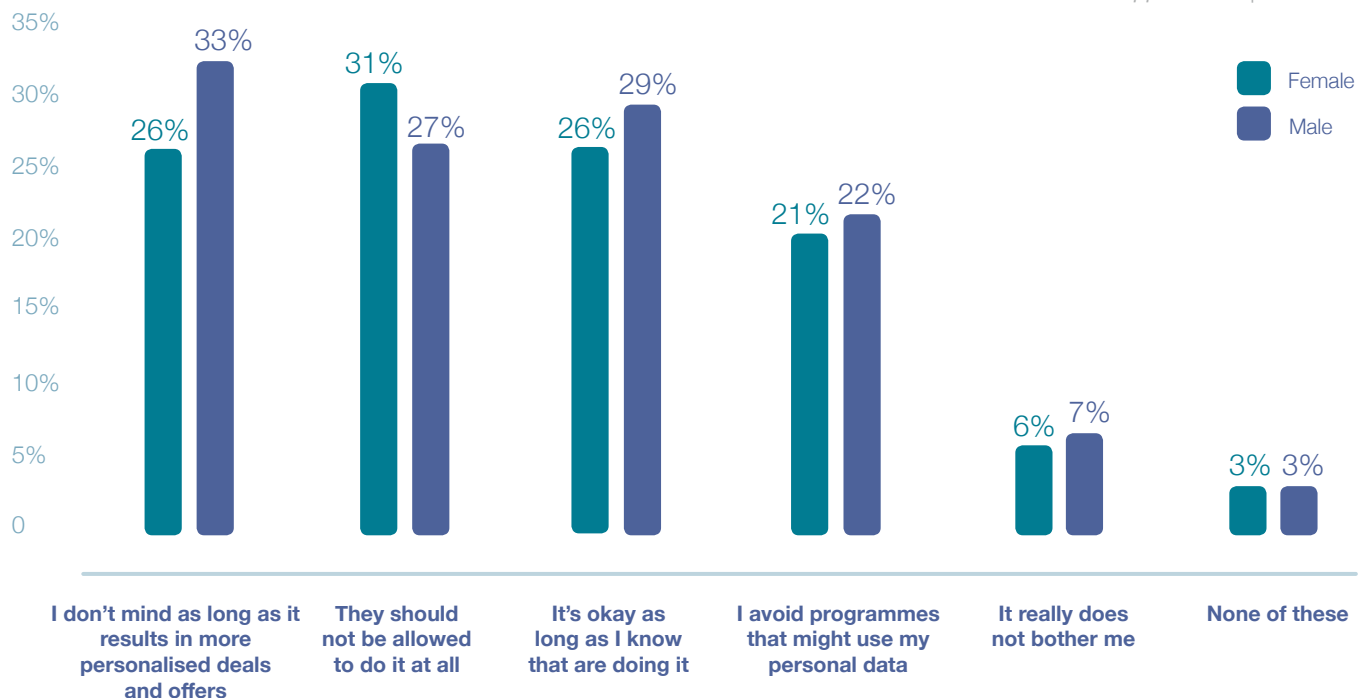
“Don't let your customers ever doubt what you are doing with their data. Do the right thing for the customer. Always.”

Mateboho Malope, Executive Head: Rewards & Loyalty, Vodacom,
Loyalty Leaders 2019

From a gender perspective, male respondents are much more comfortable with their data being used in this manner than their female counterparts. In addition, so long as they know that companies are using their data, they are okay with it, more so than female respondents. The graph below also indicates that 31% of woman feel companies should not be allowed to use their personal data at all (vs. 27% men).

Figure 21: How do you feel about loyalty companies using your data?
Gender

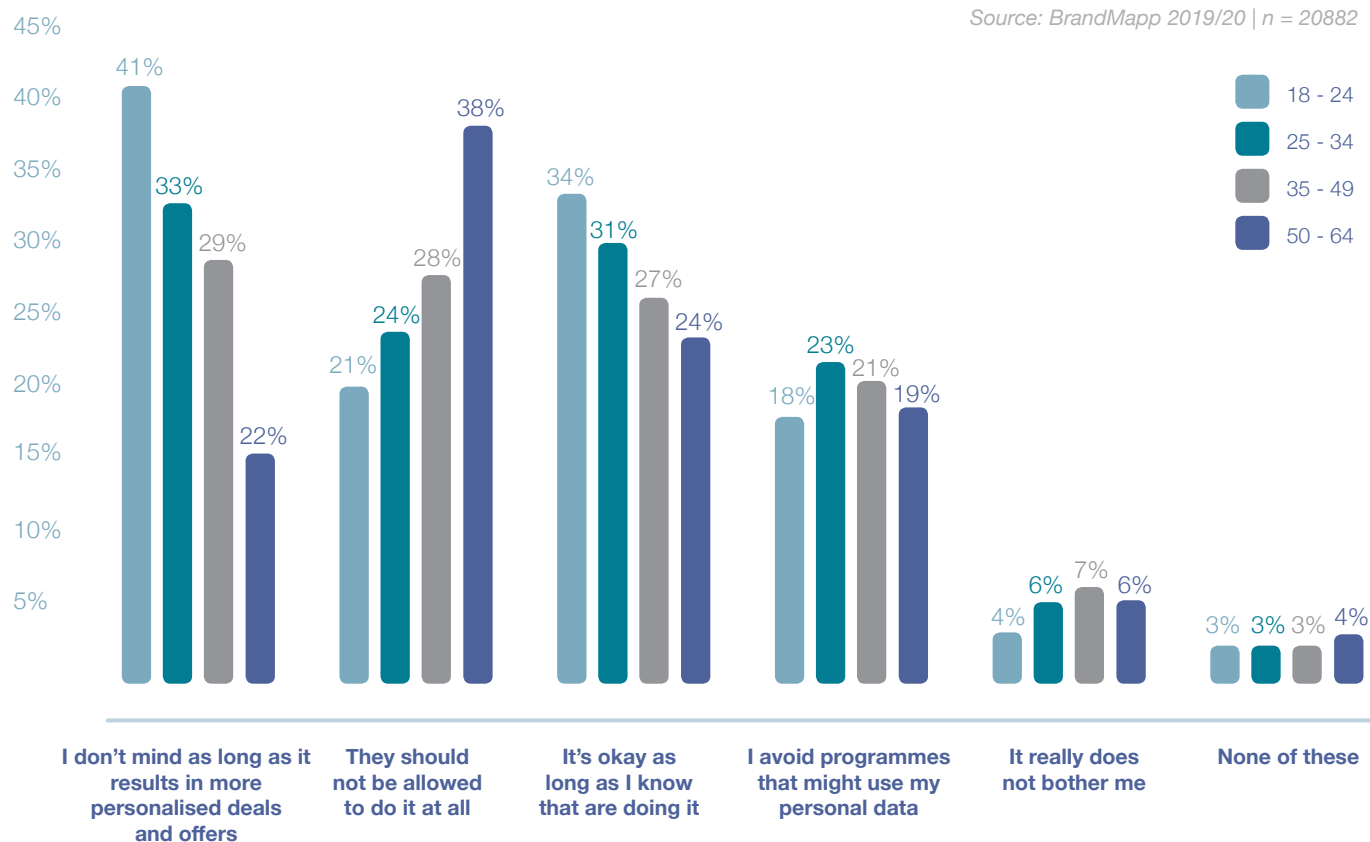
Source: BrandMapp 2019/20 | n = 20882



When it comes to age, older respondents are not as comfortable with companies using their personal data, as younger respondents are. 41% of respondents aged between 18 – 24, do not mind companies using their data, as long as it results in a more personalised experience. On the contrary, 38% of respondents aged 50+ feel companies should not be using their data at all.

Figure 22: How do you feel about loyalty companies using your data?
Age

Source: BrandMapp 2019/20 | n = 20882



Earlier, we referenced how members and non-users get frustrated by the lack of personalisation. It is, therefore, refreshing to see that members understand that there needs to be data usage to achieve personalisation, otherwise loyalty programme operators are ‘shooting in the dark.’

Selim Tantous, KPMG Associate Director states that “Personalisation is the ability for brands to listen, to configure and to customise.” Clearly, this can only be achieved if the process involves using transactional and personal data.

As powerful as data can be to inform business decisions to better service customers, there is a fine line between getting data right and being relevant versus getting the data right (correct statistically) but being totally inappropriate and not customer centric.

All in all, the loyalty and marketing industry at large needs to use customer and transactional data responsibly and keep its promise to consumers regarding data usage. This will, over time, build trust and deeper engagement. 28% of respondents state that “It’s okay as long as I know they are doing it,” indicating that the transparency builds trust. Younger and male respondents agree with this statement more than the older or female respondents.

“Trust is the cornerstone of all things, gained through transparency and integrity.”

TRUTH 2020



08

CONCLUSION

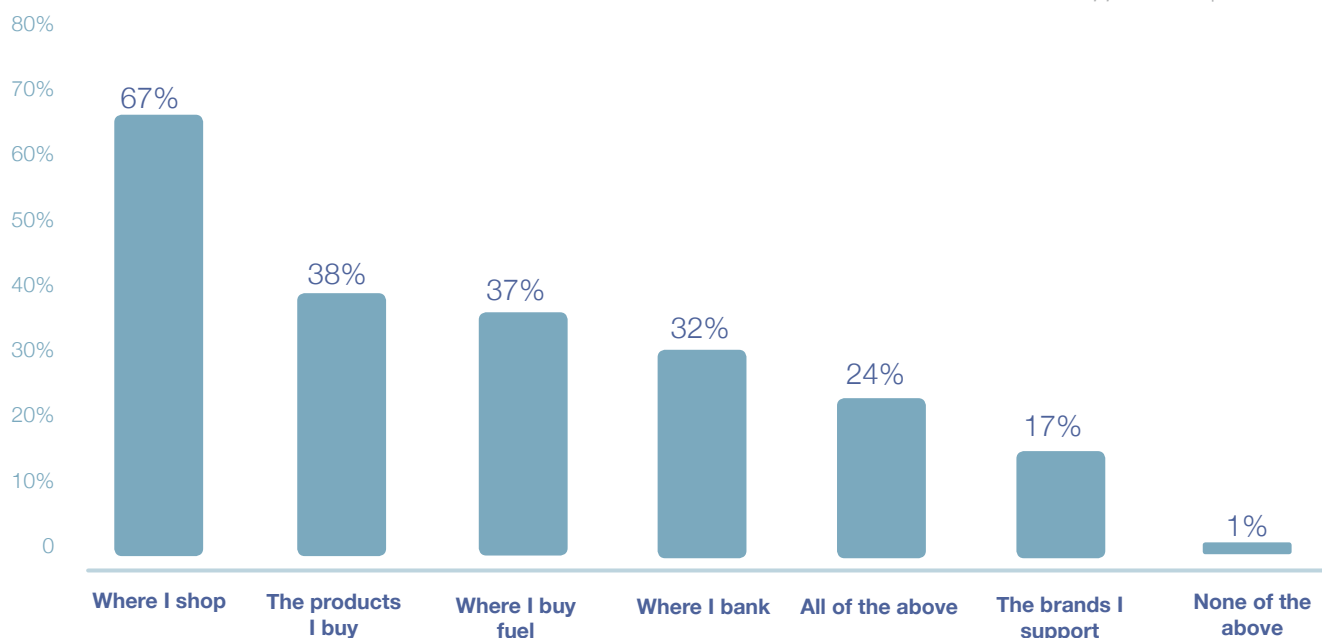
CONCLUSION

Strategically, brands cannot jump into the world of loyalty lightly. It is a long term commitment to their consumers and not a short term marketing campaign. The number 1 question we are asked by brands wishing to either create a new loyalty programme or improve upon an existing loyalty offering, is “will the loyalty programme change our customers’ behaviour?”

Commercially, when Truth helps our clients to create business cases regarding loyalty programmes, the magic number for changed behaviour is typically between 2-6% incremental revenue change. Obviously, this varies massively by industry and maturity of programme, market place, etc. As a broad-brush estimate, we use 4% incremental revenue performance but how is this achieved? In the 2019 BrandMapp survey, we asked the following question to help us understand further how much loyalty programmes really do change behaviour: “which of the following things are significantly influenced by the loyalty programme you belong to?”

Figure 23: Loyalty programmes influence behaviour

Source BrandMapp 2019/20 | n = 21 002



The results are overwhelmingly in favour of behaviour change due to membership in a loyalty programme. With 67% of consumers stating that the loyalty programme influences where they shop, retailers must fight hard to gain wallet share through their loyalty programmes so members remain loyal to one brand only, per repertoire.

Loyalty members are becoming more savvy to which programmes work the most effectively for their shopping patterns. Over and above the base value proposition of the loyalty programme, how well a brand communicates to its members in a personalised, relevant and timeous way will play hard in influencing how loyalty programme members behave towards different, competing programmes.

Effective personalisation encourages product choice within the store also. Once the consumer has chosen their retail store, loyalty programmes also influence “the products I buy” according to 38% of respondents to the 2019 BrandMapp survey.

We see from the graph in figure 23 that 37% of respondents see loyalty as an influencer for where they buy fuel. We have seen an explosion of fuel rewards activity in the South African market place, so this result is no surprise. It is unlikely to be as high an influencer as retail store choice because geographical location in fuel forecourts is such a big influencer of fuel brand choice, so much so that loyalty alone is unlikely to encourage a consumer to drive significantly out of his or her way for a different fuel brand, if they need fuel there and then.

32% of respondents state that loyalty influences where they bank. On the surface this isn't surprising and shows that loyalty plays a lesser role in influencing where I start my banking relationship with a brand. However, if we dig deeper and ask the question again from section 4: "If you could only keep one of these loyalty programmes, which would it be?", we see that the top 6 brands are all financial services brands. This indicates that the loyalty offering is so deeply integrated into the core value proposition of the bank or insurer, it becomes almost indispensable for the member. This is good news for the financial services brands dominating this list, as it helps drive customer retention and customer profitability.

“Customer value is built through a strong value ecosystem that is relevant to our customers and partners. Rewards need to be relevant to change customer behaviour. Just keep it simple!”

Johan Moolman, CEO eBucks, Leaders in Loyalty 2019

In conclusion, it depends why a brand operates a loyalty programme as to whether the programme can strategically fulfil its objectives. Is it to acquire new customers, retain customers or get customers to spend more with you across different offerings? Often, it may be all of these, plus other objectives such as brand awareness. In isolation, it is difficult to assess how much loyalty influences commercial performance but by assessing the various view points above, we believe that an effective, well executed and customer centric approach to loyalty can successfully influence a brand's performance.

ABOUT TRUTH

Welcome to the home of loyalty



At Truth, we advise leading global and South African brands on their loyalty and customer strategies. We build loyalty programmes, from concept to design, through to programme launch. Truth provides you with the one-stop solution for everything in your world of loyalty from strategy, to platforms, to CRM, to member engagement. We are here to serve your every loyalty need.

CUSTOMER LOYALTY STRATEGY

We are experienced in creating and executing world-class customer-led strategies for our clients. Our insights enable you to optimise your greatest asset – your customer base. Our deep industry knowledge delivers you strategies across loyalty, CRM and customer centricity.

DATA

Our consulting work is more powerful with an analytical approach to your brand's customer data, combined with in-depth research & analysis of the industry trends across loyalty & CRM. We believe deeply in commercial modelling to ensure that our recommendations and ideas are more robust than just ideas.

PLATFORM & PRODUCTS

We curate loyalty solutions for our clients to enable a one-stop shop for all their loyalty needs. Truth provides you with a platform assessment for your loyalty needs. We can run RFP processes with trusted external vendors or deliver one of our own loyalty and rewards platforms.

EDUCATION & TRAINING

Truth offers an array of education and training opportunities through Truth's Customer Academy. We bring you the best in loyalty education in South Africa & internationally:

- Loyalty masterclass
- Tailoured in-house training
- Online short course in loyalty
- Annual whitepaper

We successfully deliver loyalty services globally

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

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

TRUTH'S CUSTOMER ACADEMY

Creating loyalty excellence

Truth's Customer Academy is our knowledge-sharing centre where we share our expertise and learnings in the fields of loyalty & CRM. Through interactive workshops, internship & mentorship programmes, online courses, professional speaking events, client focused workshops & business networking sessions, we bring you the best education and training in loyalty & CRM.



6 WEEK ONLINE LOYALTY COURSE

Truth's 6-week loyalty course provides you with an in-depth understanding of the global loyalty industry & loyalty best practice.

R7999 per person (ex VAT)

6 weeks, on demand, online training



3 WEEK ONLINE SHORT COURSES IN CUSTOMER DATA & ENGAGEMENT

Truth's 3-week online customer data course enables you to better understand complex landscape of customer data.

Our engagement course helps you create a personalised member-engagement plan for your business.

R3999 per course, per person (ex VAT)

3 weeks, on demand, online training



2 DAY LOYALTY MASTERCLASS

Truth's 2 day, face to face workshop, provides you with the key considerations to design a loyalty programme and unpacks the roadmap to implementation and launch.

Quote on request

Face to Face workshop



TAILORED IN-HOUSE TRAINING

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

Quote on request

Face to Face workshop

We share invaluable, comprehensive resources and case studies with you in the form of interviews with thought-leaders, global best practice principles, whitepapers, videos and articles. Case studies on South African and international loyalty programmes will expand your knowledge of the ever-changing loyalty landscape. Our courses are aimed at providing individuals and teams across various roles & departments, with the best in loyalty education.



truth
CUSTOMER. LEADERSHIP. ■



info@truth.co.za



+27 (0) 21 761 4810



www.truth.co.za



@tweetstruth