

INSPIRE YOUR CUSTOMERS

Earning the loyalty of New Zealand's modern-day digital customer

Visa Insights from customer research and
loyalty thought leaders





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Anthony Watson
Visa Country Manager,
New Zealand and
South Pacific

Foreword

Loyalty programmes are par for the course for many New Zealand retailers and banks.

 **In fact, 97% of Kiwis are members of some form of retail loyalty programme.**

Conventional wisdom says rewarding customers leads to greater loyalty, but Visa's new research shows there's more to it than that.

We commissioned a comprehensive study of retail brand and credit card loyalty programmes, and how they need to pivot to build truly loyal – and engaged – Kiwi customers.

The research shows that Kiwi customers are leaning into loyalty programmes that reward them with instantaneous possibilities for spending: it's more about "spending what I've earned right now" and "getting something for nothing straight away", than squirreling away points for a rainy day. This shift has taken place alongside massive digital acceleration, which has forever altered the commerce paradigm and puts digital experience front and centre.

Our investigation also reveals that to build truly loyal and engaged customers, retailers and financial institutions must leapfrog from 'tried and true' methods towards new solutions – enabled by digital experience and innovations – that create instant brand affinity. Businesses should consider using numerous tactics like helping customers with value-add products such as budgeting tools and webinars, enhancing apps with banking and investment options, and deploying a more empathic user experience.

The rewards experience should be increasingly real-time, dynamic, targeted and gamified.

All of these tactics work in harmony to enhance loyalty programmes – and lead to a point where brand and loyalty meet to forge strong and enduring emotional connections with customers.

I hope these new customer loyalty findings help Kiwi businesses attract and retain customers, and ultimately win the loyalty and customer engagement game in 2022 and beyond.

Moving money globally



200+

Countries and territories



3.8B

Cards worldwide¹



232.5B

Payments transactions²

**Our vision is to be
the best way to pay and
be paid for everyone,
everywhere.**

Our mission is to connect the world
through the most innovative, reliable, and
secure payment network — enabling
individuals, businesses
and economies to thrive.

15,100

Financial institutions²



\$13T

Total volume²



100M+

Merchant locations³



¹ As of December 31, 2021;

² For the 12 months ended September 30, 2021.

³ Data provided to Visa by acquiring institutions and other third parties as of September 30, 2021. Data includes an estimate of small businesses that utilize payment facilitators as of September 30, 2021.

METHODOLOGY:

New Zealand research into loyalty programmes

In the first study of its kind conducted in New Zealand, Phase One Insights surveyed 1,490 Kiwi consumers about their attitudes to loyalty programmes offered by retail brands and financial institutions, measuring both attitudes and affiliation.

- It's widely assumed that loyalty programmes are a key factor in customer retention and attraction
- The changing playing field with new entrants into the loyalty market specialising in every industry and category is seeing the loyalty landscape evolve at speed, along with customer expectations
- The goal was to understand and analyse the changing face of loyalty as digital commerce continues to evolve
- Our investigation provides practical, evidence-based insights to explore customer expectations and how loyalty programmes need to evolve to meet the expectations of today's customers
- Analysts conducted interviews with six loyalty thought leaders from New Zealand, Australia and South Africa, and hosted asynchronous online workshops with 30 New Zealand customers, before launching an online questionnaire completed by 1,490 New Zealanders.



Complementary expert analysis

Loyalty industry thought leaders



Qualitative workshops with 30 New Zealand consumers to quantify research findings



Online survey

20-minute online questionnaire with 1,450 consumers, covering:

- Customer attitudes to brands and loyalty programmes
- Drivers of loyalty and brand choice
- Opportunities for businesses.



Sample size

The online survey was a nationally representative sample of 1,490 New Zealanders aged 18-64



Fieldwork

The online survey was conducted in October 2021.

Key insights

Today, loyalty programmes are seen as an essential tool across major brands and financial institutions. Customers love them – but usage doesn't clearly correlate with brand loyalty.

The way that loyalty programmes are structured to allow customers to collect, save and spend rewards is now out of step with their expectations. To win “true loyalty” from customers and foster emotional connection to a brand, it's important to enhance digital experience, offer instant rewards and think beyond traditional reward points.



Key insights

1

Today's loyalty landscape

- Loyalty programmes have become table stakes
- Traditional points and rewards programmes are now hygiene factors. They are an essential part of the toolkit, but currently don't have proportional impact on brand loyalty
- Credit cards rewards programmes play a key role in customer acquisition and retention but can evolve for enhanced customer engagement

2

Responding to the loyalty challenge through rewards programme innovation

Three opportunities for rewards programmes to improve:

- Enhance the digital experience and convenience
- Deliver instant rewards
- Make traditional rewards work harder for the customer

3

Creating true loyalty requires teams to think beyond the loyalty programme

- Foster emotional connection
- Aim for "true loyalty"

“ Loyalty programmes need to fit into a wider nexus of brand attachment. While points and rewards programmes help reinforce brand loyalty, they are not its sole driver.”

Global Data, “Loyalty in Financial Services” (Dec 2020)

Retail brand loyalty programmes

Loyalty programmes remain a popular way for retail brands to enhance customer loyalty

Retail brand loyalty programmes include grocery, fuel, air miles and general customer goods/services – with customers rewarded for their patronage. Every programme has a different set of rules and requirements to earn and spend points.

Of those surveyed, 86% use a retail programme for groceries, 81% for general customer items, 77% for fuel rewards and 65% for an airline loyalty programme.

At 97%, an overwhelming majority of customers are members of some form of retail brand loyalty programme, but this high usage doesn't necessarily correlate with higher levels of engagement with the brands that offer them.







Retail brand loyalty programmes create low to average levels of affinity or 'love'

for the programme and rate even lower for levels of engagement. That means fewer customers go out of their way to engage with that programme.

UNDERSTANDING THE METRICS

 **Affinity** = customers who love their bank's credit card loyalty programme

 **Engagement** = customers who go out of the way to earn rewards with their bank's credit card reward programme

Avg. Affinity  Avg. Engagement 



AIRLINE



GROCERIES



GENERAL CUSTOMER LOYALTY PROGRAMME



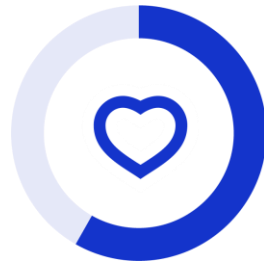
FUEL

Credit card loyalty programmes

Customers value credit card reward schemes, but they only have a small impact on their broader loyalty to their existing provider



While credit card loyalty programmes with banks had higher affinity scores than retail loyalty offerings, engagement levels still scored lower than affinity ratings.



63%
Average affinity



47%
Average engagement



73%

use a credit card with an attached loyalty programme as their preferred payment method



21%

say that earning rewards on their credit card makes them feel more connected to their bank

Customers value many aspects of loyalty programmes but brands need to work harder to gain true loyalists

Loyalty programmes must evolve to drive business outcomes and meet changing customer needs

Loyalty programmes are now hygiene factors and are not optimised to drive business outcomes.



"I love loyalty programmes, but other things are more important to me when I'm choosing who to give my business"



"the best thing about loyalty programmes is that they reward me for doing things I would be doing anyway"



"loyalty programmes are a great way to get something for free for nothing - it's free money, nothing more"

Loyalty offerings as they currently look may have fallen out of step with customer behaviour and expectations. A clear majority of those surveyed (75%) felt that while loyalty programmes are great, there were other more important aspects when choosing who to use.

These results highlight how loyalty programmes are, at best, secondary drivers of brand preference for many loyalty members, who may not see value in their programmes beyond the odd freebie.

For loyalty programmes to achieve the sales and engagement outcomes they were designed to...

“...loyalty programmes need to fit into a wider nexus of brand attachment. While points and rewards programs help reinforce brand loyalty, they are not its sole driver.”

Global Data Loyalty in Financial Services (December 2020)



“
It’s hard to create loyalty and emotional attachment if the products and services are not up to scratch. It comes down to really understanding customers and solving problems in the moments that matter to them.”

Senior Retention Marketing Manager
Telecommunications provider, New Zealand

How loyalty programmes can evolve

Our research uncovered three ways that brands can improve their loyalty programmes



Ultimately, loyalty programmes across the board are valued, but they need to evolve.

To do so, they need to bridge the gap between modern day customer behaviour and true drivers of building loyalty today. That means loyalty programmes should be reimagined to offer customers valuable, brand-related benefits. For example, personalised discounts and other offers, special treatment, access to premium services and experiences, and bespoke bundling benefits are ways to evolve loyalty programmes to truly resonate with customers.

Contemporary digital-savvy users in particular want more instantaneous rewards, rather than being required to save points before making a purchase. Today, traditional approaches don't feel enough to customers. People want more instantaneous rewards, rather than being required to save points before making a purchase. That traditional approach isn't enough for customers anymore.



Deliver instant rewards



Enhance the digital experience



Think beyond rewards

Delivering instant rewards



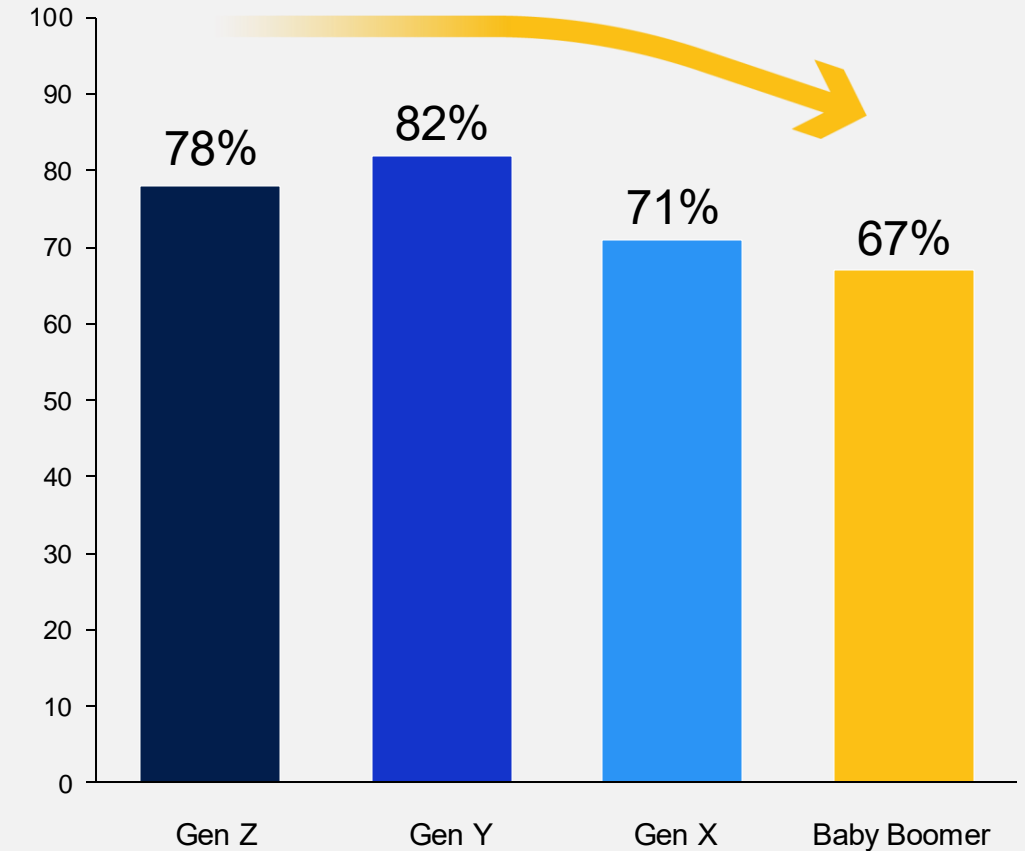
Loyalty programmes need to deliver instant rewards.

74% of customers on average prefer loyalty programmes that offer smaller, more accessible rewards that allow them to redeem points more frequently.

For Gen Y, this is as high as 82%. That contrasts with the more traditional model, whereby customers accumulate points over time and use them for a larger purchase.

Think, for instance, of using points to pay for a morning coffee, versus saving them for months to buy one big ticket item.

% of customers who are most interested in loyalty programmes that offer instant rewards and discounts



Enhance convenience and the digital experience

Brands also need to consider the digital experience and convenience as key success factors.

Digital experience and convenience is more highly valued by customers than the loyalty programmes themselves – making up 30% of a customer’s decision-making process when choosing a bank or financial provider. These digital-first, convenient propositions are far more important to customers than the loyalty programme itself, which made up only 8% of decision-making.


That means clear easy-to-use navigation on a bank’s app (or website), being alerted to what points are being earned in real time, and immediately using them through digital channels – as well as appropriate value-add features or products.

These propositions are especially important to Gen Y’s and Gen Z’s, who demand seamless, easy and even fun apps that help remove the need for visiting a physical branch, as well as aspects such as investment options built in.

30%
of decision-making



is based on:

 Digital experience

or

 Convenience



“ The traditional approach is no longer working the way it once did. Millennials and subsequent generations want and demand instant gratification. They demand more immediate rewards, like cashback and offer-based programmes as opposed to accumulated points programs”

Senior Partner
Big 3 Management Consultancy, Australia

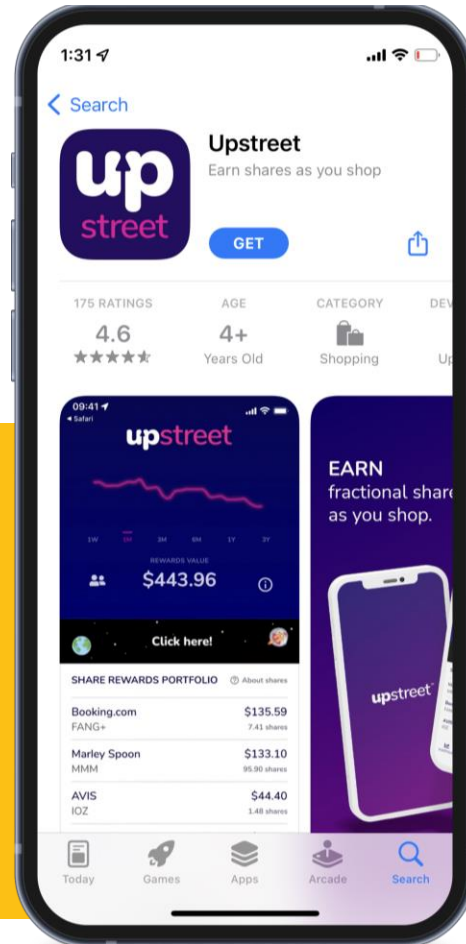
CASE STUDY:



Australian-based Upstreet – which partnered with 500 Australian and international brands, and plans to launch in New Zealand later this year – is a unique loyalty platform that aims to democratise share ownership by rewarding customers and/or employees with fractional shares.

Accelerating Digital First Payment Experiences

Upstreet joined Visa Fintech Partner Connect in 2021 – a programme designed to help Visa’s issuing, acquiring and merchant clients connect with a vetted and curated set of technology providers, opening up new possibilities in digital payments. The fintech also leverages Visa’s API to enable customers to link their Visa cards and access real-time transaction data.



Building ‘Sticky Loyalty’

Upstreet enables individuals to get started on their journey to share ownership, while helping companies achieve long term “sticky loyalty”.

Research shows* that:

Customers who own shares in the companies they shop with purchase on average 36% more products and 30% more frequently from that company, as well as being 33% less likely to buy from competitors**.



Customers earn fractional shares by linking their credit card and/or bank account to the Upstreet App and shopping with participating partners.

*Share reward programs: a rare strategy for achieving true loyalty, Upstreet, September 2020
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OUR RESEARCH CONFIRMS THAT...

...creating true loyalty requires teams to think beyond the loyalty programme

Today's loyalty programmes need to foster emotional connection and aim for "true loyalty".

The following section maps out the level of behavioural and attitudinal loyalty survey respondents have with their favourite brand as well as with mayor brands they feel most emotionally connected to.

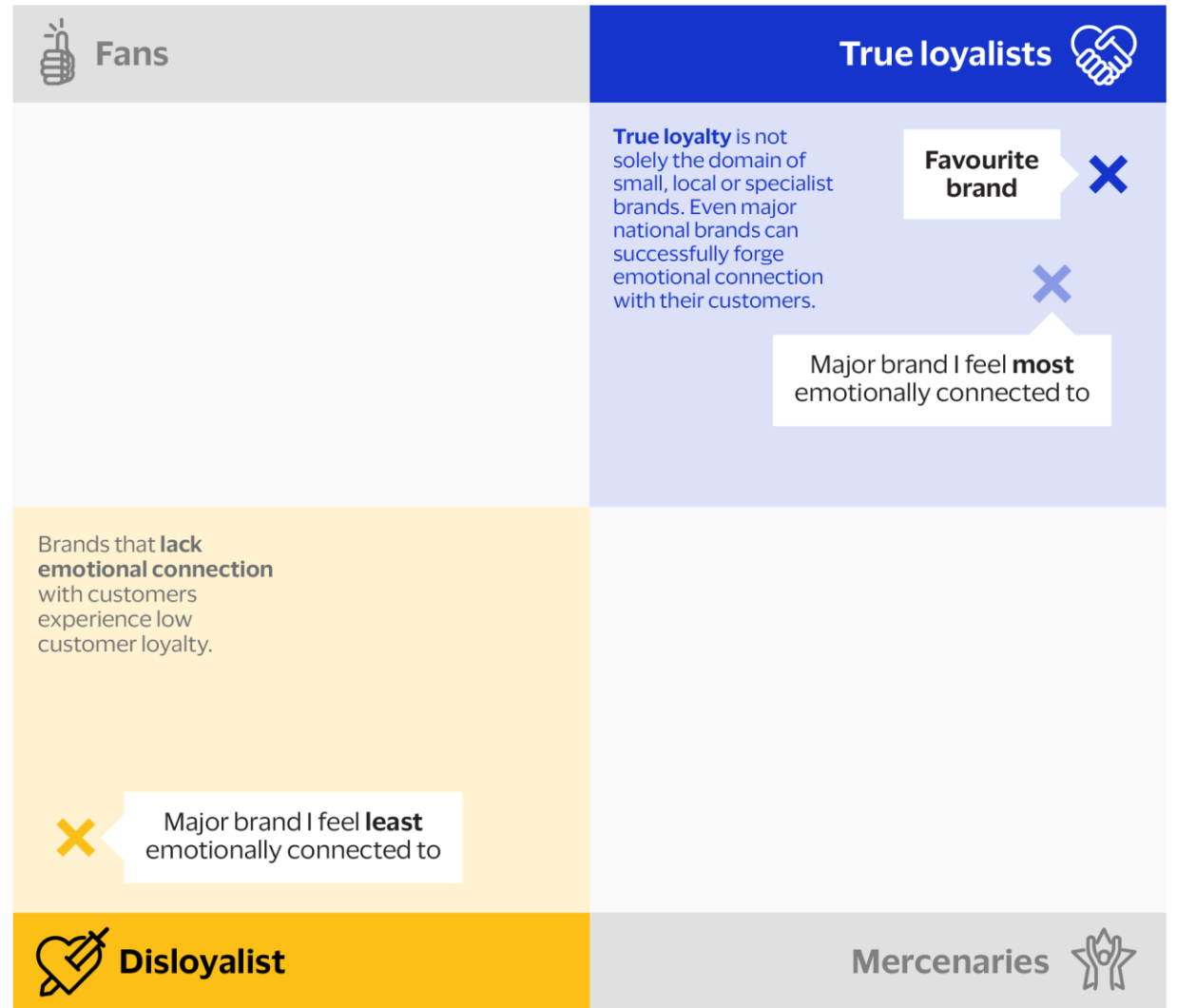


Brands that forge an emotional connection with customers are repaid with attitudinal and behavioural loyalty



LOYALTY MAP: IMPORTANCE OF EMOTIONAL CONNECTION

MORE
 ↑
 Additudinal loyalty
 brand affinity
 ↓
 LESS

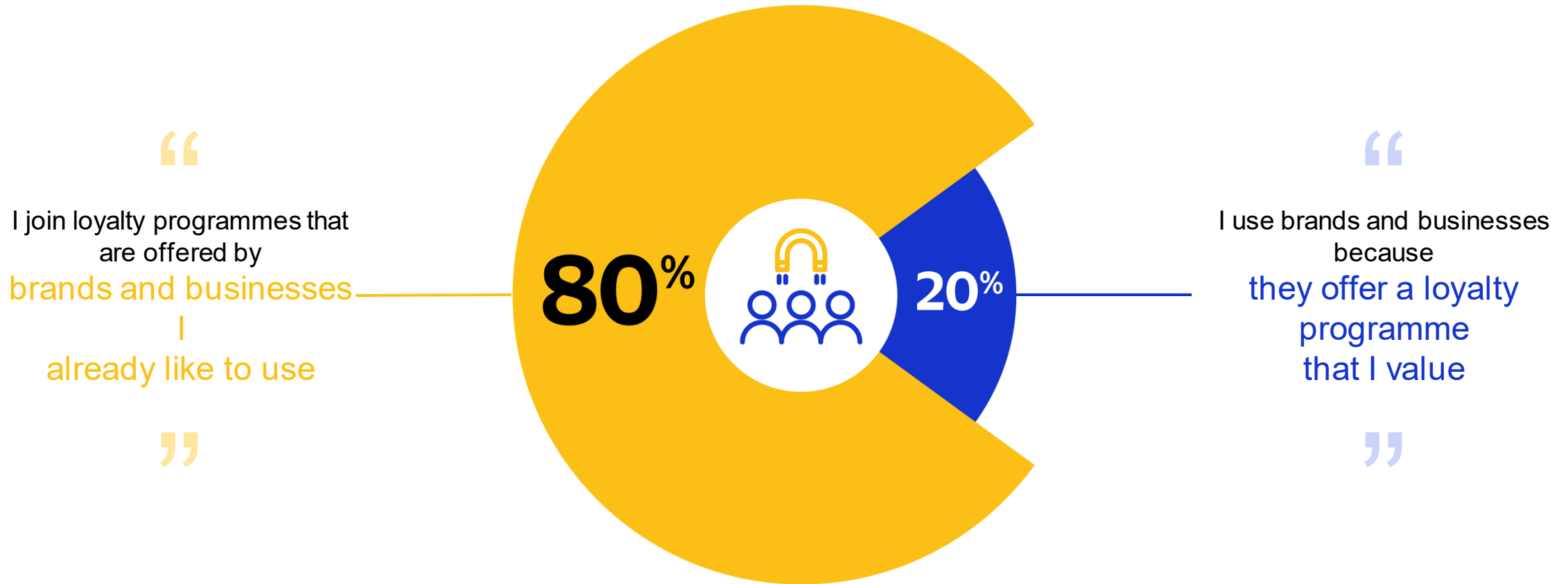


LOWER ← Behavioural loyalty intention to return → HIGHER

The survey asked respondents to select from a list of major mass market brands (airlines, fintechs, supermarkets, general retailers and smartphones), as well as identify their own favourite brand (international or New Zealand). Behavioural loyalty is operationalized as intention to return to the brand for the next purchase. Attitudinal loyalty is operationalized as brand affinity (love or hate for a brand on a 7-point scale).
Base: All respondents (n=1,490)

The brand connection paves the way for customers to engage with the loyalty programme

Relationship between loyalty programmes and brand choice



Customers are more likely to join and engage with loyalty programmes from brands that create emotional connection

For brands that customers feel strong connection with, 86% belong to the loyalty programme. Of these, 70% love the loyalty programme and 47% go out of their way to participate in the loyalty programme.

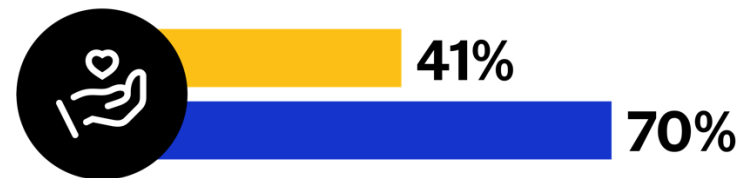
For brands customers feel least connection to, 77% belong to the loyalty programme. Of these, 41% love the loyalty programme and 26% go out of their way to participate in the loyalty programme.

■ Brand I feel **least** emotional connection to
■ Brand I feel **most** emotional connection to

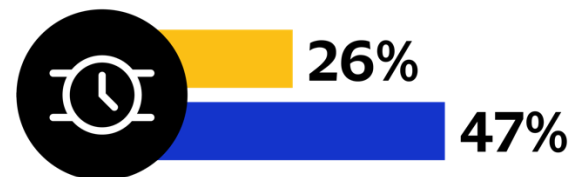
% BELONG TO THE PROGRAMME



% LOVE THE PROGRAMME



% GO OUT OF MY WAY TO PARTICIPATE



The formula for world-class loyalty programmes

Great value propositions wrapped in first rate customer experiences create truly loyal customers

5 key drivers

Demonstrate the importance of starting with a deep understanding of the customer and creating a suite of products and services that enhance their lives.

DRIVERS OF TRUE LOYALTY Relative importance %



SIGNIFICANT DRIVERS



For more information

Visa provides banks and merchants with strategy support and a range of digital capabilities that underpin the experiences that can make Kiwi customers truly loyal. For more information on this topic, please contact:

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