

'Incentive' Begins With 'I'

Personalization, respecting data are key to driving loyalty program memberships.

By Randy Hofbauer



Loyalty programs have long been a major strategy in drawing consumers to one retailer rather than another.

However, while growth of loyalty program membership has continued — reaching 3.8 billion — this year's edition of Colloquy's Loyalty Census shows that it has dropped 11 points, to 15 percent, since the 2015 edition. Grocery program memberships have contributed to this, dropping to 142 million, from 88 million in 2015.

While the findings, presented by Toronto-based loyalty program and analytics firm LoyaltyOne, show that the 24 percent decrease in grocery program memberships is due, in part, to many mergers and acquisitions in the sector, it also reveals a need for grocers to continue to offer enticing reasons for consumers to become members.

For grocers in 2017, personalized incentives — digital offers and deals, relevant digital ads — are a powerful way to appeal to shoppers, drive sales and build loyalty, says Mir Aamir, president and CEO of Mountain View, Calif.-based digital promotions provider Quotient.

"The reason is simple: Shoppers love digital offers and deals, either in the form of discounts on products they buy, or in terms of rewards like points, if a retailer has such a program," Aamir notes. "The key

is to make all such incentives relevant and easy to use. If a deal or offer is personalized, shoppers love it. In fact, shoppers have come to expect personalization."

Personalization Tips

Grocers have a number of ways to personalize programs, and different demographics have different ways that they want to enjoy incentives. Some of the ways grocers could better personalize loyalty program incentives to customers include:

- 1 **Creating ease of participation:** It should be easy to take part and simple to redeem, says Therese McEndree, VP of marketing with Hawk Incentives, a subsidiary of Pleasanton, Calif.-based Blackhawk Network Holdings. Also, the benefits must be clearly and consistently communicated. One grocer that does this is Food City, a subsidiary of Abingdon, Va.-based K-VA-T Food Stores that rewards shoppers based on the amount they spend at its stores, according to David Bishop, partner with Barrington, Ill.-based retail consultancy Brick Meets Click. Customers at the grocer earn a 5 percent-off reward that they can use on future purchases after spending \$300 at the retailer. Bishop notes that the program is personalized

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to shoppers by way of spending patterns affecting how quickly the reward is earned.

2 Linking loyalty cards to online shopping:

Strong value comes from enhancing both the in-store and online shopping experiences with proper personalized incentives, David Bishop observes. West Sacramento, Calif.-based Raley's does this by allowing shoppers to build online carts and lists based not only on past online purchases, but also past in-store ones. Doing so has removed friction and enabled a more seamless and continuous experience with the grocer.

3 Offering variety:

Consumers today want to choose their reward and how it's delivered, whether loyalty points, a physical gift card, emailed promotions, rebates, or even a reward transferred to a mobile wallet, McEndree says. While consumer preference varies widely by application, value and demographic, offering the right reward options for each creates added opportunities for positive brand engagement, bounceback and continued engagement.

4 Providing rapid rewards:

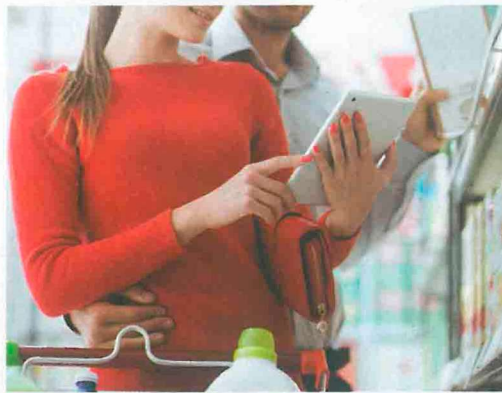
According to research from Hawk Incentives, respondents ideally want their reward delivered in less than a week. Innovations in technology now offer near-instant rewards, allowing shoppers to redeem easily, sometimes with as little as a few swipes on a mobile device, McEndree stresses.

A Problem of Trust

The problem remains, though, that many consumers today desire privacy and are tempted to withhold their data. Bill Bishop, chief architect at Brick Meets Click, notes that while his firm doesn't have an estimate of the percentage of shoppers with that concern, some things they'll do include providing the retailer with incomplete or erroneous contact information to make connecting everything difficult.

"Withholding information that can help target offers more effectively does make the retailer's job more challenging and complex," David Bishop adds. "Mining past purchases could reveal some of these attributes; however, this isn't fail-safe, as households are buying groceries across multiple retailers."

Bill Bishop notes that most retailers have pledged not to share information they collect with others, and that up until this point, many customers have been satisfied with that. However, with data breaches and other calamities causing concern in recent years,



customers' reluctance could become more of an issue.

One way that grocers can balance their need for data with their customers' desire to keep data to themselves is to apply similar approaches

used by digital marketers. For example, David Bishop points to ads served on the internet, driven by sophisticated, rules-based algorithms, which capture and sort through many attributes based on past search activity.

"This collective information creates thousands of micro-segments that help determine what deals get served up in each individual case," he says. "Using a similar framework, grocers can develop various segmentation, using past purchases, to create targeting segmentation like households with kids, health nuts, cheese enthusiasts, etc."

Relevance Removes Reluctance

But from her experience, Kate Hogenson, strategic loyalty consultant with St. Petersburg, Fla.-based Kobie Marketing, notes that shoppers are willing to give up their personal data if they get something worthwhile in return, like a discount, coupon, or loyalty points redeemable for free products or discounts.

The lesson is simple: Give first to get something. This is especially the case when the data desired from customers could help them avoid products they don't want. For instance, Cheryl Black, CEO of You Technology, a Brisbane, Calif.-based provider of digital-offer platforms, notes that Phoenix-based Sprouts Farmers Market gathers data on food interests in regard to dietary requirements such as gluten-free, dairy-free and vegan. The retailer rewards customers for sharing this information by presenting them with offers for discounts on products in these areas.

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Still, no matter how data are used and what incentives are offered, it all must come down to using the information to offer savings, ease and convenience, Black emphasizes. Grocers must be sure that if they promote anything via incentives, that they not do it with things a shopper isn't interested in. Retailers must be transparent about any promotions and turn them into savings, ease and convenience for the shopper.

"It is much better to keep a loyal customer returning each week than to have them add one more item to a basket on a given week and stop shopping your stores as frequently," she says. "Shoppers will respect a 'fair exchange' and will give a little data to make their life better. But they must never feel taken advantage of." PG

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