

Walgreens Enhances Supplier Relations With Personalized 'Thank You' Approach

By Patrycja Malinowska

NEW YORK — Walgreens launched its Balance Rewards loyalty program in 2012 for two purposes: to build customer knowledge and engage customers differentially. Some of that engagement comes through the rewards points and program extensions such as the Beauty Enthusiast club, but the shopper data the retailer obtains from the program also enables a deeper layer of personalized promotion as well as the opportunity to engage suppliers.

"We knew the program had enabled fundamentally more strategic relationships with our supplier partners," vice president of loyalty and personalized marketing Mindy Heintskill said while presenting at the National Retail Federation Retail's Big Show in January. "It's really the future of Balance Rewards." Heintskill spoke alongside Ron Orgiefsky, U.S. managing director of Emnos, which exploits Balance Rewards data for the retailer from an insights and personalization perspective.

and works with CPG manufacturers such as Procter & Gamble and Johnson & Johnson to help them reach their best consumers at the chain. The retailer's strategies include:

- **Relevant offers:** 99% of recipients get a different communication.
- **Tailored messaging and content:** telling members about the specific promotional events that they have not yet opted in to, for example.
- **Preferred channel:** Walgreens continues to take advantage of the traditional print route but also employs email, Catalina prints at checkout and the digital programmatic channel.

With the goals of incremental sales and higher engagement, Walgreens makes little tweaks to its strategy every quarter. The retailer has experimented with the offer mix, for example, to balance reward and acquisition whenever they reach out to a member.

"We want to reward customers for continuing to buy the same thing by giving them an incentive, while our CPG partners want to acquire new customers," Zhao said.

The tweaks are executed through a strict due diligence process to see which changes will eventually help drive more sales and a higher response rate, which ideas are repeatable in the future, and which are scalable. Ongoing measurement of the incremental sales response is crucial.

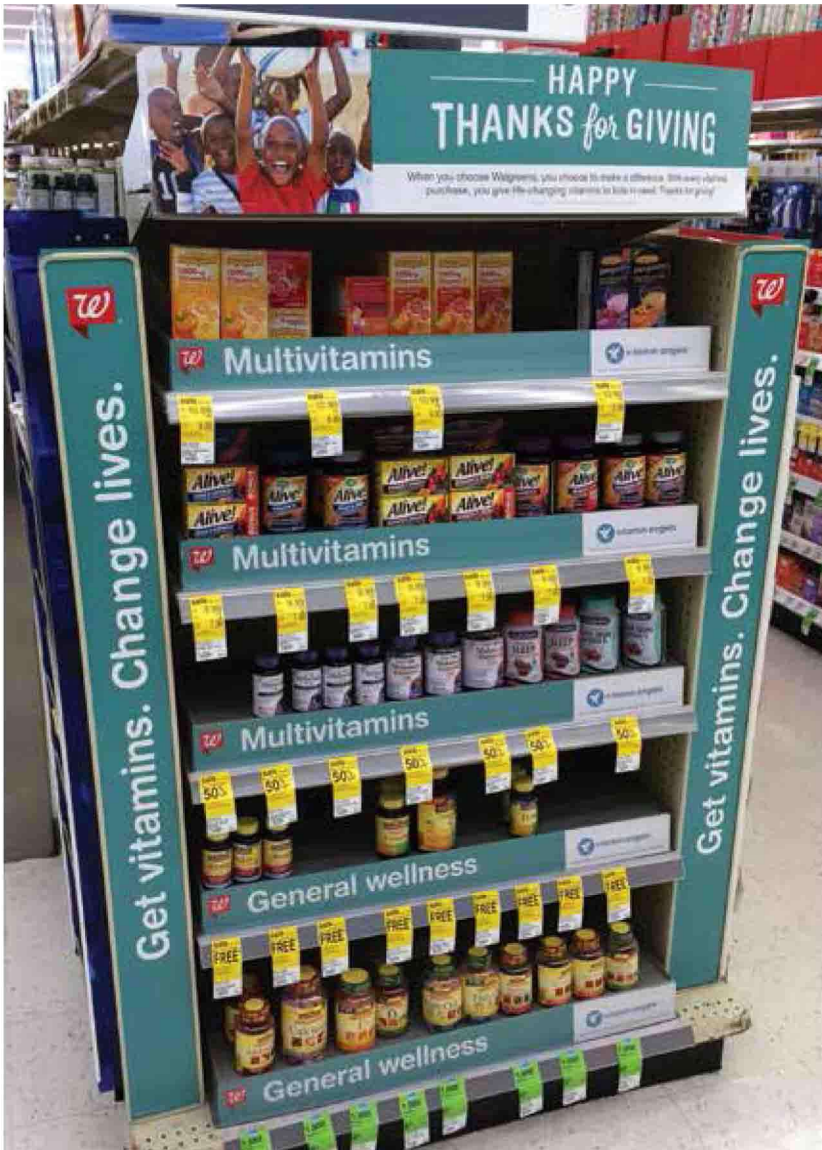
In the short term, it's about the incremental trip. For long-term measurement, the retailer maintains a control group that does not receive the Quarterly Thank You communications. "The goal of personalized marketing isn't to drive lift and stop there, it's to optimize over time," Heintskill said, emphasizing that the control group is necessary to show that the program is working and that it's getting better over time. "So the more we learn, the more we can optimize, the more data we collect – the better and better we should be getting."

Walgreens also applies learnings from the Quarterly Thank You program to smaller projects.

One such effort added a personalized element to complement the retailer's ongoing support for Vitamin Angels. Leading up to Thanksgiving, Walgreens ran a national "Happy Thanks for Giving" campaign with a personalized element that re-engaged the customers who had supported the charity.

"We went after vitamins customers with a direct mail piece, email piece, digital programming to really emphasize that 'Thanks for Giving' and hone the message a little bit more around vitamins," Heintskill said. The personalized outreach included relevant vitamin offers targeted for each customer.

"We don't have to convince these suppliers to participate," Zhao said. "For CPG companies, it's always about acquiring new customers so from the Quarterly Thank You personalization they actually see the value of doing that, they're not afraid of extending these really high-value offers for those who are already purchasing their brands." SM



The drugstore chain's longest-running and largest personalization effort is the "Quarterly Thank You" program. Launched just months after Balance Rewards, the quarterly communication delivers individually tailored offers, products and messages based on past purchase behavior, with the goal of increasing retention and loyalty among the retailer's best shoppers.

"We took what traditionally, from a loyalty program perspective, would have just been a statement communication [of a member's account balance] and added a huge component of personalized value," Heintskill said. "We knew that this was a perfect opportunity to partner with our suppliers because we have a mutual objective. When we add that personalized value component, it's all about driving increased basket size, increased trips and brand dollars."

There are multiple fronts for personalizing the quarterly communications, said co-presenter Lisa Zhao, who manages supplier direct marketing for Walgreens