

Loyalty programmes grow, as discretionary spending slows

According to FNB chief economist, Cees Bruggemans, South Africans are slowing down their discretionary spending and stretching their personal income despite an increase in household income. Even though consumer purchasing power grew in real terms by 5% in 2011, they are looking at ways to stretch their wallets and are increasingly using loyalty and rewards programmes to make ends meet and as a source of additional income.

Bruggemans says South Africans enjoyed a 10% nominal growth in income in 2011, in spite of there being a 'hangover' or negative sentiment from the global economic crisis that struck in 2008/2009.

"There was an average growth of 8% in nominal salaries in 2011 and 2% growth in the number of people employed. The 2011 inflation rate was, on average, around 5%. This combination of factors led to a real growth in purchasing power of 5%."

Loyalty programmes grow

Rewards and loyalty programmes, where members are rewarded for purchasing behaviour with points or benefits, play a role in the economy as they help increase purchasing power. Member behaviour - what consumers spend their rewards on - also often indicates consumer sentiment.

For example, in good times, loyalty points earned by making everyday purchases can be set aside to purchase big-ticket items or luxury items such as expensive electronics, holidays or expensive jewellery. In tougher times members of rewards programmes tend to rely more on their rewards currency to make ends meet by purchasing everyday items like fuel, groceries and airtime.

Bare necessities

"Over the past few years, we have brought more partners on board who add everyday value to our members and have noticed a shift in members' spending behaviour. While some members still use their eBucks to treat themselves, a marked number are spending more of their eBucks on necessities," says Jolande Duvenage, CEO of eBucks, FNB's rewards programme.

"Not only are members using eBucks as a way to extend their wallets, or as a 'discount', they are also seeing the rewards earned each month as a supplement to their income and are becoming increasingly savvy on how to maximise their earning potential."

The programme's partners have allocated more than R2.3 billion, the bulk of which was allocated by FNB, with members spending just over R 1.8 million to date. Over the last year, nearly half the total eBucks spent each month were redeemed on necessities such as fuel, airtime, groceries and over the counter medicines.

"Today's consumers want to feel like they are in control of their finances. When shopping, they are looking at added convenience, better value and are demanding great deals for quality products," says Duvenage.

South Africans, who are working hard to get the most value for their hard-earned cash, should not forego loyalty programmes to help increase their purchasing power says Duvenage.