WELCOME TO THE HYPER-RELEVANCE ERA

How companies across South Africa can turn the page on the loyalty era and usher in the relevance era
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“The ‘loyalty era’ of marketing is waning. In this new era of digitally-based competition and customer control, people are increasingly buying because of a brand’s relevance to their needs in the moment.”

Wayne Hull,
Managing Director of Accenture Digital in Africa
How do you retain customers? If it’s by buying their loyalty with rewards, rebates or discounts, you may be giving up something priceless: your relevance.

That’s because in South Africa—and throughout much of the world—the era of loyalty marketing is waning. Businesses can no longer expect their customers to be motivated by incentives such as points or miles to purchase goods and services. The era of relevance is dawning and it requires a major mindshift.

Today, customers demand personalisation in everything: products, services and experiences. They want to feel safe, and even pride, in their choices. They want companies to evolve with their needs, moving beyond traditional offerings to make it easier for them to do the things that their activities connect to. For one set of customers, that might mean an uncomplicated way to compare the prices of products in real time on a mobile device, or the ability to access live customer service support from wherever they might be. For another customer segment, that might mean having a credit card that stays uniquely attuned to their lifestyle, offering them features and benefits that explicitly help them to pursue their favourite mix of activities.

Business clients want the same thing. In business to business engagements, companies can no longer simply negotiate large contracts with the procurement function or senior leadership of the client organisation; they now need to consider the end-to-end digital experience for all buyers. What buyers experience in their daily lives as consumers has reset the bar for business interactions. Businesses selling to other businesses must now deliver consumer-like content, features and experiences.

Established South African companies that are not meeting their customers’ needs in the moment are risking their bottom line. Nearly three quarters of consumer switching is driven by a lack of relevance, putting R438 billion of potential annual revenue in jeopardy. In the era of relevance, brands can regain the high ground by expanding their marketing frameworks and re-aligning their activities to a new set of principles—beyond their comfort zones.
Simply put, in this new era, companies need to offer customers more than just convenience and affordability. They need to evolve with their customers’ wants and needs, becoming not just relevant to them, but hyper-relevant.

To do that, executives must develop a deeper understanding of what differentiates each era.

- The objective of the loyalty era was to create incentives for customers to become loyal members and keep making purchases. The objective of the relevance era is to create a gravitational field that attracts customers into orbit around the brand by serving their every relevant need in every possible moment across every possible channel.

- In the loyalty era, customers were dissuaded from re-evaluating their options. In the relevance era, mobile-enabled and digitally savvy customers are constantly re-evaluating their options (see Figure 1).

- The loyalty era was backward-looking and time-lagged; the relevance era is forward-looking and real-time.

- The loyalty era focused on the “what” economy, which is linked to a purchase, while the relevance era focuses on the “why” economy, which is linked to evaluation.

- Even the technology enablers are different: in the loyalty era it was Customer Relationship Management (CRM) software; in the relevance era its digitisation of everything (see Figure 2).

**Customer journeys are increasingly centered on evaluation, not purchase.**

**OLD**

FROM THE LOYALTY LOOP...

- Discover
- Consider
- Evaluate
- Purchase
- Use

In the past, customers have been swayed from re-evaluating their options by loyalty programmes that incentivise them to purchase

**NEW**

... TO NON-STOP EVALUATION

- Discover
- Consider
- Evaluate
- Purchase
- Use

Today’s technology-enabled customers can continuously re-evaluate their options, choosing a provider that is most relevant to them in the moment

**IN THE RELEVANCE AGAIN ERA, COMPANIES MUST CONSTANTLY WIN AT THE POINT OF RE-EVALUATION**

Figure 1
A new growth era: from loyalty to relevance

This shift is already impacting the bottom lines of companies across South Africa. According to Accenture's 2017 Global Consumer Pulse research, in the South African market alone, companies lost R 663 billion last year in potential revenue due to customer switching. Lack of relevance drove 66 percent of switching. Overall, this dynamic has put R438 billion in potential annual revenue at risk (see Figure 3 and About the Research).

So, what does it mean to be hyper-relevant? Although the definition of hyper-relevance will evolve along with customer needs and habits, companies must strive to be, among other things, meaningful, dynamic, dedicated, transparent, inspirational, standard-setting, omnipresent and accountable (see About the Research). Of course, these are just some of the attributes that customers have come to expect from their provider of choice in the relevance era. Relevance is and will always be a moving target.

For established companies in South Africa, striving for hyper-relevance might seem an insurmountable challenge, especially in an economy that has barely grown in the past decade, with fiscal missteps and corruption contributing to weak business and consumer confidence.

But now is the time for leaders to make the shift to the Relevance Era—to lay the groundwork for major changes to their processes, organisations, and mindsets.

Accenture's research has identified a framework and set of principles to guide executives on this journey.

Let's first discuss digital and marketing trends—and the challenges and opportunities they present.

In 2017, South African companies lost R663 billion in potential revenue due to

CUSTOMER SWITCHING.....

Attributed by consumers to relevance factors

OF WHICH R438 BILLION was because relevance needs ARE NOT BEING MET

Figure 3
Digital technology makes consumers more discerning and demanding, putting pressure on companies to be more relevant. This is especially true in South Africa. Although the country still has a way to go to catch up with the rest of the developed world in terms of e-commerce growth and mobile phone adoption, the impact of digital technology on consumer expectations has been profound.

South Africans now want and expect websites and mobile apps to give them better experiences. Consider:

• 70 percent of South Africans now use digital channels during shopping “moments”.

• Of South Africans who switched providers last year, 20 percent said they did so because the company’s digital and online support service and support solutions failed to meet their needs—that’s up from 16 percent in 2016.

• In 2017, more consumers expected to have digital options for service and support than they did in 2016—63 percent compared with 47 percent.

But that’s not all. Consumers are turning more and more to social media sites like Facebook, Twitter and Snapchat to develop opinions about brands. And they’re consulting comparison-shopping and review websites at an accelerated rate, with 71 percent now saying that such online resources are important and influence their purchases consideration. South Africans are even getting more comfortable acting on recommendations from intelligent learning applications. This is a far cry from walking into a department store and hoping to find something relevant.
But it would be a mistake to treat all digitally enabled South Africans the same way.

Our research shows that South Africans fall into four distinct digital profile segments, each moving at a different speed with varying digital intensity. Digital intensity is defined as the adoption and frequency of digital behaviours and preferences in a digital-physical omni-channel context.

The four digital profiles are:

1. **Traditional**: People who rely mostly on traditional channels and interactions but leave digital traces.

2. **Transitional**: Consumers who selectively engage in digital for utility value, discovering how the experience improves.

3. **Experimental**: People who strive to leverage digital more broadly and experience new digital and physical combinations.

4. **Digitally Savvy**: Mobile-enabled consumers who make digital technology a part of all dimensions in their lives.

In South Africa, the Experimental and Digitally Savvy profile segments are growing, while the Traditional and Transitional groups are shrinking (see Figure 4). That’s good news for companies that have invested in digital technologies and demonstrate an ability to evolve with consumers’ changing needs. But a lot of work remains.

**Figure 4**

70% OF SOUTH AFRICANS NOW USE DIGITAL CHANNELS DURING SHOPPING “MOMENTS”.

**Different customer, different intensity, different speed**
80% OF SHOPPERS DO NOT FEEL THAT THEIR SERVICE PROVIDER OFFERS A FULL OMNI-CHANNEL EXPERIENCE

The reason? Most South Africans remain dissatisfied with their digital experiences.

- Almost 80 percent of the shoppers we surveyed say that their service providers do not offer full omni-channel experiences.

- When it comes to digital relevance, companies score 20 points below what customers expect on average, according to Accenture’s Digital Customer Relevance Index. This index measures the maturity of a company’s digital customer journey capability across each stage of the entire customer journey (see Figure 5 and About the Research).

Digital Customer Relevance Index scores versus Customer Expectation scores

![Bar chart showing digital customer relevance index scores versus customer expectation scores.]

Figure 5

Our data shows that digital technology gives customers control. It also defines how relevant the brand is to them. But to maximise digital investments, companies must change their marketing organisation.
To be hyper-relevant to customers, the marketing organisation must become more data-driven. To retain their place at the table, Chief Marketing Officers (CMOs) must drive strategic value.

How can companies be hyper-relevant to customers when there is no archetypical customer? Customers’ needs vary depending on time and context—what is relevant today might not be relevant tomorrow.

Fortunately, with advancements in data analytics, companies now have the ability to see and act on these fluctuations in the moment. With every transaction and engagement, organisations reap data that can inform future marketing decisions and help them become more relevant. That presents a challenge for marketers of established companies in South Africa.

Most marketing strategies are still focused on communications, advertising, and promotional events, rather than data-driven customer relevance. The good news is, many executives recognise the need to correct that deficiency. According to a survey of 15 chief marketing officers in South Africa (see About the Research), developing a better understanding of what to do with data and how much data to use to engage with customers is a key item on the to-do list.

But yet another challenge lingers for CMOs: marketer’s in this country are perceived to have strong qualitative and creative capabilities but to lack quantitative and strategic capabilities. This has diminished their credibility within the C-suite. This means that to retain their place at the table, marketers must not only become more data-savvy, they must become drivers of strategic value.

For CMOs confronting these challenges, Accenture’s engagement framework and set of principles for the era of relevance are a good place to start.
A NEW DEFINITION OF RELEVANCE

Changes in customer journeys indicate new ways to serve their needs

Accenture’s experience, case-study research, and analysis of high-performing companies supports the creation of a new framework for engagement in the Era of Relevance. We call it the 5 P’s (see Figure 6) – and it serves as a guideline for the kinds of needs that customers increasingly expect all brands to fulfil:

1. **Purpose**: The need to feel that the company shares and advances their values.
2. **Pride**: The need to feel proud and inspired to use the company’s products and services.
3. **Partnership**: The need to feel the company relates to and works well with them.
4. **Protection**: The need to feel secure when doing business with the company.
5. **Personalisation**: The need to feel that their experiences with the company are continuously tailored to their needs and priorities.

Our Consumer Pulse Research bears out this new framework. Consider: Nearly three quarters of consumers say that a company with a strong purpose aligned to their values would have kept them from switching to another provider. And more than half (60 percent) deem purpose to be an important factor for companies to have in order to be relevant to them. Likewise, across the rest of the 5 Ps, most of the consumers who responded to our survey indicated the importance of these factors for a company to be relevant to their needs and would be key to retain them as customers.

The new formula: 5Ps of Hyper-Relevance

![Diagram of the 5Ps of Hyper-Relevance](Figure 6)
In South Africa, insurer Discovery Health provides an example of what the 5 Ps of Hyper-Relevance look like in practice. Consider its programme, Vitality. While the programme’s goal is healthier people, and healthier people mean less long-term risk for the company, the customer also enjoys a highly relevant experience.

First, personalisation: A customer is assessed for health risks, and receives diet and activity recommendations to help him to meet his lifestyle goals. Add healthy cooking lessons and access to discounted healthcare and fitness clubs, and it becomes clear to the customer that Discovery Vitality’s purpose aligns with his own—to lead a healthy and positive lifestyle. As the customer becomes healthier and more active, he can chart his progress in real time and earn points. This inspires a sense of pride. In so doing, Discovery Vitality forges a partnership: the harder the customer works to stay healthy, the more points he earns—points that are redeemable for discounts on things like gym memberships, Apple Watches, wholesome food, and more. This all gives the customer a sense of security (protection) because he knows someone is helping him monitor his health, and that he will be rewarded for taking care of himself.

Vitality has reduced the Discovery Health Medical Scheme’s claims costs by about three percent annually, (approximately R11 billion) between 2008 and 2017. By the company’s estimates, Vitality members incur 30 percent lower hospital costs and live up to 21 years longer than the rest of the insured population.
Many companies will be challenged to satisfy all 5 Ps at once. Three key principles can help guide efforts to better connect with customers.

1. Extend yourself

In this era of hyper-relevance, companies must extend themselves beyond their comfort zones to position their brands in new, expanded ways based on the 5 Ps.

One of South Africa’s “big four” banks provides a noteworthy example of how a company can reach beyond its traditional boundaries to be more relevant to customers. Some years ago, it found itself contending with a rapidly changing customer base—young, digitally savvy people that were somewhat sceptical of traditional ways of banking.

In response, it blazed a trail in support of customer relevance, launching an online banking platform, a cellphone banking service and a mobile app. More recently, the bank has developed digital tools. These include secure interactive messaging, one-touch fraud reporting and fingerprint ID. These pioneering efforts have given customers protection, partnership, personalisation and even pride. And the bank has the results to prove it: its customer base grew more than 5 percent between 2015 and 2016, while transaction volumes increased by almost 13 percent in a tough economy. Some 80 percent of the bank’s customers now use the banking app. The bank is also focussed on giving customers a sense of purpose. A recent ad campaign promotes the idea of helping people to help themselves. The goal of the campaign, says the bank, is to help customers feel Uniquely empowered to help themselves in all areas of their lives—not just banking.

2. Get personal

A key component of becoming a hyper-relevant business is conveying exactly the right message, experience or offer to customers, in exactly the right context. It’s a level of personalisation that few companies ever attain. A large South African retailer with operations in a number of countries, has worked to deliver highly personalised offers to customers across the channels they prefer in the moment—whether that’s in-store, via mobile phone or the company’s website.

The retailer understood that a promotion could only be as profitable as a customer’s willingness to take it up—and an unwilling customer is a lost opportunity. To improve engagement, the retailer makes use of the analytics and marketing tools of a software provider to access realtime data, analyse that data and engage directly with customers via omni-channel marketing campaigns.

The retailer uses predictive data analytics to suggest deals based on a customer’s propensity to accept certain offers, and calibrates its offers to a customer’s behaviour in a way that all marketing channels can simultaneously use. The retailer can also offer shoppers free Wi-Fi and loyalty benefits.
This allows the company to better understand customer preferences, track traffic throughout its stores, and improve customer service. To make the engagement even more personal, the software provider can consolidate store visitor data from multiple other sources, including CCTV cameras, security doors, point-of-sale and social media. Among others, this allows the retailer to better understand customer preferences, track traffic throughout its stores, and improve customer service.

These actions underscore the importance of digital to the retailer’s customer-relevance strategies. Although online sales in South Africa contribute only about 1 percent to total retail sales (compared with 8.2 percent and 16 percent in the US and Europe, respectively), that’s changing rapidly.

This retailer’s online clothing sales increased more than 100 percent between July 2016 and June 2017, a growth surge meaningful enough for it to dedicate a warehouse just to fulfilling online orders.
3. Reject the status quo

To succeed in this era of relevance, companies must be willing to continuously abandon the old. As new technologies shift customer journeys and expectations, they can (and should) also enhance the ability of companies to engage with customers in the most relevant way. Often, the greatest roadblock is a company’s lack of willingness to transform its processes, organisation and mindset to adapt to changes in its environment or market. Shifting from a product- and service-focused mindset to a platform approach has helped some companies overcome this barrier. One large South African telecoms provider did just that.

Like many telecommunications operators across the world, the telco is grappling with slowing growth in its core telephone business. Instead of stubbornly persisting with the same offering in a maturing market, it decided to take itself in a new digital direction. The company has developed mobile platforms for health and education. These platforms make personalised and customisable tools and resources available to link customers to healthcare services and professionals, and students to educators. They help improve users’ quality of life, levels of care and the effectiveness of education. This telco hasn’t neglected its core business either. It has invested in big data analytics, machine learning and artificial intelligence to improve the quality of its products and the efficiency of its customer service. It uses predictive analytics to anticipate customers’ problems, and machine learning to suggest wireless contracts based on personal preferences. These strategies have shown results, contributing to customer growth of approximately 10 percent for the telco between 2016 to 2017, as well as high customer satisfaction ratings.
As many executives in South Africa are now finding, competing in this new era of relevance is a significant and growing challenge. Today’s mobile-enabled consumers are constantly re-evaluating their purchasing decisions. They are choosing the brands most relevant to them in the moment. And they will pay a premium for them. Businesses in the country that achieve this profound degree of relevance will have pricing power and will drive repeat purchases.

But success is far from assured. Large, established organisations in particular are often held back from meeting consumers’ changing needs and wants by the very investments in assets and ingrained processes that gave them the economies of scale to succeed in the first place. As our research shows, these companies can no longer count on loyalty to help them hold their ground. In sharp contrast, digital disruptors are hardwired to excel at being hyper-relevant. They can easily market to niche groups of consumers, they make buying easier and more omni-channel, and they constantly improve the overall shopping and purchasing experience. They can also pivot swiftly from one growth opportunity to the next.

To succeed in this era of relevance, marketers and companies in South Africa must face facts. They are dealing with:

- A consumer base that is increasingly embracing digital technologies and growing disenchanted with companies’ lack of digital savviness.
- Marketing organisations that have an antiquated understanding of customer needs and are too focused on communications, advertising and promotional events and not enough on data.

There is a stark contrast between new highly relevant offerings and the offerings of companies that hang onto outdated best practices. “Relevance” is the new benchmark for success. To close this growing gap, South African business leaders must create new advantages before their current strengths fade.
To identify a clear path forward for today’s large organisations, Accenture undertook a major research initiative in 2018 to determine how leaders in sustainable growth are different from their peers. We found that these companies:

• Understand the changing digital needs of customers.

• Pivot growth strategies to profitable areas beyond the core.

• Fund new growth by optimising costs elsewhere.

Additionally, our findings indicate that the path to continuous growth depends on developing five interdependent sets of capabilities. Supported by advanced technologies, these capabilities sharpen the organisation’s ability to conceive, design and exploit distinctive offerings that meet customers’ demands at the exact moment they most need them. Together, these capabilities characterise organisations that can consistently deliver hyper-relevant services—they transform static companies into what Accenture calls “living” businesses.

The “living” business journey encompasses five capabilities.

**Target**: This path involves targeting new value and business models by rethinking investments based on a better understanding of customers’ digital needs. This will help the organisation decide whether to pursue or invest in a new idea or opportunity. Questions to ask include: Does this idea solve existing customer problems? Could it open up new sources of value or is it a “flavour-of-the-month” distraction? New plays are funded by optimising costs elsewhere.

**Design**: Innovating compelling new experiences and maximising the relevance of a product, service or experience is core to this set of capabilities. Questions to ask include: Should products be flashy and bleeding edge, or staid but practical? Answers are driven through customer analytics that steer design decisions.

**Build engagement channels**: This third capability set is all about developing the kinds of engagement channels that allow continuous evolution—and creating an organisation that can prototype, deliver, and scale the most innovative experiences at breakneck speed.

**Scale**: This set is about plugging into a broader set of ecosystem partners. Embracing this approach means formalising new or established collaborative relationships with alliance partners. It requires employing technologies like cloud and blockchain to connect employees and partners with the customer data that matters—seamlessly and securely.

**Rewire**: Relevance demands a workforce that can stay ahead. It means cultivating a mindset that puts customers front and centre. It means drawing on the latest technologies to mobilise the right people at the right time. It means using AI wisely, with direction. It means breaking down siloes so the right information gets to where it needs to be when it needs to be there.
ABOUT THE RESEARCH

This report combines multiples streams of proprietary research. Between June 1 and July 30, 2017, we surveyed 24,877 end-user consumers in 33 different countries via the Internet. We asked respondents to evaluate 11 industry sectors (up to four industries per respondent). What resulted was our thirteenth edition of the Global Consumer Pulse Research. It provides insights into changing consumer behaviour, attitudes, and expectations impacting companies’ customer strategies across digital and analogue channels. Fifty-five percent of South African respondents that took part in the survey indicated they earn above R100 000 per annum.

The research focused on country-specific perceptions with respect to:

- Marketing and Sales practices in terms of channel preference, usage, and experience. Customer Service in terms of changing expectations, customer experience, channel preferences and other behaviours consumers exhibit relative to digital, social media and mobility adoption.

- Sentiment toward artificial intelligence, robotics and intelligent technologies.

- Evolving customer dynamics and attitudes related to digital trust, pricing and changing business models.

For our 5 Ps framework, we called on our experience working with clients, case-study research, survey data and analysis of high-performing companies to expand on Abraham Maslow’s oft-quoted “hierarchy of needs”, first published in 1943. As a point of reference, Maslow sought to map the psychological needs of humans and their motivations, providing a model for the traditional four P’s of marketing: product, price, place, and promotion. Our 5 Ps framework reinterprets Maslow’s hierarchy for the digital age.

As part of our Global Consumer Pulse Research, we specifically tested how the 5 Ps related to consumer switching behaviours. We broke out the first four of the 5 Ps (purpose, pride, partnership and protection) into two factors each, to determine the extent to which these eight relevance factors, if not personalised for consumers’ needs, are driving them away from a brand. The eight are: meaningful, dynamic, dedicated, transparent, inspirational, standard-setting, omnipresent and accountable.
Accenture defines and calculates the “Switching Economy” to capture the changing nonstop customer dynamics and impact of consumer switching in a new way.

We calculate this by combining estimates of the overall potential consumer expenditure shift resulting from:

- customers that switched their spending entirely from one provider to another (‘complete switch’)
- customers that have started to shift portions of their spending to new providers (‘partial switch’).

The “Switching Economy” model applies Accenture’s 2017 Global Consumer Pulse Research switching data over the last year to 2017 forecast data for country-level consumer spending for a set of key consumer industries (forecast data from Euromonitor and other sources).

We also created a diagnostic tool called the Digital Customer Relevance Index (DCRI), which measures the maturity of a company’s digital customer journey capability across four dimensions of a customer journey, from discovery to use, and provides a benchmark against peers as well as customer expectations.

Finally, we interviewed 15 South African CMOs to understand the state of marketing in South Africa from their perspective, and the associated challenges they face.
ABOUT ACCENTURE

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialised skills across more than 40 industries and all business functions—underpinned by the world’s largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With more than 435,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at www.accenture.com.

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Accenture Research shapes trends and creates data-driven insights about the most pressing issues global organisations face. Combining the power of innovative research techniques with a deep understanding of our clients’ industries, our team of 250 researchers and analysts spans 23 countries and publishes hundreds of reports, articles and points of view every year. Our thought-provoking research—supported by proprietary data and partnerships with leading organisations such as MIT and Singularity—guides our innovations and allows us to transform theories and fresh ideas into real-world solutions for our clients.

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REFERENCES


CONTACT THE AUTHORS:

WAYNE HULL
Managing Director of Accenture Digital in Africa
wayne.l.hull@accenture.com
Linkedin: Wayne Hull
Twitter: @wayne_hull

YUSOF SEEDAT
Thought Leadership Director
Accenture Research
yusof.seedat@accenture.com
Linkedin: Yusof Seedat
Twitter: @YusofSeedat

JOSHUA BELLIN
Thought Leadership Senior Principal
Accenture Research
joshua.b.bellin@accenture.com
Linkedin: Joshua Bellin
Twitter: @JoshBellin

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PAUL BARBAGALLO
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ARLENE LEHMAN
Research Analyst, Accenture Research

IVY LEE
Research Specialist, Accenture Research

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