

Welcome to the October 22, 2012 edition of The Wise Marketer!

Loyalty cards & prepaid: a match made in heaven?

This month has seen the announcement by Nakumatt in Kenya (something of a local equivalent to Tesco in the UK, or Wal-Mart in the US) that it is converting all 1 million of its loyalty cards into prepaid MasterCard, in an attempt to revitalise the market in terms of both loyalty applications and card payments according to David Parker of Polymath Consulting which worked alongside one of Nakumatt's card issuers, Diamond Trust Bank (DTB).

The new multi-currency EMV, MasterCard PayPass-enabled, prepaid loyalty card heralds the largest prepaid merchant agreement for MasterCard in the Middle East and Africa region to-date, and all existing Nakumatt Cybercash loyalty cards will be replaced with the Nakumatt Global MasterCard Prepaid card over the next few months, allowing customers to preload money onto the card for purchases at POS terminals, online purchases, and cash withdrawals. parker77m This article is copyright 2012 TheWiseMarketer.com).

Nakumatt Global MasterCard Prepaid cardholders will be able to earn Nakumatt loyalty points on purchases they make at any of the 33 million retailers and businesses across 210 countries where MasterCard is accepted. However, the loyalty points earned will only be redeemable at Nakumatt stores.

By the beginning of 2011 there were only about 20,000 prepaid payment cards issued in Kenya, so the addition of 1 million cards will have a potentially huge effect on how consumers pay for their goods. The impact is actually likely to be even greater than originally thought, with the country having a banked population of only 25% (that is, 75% of consumers do not have bank accounts or payment cards). Prepaid cards in many countries are considered as 'light current accounts', so Nakumatt is effectively using its loyalty programme to provide a light current account to 1 million customers. The gain for Nakumatt is obvious: for the first time the company will be able to start measuring its share of wallet, rather than merely seeing the spending levels of their customers.

But the real question is not what customers spend today, but what their potential spending could be over time - and this can be answered using simple Customer Lifetime Value (CLV) equations. Now, by seeing the share of wallet, Nakumatt will be able to truly understand not only who are current VIP customers but, perhaps more importantly, who might become a VIP customer (that is, those who have the greatest spend levels but are not spending most of it in Nakumatt's stores).

Nakumatt will drive spending on the card by offering loyalty points not only for money spent with Nakumatt but also at any retailer nationwide and worldwide, offering customers a good reason to use the card as their main payment mechanism. This is a significant achievement in a market where many consumers will have no other cards in their wallet (or if they do it is often merely an ATM card).

According to Polymath, this roll-out may be the beginning of a wider trend and, in many emerging markets, we will start to see major retailers looking to convert their loyalty programmes into combined loyalty payment solutions.

The cards are being issued by both Diamond Trust Bank (DTB) and Kenya Commercial Bank (KCB). The Nakumatt Global MasterCard Prepaid card will initially be launched to customers in Kenya, but the company says it hopes to offer the benefits of cashless transactions to customers in Uganda, Tanzania, Rwanda, Burundi and South Sudan during 2013.

For additional information:

- Visit Nakumatt at <http://www.nakumatt.net>
- Visit Polymath at <http://www.polymathconsulting.com>

Sources: Nakumatt Holdings; Polymath Consulting