

Loyalty is about engagement not points

 By [Amanda Cromhout](#)

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The title of this piece is a "catch-phrase" beckoning throughout the global loyalty industry and is seen as one of the top loyalty trends of 2012. I say "globally", because coming from the South African loyalty market place, I can confidently state that South Africa is quickly catching up with the global landscape.

A few years ago, we couldn't have said that. Having recently spoken at a loyalty and CRM conference in Chicago (CRMC, May 2012) and at the Intercontinental Group of Department Stores conference in Milan (November 2012), I realised that what we have in South Africa is on the same level playing field as our global peers. That is, in terms of the loyalty programme design and points structures.

So for example, let's discuss two players in the South African loyalty space. 1) Food retailer, Pick n Pay with its smart shopper programme and 2) Nedbank, one of the big four banks with its card loyalty programme called Greenbacks.

Swipe your smart shopper card and receive one smart point for every R1 you spend. Over 5.5 million Pick n Pay customers are doing this in the space of 18 months...wow!

Swipe your Nedbank card and receive one Greenback for every R5 you spend on your credit card. By the way, one smart point is not equal to one Greenback before you try to do the maths! We also have tiered loyalty programmes in South Africa, like the Woolworths W rewards programme and Discovery's Vitality programme. These also exist globally and our schemes aren't half bad in comparison. In fact, in the past 12 months, Vitality has been heralded by the *New York Times* and the Harvard Business Review as being a loyalty initiative, which truly changes customer behaviour.

Points do not equal long-term loyalty

However, whilst points may equal prizes (and discounts, etc), points do not equal long-term customer loyalty to your brand. We all know that a loyal customer is up to twenty times more valuable to a business than an uncommitted customer. A points collecting customer may still be uncommitted to your brand. There is one overriding and majorly significant point of differentiation, which leaves our South African industry with the opportunity to play catch up. True loyalty isn't achieved through a few loyalty points and prizes. True loyalty is achieved through the long-term customer focus on all aspects of your product and service offering and communications engagement strategies.

In English, what does that mean?

If you have a magnificent loyalty programme, but can't deliver outstanding products or services, then you have nothing.

Some of my colleagues call this "putting lipstick on a pig!" i.e. no matter how wow the loyalty programme is, I, the customer, must truly want to buy your brand anyway before the loyalty initiative swings my decisions firmly into your court. Bronwen Rohland, director marketing: Pick n Pay, refers to this as the loyalty programme being the invitation to the party. If the party's bad, you will leave early!

In fact, reflect on some of the best brands in the world: Apple, Nike, Coca Cola. They don't have loyalty programmes, apart from Coca Cola who run a Coke Rewards initiative, mainly out of the USA market. Way before Coke Rewards existed, we saw Coca Cola as the world's leading global brand year after year.

What I am really referring to is the power of combining the loyalty programme with brilliant engagement strategies. Loyalty programmes enable brands to gather immense insights about what, when, how, how often customers buy, bank, travel, etc. Shame on any brand which has this data and doesn't use it to its full effectiveness. This is an entirely different subject matter covered in previous Truth articles (namely the Iceberg Effect). Suffice to say that brands which employ a customer insight-led approach to their business, can vastly improve all different aspects of their product and servicing strategy.

Combining loyalty with social media

The most compelling loyalty and rewards initiatives I am seeing globally are the brands which combine their loyalty thinking with social media engagement strategies. Truly encouraging your customers to engage with you (via good and bad stories), allows you to convert customers into true brand ambassadors. You can only do this, however, if you engage your customers and do not simply push product and price messages via Facebook and Twitter. Engage with your customers where they are most comfortable (in the social space, amongst their friends....not amongst your marketing messages).

Some of my favourite US retail brands who do this most effectively are gilt.com and Cabellas. Last month, the 10th annual Colloquy loyalty awards announced Caesars Entertainment to be the "Master of Enterprise Loyalty 2012". They proudly integrate rewarding their customers' social behaviours in social media as well as their traditional transactional behaviour at Caesars' Entertainment properties.

Bottom line is that South Africa has successfully played catch up to get onto the loyalty playing board. We now need to roll a few double sixes to accelerate our positioning via truly customer-led engagement strategies for all aspects of our businesses not just marketing and loyalty points.

ABOUT AMANDA CROMHOUT

Amanda is the founder & CEO of Truth. Amanda's extensive experience in the field of Loyalty & CRM has put Truth at the forefront of loyalty in South Africa. She enabled customer-led sales and marketing strategies across the UK, Africa, Middle East and India, at British Airways for 11 years. She has also spearheaded the Customer (CRM) division at Woolworths, South Africa's no. 1 premium retailer.

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