"loyal to the cause"
where loyalty,
mfs & payments
go hand in hand

Executive summary

Ovum carried out two surveys to **measure the impact of loyalty programs linked to mobile financial services (MFS)**.

The surveys covered consumers and service providers across nine mature and emerging markets, examining a wide range of issues from the rewards and features consumers like best through to service provider strategies for MFS loyalty programs.

Among the broad and far reaching findings, the **key take-away is that MFS loyalty programs are a powerful tool that consumers appreciate and that service providers should cultivate in their MFS wallet programs**. This is a loud wake-up call for MFS providers that do not offer any loyalty programs.

Don't underestimate the power of loyalty programs

Many MFS providers don't offer loyal programs because they think their customers don't need them. That is simply not the case.

Our end user survey indicates that the overwhelming majority (69% of consumers) **would definitely use an MFS/mobile wallet service more if they were given rewards as well as better wallet integration and social features**. In fact, the survey also shows that rewards can actually encourage consumers to use mobile payments more than cash and credit/debit cards.

In a context where the MFS industry is looking for ways to accelerate usage as well as adoption of new MFS services, it's important to note that **engaged MFS users respond to rewards even more than the average user**. A striking finding in the consumer survey showed that membership of loyalty programs is significantly higher for regular MFS users (53%) compared to infrequent users (34%). Regular MFS users also expressed the strongest enthusiasm for existing and new features.

Loyalty programs and customer retention go hand in hand. The most important benefit is the positive impact that loyalty programs can have on **customer retention** with 55% of service provider respondents giving this a top score of 5 while 38% gave it a score of 4/5. The impact of loyalty programs on **brand perception and cross selling** opportunities was also ranked highly by service providers in the survey.

A missed opportunity

While over half of MFS users in the survey (**56%**) have **not registered for loyalty programs**, for a third of these respondents it is because **no such program is offered**. This group represents a missed opportunity for service providers.

The gap widens further when it comes to unbanked MFS users: **only 22% of unbanked respondents in the survey said they were members of a MFS linked loyalty program**. Unbanked MFS users are exactly the group who stand to benefit the most from money saving rewards and other loyalty features in the form of discounts, cash back schemes and similar.

This is consistent with one of the key messages from our previous MFS survey carried out in 2015 (Mobile Financial Services: What Consumers Want) which found that unbanked MFS users are not being reached as effectively as they should be.
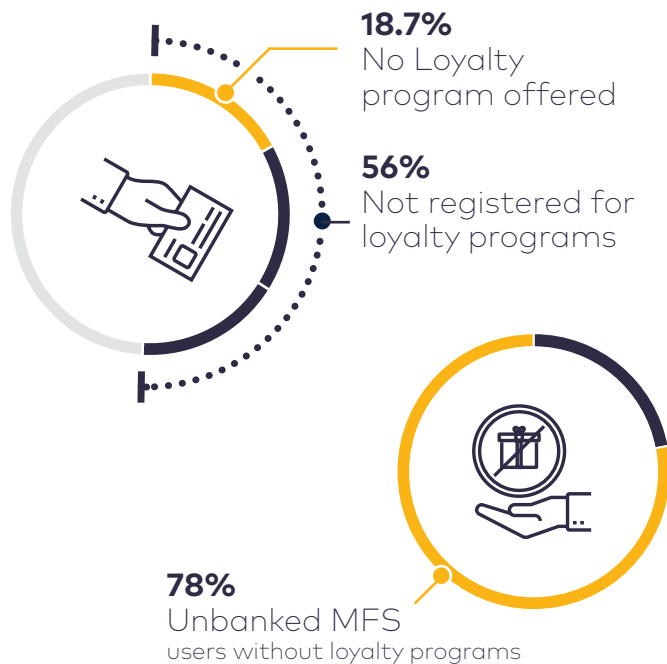
18.7%
No Loyalty program offered

56%
Not registered for loyalty programs

78%
Unbanked MFS users without loyalty programs

MFS loyalty programs are a powerful tool that consumers appreciate and that service providers should cultivate in their MFS wallet programs.

Service providers: tier them, secure their data and they will come

While many MFS providers are still undecided about tiered loyalty programs, those who have launched them report very positive results with **79% claiming that the prospect of earning higher tier points provides a strong incentive for customers to use more MFS services**. The vast majority of service providers who responded to the survey said that this is based on quantitative data that has been tracked over time.

At the same time, consumers expressed a strong desire for features that make loyalty programs more flexible and convenient. The top scoring features by far were the **ability to manage multiple loyalty card programs within a single mobile wallet**, (61% rated this very important, 31% important) followed by the ability to use reward points across different loyalty programs.

But the main reason that consumers **don't register** for MFS loyalty programs **is concerns over personal data**. The survey revealed that although consumers place a high value on personalized promotions, they are not enthusiastic about their personal data being leveraged to support this process. **Service providers must ensure consumers that their personal data is respected and secure**. They should also aim to give users greater control over their personal data, for example, by giving users the ability to decide how much data is shared and what kind.

Unified, seamlessness and simplicity are must-haves

The most popular of all the features presented in the surveys **was multiple card management from within a single wallet**. The overwhelming majority of respondents considered it **very important (61%) or (31%) important to be able to manage different loyalty cards from within a single wallet**.

The enthusiasm for this feature is notably higher among regular users who considered it very important (68%) compared to infrequent users (49%) and also among banked users (61%) compared to unbanked users (51%).

Loyalty 4.0 -
the next wave of winning
features for MFS and loyalty

The surveys also tested interest levels is new or emerging features that may help drive adoption and usage going forward, specifically the role of mobile chat and gamification features in the MFS loyalty context.

The majority of respondents (48%) were **very interested in earning extra rewards through participating in a game or similar activity**, while 41% said they were somewhat interested. Regular users were more enthusiastic (52% were very interested) than infrequent users (39% were very interested). **Young people were particularly drawn to gamification in the loyalty context, with 54% of those between the ages of 16-24 saying they were very interested in this proposition**. This makes them an obvious target market for this kind of feature, and is in line with the fact that younger people are the biggest gaming users.

Mobile chat features in the loyalty domain are still relatively uncommon, and as such are a conceptual proposition for the vast majority of consumers. In this context, the levels of interest expressed in mobile chat were encouraging: 40% of users said they were very interested in this feature while 45% said they were somewhat interested.

A final word

Educate   **Engage**   **Reward**

So what's stopping some consumers from joining MFS loyalty programs? One of the most significant factors relates to their **lack of knowledge and awareness**. The survey revealed that **21%** of users have not joined a loyalty program because they are **not aware** of them while **19% did not understand how they work**. Service providers are either taking the fundamentals for granted and/or assuming that consumers' knowledge of MFS loyalty is more advanced that it actually is. Educating and increasing the customer's awareness of such loyalty programs is paramount to its success.

Additionally, **MFS users like rewards and incentives, and will reward service providers with both their loyalty and increased usage when offered a carefully crafted loyalty program**. In a context where the MFS industry is looking for ways to accelerate usage as well as adoption of new MFS services, it's important to note that engaged MFS users are the ones who will be long term supporters so it is vital to reward them as much as and as creatively as possible and they will turn into long term loyalists.

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