

Six steps to enhance your customer loyalty programmes

By Leigh Andrews

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There's no denying the value offered by customer loyalty programmes, but what does it take to get it right? Lauren Barbour, lead consultant for customer strategy at Principa, explains...

On Friday, 20 February, Principa hosted the latest research presentation from Forrester Research at the Doubletree Hilton in Woodstock, on customer experience and winning customer strategy. Barbour, spoke on data-driven customer loyalty strategies, trends in loyalty strategy and the winners and losers in loyalty strategy in South Africa.

Julian Diaz, head of marketing for Principa, kicked off the morning and introduced Barbour as a specialist in customer loyalty, having worked on several customer loyalty programmes, such as [Pick n Pay smart shopper](#).



Barbour talking attendees through lifestyle customer segmentation, as part of an effective customer loyalty programme

Barbour is passionate about customer loyalty and strategy. She said the current cult of escaping the average was given notoriety by [Jim Collins](#)' 'good to great' movement. If you truly want your business to be great, you need to look to what great people are doing and emulate that. To keep the insights useful Barbour gave her opinion from a South African consumer's perspective. It comes down to what's important to your business, for long-term, sustainable and profitable sales, based on the value you deliver to your customers by engaging with them and being seen as worthy of their time.

Barbour's top three local customer loyalty programmes

Top of the customer loyalty list is [Discovery Vitality](#), which has led Discovery to shows 4% member growth year on year, despite already being one of the best known and largest open medical aids in the country. They also have the best cost-to-benefit ratio for members, with a scientific backing based on their dynamic product and pricing model. From a customer value perspective, Barbour says around 60% of Discover Health members are also Discovery Vitality members. The loyalty programme has driven lower mortality and morbidity rates, with clients taking responsibility for their own health through the programme. Discovery does well by segmenting their communication in order to target different age groups and interests, sending out completely different mailers to these groups.

Next is the FNB [eBucks reward](#) programme, which has over 3 million active members. These highly active members spend in excess of 80% of the eBucks earned in any given month and give high customer satisfaction scores, so Barbour says there's definitely an attitudinal link. They also understood it's key to remind customers how you're adding value to their lives,

so have added more opportunities to earn and spend eBucks with regular purchases, such as airtime and petrol so that your value is top of mind and customers think of your brand often.

Third is the [Woolworths WRewards](#) programme, offering the business richer understanding of their customers by leveraging the data gleaned. "They're blowing the lights out in our very weak economy with everything going against the industry at present," said Barbour. That's why Woolworths was a winner at the 2014 [International loyalty awards](#). They also report the highest level of customer satisfaction among their peers. Barbour explained that it's not about the actual products sold but about consumers gaining great quality overall and the business helping them keep up with trends and feel as though they contribute to the greater social good.

But what to the Discovery Vitality, eBucks and Woolworths WRewards loyalty programmes have in common?

Six winning customer loyalty aspects

- 1. They use data to inform everything they do, understand who they are, and how to maintain the competitive difference that resonates with their customers.**
- 2. They understand their customers in a factual way. The previous point links to better customer understanding and grasping the opportunity to grow that base to get actionable, factual understanding of what your customers are buying and why. It involves drilling down to understand those core behaviours.**
- 3. They have a business-wide commitment to strategy-driven customer loyalty.**
- 4. They look at building customer value through a consistent experience.**
- 5. They constantly innovate, as they understand there is value in their data and that they can increase customer engagement through it and make better decisions.**
- 6. They understand the above five things are part of an iterative process, as all the data and innovation involved goes on to create more data that can be fed back into the cycle, to further improve the process.**

What you actually do with the data matters

The Discovery Vitality, eBucks and Woolworths WRewards loyalty programmes all focus on behavioural customer understanding, which Barbour says is crucial. It's done through taking transactional data then doing lifestyle segmentation, based on your customers' key needs and motivations more than their gender, age or the area they live in. By knowing your customers' core drivers, you can cross sell into different lifestyle segments and offer them more of what they really want. Do so by building on your transactional data, which you should already have a wealth of, then use these behavioural traits to understand what's likely to happen tomorrow. It's dynamic, so you need to understand that each customer's needs change so they have different requirements over time; and to build up a single view of your customer to establish a baseline.



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What do customer-centric businesses gain?

Barbour cited a McKinsey research study from 2013 that shows customer-centric businesses have profits and sales well above that of their competitors, are more likely to sell to existing customers, are more likely to retain customers and achieve above-average profitability, and view customer analytics as extremely important.

So, where do you start? You need a pragmatic process based on an actual evolution in the business. You don't have to be data expert to get it right - rather focus on what you already do best and keep doing it. Remember that a loyalty programme won't give you loyalty, it will give you the data you need to improve customer experience. Remember that you need human capital to create intelligence, as campaign management tools don't actually make the decisions for you.

Current customer loyalty trends in SA

Everyone's talking about big data but hasn't yet unlocked the use of the right data analytics. Using predictive analytics is also ripe for the taking as it puts you in control of the relationship before the customer disengages and allows you to get real-time engagement at the moment of truth, before the purchase, by communicating proactively.

If you don't get it right, someone else will, warns Barbour.

ABOUT LEIGH ANDREWS

Leigh Andrews AKA the #MilkshakeQueen, is former Editor-in-Chief: Marketing & Media at Bizcommunity.com, with a passion for issues of diversity, inclusion and equality, and of course, gourmet food and drinks! She can be reached on Twitter at @Leigh_Andrews.

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