

Loyalties solutions



Gratifii chief executive Iain Dunstan (above) says it's easier to retain a customer than to attract a new one.

Loyalty paying off in uncertain times

Customer loyalty programs have been around for years but are becoming increasingly popular as the cost of living rises. Consumers everywhere are looking for ways to stretch their budget and that includes turning to loyalty programs to help manage everyday spending.

Brands are responding. Some of Australia's biggest retail giants, including Myer, Coles and Woolworths, are bolstering their loyalty programs and increasing personalisation to capitalise on demand, with many reporting significant growth in their programs since the start of the pandemic.

This is because high-performing loyalty programs have real potential to offset the challenges of the current uncertain environment. Companies with strong loyalty programs can expect higher sales, with active customers in those programs typically spending more, churning less and more likely to recommend the brand to others.

The Australian Loyalty Association's 2022 *Annual Loyalty Insights Report* notes the cost-of-living crisis has brought into focus the value of loyalty programs for members as they look to the programs for help. That's seen regular discounts become the most preferred program benefit, as consumers increasingly seek assistance with practical needs.

Economic downturns, including the recession of the 1990s and the 2008 global financial crisis, have often translated into growth for loyalty and reward programs, allowing consumers to cash in points to save money on both essentials, and the little luxuries they can no longer otherwise afford.

Gratifii, an ASX-listed technology company,

delivers tailored loyalty reward programs to its clients. The company recently signed a three-year deal with RACV which, it says, reflects the enormous growth and popularity in the sector.

Chief Executive Iain Dunstan says the deal demonstrated the increased demand for loyalty and rewards programs - both among businesses who want to retain existing customers while attracting new ones, and shoppers who are looking for savings in difficult economic times.

"It's a huge industry that touches everybody," Dunstan says.

"Almost every company has a rewards program: airlines, retailers, hospitality, automotive and healthcare. And something like 90 per cent of Australians are enrolled in at least one of these programs and, on average, have four or five.

"We're seeing a real lift in business as interest rates go up. People are looking for bargains. In this tough environment, they don't want to pay full price if they don't have to."

Dunstan points to the increased focus on loyalty programs during tough economic times as making business sense. After all, he says, it is easier to retain a customer than to acquire a new one and companies that invested in their loyalty program during the good times are now reaping the rewards.

In deepening its existing relationship with RACV, Gratifii will provide software and content for the member-based motoring club, while continuing its rewards program.

In what is Gratifii's biggest software-as-a-service contract to date, the company is

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expected to earn extra revenue of \$8.8 million in the 12 months to June 2024.

On the customer side, RACV members saved roughly \$2.7 million on the recommended retail price of over 262,000 rewards purchased from Gratifii over the last financial year.

With a head office in Sydney, Gratifii counts Bunnings, Westpac, Officeworks, Alinta Energy and Coles among its clients.

Gratifii's point of difference in a competitive market is its ability to offer a one-stop shop for these companies. This comprises a patented software platform (called Mosaic), services arm (for marketing, design, graphics and

gamification), and rewards arm (which provides the discount movie tickets, meal discounts or other travel and retail offers).

"What our clients want is access to all three components from one supplier, and we're able to provide that," says Dunstan.

It is the sophisticated use of algorithms and big data which has really helped the likes of Gratifii build a complete picture of their clients' regular customers - and pitch offers that target their preferences in eating, drinking, entertainment, travel and shopping.

"If you are a regular diner at a steak restaurant, we can help the restaurant owner deliver a richer customer experience. For example, if we know that you like wagyu and prefer to drink shiraz, as soon as you make a booking there, we can send you a text message saying we've got a special on your favourite shiraz," Dunstan says.

"Interestingly, if we make a general offer of, say, a 10 per cent meal discount, we might get 3 or 4 per cent of customers responding to that. But if we send a targeted offer of a discount on shiraz to shiraz drinkers, that response figure jumps to nearer 30 per cent."

Gratifii's card-linked rewards schemes enable customers to earn cash back or points or vouchers or more, via their card, phone or watch, meaning the traditional approach of issuing a customer with a physical loyalty card to be presented for each transaction is going the way of the dinosaur.

"The days of plastic cards are gone - they're totally antiquated," says Dunstan. "Everything is done on the phone now - it's all tap and go."



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