



ACTUARIAL SOCIETY 2015 CONVENTION

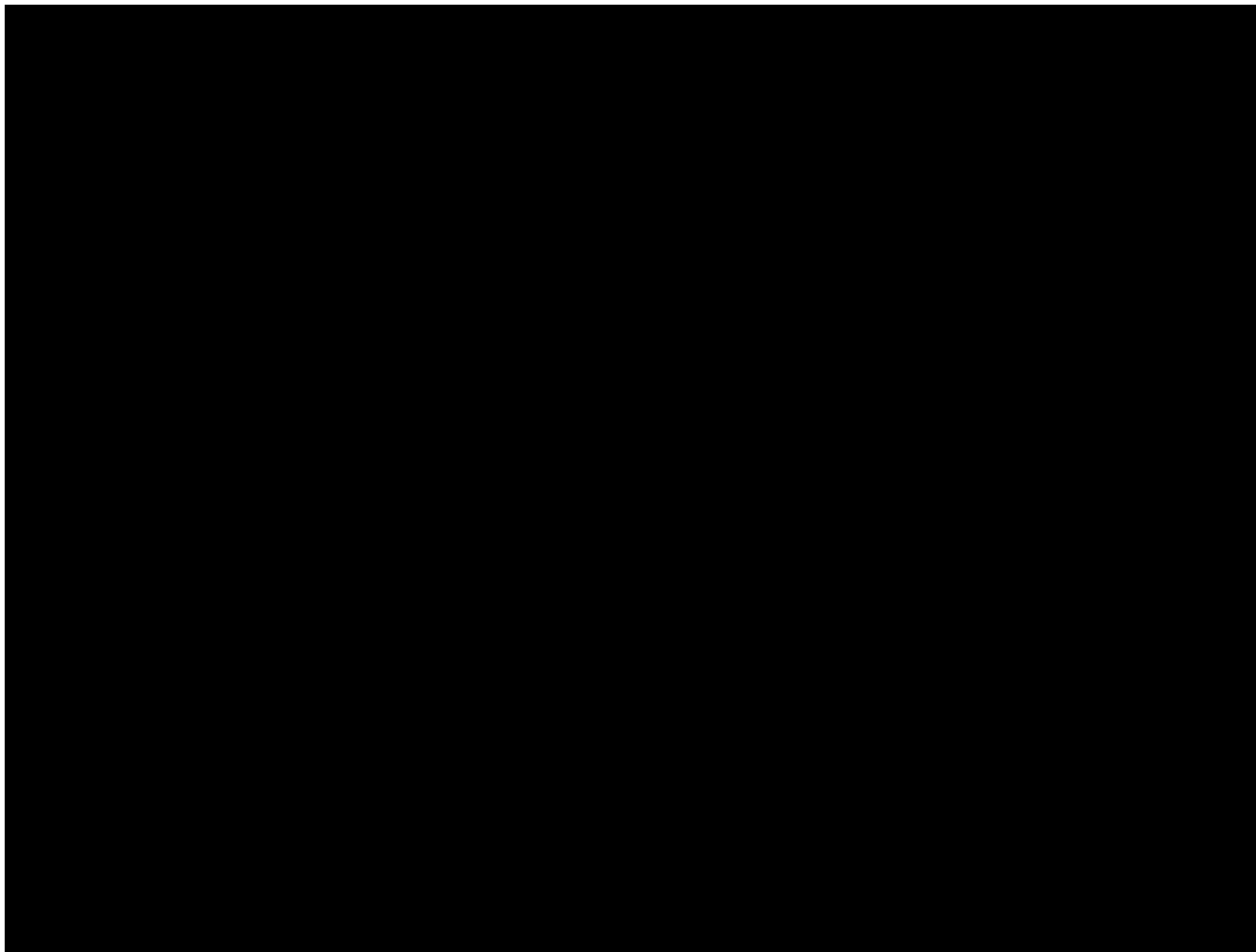
The science of loyalty

Steve Burnstone, CEO Eighty20

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Loyalty programmes make you think of...

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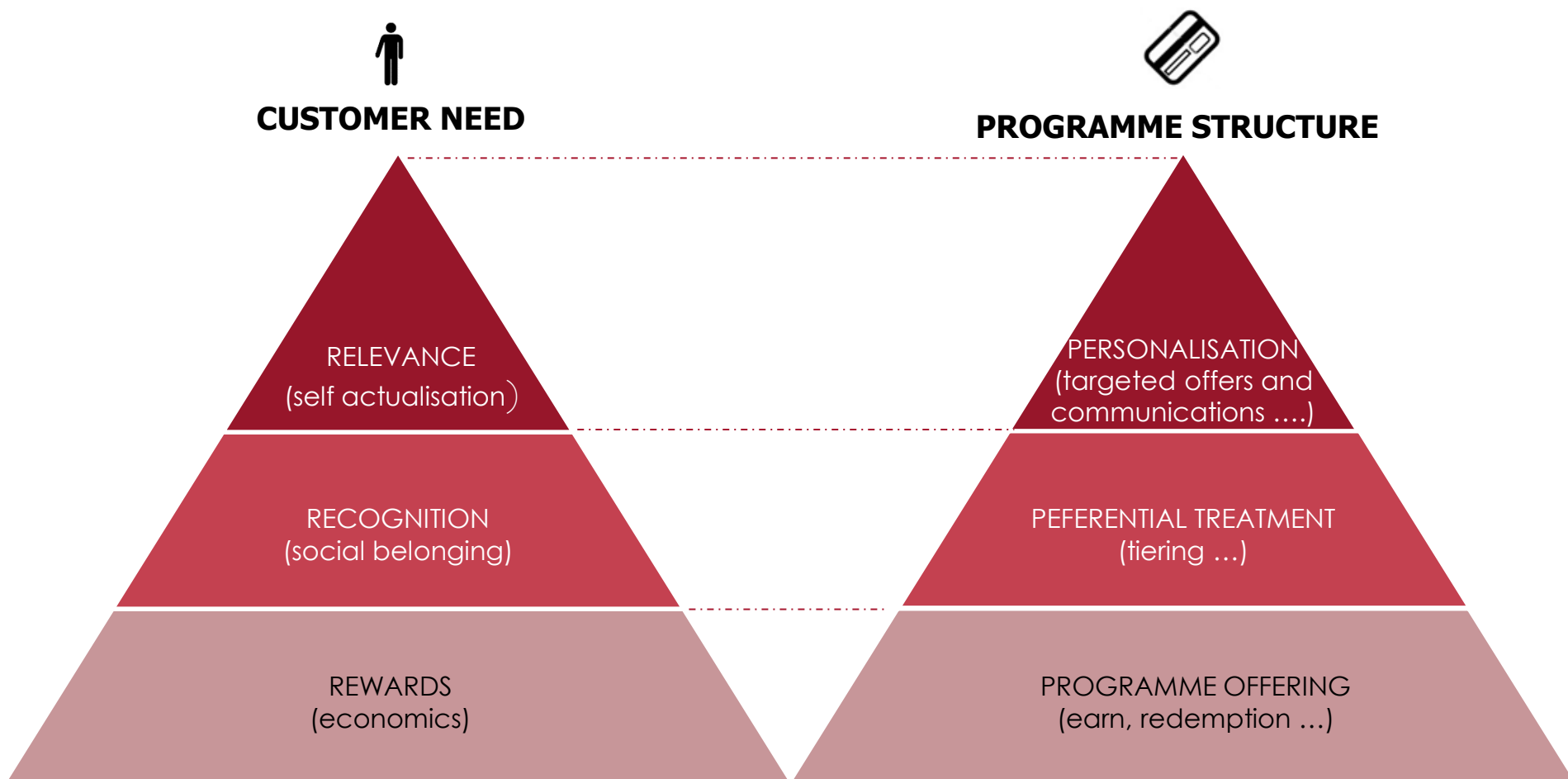
2015 Loyalty Member Engagement survey



What is loyalty?

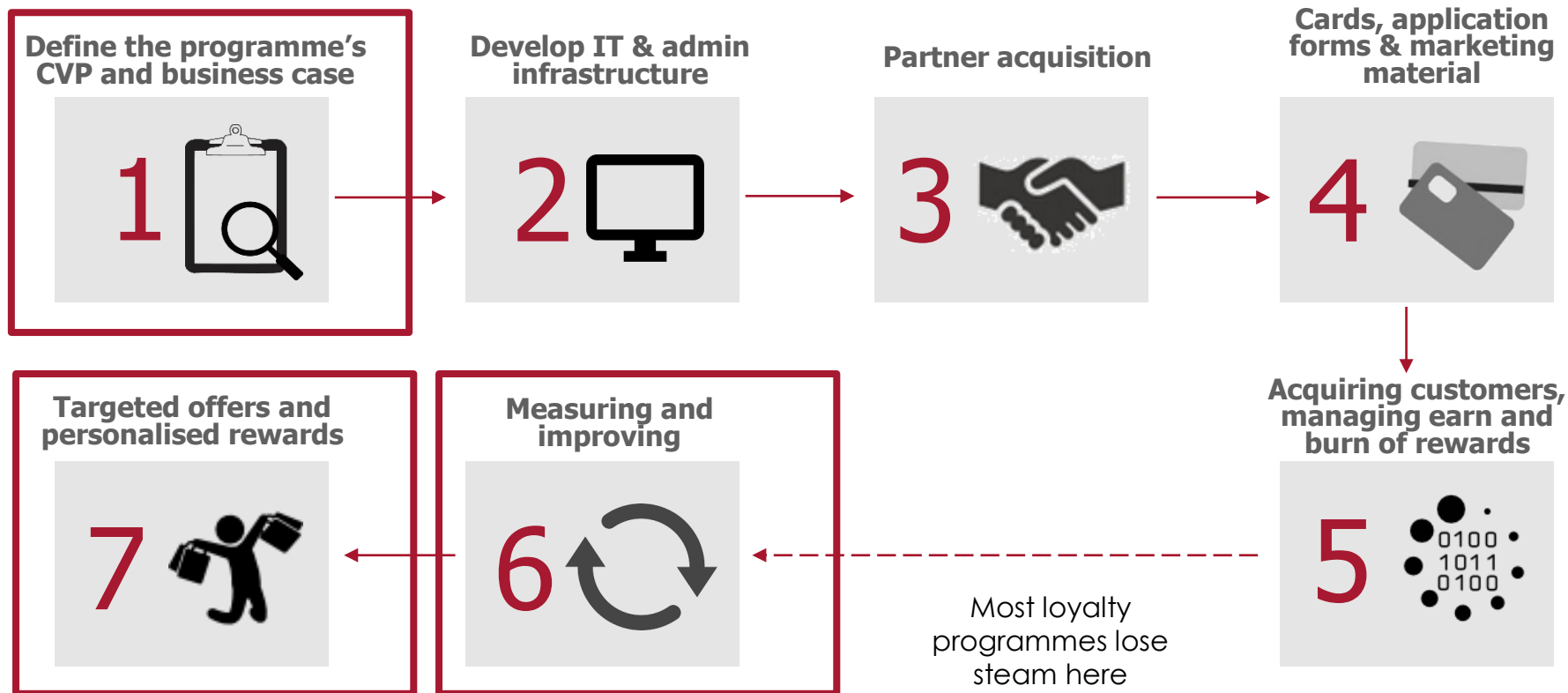


The theory of loyalty



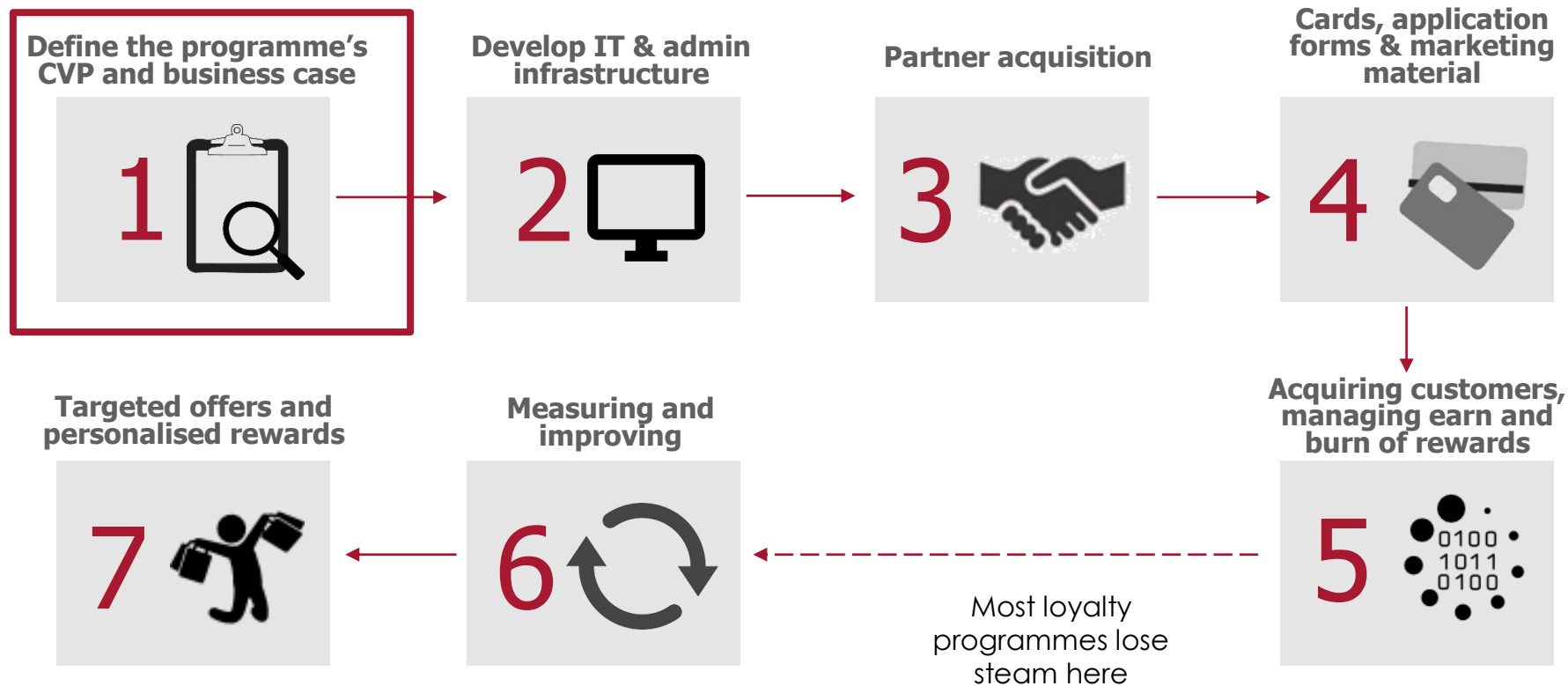
A more scientifically rigorous approach can help generate additional value

SETTING UP A LOYALTY PROGRAMME



CVP and business case

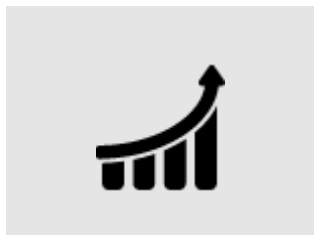
SETTING UP A LOYALTY PROGRAMME



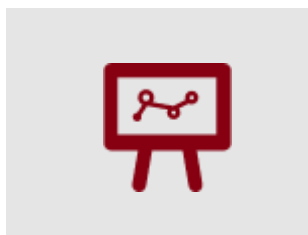
A rigorous business case is important to test and refine the CVP

LOYALTY BUSINESS CASE

Motivate internally
and externally
(IRR/ NPV)



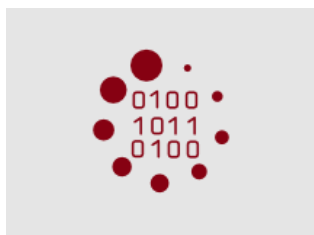
Plan



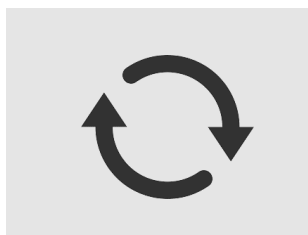
Track performance



Identifying
operational /
data issues



Refine / Optimise
CVP

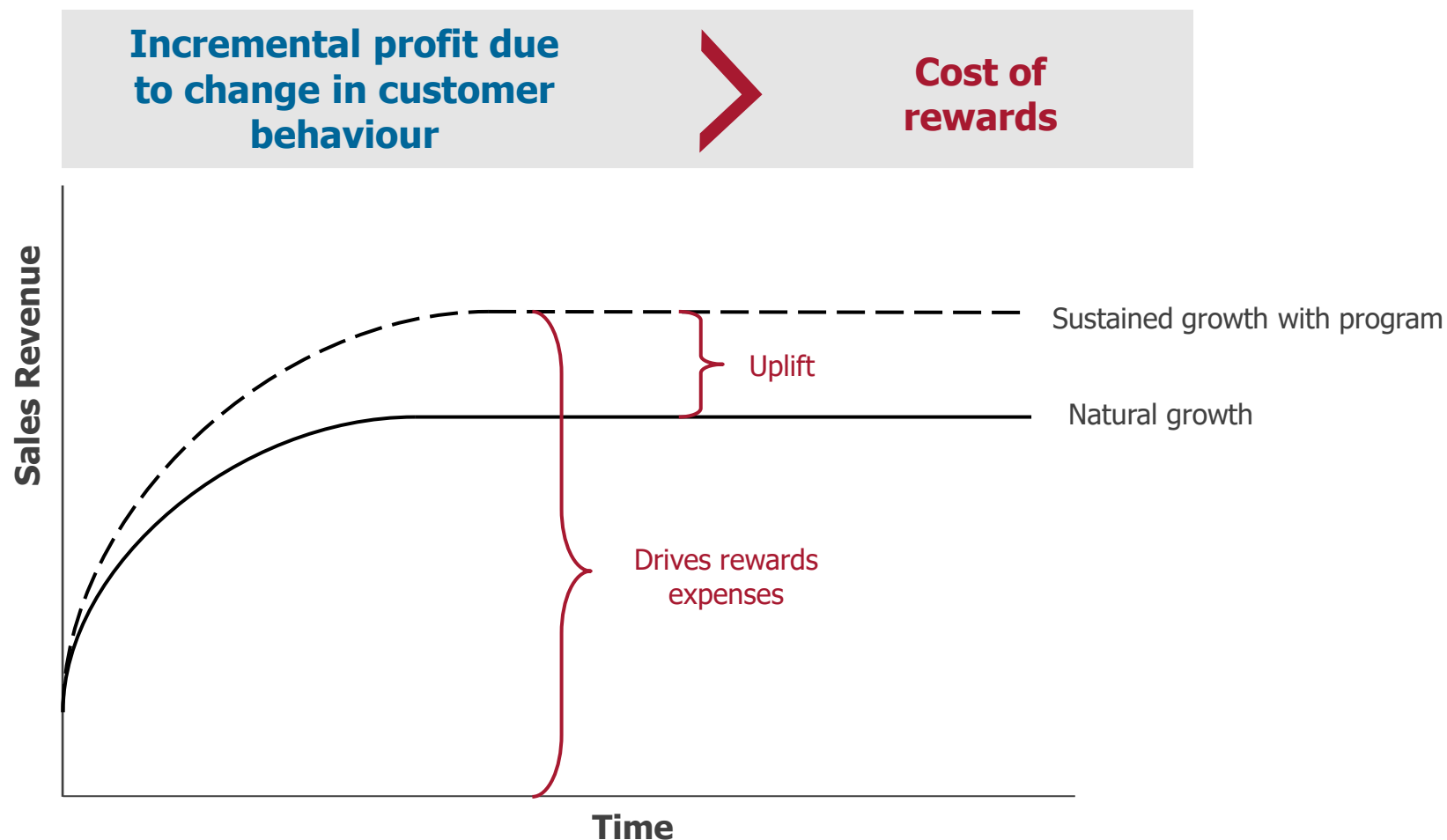


Identify
sensitivities and
risk

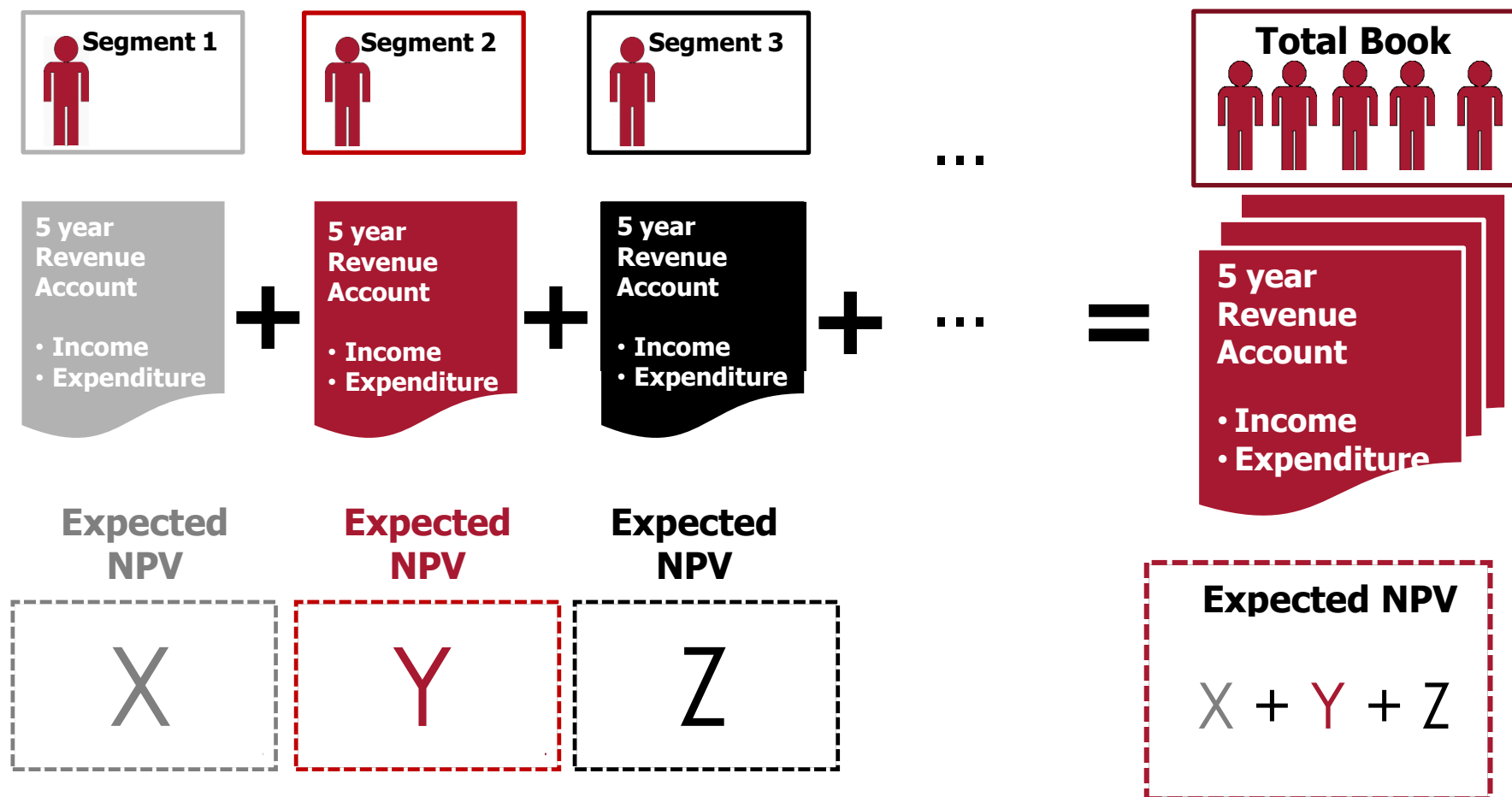


The classic loyalty business case is built on the assumption that customer behaviour will be positively impacted

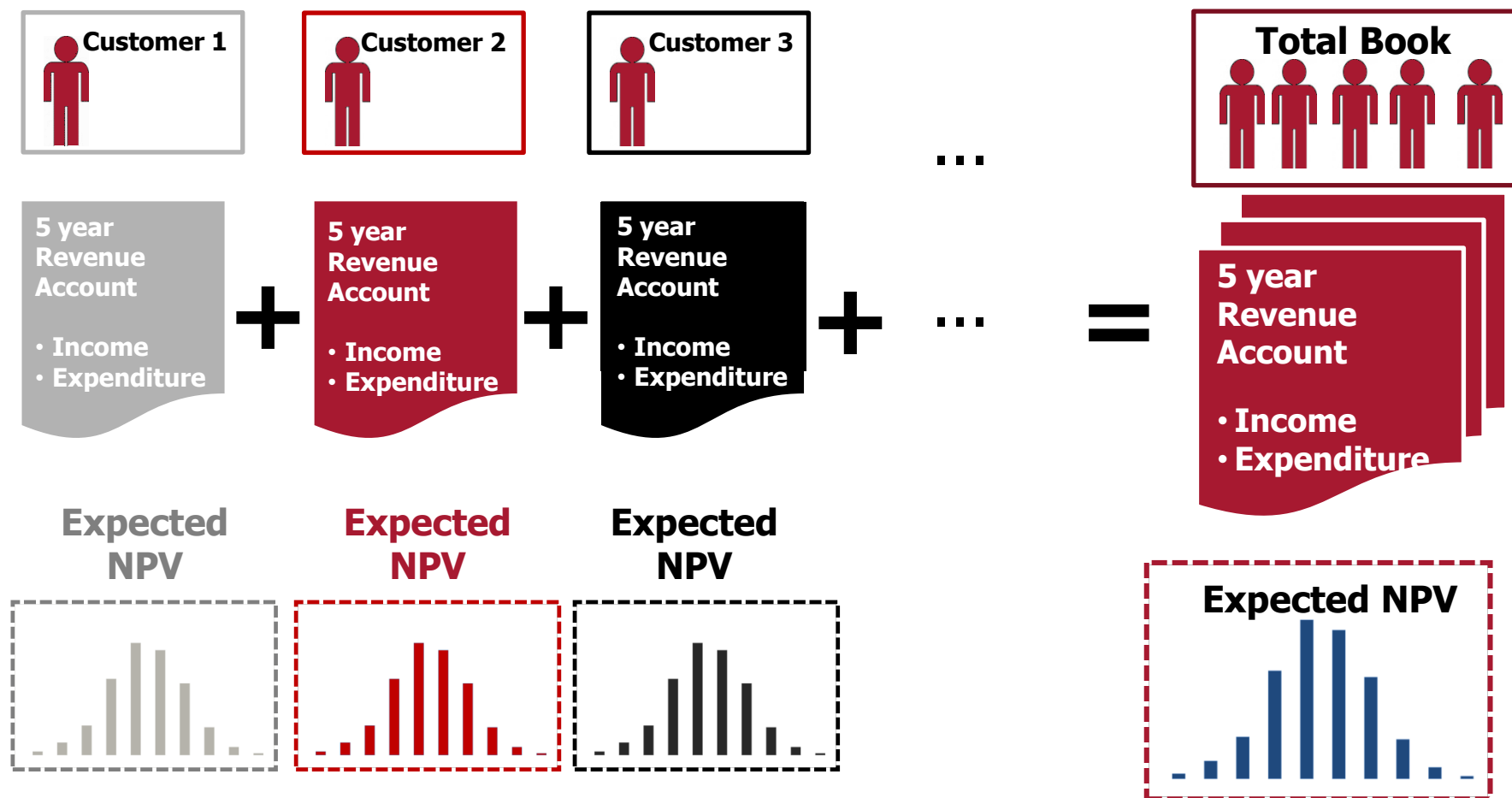
POTENTIAL FINANCIAL REWARD



Top-down modelling approach

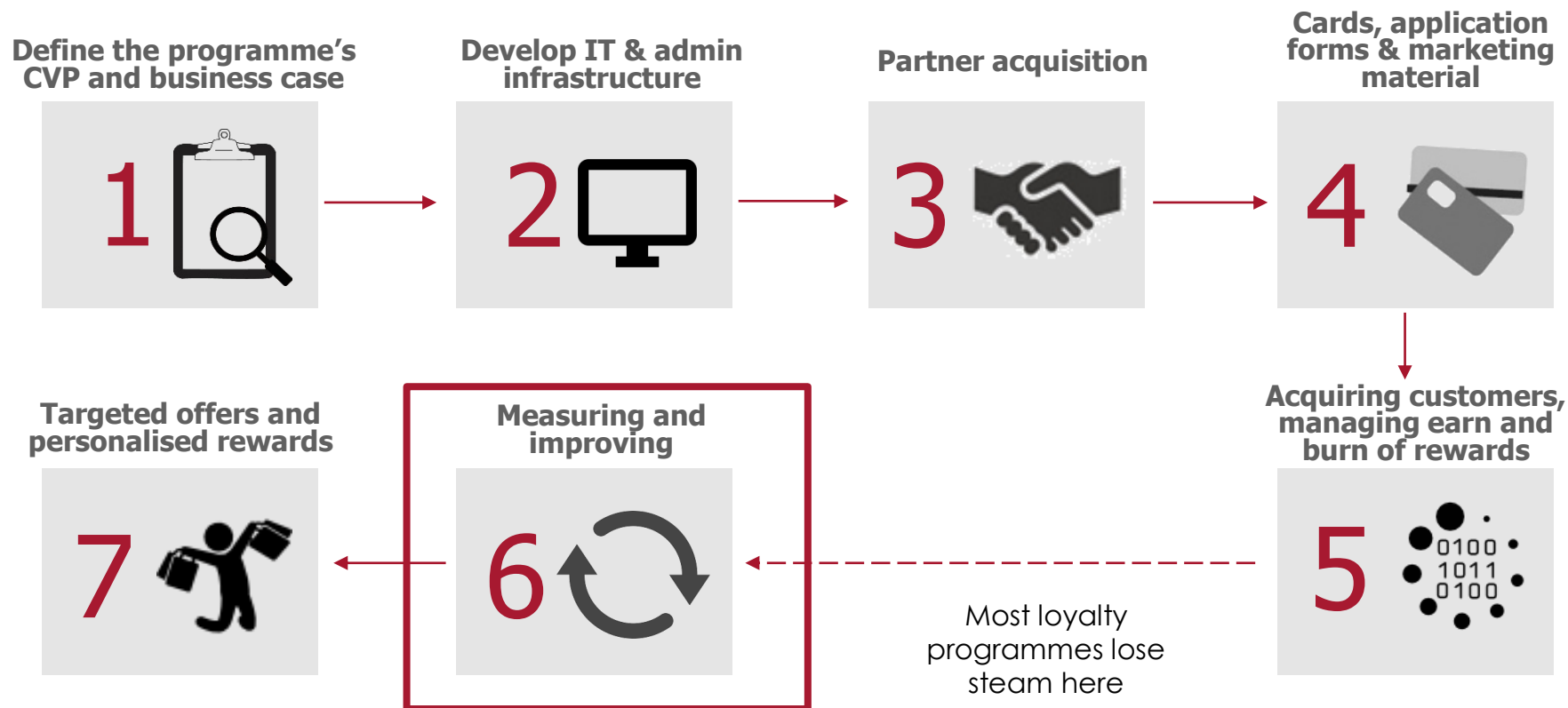


Bottom-up modelling approach



Measuring and improving

SETTING UP A LOYALTY PROGRAMME



Quantifying behaviour change

SHOPPERS



GENETIC MATCHING ALGORITHM

Genetic matching is used to create two groups of customers that are very similar in terms of their transactional behaviour but in one group all the customers are members and in the other group no customers are part of the programme

Quantifying behaviour change

SHOPPERS



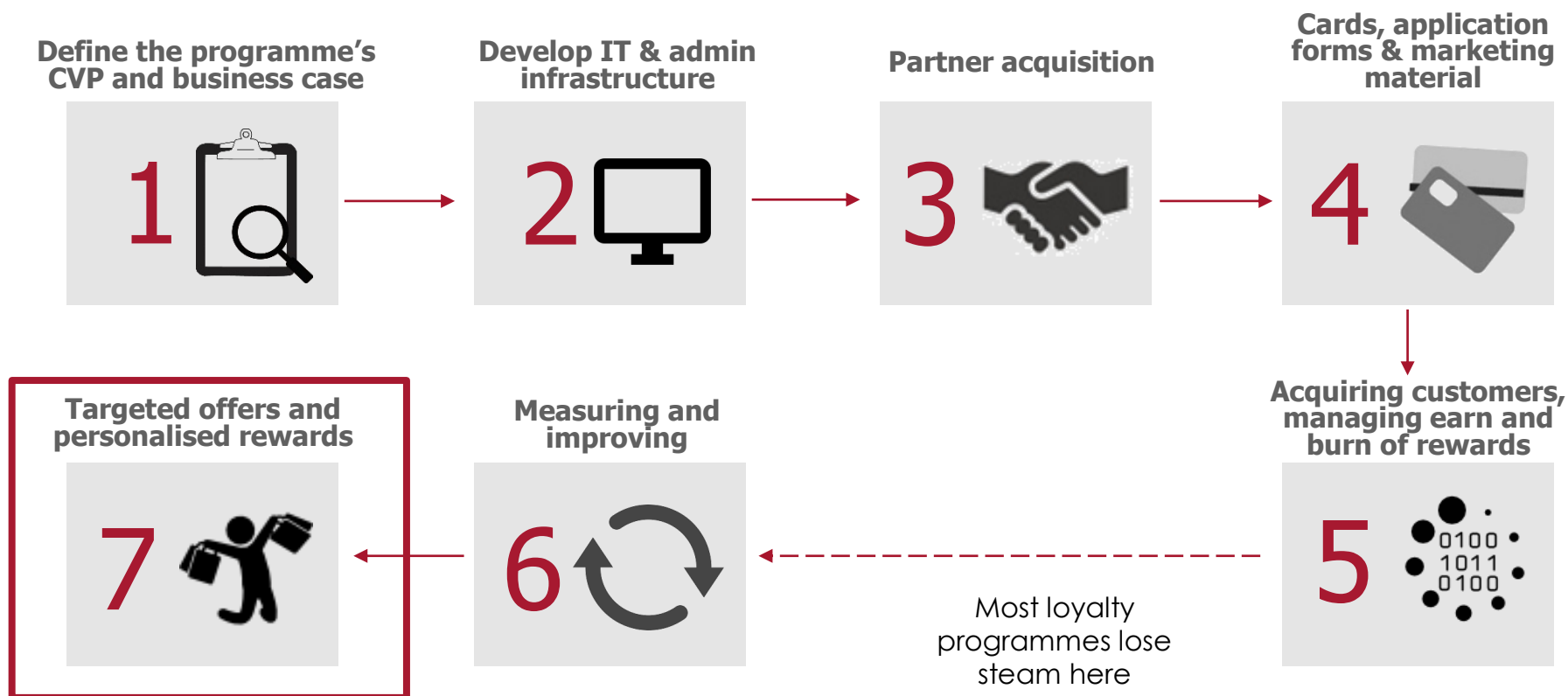
GENETIC MATCHING ALGORITHM



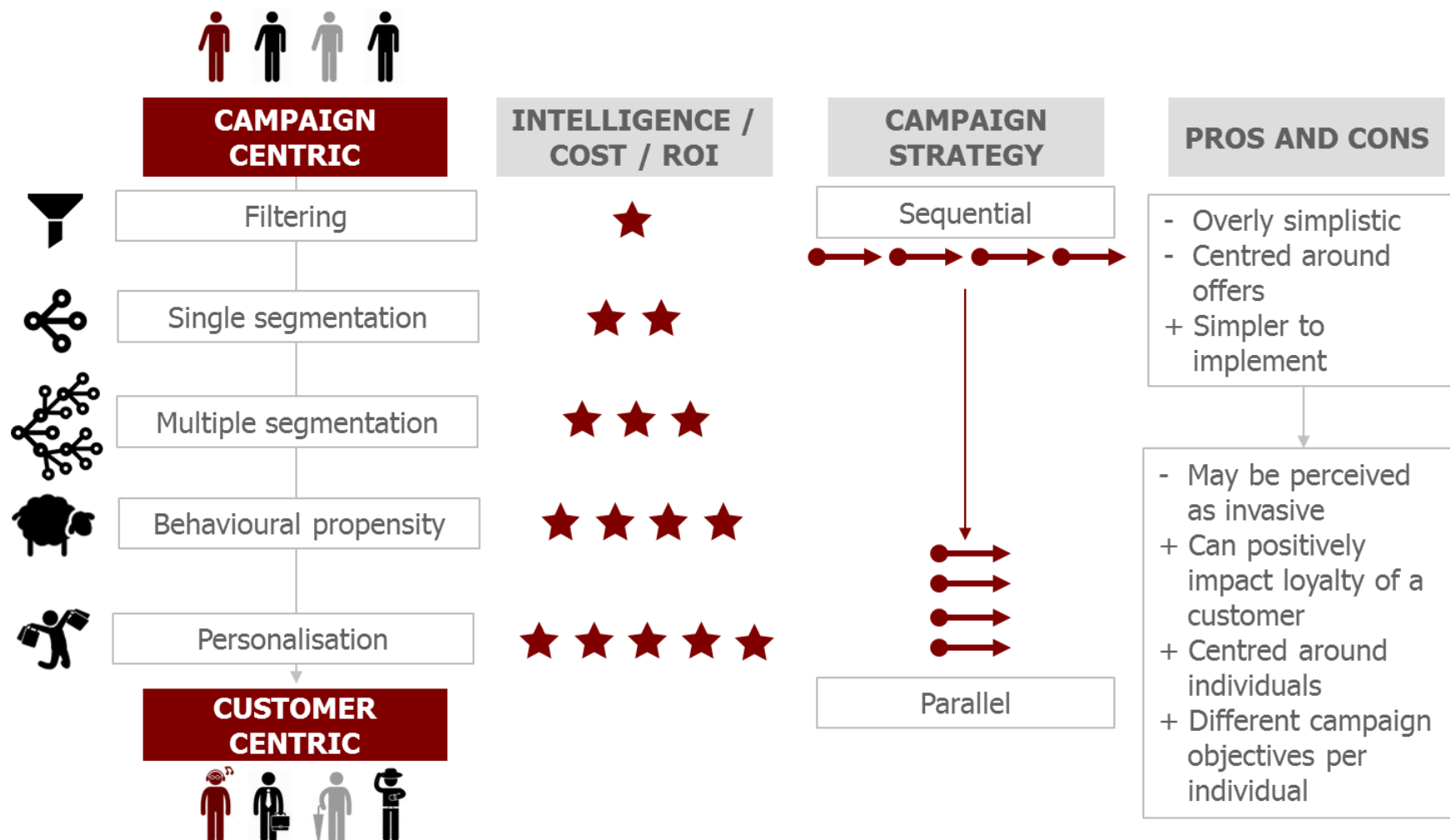
Compare the
spend of the two
groups in future
months

Targeted offers and personalised rewards

SETTING UP A LOYALTY PROGRAMME



Profiling allows us to understand and serve customers better



Relevant communications have the most impact on behaviour

Relevance: **6x**

Richer offers: **3x**

Timing: **2x**

Creative: **1.35x**

Channel: **1.25x**

Millennials are driving the need for businesses to send personalised communications



Targeted offers can add value, but can also annoy customers if it isn't helping them



Targeted offers can add value, but can also annoy customers if it isn't helping them





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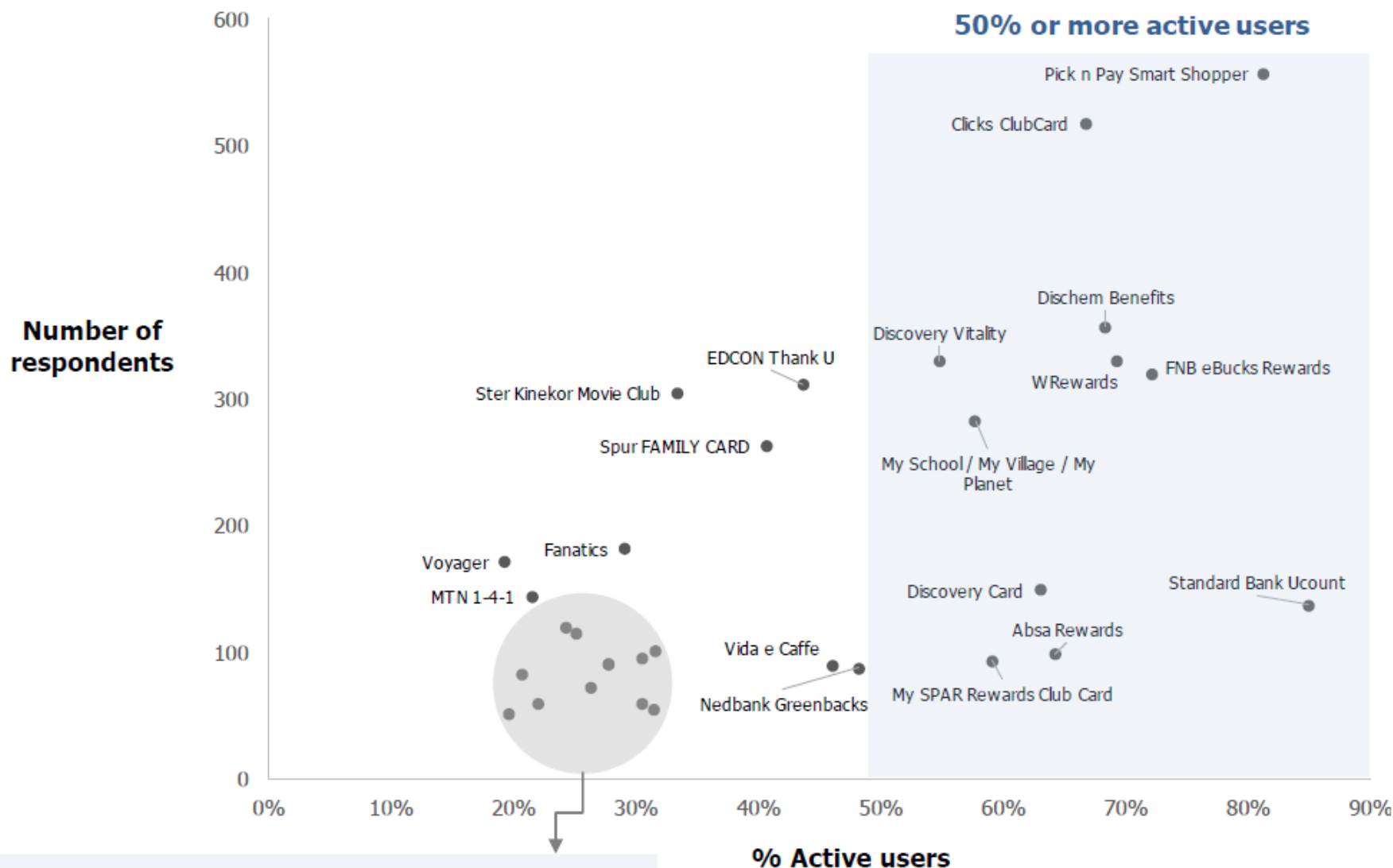
Thank you

The science of loyalty

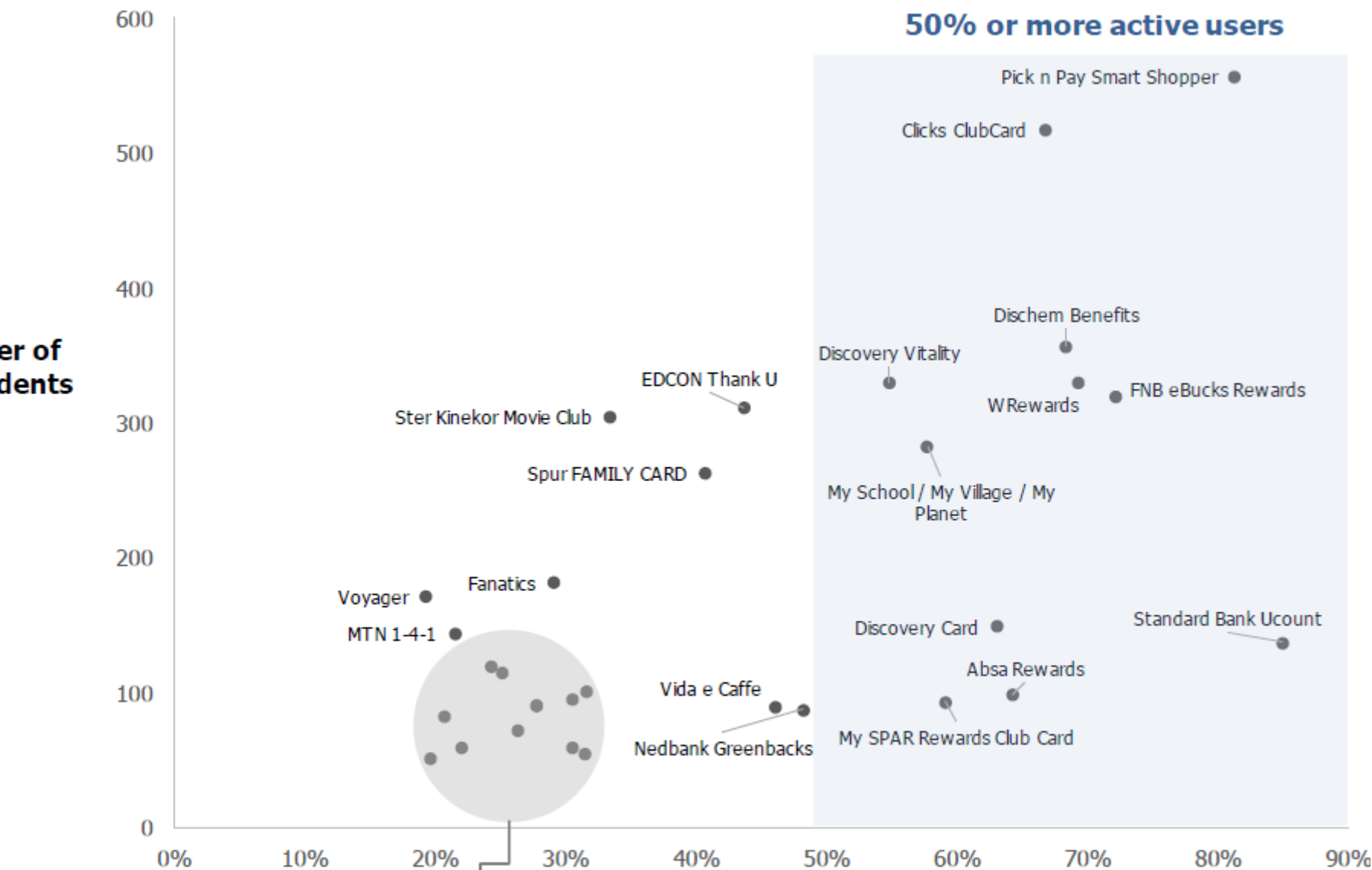
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Some programmes are better than others



Includes programmes: Discovery Vitality Drive | Sorbet Society | Avios Travel Rewards programme | Shoprite | Checkers EeziCoupons | Momentum Multiply | Spur Secret Tribe | aates Skywards | Wild Card | Liberty Own Your Life Rewards | TFG Rewards and More | Vodacom Talking Points



Loyalty objectives need to be related to the CVP



DATA
COLLECTION

- Collected data should be actionable and useful



BEHAVIOUR
CHANGE

- Programme rules:
 - Membership fees
 - Earn
 - Ease of redemption/ channels
 - Tiering levels
 - Point expiry



CUSTOMER
ENGAGEMENT

- Simple and transparent
- Perceived as valuable by customers
- Inclusive
- Represented well by staff