

VALUE+NETWORK PUBLISHES SOUTH AFRICA'S DEFINITIVE LOYALTY AND REWARDS SURVEY

Value+Network today published the results of the inaugural *VALUE+NETWORK LOYALTY AND REWARDS SURVEY*.

Leading participants from the Retail, Travel and Hospitality, Lifestyle and Entertainment, Financial Services and Restaurant and Take-Away sectors contributed key insights referring to information from 2010 to the here and now.

The South African loyalty and rewards market is healthy at its core and has grown determinedly by 35% from 75 programmes in 2010 that operate nationally to 101 rewards programmes and customer clubs currently, largely driven by the proliferation of new programmes in the Retail sector; 51% of programmes in the market today, have been around for less than 10 years.

The number of registered members today is estimated at 82.8m across all programmes, having almost doubled since 2011, up from 47.2m registered members. The average South African household is a member of 10 loyalty programmes and customer clubs, compared to 18 or more in developed markets.

Survey results don't include information from SMMEs which is a fast-growing segment of the market and is expected to be covered in future surveys.

Value+Network founder and CEO William Kirsh commented ***"We've always knew the loyalty and rewards market in South Africa was going to grow dramatically, especially when juxtaposed against the more mature international markets. We have positioned Value+Network at an early stage to participate in this growth that we now see coming through"***.

Other key findings revealed in the survey include:

1. Programme owners have a well-defined set of programme objectives that are principally focussed on using their programmes to encourage customers to use their products more and to collect behavioural customer data;
2. The gender split in programme membership appears to be in line with the South African adult demographic, with males representing 54% of all members;
3. Customer Clubs appear to be relatively similar with regards to their benefits, there is limited differentiation between competing clubs in any market vertical;
4. A growing number of programmes have either changed or re-launched their programmes (64%) in the last few years while 55% have revised and improved their benefits;
5. The charging of a monthly or annual membership fee is limited to programmes that operate in the Financial Services sector – in the customer clubs environment, almost all propositions charge a subscription fee which generates at least R1.5bn in annual revenue for club owners;
6. More programmes have either considered tiering their proposition or have introduced tiering as part of their programme change or re-launch. The benefits of tiering is thoroughly understood;
7. The gathering and use of behavioural data is seen as a key differentiator for programme owners, and as a strategic pillar going forward; and
8. More programmes are adopting a collaborative approach to the ongoing operational management of their propositions.

Executive Director and head of Value+Network's Strategic Consulting Unit, Deon Olivier commented ***“We expect more programmes will be launched in years to come – the market is nowhere near saturation point – but at the same time***

customers will battle with the dearth of content. Programme owners will be under pressure to innovate and collaborate in order to address the growing demands of the target market”.

Value+Network subsidiary, Eighty20, a leading player in the fast growing data and analytics sector and advisor to a number of South African loyalty programmes, collaborated as the survey’s analytics and research partner, responsible for the interpretation, collation and presentation of survey results.

Further information including the survey report is available at www.valueplusnetwork.com and www.eighty20.co.za.

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Background notes

Loyalty or Rewards Programmes

A loyalty or rewards programme rewards and encourages specific customer behaviour which is beneficial to the programme owner or sponsor.

The programme member is either entitled to a discount on the current purchase, or an allocation of loyalty points that can be used (i.e. redeemed) for future purchases (i.e. for future rewards) or even used to purchase products and services not normally sold by the programme owner/sponsor.

In addition to the benefit of discounts or points, members may have access to membership privileges, which is determined by their relative value (as evidenced by their tier level). For example, access to an airport lounge or special checkout queues or preferential access to sales or pre-season events and launches. Since the rewards to rewards programme members are often directly linked to specific

behaviours, the income derived by rewards programmes is created from either sustained levels of customer behaviour or shifts in customer behaviour.

Customer Clubs

A customer club offers registered members a range of benefits and typically charges a membership fee. In contrast with rewards or loyalty programmes, clubs do not reward members for specific transactional behaviours, but rather focus the value proposition in the form of retail discounts and value-added benefits and / or peace of mind benefits. Since the rewards to club members are not directly linked to any form of behaviour which directly drives up revenues or down costs, the income derived by clubs is dependent on subscription fees collected from registered members.