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FEATURE

Marketing Disrupted

Loyalty survey reveals the need for technology to personalize and modernize customer loyalty.

BY JERRY SOVERINSKY

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The COVID-19 pandemic has changed consumer behavior around the world, with no industry spared from its impact. For convenience store retailers, essential business status may have minimized business disruptions, but it has been far from business as usual. "Coronavirus has shown us a world without traffic," declared the Brookings Institution earlier this year, noting vehicle miles traveled (VMT) had dropped by at least 53% in every metro area less than two months into the U.S. outbreak, with some areas down as much as 88.9%.

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All of this doesn't portend financial riches for those selling motor fuels, which makes inside sales at convenience stores all the more important, with customer loyalty a critical undertaking to achieve success.

We've known this, of course, as loyalty programs matured over the past several years. Fueled by technologies that empower geotargeting and offer greater personalization, retailers have tapped the power of loyalty programs to increase customer engagement and build incremental sales.

"The ability to dynamically engage with customers through innovative technologies that deliver personalized messages helps build productive relationships," said Sastry Penumarthy, co-founder & vice president of strategy for Punchh, a loyalty and engagement platform that enables brands to deliver omnichannel customer loyalty programs.

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> More than 43% of respondents said that their definition of loyalty evolved either "a great deal" or "a lot"—a key indication of how innovative technology and changing consumer preferences are shifting the role of loyalty in convenience retail.

That's certainly not the same old, same old approach to building loyalty, which Punchh maintains reflects the rapid evolution of the loyalty space. "Generic promotions, pump toppers, window displays, they lack a one-to-one focus," said Lori Stillman, vice president of research for NACS. "Today's shoppers are juggling busy, hectic schedules with multiple demands coming at them constantly. The need to cut through the clutter effectively is critical in today's increasingly digital world."

For those retailers deploying a loyalty program, results have been a moving target of success. The challenge? Cutting through marketplace noise and clutter and engaging a customer base that is inundated by media signals through every media channel. How well are they—and you—performing?

Working with NACS and Business Accelerator Team, a consulting firm that focus on convenience retailing, Punchh conducted a deep-dive survey of retailers addressing their loyalty programs (and loyalty program aspirations). Completed in September 2020, over 4,000 retail locations are represented in the results that are a compendium of insights and best practices when implementing a loyalty program. "Our goal with the study is to be prescriptive; for the industry to acknowledge where they are and where they're going when it comes to loyalty, and what it will take to evolve," said Kay Segal, founding partner of Business Accelerator Team.

THE STUDY RESULTS

The NACS/Punchh survey, completed in September 2020, focused on five categories:

Defining loyalty	1.
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Defining loyalty

Most respondents defined loyalty as it relates to their own strategy, rather than from the perspective of the customer. "Our loyalty program is driven by fuel discounts," one retailer said, "with customers earning points by buying select offers inside the store."

It's a common retailer approach, with one retailer conceding that the result is a zero-sum-game: "It's kind of a something for nothing proposition," the retailer said. "I don't mean that negatively. Our customers have been coming to our stores over the past 30 years for our proprietary chicken

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program and other unique food offers. To be rewarded for this loyalty to our offer adds to the satisfaction component of their visit to our stores."

Punchh said that the approach may breed customer satisfaction, but it doesn't necessarily build trip frequency or basket size. "This highlights the need for customer-oriented program features, such as personalized messaging, targeting and offers," Penumarthy said.

According to the survey, more than 43% of respondents said that their definition of loyalty evolved either "a great deal" or "a lot"—a key indication of "how innovative technology and changing consumer preferences are shifting the role of loyalty in convenience retail," Penumarthy said.

The role of customization
While most respondents (85%) agreed that the ability to personalize the consumer experience was "extremely important" or "very important," the capability has not been fully explored. While the majority of programs can customize offer type, frequency and products, few can address geo-location, notification type or market segmentation. "This indicates a competitive advantage for retailers that offer it," Penumarthy said. "Punchh's loyalty platform increases customer lifetime value by delivering dynamic programs that engage and adapt to changing customer behavior in real time."

Advancing technology
The majority of respondents ranked "promotion customization" as being the most valuable to shape their future loyalty program, yet the sentiment was aspirational. Surprisingly, 15% of respondents still use antiquated punch cards for their loyalty programs, and less than 30% use a scannable loyalty card.

What's more, 14% of retailers leverage a mobile application, "indicating that many retailers have yet to transition to a consumer-facing loyalty platform," Penumarthy said. Additionally, many retailers cited a need to integrate their program with their POS as well as future platforms (mobile app, loyalty provider), "pointing to a possible reason why retailers have not yet deployed these advanced technologies to enhance their loyalty programs."

Leveraging data
CPG rebate integrations were "extremely important" or "very important" to 57% of respondents, while 71% indicated that they would consider adding mobile payment and mobile ordering (57%).

"Established integrations would have been beneficial when launching and when adding new features to their loyalty program," Penumarthy said, "a clear indication that retailers prefer a more turnkey solution that they can manage."

Of course, even the most robust offering will fall flat without adequate promotion, a critical challenge cited by many respondents. "The key is to make your customers aware of the program," one retailer replied. "Every sales associate needs to talk up the program and ask every guest whether or not they have enrolled. And finally, there needs to be multiple ways to enroll … the more flexible the better."

To that end, word of mouth (85%) has proved the most successful in promoting a loyalty program, followed by email/SMS (57%).

As for the most requested features of a loyalty program, retailers point to online/mobile ordering (71%) and mobile payments/cents off at the pump (57%).

Measuring loyalty
No matter how ambitious the offering, without adequate measurement capabilities, the ongoing success of a loyalty program remains speculative. "No single metric-tracking methodology stood out among retailers," Penumarthy said, with a scattering of responses that included: downloads,

active users, visit frequency and redemption percentages all cited as commonly used metrics. "We use frequency, active member participation versus total members and gallons realized above baseline," one retailer said.

It's little surprise that 100% of respondents either "agreed" or "strongly agreed" that their company could benefit from more robust data management. "This represents a significant opportunity for loyalty platforms—to fill this need in the c-store industry," Penumarthy said. "Punchh's proprietary AI leverages data to deliver one-to-one customer journeys. Our platform can automate customer segmentation, target specific SKU spend and even use their shopping behaviors and preferences to win back lapsed customers."

OPTING OUT

And then there are the outliers, those who remain sidelined from loyalty participation. Among retailers who do not currently offer a program, 63% indicated that one is on their roadmap, while the remainder have no plans to develop a loyalty offering. Cost was the major obstacle, followed by IT upgrades needed and the human resources required to implement and maintain a program.

LOOKING AHEAD

While loyalty continues to build momentum and importance across the convenience store industry more than ever before, adoption has been less than uniform, with much room for improvement to maximize returns. "Today's c-stores need to clearly understand their customers' behaviors, preferences, and activities to deliver relevant promotions based on one-to-one loyalty," Stillman said. "With the right customer platform and technology tools, c-store marketers can encourage loyalty by fitting online and offline data together to create customized customer experiences that engage visitors right from the pump."

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