

Truth Loyalty Whitepaper indicates growth in young people

The second edition of the 2016 Truth Loyalty Whitepaper, one of the most comprehensive snapshots of the current state of loyalty in South Africa, has been released. It indicates that more South Africans are using loyalty programmes than in 2015 and the biggest growth (at 13%) can be seen among the younger population (under 25 years of age), among those with a household income of R20,000 or less (up 9.5%) and among men (up 7%).

South Africa has seen rapid growth of loyalty programmes available to customers across almost every industry sector. Therefore, the 6% growth in customers who say they are using loyalty programmes more than they did in 2015 is perhaps not surprising. “More recently we’ve seen a number of brands really up their loyalty game in terms of innovation and designing offerings that their customers really want. The figures reflect this because now customers actually experience tangible benefits,” says Amanda Cromhout, founder and CEO of Truth.

Jade Kinkel, marketing manager at the Sorbet Group echoes this sentiment, “Customers are becoming more and more selective about where they spend their money and rewarding them for choosing your brand should become a significant part of a business strategy. In the past, Sorbet rewards were often a surprise or bonus when you got to the till; now we are making our guests more aware of the benefits hoping that they will start working towards their rewards and tracking their spend until they reach their next one.”

Let’s get personal

The true extent of the value that companies can derive from data is still being explored. However, customer data that enables brands to target consumers on a more individual level gives those brands an immeasurable advantage through increased relevance and minimised risk. As a result, companies have started to move away from the traditional points-based loyalty model as the key indicator of a loyalty programme’s value.

Sonja Fourie, head of ABSA Rewards and VAS explains, “Loyalty in South Africa is following the global trend of moving away from pure rewards, earn-and-burn programmes to personal and personalised interactions that stretch further than just name personalisation in emails towards big-data analysis of individual consumer behaviours and needs and the subsequent addressing of those needs.”

Cromhout believes this is where brands can make a connection and a lasting impression with customers – by designing covert elements that are tailored according to the individual rather than overt elements such as a generalised birthday voucher that everyone gets. Truth advises clients to place the majority of their focus on the covert elements of their programme. “The data-fuelled marketing efforts that enable a company to offer cat lovers discounts on cat food and offer

the cash-strapped student money off two-minute noodles – these should form a core part of a company’s value proposition,” says Cromhout.

Brands need to listen to younger market

South Africa is a young nation – around 66% of the population is below the age of 35. Brands would therefore be remiss to ignore their unique wants and needs. According to the Whitepaper, a collaboration between Truth and WhyFive, positive strides have been made with loyalty programme usage for respondents under the age of 25, showing growth of 13%. This indicates that loyalty programme usage in the younger segment is increasing at double the average growth across all ages, with 60% of all consumers under the age of 25 using loyalty programmes in 2016.

Naturally, mobile adoption in the loyalty space has experienced an exciting surge and Cromhout believes that as this adoption of mobile and omni-channel innovation grows, so too will the interest of younger consumers.

Cash is king ... and so are vouchers and discounts

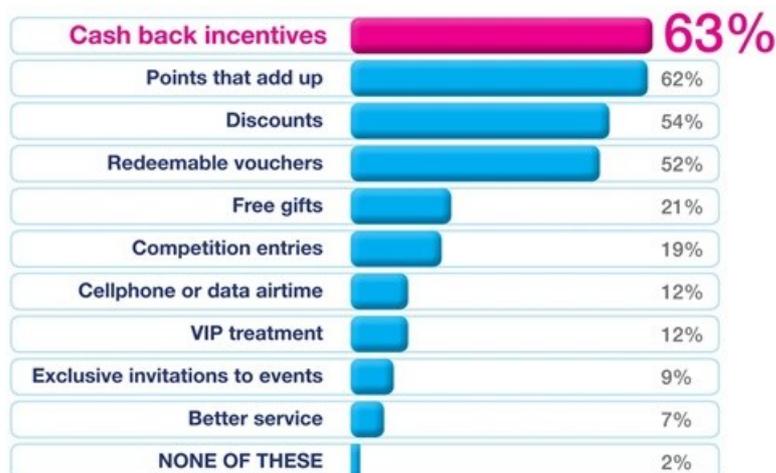
For brands wondering about the preferred types of rewards, the message is simple: cash is king. These monetary benefits can however include discounts, coupons, a voucher or savings. Interestingly, this trend is broadly observed across gender, age and income but more women appear to prefer cash back rewards (at 70%) than men, of whom 56% indicated the same.



Figure 4: **TYPES OF REWARDS**

Q. What benefits do you enjoy most from a loyalty programme?

[BrandMapp Survey 2016]



According to Cromhout, although a cash-back programme has a hard cost associated with it, the benefit is dramatically increased redemption, which in turn translates into a decreased liability element associated with the loyalty programme. “In our experience, an unconditional cash back voucher (ie receive R10 off immediately or off your next purchase) can achieve higher redemption levels as compared to a campaign-led conditional voucher (ie R50 off of R250 spend), where redemption rates can be as low as 2-5%.”

Referrals not so popular

Rewarding non-transactional activity, basically any activity other than actual spend, is definitely on the rise, as brands realise the benefits of rewarding numerous interactions during the customer lifecycle. It is therefore important for these brands to know which of these non-transactional activities are appealing to customers and which are not.

The whitepaper reveals that customers are more likely to complete online activities such as responding to online surveys (54% of respondents) and updating details on a brand’s website (34% of respondents) in exchange for rewards. Meanwhile, by far the least popular non-transactional interaction is referring friends to a programme. “This implies that

consumers are reluctant to potentially spam their friends or put their reputation on the line by sharing non-relevant content in exchange for reward,” says Cromhout.

Who is leading the charge in loyalty?

The results of the 2016 survey show that Pick n Pay’s Smart Shopper programme remains the number one most used programme in South Africa, with 71% of respondents belonging to the programme whose membership currently sits at approximately 10.7 million. While this ranking is unchanged since last year, a dramatic shift is evidenced in the second spot since 2015. Last year, research showed that Clicks Clubcard and Edgars Thank U shared second place, however, for 2016 Clicks Clubcard has surpassed Edgars Thank U, rising to 62% from 59% while Edgars has dropped by 14% to 45% of respondents.

Interesting to note is that the recent Sunday Times and Top Brands survey saw customers rank Pick n Pay and Clicks as the top two loyalty programmes respectively. While the loyalty landscape continues to become ever more competitive, the solutions are evident for brands wanting to differentiate themselves by offering more compelling value propositions. They just need to listen to their customers.

For more information, click [here](#).

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