

Entelect Loyalty and Rewards

Solution Framework

Whitepaper

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1. Entelect Company Overview

Entelect is South Africa's leading software engineering company, based in Melrose Arch, Johannesburg, with a full service software engineering and solutions offering. Our areas of expertise include: software resourcing, consulting, development, products and platforms for business.

Our clients are primarily listed and private entities in all major industry sectors and range from blue-chip international companies to small niche players. We house the finest pool of software engineers in South Africa and have designed and implemented hundreds of enterprise systems both locally and abroad. Our real differentiator is the quality of our solutions, our approach, our intellectual property and the qualification of our people. We have grown by referral and reputation since our inception in 2001, with an impressive list of clients and track record.

In this white paper, we refer and describe Entelect's Loyalty and Rewards solution framework. Please refer to "Entelect Overview.pdf" for more information about us or visit our website at www.entelect.co.za.

2. Introduction

Loyalty and rewards programmes provide a powerful toolset to unlock the value inherent in the multitude of relationships an organisation has with customers, employees, agents and suppliers. By managing behaviour, providing rewards and increasing the engagement with the entities that an organisation interacts with, revenues can be increased and costs effectively contained.

Entelect Software has a deep understanding of the business and technical aspects of creating programmes to unlock relationship value. By providing a working framework as well as the technical experience to implement the solution, Entelect is the choice provider for implementation of loyalty and rewards programmes.

3. Loyalty & Rewards: An Overview

Loyalty and rewards programmes traditionally are meant to manage customer behaviour by promoting loyalty through offering rewards. Entelect has extended this definition to include additional organisation stakeholders such as customers, employees, intermediaries, agents and suppliers.

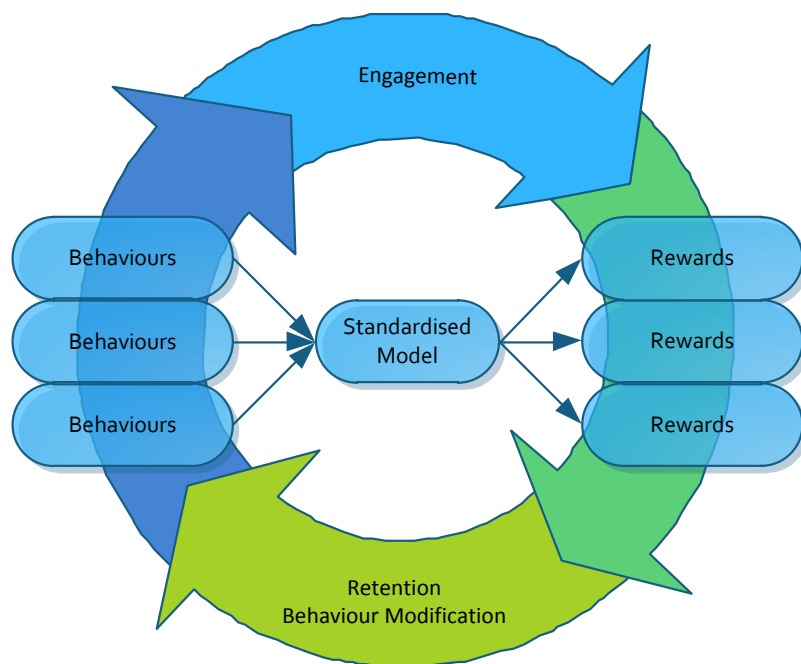
The goal of a loyalty programme is mainly to increase revenue or contain costs as with any corporate strategy or programme. To achieve this, loyalty can be used in the following ways:

- To gain insight into behaviour by linking data to specific actions. This has been used widely in retail programmes where loyalty cards offer rewards for the right to track spending habits.
- To drive behaviour by making stakeholders aware of what is important and rewarding that behaviour. This is especially true in health programmes that reward healthy living to limit medical costs.
- To increase engagement and dialogue across multiple channels. Using a loyalty programme can create a channel and message that can be used effectively to communicate and engage with stakeholders. It also allows for a different brand engagement from your organisation's core brand without diluting it.
- To promote retention by offering rewards that are more attractive than competitors.
- To drive cross product marketing by providing rewards based on multiple product selections. This is used in financial services to provide cross product incentives and promote additional products for a better price.

- As a differentiator: a well-structured loyalty programme can differentiate your organisation from competitors.
- To increase new customer acquisition: aligned with a strong brand, marketing and social media strategy, a loyalty programme can effectively provide increased market penetration and increase customer take on.

A well-structured loyalty programme can provide incredible organisational benefits. Structuring a loyalty programme though is an iterative process and requires a flexible solution that can change and grow as the programme evolves.

3.1 The Loyalty Lifecycle



The lifecycle is a simplified overview of how a loyalty/reward programme works. By defining certain behaviours that are measured through a combination of factors and then standardised, rewards can be given and tailored to increase retention and drive behaviour. Using this cycle, consumers can engage more with the organisations brand and products.

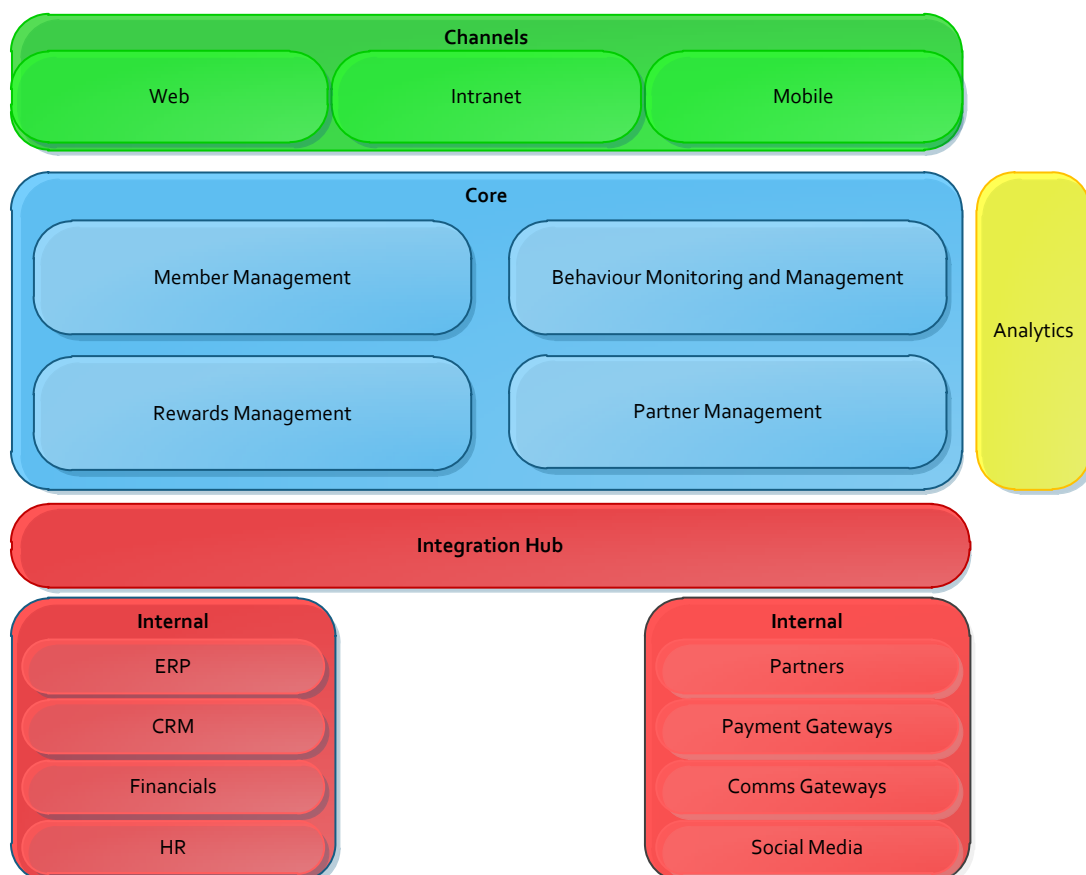
With a flexible model and implementation, this cycle can be refined and modified with feedback from the members as well as in reaction to changing business requirements.

3.2 Guiding principles

Through experience, Entelect Software has devised a list of guiding principles to ensure programme success. These principles, though straight forward and practical, make a difference to the effectiveness of the programme.

- Have a clear message and ensure the brand that powers the loyalty programme is aligned with strategic and marketing objectives of the organisation.
- Be clear of objectives in offering a loyalty programme. By defining objectives, you ensure that the programme meets the needs of the members and organisation.
- Keep it simple with a well-defined behaviour/reward chain that is easily understandable and communicable.
- Offer real value to your members and real value will be returned to the organisation. Real value is achieved by offering tools and rewards that members perceive as valuable and fostering partnerships that are aligned with the programme and member's needs.
- Be flexible in the offering and don't be afraid to communicate that you are changing the programme to suit the members. Getting a behaviour or reward wrong is a possibility whose negative effects can be greatly negated by effectively communicating and testing new lifecycle elements.
- Continually upgrade and refresh the offerings of the programme. This not only allows the organisation to start off small and grow over time but offers incentives to members since the programme is always growing and changing and also excellent communication opportunities.
- Effective engagement using strong customer support and communication is essential.
- Never disincentive or punish members. This portrays a negative view and is not the goal of a loyalty/rewards programme.

4. The Entelect Loyalty Model



The Entelect Loyalty model is a set of building blocks that together provide all the structures, processes, business rules and data models to support a fully scalable and flexible loyalty programme with high ROI. The model can be

applied across industries and target audiences but ensures that the loyalty programme is well managed and grows in a flexible manner.

4.1 Member Management

The member management component defines the structures, processes, business rules and data model to manage members enlisted in the program. A member may be a customer, employee, agent, supplier or any other well defined business entity engaged by the organisation.

4.1.1 Member Definition

The data model defined by the member management component includes biographical information with standard integration points to current CRM and back end customer systems. Take-on of members can be defined through multiple channels including self-service sign up and integrated take-on with current systems.

The model handles multiple membership levels and statuses as well as the rules governing transition from one status to another as well as all the governance applicable to it.

Membership identifiers can be defined such as membership numbers or specific numbering rules can be defined. These rules are vitally important to the programme since they may be required as additional information that needs to be communicated to member. Multiple search vectors (e-mail, id number etc.) are catered for in the simple to use administration system.

4.1.2 Member Engagement

One of the key elements of a loyalty programme is the enhanced engagement opportunities with members. To enable this powerful ability, the model provides a set of tools to manage not only internal programme communication but also the sharing of the programme through other channels. These tools include:

- Template communication and content management to ensure standardised programme communication across multiple channels.
- Communication event triggers linked to lifecycle events and templates allowing for automated communication with the member base.
- Scheduled summaries and statements generated and delivered automatically.
- Communications via social media connectors including Facebook, Twitter and Pinterest allowing the programme to reach outside the bounds of the member base.
- Additional engagement models including competitions, surveys and challenges can keep members engaged while spreading the reach of the programme.



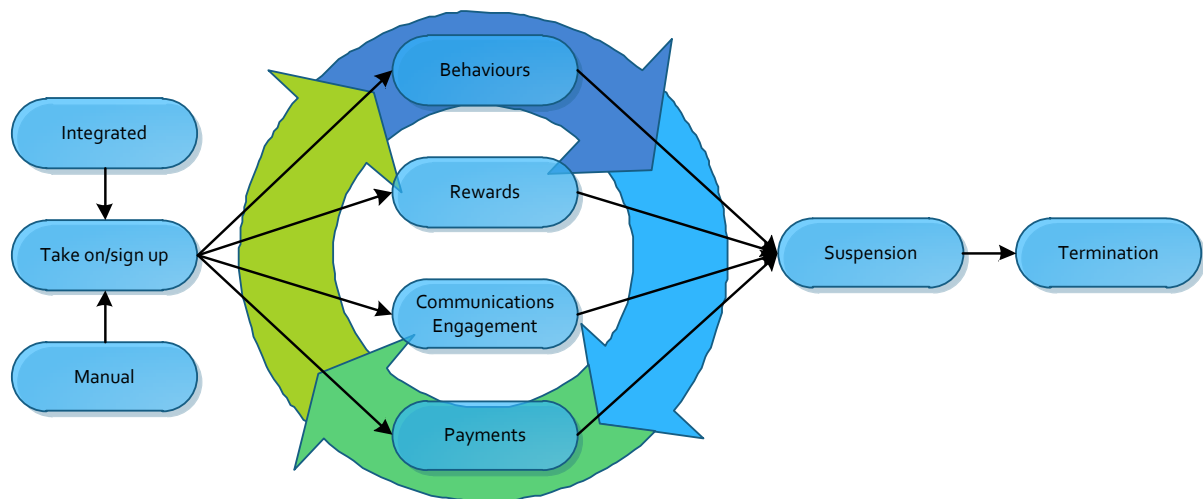
The membership component also provides a strong self-service web portal providing access to all required functions, statements and queries management as well as the interactive loyalty programme with views on behaviours and rewards.

Help Desk functionality is provided that allows members to capture queries and route to support agents. The helpdesk supports timeouts and SLA's with replies and reminders with a searchable query database including auditing of transactions and query history views.

In total, the multichannel engagement model offers a high level of customer engagement translating to a stronger brand presence.

4.1.3 Member Lifecycle

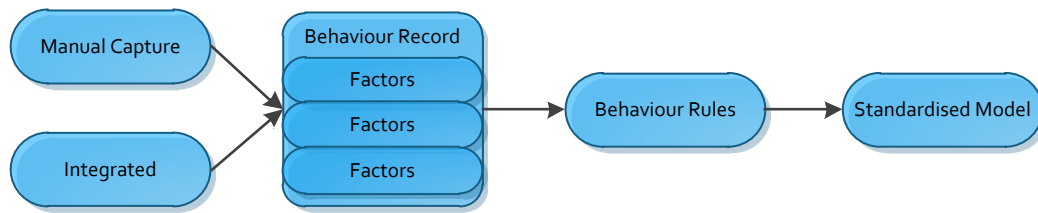
The loyalty model provides management of the entire member lifecycle from take-on to termination including event triggers and the ability to configure and define processes surrounding it.



The solution contains a full fees rule engine to enable the calculation and collection of membership fees (if any). Rules for fee calculation include processes for initiation, cancellation, pro rata and per period billing as well as top ups for specified rewards. A full transactions history is stored and is fully audited.

4.2 Behaviour Monitoring and Management

Behaviours are defined as measurable actions taken by members. These behaviours are used to form a baseline that gives a member status within the programme. The Behaviour Monitoring and Management component of the loyalty model provides not only the structures, processes, business rules and data model to manage the behaviours but also a rules structure that enables automated conversion of behaviours into the standardised model.



4.2.1 Behaviour Definition

Behaviours are discrete, measurable actions that are undertaken by members and are translated into the standardised model. Behaviours are defined in the model and can contain a set of factors. These factors are used in the translation by the rules engine into the standardised model. Behavioural inputs could be purchases, workout data, timesheet data, sales or any other measurable input. Factors may be:

- Quantities (e.g. 1000 Calories)
- Amounts (e.g. R10)
- Date and times
- A quantity or amount over a date or time (e.g. 10000 calories per month, 5 sales per day)
- An event (e.g. birthday, a sale)

Behaviours and factors may be captured manually or through an integration point. The standardised approach allows a wide range of possible behaviours to be easily used. Behaviours can be defined for a specific timeframe and adjusted accordingly. Using metrics that translate easily to behavioural factors such as activity devices (Nike+, miCoach etc.) or purchase histories allows for objective standardisation with lowered member complaints and increased member understanding.

Behaviours may be sourced from a range of different inputs including:

- Point of sale with cards or similar devices.
- Commissions systems.
- Timesheets or time and attendance/visit data.
- CRM systems that already track customer behaviour.
- ERP or back end accounting may provide financial information.
- HR to provide review information that can be used.
- Activity devices such as Polar and Nike+
- Self-asserted and peer validated whereby members assert behaviours themselves and peers validate them.

4.2.2 Standardised Model

The standardised model provides a method to rank people within the programme and provide rewards accordingly. Standardised models may be:

- Points based such that all behaviours and factors are translated into a points baseline.
- Levels/bands based whereby a set of behaviours move members up or down bands.
- Achievement/Badge based. This is a new trend that has been pioneered by social gaming and provides a fun and different way to standardise behaviours.

The standardised model also allows for additional engagement tools such as leader boards, challenges and competitions that in conjunction with social media provide additional customer engagement.

4.2.3 Shaping Behaviour

By encouraging behaviours, the organisation's member base can be better understood and persuaded as required by the strategies defined. The Entelect Loyalty Model provides behavioural modelling tools and analytics that provide the ability to predict the effects and outcomes/impact of behavioural inputs and rewards to better understand the financial and brand impact.

Using defined engagement channels and subtle reminders, behaviours can be shaped so that members feel that they are not only gaining value but the programme has their best interests in mind.

4.3 Rewards Management

Rewards are provided to members as incentives based on the standardised behaviours that have been created. Rewards can cover a wide range of what members constitute as valuable and can be instituted through different mechanisms and partners. Rewards can have a direct or indirect financial impact that needs to be monitored to ensure the continued viability of the programme.

The key to rewards management is clearly defined redemption and value. Rewards must be worth the effort for consumers to use, and are most effective when members see potential rewards accruing and being redeemed with minimal effort. The rewards must also be effectively mapped to the behaviours with high value rewards linked to highly desirable behaviours.

Rewards are anything of value to your members but come in the form of:

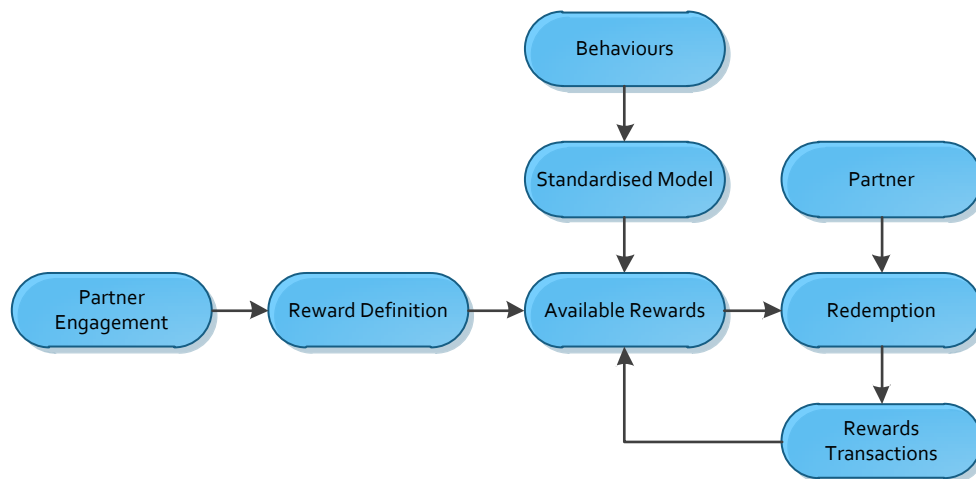
- Vouchers
- Cash rebates
- Coupons
- Defined products
- Benefits
- Discounts
- Specialised services.

When defining rewards, novel rewards are an excellent mechanism to engage with customers. Creative or strange rewards can be very effective at promoting the organisations brand and strategy.

Rewards can be used to drive customers to sites and open channels. When sending coupons, vouchers or statements, specific messages can be conveyed through a perceived value channel.

4.3.1 Rewards Lifecycle

The Entelect Loyalty Model provides the structures, processes, business rules and data model to manage the organisations rewards effectively. This includes a high level reward process that can be expanded and changed as required:



The Entelect Loyalty Model provides full reward engagement, definition, redemption and transaction accounting to ensure that the programme is offering traceable value.

The redemption of rewards is critical to how members engage with the programme. Too many redemption avenues and members will get confused and lower their perceived value of the programme. Redemption avenues may include:

- Vouchering (physical and online)
- Online through partner sites
- Card based
- Push and automated delivery
- Mobile phones
- Physical in store redemption if required to promote bricks and mortar interaction

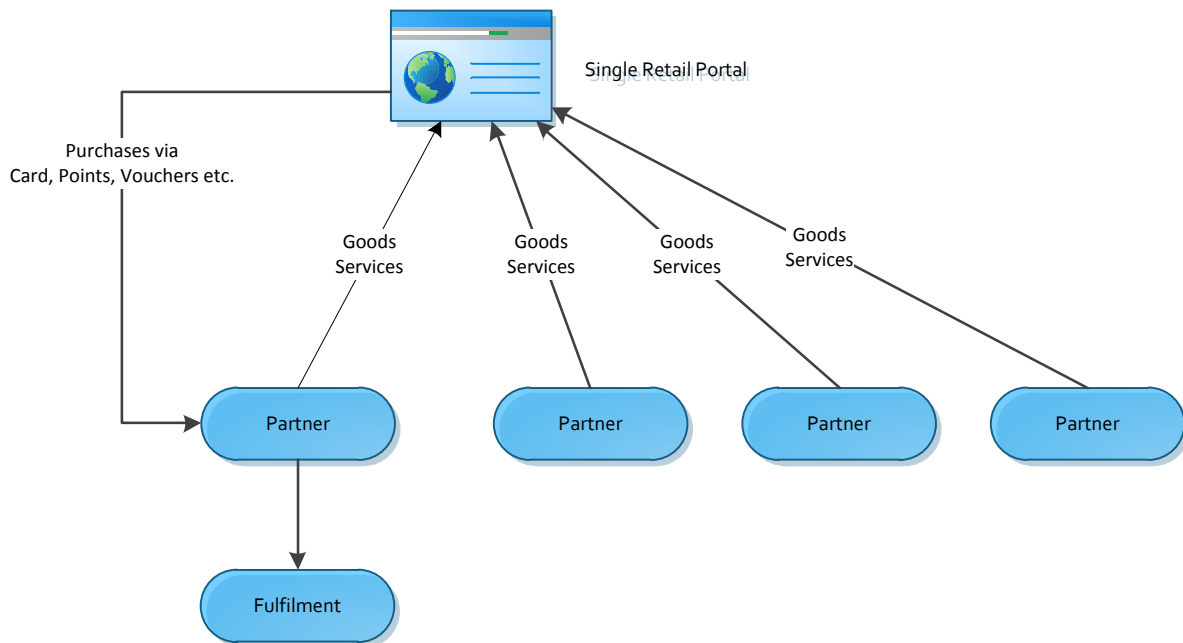
The model provides mechanisms by which to manage multiple redemption avenues. This includes monitoring and analytics to ensure optimisation of avenues as required.

4.3.2 Partners

Partners provide rewards to the programme and may be internal (to the organisation) as well as external. Each partner may provide a set of defined rewards but it is essential that the relationship is clearly defined.

4.3.3 Aggregated Retail

Aggregated retail is a component of the Entelect Loyalty Model that allows for multiple partners to provide products and services online through a singly-branded e-commerce portal. It also allows for the use of points and rewards to purchase partner goods allowing another reward subset to be exploited.

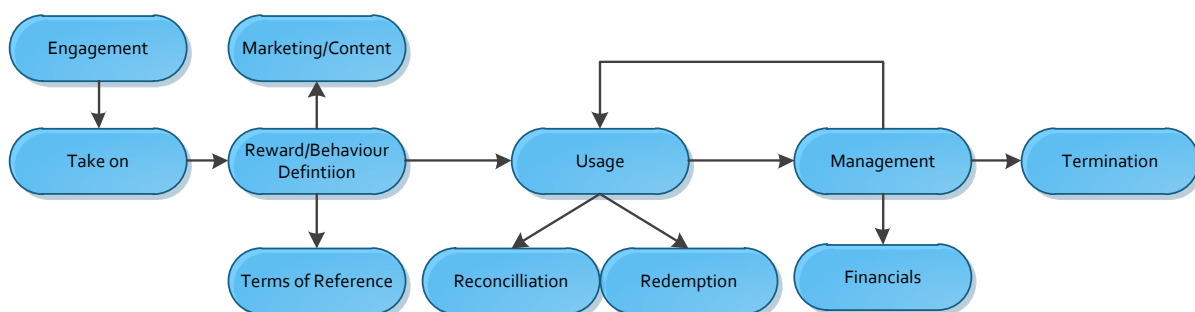


4.4 Partner Management

Partners provide rewards and behaviours and can be external or internal entities. They provide services that cannot be provided by the core loyalty brand. To manage partners and ensure that they are providing the proper value, the Entelect Loyalty Model provides the structures, processes, business rules and data model to effectively manage the lifecycle of partners from take on to termination.

It is essential to ensure that partners are aligned with the core message of the brand and can act as brand ambassadors for the programme. Partners must also be cognoscente that they are acting on behalf of the organisation and any conflicts need to be identified and limited early on. Partners must also be monitored for level of service and held to SLA's on any member engagements.

4.4.1 Partner Lifecycle



The model provides not only documentation but processes around partner management and the lifecycle. The lifecycle for partners includes best practices for engagement and take-on. Terms of reference as well as marketing rollout and partner communication channels must be defined within the partner model to ensure alignment with the programme.

Any reward usage and redemption by members must follow defined rules to ensure accurate reconciliation especially where there is financial impact to the parties involved.

The model provides analytics to measure partner performance from a usage, financial and engagement perspective so that partners can be effectively managed and re-aligned as required. Termination or suspension of partners from the programme needs to be handled in a structured manner as well so that members and brand are not impacted negatively.

4.4.2 Redemption management

Partner redemption is the most problematic part of partner engagement. It is when the members may be directly in contact with partners and not under the control of the programme. Ill will and frustration can be caused if the partner is unable to service the member or is not properly aware of the redemption process. This is especially true in largely distributed partners where training is key.

To limit the risk of this happening, full training and redemption processes need to be communicated to the partner and member. This can be an ideal opportunity to introduce the partner to the member base and again assist the partner with marketing.

4.4.3 Financial Reconciliation

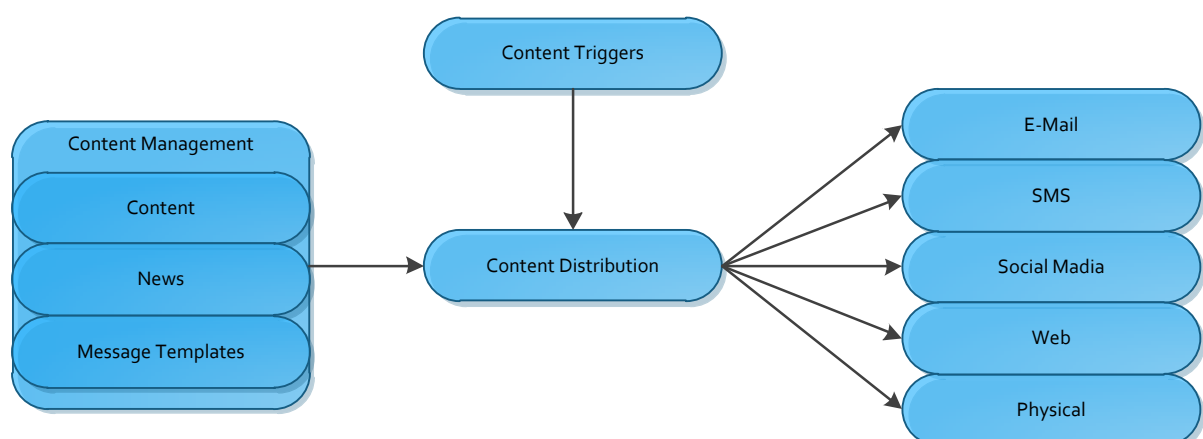
Often with rewards offered through partners' financial transactions, discounts and rebates may require reconciliation to ensure equitable distribution of funds. The model provides full partner reconciliation processes and auditing to ensure that both parties are happy with the distribution of funds.

4.5 Member Channel Management

People expect to be able to obtain information through a multitude of different mechanisms including web, mobile, e-mail, social media and traditional post. To keep a concise message across the multiple channels can be challenging. To simplify this process, the Entelect Loyalty Model provides tools to streamline communications and engagement across multiple channels. This is not only direct communication but also via new mediums such as social media to reach a wider audience. The channel management portion of the model is also flexible to handle the increased pace of new mediums being created at the moment.

4.5.1 Content Management

The solution contains a powerful message template and content management solutions that allows for centralised control of communications and engagement. The solution provides hooks into events for the automated and manual distribution of content through multiple channels.



4.5.2 Web

One of the main channels for members to engage with the programme is via the web. The model includes building blocks for web based member engagement as well as for building administration and partner solutions. The web based solution utilises the latest web based frameworks to ensure cross browser and cross device compatibility as well as flexible styling options.

The web portal has a range of self-service functionality that increases administration efficiency and includes:

- Statements
- Enquires management
- Communications
- Transactional enquiries
- Knowledgebase
- Information updates

4.5.3 Mobile Applications

Smart phones and tablet ecosystems provide a new medium with great potential to provide innovative tools and solutions that can engage and enhance stakeholder relationships on the move. By providing members with relevant rewards, and quick access to behaviours and communications, loyalty programmes can be taken to a new level.

Mobile applications also provide powerful branding opportunities especially with partners to leverage their initiatives as well.

The architectural model provided by the solution provides a service based approach on which mobile applications can be constructed and provides support for the major mobile application platforms.

4.5.4 Social media

Social media provides a powerful tool to create awareness beyond your immediate members. It can be treacherous when handled incorrectly but a powerful brand channel and marketing tool. Traditionally, customers are suspicious of traditional corporate brands utilising social media and are reluctant to engage with them. By using loyalty as the brand to communicate through social media, the organisation can offer a more subtle engagement where members feel more value is being provided than traditional dry marketing.

4.5.5 SharePoint/Portal

Due to the flexibility and services based approach of the solution, web parts can be integrated with current intranet and internet sites to provide seamless member usage across already capitalised IT assets.

4.6 Analytics

A loyalty programme is a dynamic entity that provides valuable insights into behaviours but needs to be managed to properly promote behaviour and be effective. To enhance the model, Entelect has provided a flexible analytics solution that provides reporting, dash-boarding and data mining across the entire model for effective insight into the programme. Analytics includes:

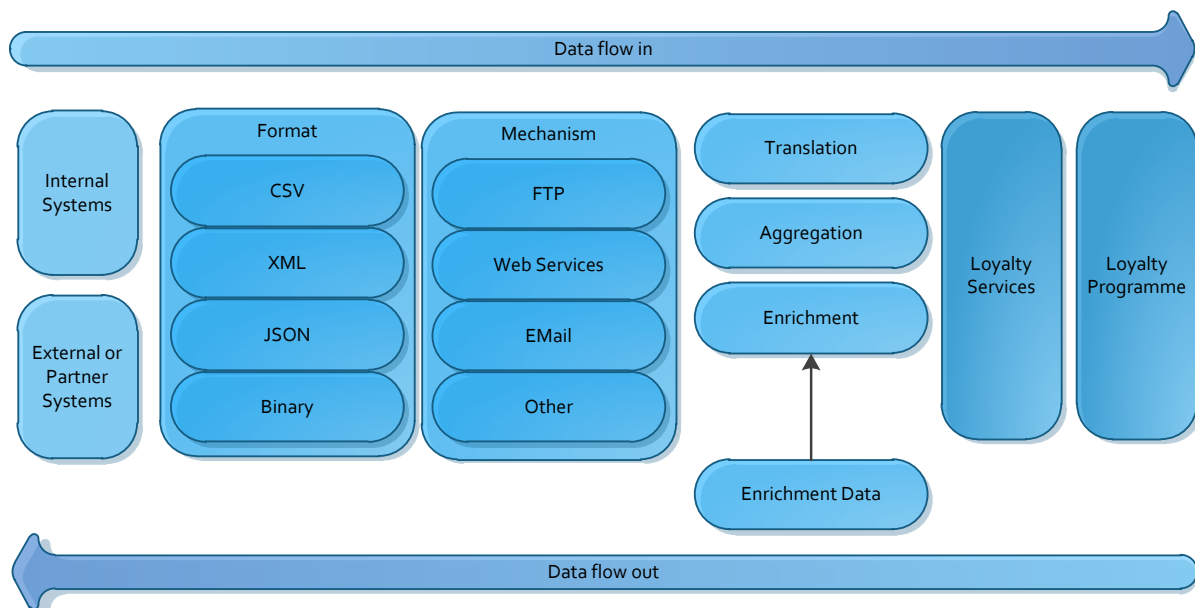
- Static reports that can be scheduled and delivered as required.
- Dashboards providing real time insights into the programme
- Data analytics providing insights and suggesting actions.
- Financial metrics providing cost and return analysis.
- Channel metrics providing insight into channel penetration.
- Member metrics providing insights into member activity.

Aside from insight driven analytics, traditional exception and audit reporting is provided to ensure governance and limit any risks.

Analytics can also be integrated with standing data warehouses and repositories to enhance the total insight driven architecture of your enterprise.

4.7 Integration Hub

Practically, loyalty programmes consist of a large portion of integration. This may be inputs from and outputs to enterprise systems such as CRM or external partners' systems. To simplify this, Entelect has used its vast experience in creating enterprise systems to simplify and standardise the method of integration. This includes not only the technological aspects but also processes and documentation such as specifications and testing.



The integration hub provides for both internal and external integration. Internal integration is defined as systems under the purview of the organisation such as CRM, sales and financial while external integration is to/from systems provided by partners and infrastructure vendors. The integration hub pushes data into the core loyalty programme or pushes it from the core loyalty programme. Multiple formats and mechanisms are supported for both data flows, as well as a translation, aggregation and enrichment proves is provided.

The integration hub is a flexible component that can easily support new data formats, mechanisms and translations. This provides easy partner take-on with minimal technological hurdles. Entelect has wide experience integrating with industry standard systems such as SAP, Oracle, Microsoft and Sage. This assists in speeding up delivery.

5. Loyalty & Brand Power

One of the greatest and most challenging benefits of loyalty is the ability to create another brand that members can interact with. This is powerful not only to enable better engagement with a specific subset of the market but also to protect a core brand.

By structuring the loyalty programme to provide a consistent brand message, members can feel fully engaged with programme. Additional cross selling benefits from the organisations main or sister brands can then be subtly introduced into the core message.

5.1 Social Media

One of the biggest challenges of social media has been introducing corporate brands. Consumers engage with friends and fun brands but traditional corporates have struggled to effectively market using tools such as Facebook. In fact, in the past it has had a predominately negative effect with consumers using social media when things go wrong. To leverage social media, loyalty programmes offer a powerful methodology to engage with members and their networks.

For example, take a bank. Traditionally the only time consumers want to engage with their bank on social media is to complain. Using a financial rewards programme, members may be more willing to share achievements and promote the loyalty and hence the core banking brand. Entelect has experience in unlocking this potential and can integrate these concepts into the implementation of the Entelect Loyalty Model.

6. Glossary

Term	Definition
Loyalty Programme	A loyalty or rewards programme used to improve revenue and contain costs.
Entelect Loyalty Model	A model that contains all the structures, processes, business rules and data modes to implement an effective loyalty programme.
Entelect Loyalty Solution	The collateral and technical implementation methodology for a specific loyalty programme.
Entelect Loyalty System	The technical implementation of a loyalty solution.
Member	A person who engages with the loyalty programme for example: customers, employees, agents or suppliers.
Behaviour	Is a defined and measurable action being undertaken by a member.
Factor	Is a defined measurement for behaviour.
Standardised Model	Is an aggregation of behaviours into a defined ranking for a member.
Reward	A defined and redeemable reward that is a factor of behavioural input.
Redemption	The process of initiating a reward by a member.
Partner	A provider of non-core loyalty services and rewards.
Engagement Channel	A mechanism to engage with a member.
External Integration	A system external to the organisation that provides or consumes data.
Internal Integration	A system internal to the organisation that provides or consumes data.

7. Conclusion

Our dedication in the pursuit of providing our clients with cost-effective, high quality and long-term maintainable solutions is the cornerstone of our success to date. Our objective is to apply our considerable skills and knowledge base to help develop secure, robust systems to support and add maximum value to our clients' businesses.

Do not hesitate to ask us to send further information on our approach to projects of this nature, our track record and appropriate industry references. We will gladly accommodate a site visit should you wish to inspect systems we have built, and will also accommodate architectural/code audits on our systems.

We look forward to hearing from you and delivering on your requirements.

For further information, please contact:

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