

MARK

**INTEGRATED SYNDICATE ASSIGNMENT**

<b>PROGRAMME:</b>	<b>FT PDBA 2018</b>
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<b>MODULE NUMBER:</b>	Module 6
<b>DUE DATE:</b>	15 November 2018

**LECTURER COMMENTS:**

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## 1. INTRODUCTION

### 1.1 Insight into the business

Vodacom is a household name in the telecommunications industry providing an extensive portfolio of communications services comprising mobile voice, data, messaging, financial and converged services to 103 million customers (Vodacom, 2018). Vodacom manifest their vision through the use of three phrases; “Best network. Best Value. Best Service” and set out to achieve their vision of being the leading digital company, empowering a connected society through “**speed, simplicity and trust**” (Vodacom, 2018). Vodafone, (as listed on the Johannesburg Stock Exchange) has the majority share in Vodacom, comprising 64,5% of the company and is one of the largest communication companies in the world. As of 2018, Vodacom is the first telecommunications company in Africa to have over 80% of the 4G population coverage, highlighting their position as the market leader, both as business and personal service providers (Vodacom, 2018). With reference to Addendum 1, the problem proposed by Vodacom to Syndicate 6 is to design a consolidated rewards program encompassing all Vodacom subscribers, irrespective of the package the customer is on.

### 1.2 Personal engagement with Vodacom

Four of the six members in Syndicate 6 have previously or currently use Vodacom as a service provider. In engaging with the project to design a consolidated loyalty/rewards program, primary research within the syndicate was done in order to gain insight into the interaction of Vodacom with its customers from a personal perspective. Having cumulatively 29 years as Vodacom customers within our syndicate, it was unexpected that none of us were personally aware of or had previously engaged in any reward schemes offered by Vodacom. It was also discovered that each member not only had very little knowledge of the packages they were on but weren't familiar with the full spectrums of contracts on offer.

The first point of departure in gaining greater insights into the actual package offering started with an analysis of the website. It was difficult to navigate the complexity of packages and differentiated costs structures on the internet and as such, it was decided to visit actual Vodacom branches and speak to the managers to gain clarity. Once introduced to the managers, it was highlighted that the process of fitting each individual with the appropriate package was relatively complicated as there is such a

vast array of options. The managers did however indicate that there were three major divisions: pre-paid, post-paid and top-up, each of which encompassed multiple package options. It was also discovered that the majority of customers fell in the division which do not benefit through any rewards/loyalty schemes, being top-up customers (Personal correspondence with a Vodacom Branch Manager who for the purpose of this assignment will remain anonymous, November 2018).

Highlighted in the discussion was customer's dissatisfaction with the value for which they were paying, multiple administrative errors resulting in incorrect billing and customer expenditure and the very little support the front end was offered by the back end of Vodacom dealing with frustrated customers.

Also brought to our attention was the incoherence of the rewards structure. The Branch Manager (personal correspondence, November 2018) explained the talking points rewards that were offered to pre-paid clients only and that promotional rewards such as discounted flights that were offered to the open-line and red plan customers. It was also explained that only when these open-line and premium contract clients threatened with transfer to a new service provider, did individual negotiations for price matching begin subsequent to the discretion of the branch manager, price-matching forms and authorization from head office which had an average back log of two weeks.

It was deduced by the confusion with the complexity of the website and the incoherence with packages and reward schemes that customers are despondent not to the operational service that Vodacom supplies but by the general customer experience. Rewards/Loyalty programs aid customer experience, but the scope of this assignment shortly broadened with the realization that the customer experience at Vodacom is the fundamental pain point. We conducted market research which included the conducting of interviews with a sample group of post paying Vodacom customers (Personal correspondence with Jaeger, C., 2018), conducting interviews with Vodacom employees (Personal correspondence with Branch manager, November 2018) where they could speak freely with their identity concealed in a safe space, as well as referencing social media platforms such as *Hello Peter* and *Facebook* where customers have freely expressed their views.

In personal correspondence with Lynette Easby-Smith (November 2018) former Edcon Loyalty Manager for the Thank U Rewards Program, it was highlighted that loyalty programs don't drive loyalty, customer experience drives loyalty, and rewards can be

a part of that package - but rewards mean different things to different people. It is with the above framework that the rewards/loyalty program will be used as a vehicle to improve customer experience and rekindle a positive association with the Vodacom brand.

## **2. ENVIRONMENTAL ANALYSIS**

In order to understand and clearly define the macro-environmental and competitive environmental forces affecting Vodacom, the PEST model and Porter's 5 forces were used to analyse Vodacom. The PEST model will inform the external (macro-environmental) influences, SWOT will help us extrapolate the results of our research into Vodacom and highlight the pain points that emerged from it, whereby Porter's 5 Forces will give an indication to the internal factors (competitive environment) influencing Vodacom.

### **2.1 PEST**

#### **2.1.1 Political**

Politically, the primary threat that Vodacom faces is legislation with regards to the regulation of the telecommunications industry. It is likely that ICASA (Information Systems Audit and Control Association) will mandate the reduction of data costs in the foreseeable future (Gilbert, 2018). During the briefing session with Oosthuizen (Personal correspondence, 2018), it was iterated that "we all know that data will fall". Should Vodacom be forced to adjust their mark-up structure, it would decrease Vodacom's gross marginal profit and severely impact its net income. Additionally, the accessibility to data will further drive the migration away from traditional voice calling to WhatsApp calls. This is likely to reduce Vodacom's revenue from airtime sales.

Political instability is another factor of concern as it increases Vodacom's risk from an investment perspective. However, Ramaphosa's instatement has led to an increase in sentiment and business confidence, culminating in an investment conference where ventures worth nearly R290 billion were announced (The Presidency: Republic South Africa, 2018). This could bode well for any future investments that Vodacom might consider.

#### **2.1.2 Economic**

Economically, South Africa is in a technical recession (Fin24, 2018). This means that customers will spend more conservatively on airtime and data, which are luxuries in

large amounts. Another factor contributing to a decrease in spending is high unemployment, which currently sits at 27.2%, and diminishes people's disposable income (Statistics South Africa, 2018). These two factors—a contracting economy, and diminishing incomes—reduce Vodacom's profitability. Additionally, the poor performance of the South African economy has led to the weakening of the Rand (Bloomberg, 2018). SA Broadband providers import their Internet access via undersea fibre optic cables, which come from North America and Europe (MyBroadband, 2015). Therefore, it is likely that a weaker Rand increases the cost of these services. In turn increasing Vodacom's operating costs.

### **2.1.3 Social**

Pertaining to social factors; the pervasiveness of social media and how it evolves will have huge implications for how Vodacom is perceived by the public and the success of its present and future offerings. The number of Vodacom users on social media will only increase as the South African population is growing (Trading Economics, 2018). And social media accounts for the majority of Vodacom customers' data usage in the country (Abr, 2018). Another pertinent factor for the telecom's giant is that 'millennials' and 'Generation Zs' make up 36% of the population (Youth Explorer, 2018). They are the future bedrock of the economy and Vodacom's survival will depend on its ability to cater to their needs.

### **2.1.4 Technological**

There are a number of developments in technology that are affecting Vodacom or will affect them in the near future. One is Voice Over Internet Protocol (VOIP). The increasing number of WhatsApp calls is reducing Vodacom profits by detracting from airtime sales. However, according to the head of innovation at Vodacom, Jannie Van Zyl, the effect is miniscule (MyBroadband, 2018). It is still something to keep an eye on though, especially with the advent of project S.A. Connect—a government initiative that seeks to deliver “broadband access to 90 percent of the country's population by” 2020 (hypertext, 2018). And will likely increase WhatsApp calling. Another development is increased data consumption due to convergence—the replacement of tools and processes by apps. For example, phones now act as maps, gaming devices, and tellers. This trend will increase reliance on data. The fourth industrial revolution will also be accompanied by an increase in Cyber-crime. Because of its access to vast amounts of consumer data, Vodacom could be a target of such attacks. Therefore, this is something to be weary of. Another advancement that will impact Vodacom is The

Internet of Things (IoT). Global spending on IoT is projected to reach \$457 billion by 2020 (Columbus, 2017). And this innovation makes use of Subscriber Identification Module (SIM) card technology, a central component of Vodacom's technology (Smith, 2018). Vodacom is already playing and thriving in this space, with a successful IoT business that has 100+ employees (Vodacom, 2018), and is poised to take advantage of this growth as one of the first providers in the nation.

## **2.2 Porter's 5 Forces**

### **2.2.1 Power of the Buyers (Low)**

The current state of the mobile telecommunications industry creates an environment where customers who are on contract face significant challenges in order to shift from using one service provider to another. E.g. the cell phone contracts lock in customers for a period of 24 months, and if the customer would like to cancel their contract before the 24 month period they'll have to pay a cancellation fee. (Vodacom, 2018)

Another contributing factor towards the customer's low bargaining power is the sheer administrative complexity associated with switching service providers. The process of migrating a cell phone contract from one service provider to another is laborious and tedious.

The customers of the mobile service providers do however gain some power in the sense that the products within the industry are quite standardized and similar. All the mobile operators provide the same product e.g. airtime, data and SMS's and due to the nature of these product offerings, the most widely used competitive strategy is based on price differentiation. This gives the customers power to compare and select a mobile service provider based on a cost-benefit approach and the service provider's network coverage.

### **2.2.2 Power of the Suppliers (High)**

The suppliers in the mobile telecoms industry have a significant amount of bargaining power over the telecoms companies because they provide the necessary infrastructure that mobile service providers require in order to provide their service to the consumers. Major telecom infrastructure companies such as Siemens and Altech-Laurent lease out their extensive network of cell phone towers and infrastructure around South Africa to mobile service operators such as Vodacom and MTN, (Jonty, Levin & Roderick, Wolfenden, 2005)



The government plays an important role in the telecoms industry as they are responsible for the spectrum allocation for all the wireless networks in South Africa. Any wireless network operator will require a unique frequency to provide their service. However, these frequencies are only available at the discretion of the government. This means that the government has significant power over mobile telecoms service providers. (ICASA, 2009)

### **2.2.3 Threat of a New Entrant (Low)**

The threat of new entrants is particularly low in the mobile service providers industry due to how capital-intensive it is to enter the market. It is a major barrier to entry. Infrastructure suppliers like Siemens will only lease out their cell phone towers to companies that are capable of leasing enough units for it to be a mutually beneficial transaction. Therefore, it will be difficult for a start-up to strike a deal that would be attractive for large-scale infrastructure providers. Furthermore, a mobile services network requires a host of supporting activities that are specialised and tend to also be expensive (Levin & Wolfenden, 2005).

On top of that, a new mobile operator will also need to attract customers. This means that they will need to dislodge the current major players in the industry who have already established a significant customer base and recognisable brand within the market. The complexity and cost of this exercise adds to the difficulty faced by new players in the mobile telecoms industry. Economies of scale also provide substantial benefits for the already established players like Vodacom and MTN because they can operate at costs that allow them to undercut the new players. (Parkin, 2016)

### **2.2.4 Rivalry within the market (Medium)**

The mobile telecoms industry is characterised by an oligopolistic market structure where there are few mobile service providers in the industry. Oligopolies tend to lead to uncompetitive market behaviour because there are a few players that dominate the industry. (Parkin, 2016) For example, MTN, Vodacom and Cell C have a combined market share of 95%. (Blycroft Publishing, 2017) The rivalry amongst these players is fairly high as they compete on price differentiation to retain and attract customers. The oligopolistic structure of the market may also prohibit competitive pricing within the industry as major players can collude and inflate prices. (Parkin, 2016)

#### **2.2.4 Threat of substitutes (Low)**

In today's digital age, the internet has revolutionised the way in which we live by offering new digital platforms and mediums which we use in our everyday lives. In terms of how the internet has changed the way we communicate, the use of VoIP (Voice over internet protocol) e.g Whatsapp calls, is growing worldwide. Where calls no longer require sim cards.

### **2.3 SWOT**

#### **2.3.1 Strengths**

One of Vodacom's greatest strengths is the recognisability of its brand, even though research suggests that it has fallen out of favour with its long-term users, it is still the brand that gave us classic slogans like 'Yebo Gogo' and in April 2018, Vodacom's 'Meg your day' commercial was one of South Africa's ten most beloved adverts (Rangongo, 2018). As a result of these efforts over a span of decades, Vodacom is one of the most valuable brands in South Africa today (de Villiers, 2018). The recognisability of the brand is second to none. Therefore, it still has high brand equity in terms of its brand awareness. Another strength it possesses is its resources and capabilities. Vodacom has excelled in terms of customer excellence. It leads all other mobile service providers in terms of network coverage (MyBroadband, 2018b). Not to mention that it provides a slew of in demand products besides mobile telecoms, such as fiber, cloud-computing services, and SAP solutions (Personal correspondence with Oosthuizen, W, Nov 2018). In short, the company is a veritable technological powerhouse.

#### **2.3.2 Weakness**

Vodacom is one of South Africa most notable telecoms companies. Since its inception in 1993, the organisation led by Alan Knott-Craig Snr revolutionized the communications industry in South Africa. Over the years, Vodacom has evolved with the South African consumers, to the point where it is earned the position of one of the most well-known brands in South Africa (Brand Finance, 2016). However, the stature and reputation of the Vodacom brand may be under threat. The customers of Vodacom are becoming despondent due to the fact the service provider has not placed enough emphasis on creating customer intimacy. Our personal correspondence research suggests that Vodacom users would appreciate simpler processes, innovative loyalty programmes and a simple, concise manner of communication from Vodacom. Many consumers report unresolved cases of fraud and as a result there is a collective decline

of consumer trust in the brand (Facebook, 2018). On the other hand, the majority of the Vodacom users did mention that they were either happy or satisfied with some aspects of Vodacom's service which is a strength for Vodacom as discussed under "Strengths". This essentially creates a two-sided reality of Vodacom where they may perform well in areas such as network coverage and in-store experience but perform poorly in encouraging customer loyalty and engagement. Thus, Vodacom's weakness is that they have neglected to foster customer intimacy in a simple and meaningful manner for their broad spectrum of old and new age customers.

Our personal correspondence with a Vodacom manager gave us insight into Vodacom's operations between front-end stores and back-end operations. The research revealed that there is a lack of coherent administrative operations within Vodacom which ultimately results in poor service delivery and dissatisfactory customer experiences. In our research interview with the manager, he mentioned how he struggles to resolve administrative issues with Vodacom and as a result, he and his staff have to face the backlash of disgruntled customers. Another area of concern for the manager was the operational efficiency of Vodacom's back-end operations, especially with regards to processing "deal-matching" orders. "Deal-matching" is when Vodacom offers better deals to than competitor's to customers who ask. According to the manger, this process can take up to two weeks. The flaw in operational efficiency combined with the lack of support from internal business units creates an ambiguous and frustrating experience for Vodacom's franchisee staff and customers. Our personal correspondence with Vodacom customers exposed the fact that many customers feel that the Vodacom call centre, individual branches, and website are incoherent and all offer different deals which creates a confusing experience, in our syndicate research we encountered a similar experience.

### **2.3.3 Opportunity**

In terms of opportunities, data usage is increasing. And it will constitute more and more of mobile service providers' profits going forward. This is evidenced by the fact that Vodacom's mobile voice revenue across Africa decreased by 3% from 2017 to 2018, while its mobile data revenue increased by 4% (Vodacom integrated report, 2018). One of the main drivers of data usage is social media (Abr, 2018). Therefore, focusing on initiatives that encourage the use of this medium could increase data sales. Finally, advancements in artificial intelligence and the Internet of things represent opportunities for process and product innovation that can create efficiencies and generate increased revenue. Deep learning algorithms can be used to improve customer experience and

promote customer intimacy. While IoT can help businesses better manage their resources. Additionally, the growing popularity of IoT represents business opportunities that Vodacom is well poised to take advantage of since it already offers IoT implementation for companies.

#### **2.3.4 Threats**

During the 2018 SONA, President Cyril Ramaphosa said “we will finalise our engagements with the telecommunications industry and other stakeholders to ensure that the allocation of spectrum reduces barriers to entry, promotes competition and reduces the cost to consumers.” (The Presidency, 2018) The result is that many of the large firms in the telecoms industry such as Vodacom are likely to lose their market share to new competitive entrants and changes in government legislation.

New firms such as Rain have entered the market with disruptive models that threaten Vodacom’s current market share of the telecoms industry. Rain sells data to Rain sim card holders for cheaper prices than the current large players in the mobile service provider industry. In the comparison between Rain and Vodacom’s data offering, the research revealed that the cost of 1 gig of data costs R149 from Vodacom whereas the same 1 gig of data costs R50 on the Rain network. (Rain, 2018) Rain’s offering is disruptive as it is capable of attracting a large customer base of people who are seeking better priced data offerings.

#### **2.3.5 Conclusion**

The chink in Vodacom’s armour is the weakness of disgruntled consumers who could be lured away by the threat of innovating competitors, i.e., Rain and potentially MTN. The strategy we propose is a protective one, where Vodacom uses the legacy and recognisability of its brand to thwart this threat by fostering customer intimacy through a loyalty reward program that improves customer experience. This strategy could also leverage off Vodacom’s resources and capabilities made possible by its economies of scale. A loyalty/reward scheme that focuses on improving customer experience will help Vodacom regain consumer trust. It will also provide the company with a more sustainable means of retaining customers compared to making it hard for them to leave.

### 3. STRATEGY

#### 3.1 The challenge

##### 3.1.1 Describing the challenge

We identified a congruent lack of trust in the brand and the perceived dissatisfaction with the customer experience. While Vodacom's network and back-end service is ahead, there is a lack of transparency and muddled expectation. As a secondary pain point, it was realised that customer-facing front-end employees experienced a lack of support from head office in resolving customer issues. It became clear that the Customer Intimacy Strategy in this specific case cannot function optimally without being facilitated by an operational aspect.

The challenge is crafting a customer rewards program that can be used as a vehicle to improve customer experience in providing simplicity and clarifying the psychological contract between Vodacom and its customers in order to regain trust.

##### 3.1.2 Reward system objectives

Having researched other reward incentive models such as that of *Discovery*, *FNB*, *Nedbank*, and *Edcon* (Personal correspondence, Easby-Smith. L., November 2018), it was discovered that the function of a rewards/incentive program is (i) to collect data about the consumer and insights into their behaviours and preferences, and (ii) that customer experience drives loyalty, not rewards per se. The primary objective for a successful rewards program is to make it relevant to each customer, offering 'the right reward for the right person' (Personal correspondence, Easby-Smith. L., November 2018). We have defined Vodacom's internal objectives for introducing a rewards program as follows:

- Measure consumer preferences in order to better match rewards and product launches to consumers in the future.
- Drive brand loyalty and customer retention through customer gratification.
- Eradicate compartmentalisation of rewards and foster transparency to the public.

## **3.2 Strategy formulation**

### **3.2.1 Process**

In deriving a customer-centric solution, the Market Facing Decisions and Behaviours model was used as framework for our strategy formulation.

#### **1. Mission**

- To revisit the role Vodacom plays in its customers life: Empowering a connected society and regaining their trust through simplicity and transparency

#### **2. Markets**

- Vodacom 'post-payers' encompasses red contracts, Top-up contracts and open line contracts. The majority of these customers fall into LSM levels of 6 and above based on the cost of these packages (Statistics South Africa, 2017). A large proportion of Vodacom's customer base comprises Pre-Paid users who are staged at lower LSM categories or cost-conscious consumers (Personal correspondence with Vodacom Branch Manager, November 2017).

#### **3. Stand-Out Automation**

- Ensure Vodacom's online service offering is distinguishable: The solution needs to be clearly communicated and understandable to every cellphone service consumer whether they are a Vodacom customer or not – easily accessible on a central and known platform.

#### **4. Models**

- Understand, and experiment with, changing business models: the cost to company of Vodacom's proposed rewards system needs to remain profitable and compatible with Vodacom's current internal cost structures

#### **5. A Clear Message**

- Not limited to core service offering, but to include values and beliefs and alignment between the former & latter: the solution needs to be simplistic and clear – for every R10 spent at Vodacom, R1 is "rewarded" back to re-spend at Vodacom.

### **3.2.2 Considerations: Cost to company**

The cost implications of the recommended solution need to be feasible in order for the solution to be worth pursuing.

If Vodacom makes a rhetoric R10 million in monthly revenue from cell phone contracts and gives back R1 million in cash equivalent points, to be spent within the Vodacom product/service offering, Vodacom essentially offers a 10% discount but does not lose 10% revenue. Often customers are unlikely to accumulate enough points to cover the cost of an entire package (if they do, the customer has paid the cost of it to Vodacom already in their spend) and will probably use the discount toward a new contract or purchase they wouldn't otherwise have made, resulting in additional revenue for Vodacom. A customer using Fibre from Telkom is now incentivised to switch to Vodacom through this incentive.

The cost to company for the recommended rewards system is marginal, because points can only be spent within the Vodacom universe. If the rewards structure turns out to be a success, Vodacom could incrementally raise its prices in order to compensate and nullify the unredeemed offering which becomes the cost to company.

#### 4. SOLUTION

Our solution is a two-tier rewards structure, accompanied by an integrated information knowledge management system and communication strategy. On the one hand it is a consolidated and easy to understand umbrella rewards program that applies to everyone and which rewards *spending*, while the second tier is a *loyalty* component which rewards uninterrupted years spent with Vodacom.

##### **Reward Spend**

The *Spend Reward System* can be summarised as follows: For every R10 spent out of bundle rates or on open line usage, the user earns the equivalent of 1 point similar to the Talking Points 'pay as you go' system. Points equate to gifts earned of the consumer's choice to his or her discretion and encompasses any tangible or network offerings. "Gifts" may also be transferable to any other Vodacom customer. Refer to Appendix 4.

If an open-line user spends over what Vodacom needs to cover its costs and make a profit within the first 12 months of a 24-month contract, the customer is entitled to get a replacement phone or refurbishment of their current device, depending on their spend. The same is said of Top-up customers.

For the Red contracts (where a fixed amount is billed per month), users accumulate points for each time their debit order goes off, in exactly the same manner. Due to the

higher LSM level of these users, it is unlikely that they would be incentivised by network credit, although that cannot be confirmed until a prototype rewards system is tested, or more extensive market research is conducted on a larger sample group. Furthermore, it is not of much benefit to reward the customer with network credit as they already possess an abundance thereof. Hence, new contracts, accessories, et cetera are likely to be of far greater value to these customers, converse to prepaid customers who may opt to redeem their points for lower-end bundles.

### **Reward Loyalty**

Based on loyalty, Vodacom will reward customers for 5, 10, 15 and 20 years or more spent with the company. However, the customer must have spent a reasonable amount throughout the period in order to receive the loyalty reward. Most of these customers are likely to have dependants such as staff or children. Vodacom will also reward these members with gifts such as an entry-level phone with a very limited amount of monthly network credit for their dependants. The benefit here is two-fold – rewarding customers and creating another opportunity for more Vodacom subscribers.

### **Information and Knowledge Management System (Algorithm)**

Our research revealed the process of ‘deal matching’ whereby if a customer wants to leave Vodacom because they’ve identified a better deal elsewhere, the staff member will fill in a form to head office requesting to match the deal and thus retain the client.

This process is flawed in that it fails to generate brand recognition in these circumstances and is a last minute final resort to retain customers. To address the problem of lack of synchronicity between front-end and back-end employees, reduce the ‘deal matching’ system’s two-week backlog, and facilitate this rewards system with ease, we propose an algorithm that measures customer spend and loyalty, both retrospectively as well as going forward.

The new internal data tracking software monitors every client’s historical spend and loyalty with Vodacom, and generates deals based on how profitable this client has been (the more profitable, the more generous the deals). This system should be made crystal clear to every South African, whether Vodacom client or not.



## 5. STRATEGY IMPLEMENTATION

The implementation plan is a set of time bound steps arranged in consecutive order with reference to the McKinsey 7S Framework (Waterman and Peters, 1982). The steps are depicted alongside which area of Vodacom as per the 7S model they pertain to.

### 5.1 Consolidate the Rewards Solution

This first step encompasses Strategy, Skills, and Systems; because a team of highly skilled staff (who are privy to sensitive information pertaining to Vodacom's internal price structures) are required to ensure that the incentive system remains profitable (strategy), as well as tweak its design (system) in order to attain the objective of profitability.

The step is to delegate a team of the appropriate skill set and experience to critically assess Vodacom's price structures and profitability models in conjunction with proposed reward scheme. Their objective is to advise whether prices need to progressively be raised incrementally in order to launch the incentive program while retaining crucial profit margins, and make adjustments accordingly, with due respect to applicable VAT and POPPY legislation, as well as other applicable regulations.

Once this team has articulated and approved an appropriate a profitable costing structure for the reward strategy and system, the solution can be escalated to building phase.

### 5.2 Building Phase

While step number 1 designs the business structure of the rewards incentive program, this team is focused on realising their design by building the system on a physical level. This step pertains to Skill and Strategy as key areas of the integrated 7S model.

A skill set strong in computer programing is required, and they will need to refer back continuously to ensure they are meeting with the strategic objectives of the solution.

Based on step 1's final product, a brief needs to be given to a team of computer programmers to build the system. The brief stipulates the 2 tier reward system and the objectives of the algorithm knowledge management system (to collect data on consumers based on their phone, call/data usage, and purchase choices and consolidate historic knowledge of the customer in order to advise Vodacom of each consumer's preferences as well as recommend product packages they'd prefer, and offer reward options which Vodacom can profitably offer them based on their past spend).

We assume that Vodacom will elect to use its own employees with this skill set, and its own resources, to compile this team. This will require a team of approximately six or more experienced and competent programmers and the hardware to store consumer data on and run the program from, hardware Vodacom already uses for its services.

Outsourcing the job to a specialised company dedicated to projects of this nature is also a valid option, should Vodacom lack the skill set. Provided the contract will include continuous support from the service provider if this option is elected.

### **5.3 Marketing Communication Team**

This step encompasses changes made within Staff, Shared Values, Style and Strategy. Using the existing staff structure of the current marketing team set up, brief the team/department on the steps to follow.

The marketing team's first task is creating internal marketing material that communicates the new direction Vodacom is taking with this rewards program, explaining how the program works and what the new algorithm internal system will mean for the organisation and how it will operate. Before the public even gets wind of this promotion, all Vodacom employees need to be on board with it. Hence the objectives of this team is to drive Vodacom's Shared Values, Style (pertaining to culture and collective attitude toward the new strategy), and well as to communicate optimally to the organisations extensive employee base.

This material can be used to continuously remind staff of the new strategy using email signature adverts, office cafeteria coffee cup advertising, posters in the hallways, call waiting voice prompts, and other in house reminders in order to constantly reiterate the rewards system set for launch, as well as into its onset.

The second aspect of this departments task is to design a marketing promotion strategy that will ensure that every single South African consumer is acutely aware of and constantly reminded of Vodacom's new 'giving back' generous rewards program. This will be designed now so as to be ready for execution simultaneous to the system's launch.

### **5.4 Prototype Testing and Minimum Viable Product**

This step of the implementation plan involves all 7 of the facets in the 7S model. The team in step two needs to launch a completed version of its algorithm data management system within Vodacom (internally only) in order to test the system; both

the functionality of the system will be put to the test, as well its feasibility within all levels of the organisation.

Level 1 testing: The programming team is able to use this phase to detect bugs and glitches in the ware. They are to test it with a small sample group of customers to ensure the system is adequately meeting Vodacom's strategic objectives (i.e. MVP) (hence strategy), as well as meets the needs of the organisations shared values' of speed, simplicity, and trust (Vodacom, n.d.). For specific example; the objective of the algorithm is gather data and feed the integrated reward system to give the right rewards and product offerings tailored and specific to the customer's needs – so test to ensure that it doesn't offer a customer an additional complementary entry-level contract as a reward if they have neither children nor dependents such as domestic staff to give it to, thereby rewarding them with something they cannot use and rendering the Strategic objective of the reward system moot. Identify improvements and changes that ought to be made.

Level 2 testing: This is to test the extent to which employees are able to transition into effectively incorporating the new system into their work lives and functions, and tailor the staff training and change management steps to follow accordingly. This is still a test phase, so no staff training just yet. It's testing in order to formulate an appropriate change strategy as well as to measure the general attitude of employees upon reception in order to appropriately craft a change implementation process speaking to style in the 7 S framework.

Specific objectives of this step include but are not limited to: Test that the interface is user friendly for employees using it, test that the web application interface provides a smooth customer experience, gather feedback from employees and the sample group. Ensure that the end result system will be accessible to all LSM groups and that someone without access to the internet or smart phone is still able participate in the rewards program by going in-store.

## **5.5 Staff training and cultural shifts**

Structure, Systems, Style, Staff, Skills.

Assuming a final system and software is ready for launch by this point, with appropriate adaptations made during the testing phase; staff training as apart of internal system launch is next to ensure that all Vodacom employees are now taught and trained on how to use the new system and communicate the rewards structures to customers.

Vodacom will provide training to employees to program information into, and access information out of, the new information and knowledge management system by appointing teams to conduct training per department and providing those leaders with training from the system programmers. Subsequently, Vodacom is to set up a technological support help line for employees for when they encounter difficulties with the new system and require assistance.

Lastly, Vodacom will need to setup a rewards team to continuously process and interpret data from the algorithm and design new product packages according to the customer trends indicated by the algorithm.

## **5.6 Customer Engagement (System, structure, staff)**

In order to meet the strategic objective of transparency to customers, a clear and coherent webpage and mobile application that is continuously updated is required. It is assumed the former has already been obtained, now the latter ought to be addressed.

Here, Vodacom can set up a subsidiary marketing team dubbed 'Web Communications Team' to facilitate the online interfaces' smooth functioning and continuously update the online shop so that customers can browse for products to spend their points on.

# **6. ASSESSING STRATEGY**

## **6.1 Sustainability**

The new consolidated rewards system will put Vodacom in a favourable position by enabling them to regain customer's trust. This will lead to a loyal customer base that will give Vodacom a sustainable competitive advantage in addition customer retention is vital to Vodacom's long-term success. Loyalty programs will give Vodacom deep insights about customers. The data collected from points being redeemed will be used to create customised rewards that will increase customer loyalty resulting in an increase in sales.

## **6.2 Validity**

We are assuming that there is a general mistrust of Vodacom amongst its users because of a lack of transparency and mercenary data charges. This puts them at risk of losing customers to more innovative and transparent competitors. We surmise from our research that customers remain with Vodacom because of its operational excellence but they are open to change.

### **6.3 Consistency**

The change in orientation towards customer intimacy will stem from the new rewards team that will be formed, but it translates well to other functions we have discussed such as HR, operations, and marketing. However, while it all ties together conceptually, the proof will be in the pudding.

### **6.4 Feasibility**

The strategy that we suggested is feasible because Vodacom currently has the capable set of data analytics, programming, and technical skills. These set of skills amongst others makes it possible for Vodacom to implement the recommended strategy at minimal cost.

### **6.5 Vulnerability**

The algorithm we have suggested will significantly mitigate risk. It is based on customer spend and time. Vodacom can predict customer lifetime value and make sure that rewards factor in customer profitability. Therefore, as long as the 'Awards Regression Model' is trained well it will heavily reduce the risk of 'reignite' and replace Vodacom's current rewards system with a much more reliable one.

### **6.6 Potential Rewards**

The forecast outcome of retaining customers is absolutely delivering value. Vodacom is at a point where it would be difficult to grow its market share because it has already captured 53% of the market (The Space Station, 2017). Therefore they should focus on customer retention and getting customers to spend more. Reignite achieves both of these outcomes by restoring trust in the Vodacom brand and showing appreciation by offering customised rewards.

## **7. CONCLUSION & INTEGRATION**

In closing, we have addressed the numerous challenges that are being experienced by Vodacom and its customers alike. The hurdles have come to light as a result of an analysis of the environment using applicable frameworks. Our strategy has been designed to address the lack of significant rewards for customers who have shown their loyalty to Vodacom.

By incorporating various approaches to innovation, we have been able to improve Vodacom's current rewards programme that embraces technology to drive customer intimacy and engagement. The enabler of the proposed innovative solutions has been the integrated application of various systems, processes and functions of business. Not only has a solution been proposed, but the approach in arriving at the solution has been articulated. All of these

required organisational changes will impact the behaviours within Vodacom. The said changes can be appropriately and systematically managed throughout the process by way of utilising the aforementioned change management frameworks.

To that end, we believe that the proposed report will enable Vodacom to *Reignite!* their customers' love for the brand by reinforcing a relationship of trust.

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## **Appendix 1: Vodacom Brief**

### Topic One – Segmented Propositions

- Deep understanding of our customers and their needs
- Proposition to lead in chosen segments
- Brand & Reputation
- Best Customer Experience

“Currently Vodacom has a loyalty program known as “Talking Points” for their prepaid customers. Vodacom also rewards customers on the premium Red Plan, but there is nothing for the other post-paid (contract) customers. Many Post-paid customers complain that they have been with Vodacom for many years and have not been rewarded for their Loyalty to Vodacom. Investigate (1) the feasibility a loyalty/reward program for these customers based on time and spend and (2) how all the different loyalty/rewards programs can be consolidated to apply to all customers regardless of their plan”

## **Appendix 2: Innovation Iterative Cyclic Process undergone for Vodacom**

Stanford's Iterative Cyclic process (2017) was used as a framework in arriving at a solution for Vodacom's dilemma. This can be observed by the way in which the report points towards a remedy for the organisation's pain point. By empathising with the industry stakeholders – most notably the consumers of Vodacom, we were able to develop a deep understanding of the challenge in providing an adequate loyalty programme. This step of the process revealed that most of Vodacom's post-paid (contract) customers fall within an LSM grouping greater than 6 (Statistics South Africa, 2017). By conducting primary research in the form of focus groups, stakeholder interviews, and conversations with in-store Vodacom employees, we were able to gain a deeper insight into the real challenges at hand.

The second step of the process involves clearly defining the pain point. The essence of Vodacom's challenge is to provide a loyalty and rewards programme that will realize true customer engagement, thereby providing a real benefit to the consumer and regaining the public's trust in Vodacom. The implementation of the loyalty programme will require the organization to market the service offering in a way that the consumer can understand. Consequently, the programme must be of such a nature as to appeal and be understood by a wide audience. For this to happen, the programme must be able to include all Vodacom plans so that the programme can be applied fairly to all customers. The aim of this effort is to instill a trustworthy perception of the Vodacom brand once again – particularly with the youth as they are the future customers. A further pain point that was discovered is the fact that current loyalty programmes require users to dial codes in order to activate, view and redeem benefits(points).

The next step of the process is to ideate the potential solutions to the dilemma. Some of the ideas that were investigated are as follows: airport lounge partnership; a two-tier reward programme based on the time span spent with Vodacom (loyalty) and the revenue made (spend); a new marketing strategy in order to raise awareness about the programme and to simplify the complex of the programme. Furthermore, the ideas of creating a family-sharing feature and providing paid app vouchers to customers based on spend were investigated. In order to prototype the solutions, the new reward programme will need to be implemented by Vodacom itself, utilising a central platform. We propose that Vodacom leverages and improves on its already-existing mobile application and website as an interface for the rewards programme.

The testing stage will be conducted by way of simulation based on the feedback and engagement from the primary research results.

### Appendix 3: Implementation Plan

<u>ISSUE</u>		<u>TARGET STAKEHOLDER/S</u>		
Lack of adequate loyalty/rewards programme		All Employees at Vodacom		
<u>OBJECTIVE</u>		Change agents		
Consumer behaviour, Operational excellence, Customer intimacy		Consultants & Vendors		
		Partners		
<u>STRATEGY</u>	<u>ACTION STEPS TO REALISE STRATEGY</u>	<u>RESPONSIBILITY</u>	<u>TIMETABLE</u>	
			Start	End
<i>“Influence consumer behaviour by ensuring an intimate relationship with customers that is achieved through operational excellence.”</i>	Activate rewards team	Management, HR	Jan 19	Feb 19
	Build project infrastructure	Rewards team,IT,Operations	Feb 19	May 19
	Prototype testing	Rewards team	May 19	Jun 19
	Briefing & training staff	Rewards team, HR	Jun 19	Jul 19
	Initiate complete programme	Rewards team → organisation-wide	Jul 19	-
	Advertise the programme	Marketing function	Jul 19	Dec 19
	Customer support service	CRM	Jul 19	-
	Troubleshoot & continuously improve	Rewards team,IT,Operations	Jul 19	-

#### **Appendix 4: Gifts redeemable with Spend Points**

- Airtime, data or bundles
- Hands free kits
- Screen repairs
- Phone covers
- Phone accessories
- A new phone
- Fibre packages and other home internet bundles
- Tablets
- Contracts – or can be used as a discount toward contracts

#### **Appendix 5: Kotter's 8 Steps of Change Management**

Increase urgency:

The management of Vodacom needs to hold meetings with the rewards and loyalty programmes business unit in order to communicate the need to implement a new strategy. In these meeting, the managers should express the importance of having a well communicated and structured rewards program in their current competitive environment. The meetings will also be an opportunity for management to mitigate any concerns of the employees such as losing their job or a change in job roles. On the other hand, the meetings will also allow employees to voice their opinions and objections with regards to the implementation of the proposed consolidated rewards system.

Building a guiding coalition:

Vodacom should establish a team with the necessary skills and resources required in order to implement the strategy. The team will consist of the managers of the various related business units, who will essentially be responsible for communicating and managing the change within their respective departments. The team will consist of a financial manager who will review and modify the financial operations to optimise the service offering, the marketing manager will be in charge of raising consumer awareness, the operations manager will ensure operational efficiency, the communications manager will internally communicate the change to all the related

departments and lastly, the training manager will teach staff in-store about the programmes functionality.

Creating and communicating a vision for change:

In the next step for implementation, Vodacom needs to develop a change strategy that acts as a guide for the staff of the organisation. The change vision will highlight the objectives of the strategy while creating a clear understanding of why the change is necessary. The change strategy must encompass Vodacom's values of simplicity, trust and speed while implementing the proposed change in the loyalty programs strategy.

Communicating the vision to the necessary business units is crucial as it will ease the transition from the old to the new loyalty programme. The vision should also encourage the Vodacom staff to achieve the objectives of the strategy by including incentives that the employees would appreciate. This will improve the rate of implementation while creating employee satisfaction within the relevant business units.

Communicate Buy-In:

Communication of the change in the loyalty program will take place over various internal touch points within the organisation. The first is to advertise the new "REIGNITE!" on the internal company website as this is widely used within the organisation. The new program will also be communicated through email signatures, posters in office spaces and company newsletters that employees engage with on a regular basis.

Empower Action:

The implementation of the new loyalty program may require a shift in the methods and process of rolling out the loyalty program. These changes will be extensively communicated to the staff in order to ease the nervous and worries of the employees. A major aspect of empowering action is to remove any barriers to change. For example, Vodacom must give their employees autonomy within the change process in order to drive employee participation and encourage commit to change.

#### Create short-term wins:

Vodacom needs to create an environment that encourages people to adopt the new changes as proposed by the new strategy. Thus employees who are more receptive of the changes should be identified and positioned to be change agents within the organisation. The new change agents should create an incentive strategy that reflects the desires of the staff. For example, Vodacom may offer holiday packages to staff members who are driving the implementation of the new strategy or even offer monetary bonuses for engaging in the change process.

#### Consolidate improvements, reassess changes and make necessary changes:

The change process should be monitored and evaluated as part of the implementation of the new strategy as this allows management to identify areas of improvement and areas of good performance. Identifying areas of improvement will essentially enable autonomous improvement of the change strategy.

#### Make changes stick:

In order to drive sustainable and permanent change, Vodacom must reinforce the changes of the new strategy by demonstrating the relationship between new behaviours and organisational success. (Robbins & Judges, 2017) This means that the organization should adopt a long-term approach to incentivising change and engagement amongst employees.