

The loyalty and rewards reality in 2022 and beyond

By [Andre Fredericks](#)

24 Nov 2022

South Africans belong on average to 9.2 reward programmes. Given that in 2014 this statistic stood at 3.6, it's clear that loyalty and rewards programmes are evolving and innovating to meet consumer demands.



Source: BrandMapp.

Locally, the number of South Africans using loyalty programmes has increased year-on-year.

According to the 2022 [South African Loyalty Landscape Whitepaper](#), 73% of economically active South Africans are currently using reward programmes, compared to 67% in 2015.

Sanlam's loyalty and rewards programme, Sanlam Reality, has grown to service over 1.5m members over the past 15 years and has become a key value driver for retention and cross-selling.

Driving value for consumers and companies

Innovatively designed and managed loyalty and rewards programmes drive significant value for both companies and customers.

Global online data portal Statista reports that the global loyalty management market, which will be worth \$5.57bn by the end

of this year, will grow to surpass \$24bn by the end of 2029.

While many loyalty programmes assist people during tough economic times, they also directly impact revenue and are essential for customer retention.

This is almost a self-fulfilling prophecy as more brands understand loyalty programmes' strategic importance and roll it out to their clients. Loyalty and reward programmes enable a continued relationship and engagement with their clients beyond the service or products that they offer.



South Africa's most popular loyalty programmes revealed for 2022

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Since launching in 2007, those using the Sanlam Reality lifestyle have enjoyed more than R420m in lifestyle-benefit subsidies. Sanlam's Wealth Bonus offering, a monetary reward embedded in key participating products across the Sanlam group, has rewarded clients with over R400m in cash-back payments.

The appeal of loyalty programmes cannot be disputed. A 2021 report by McKinsey quotes that 64% of loyalty consumers are more likely to purchase more frequently, and 75% of members of top-performing loyalty programmes changed their behaviour to generate more value for businesses.

No longer a luxury, but a necessity

World events have escalated how companies are investing in and prioritising their loyalty programmes. They are no longer a luxury; people have come to expect them as a standard.

Locally and globally the objectives of loyalty programmes are similar - to improve customer lifetime value, to acquire new customers, and to lower customer lapse rates.

People expect trusted brands to care for them and to provide them with access to a loyalty programme. They don't only compare the core product or service that brands have to offer, but also how the loyalty supports their needs and compares to that of competitors.

Research has shown that acquiring a new client can be up to five times more expensive than selling to an existing one.

Loyalty offerings allow companies to sell more to existing clients and increase their tenure, increasing what the industry refers to as client-life-time value.



Investec's rewards programme cements partnerships with private banking clients

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Over the years at Sanlam, we have demonstrated that loyalty members are 40% less likely to lapse on their policy premiums. They also have 2.8 times more extensive financial portfolios and are seven times more likely to pick Sanlam for their next product.

Looking at our 2022 half-year results, we can see that total usage increased by 50% for our paid members compared to 2021. Engagement is an important metric for a loyalty programme, and our free programmes enjoy the great engagement.

It is a testament to our capability to reach and serve our members with meaningful content and rewards.

Levels of understanding

Ultimately loyalty programmes facilitate a value exchange between the customer and the brand. Many of these programmes are free and default, costing people nothing to join or access.

Only a relatively small proportion will have a deep understanding of the rules and ensure they adjust their behaviour to extract the maximum value from the programme.

Most people will only extract value where the programme amplifies the behaviours they would typically have. This may explain the low engagement rates that many free programmes often suffer from. Ultimately, it comes down to the value people can extract from the programme and the effort they must endure doing so.

Cash is king

People prefer simple loyalty offerings, which amply their default behaviour, and they dislike having to jump through hoops to claim them.

A PWC report indicates that 48% of US respondents prefer discounts or rebates on products they regularly use, with 43% saying they prefer programmes that have flexibility in their rewards. This speaks to the power of personalisation. In our context in South Africa, that is cash.

While we recognise the value of cash as a reward, as a long-term financial services group, we want to stay true to our promise of empowering generations to live with confidence. This is why we created Wealth Bonus, which rewards our clients with a long-term wealth creation benefit and encourages them to leverage the power of compound interest. The longer they stay, the more Wealth Bonus they accrue.



Cape Union Mart Group relaunches loyalty programme

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Innovation and adaptation is key

Keeping our finger on the pulse is how we stay abreast of what is essential to our members when it comes to rewards. Managing a catalogue of rewards benefits is a balance of member needs, reward partner regional availability, reward partner interest and economics.

Coming out of Covid-19, we also recognised the need for people to get out again, which led to us adding an entertainment benefit. Covid-19 also made it possible for most of us to work from home, a trend that seems to have become the new normal.

To support our clients' growing need for data, we launched a discounted fibre-to-home benefit. We understand the challenges faced by South Africans and continue to tailor our offering to meet their needs by maximising rewards where they make the biggest difference.

Looking ahead, our vision is to create a true ecosystem environment for clients by having loyalty and rewards offerings embedded into every experience, from acquisition to retention to paying out a claim. And we want to do this through monetary and lifestyle rewards that are meaningful and relevant, especially to the newer generation.

ABOUT THE AUTHOR

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