

# Loyalty Innovations: The Best Program for You and Your Company

October 4, 2008

2:00 p.m. – 3:15 p.m.

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# Session Agenda

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- Intro
- Current state – summary of programs that are deployed today
- Benefits and challenges
- Optimizing existing programs:
  - Measurement
  - Integrating across offers
  - Improved technology
  - Data – now what do I do with it?
  - Integrating with payment
- Closing & Questions

# Who We Are

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W. Capra Consulting Group is an organization dedicated to ***identifying, leading, integrating, and delivering technology solutions*** to businesses.

We help organizations leverage technology to gain competitive advantage:

- shaping business strategies
- aligning business and technology strategies
- leading innovation
- architecting solutions
- integrating applications
- designing and deploying advanced IT infrastructures, and operational support processes



## W. Capra Background:

- Founded in 2000
- 35+ consultants averaging over 10 years of experience
- Collaborative approach to projects
- Payment practice founded in 2006

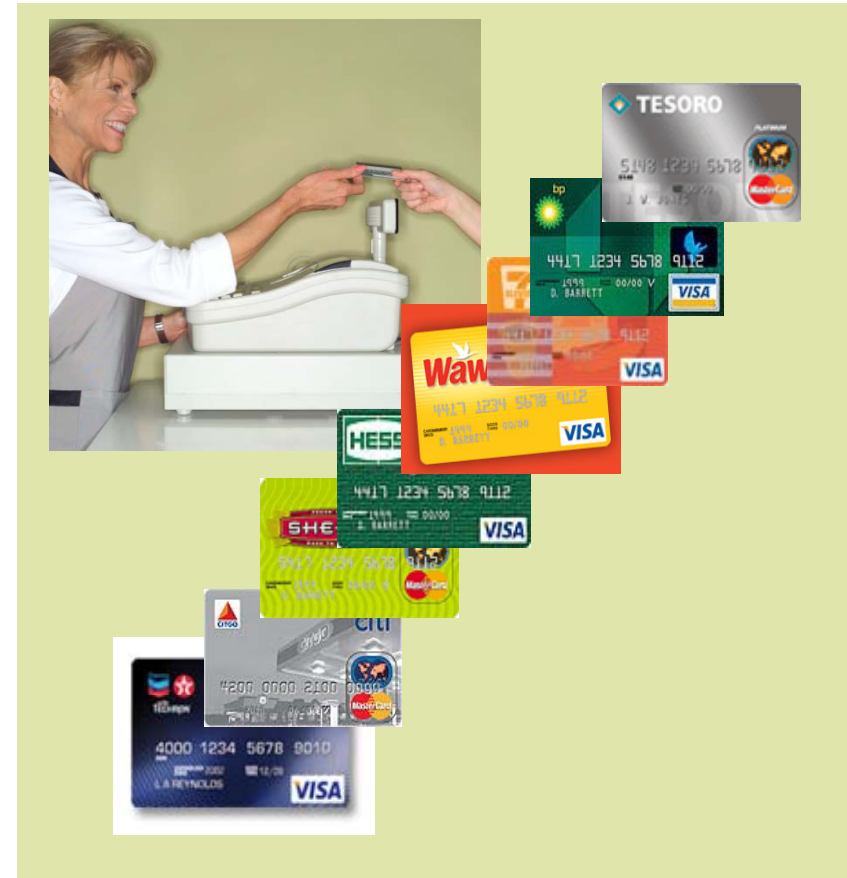
# Current State – What's Out There Today in Convenience Retail Loyalty

- Rewards based credit cards
- Single brand loyalty
- Partner and Coalition rewards



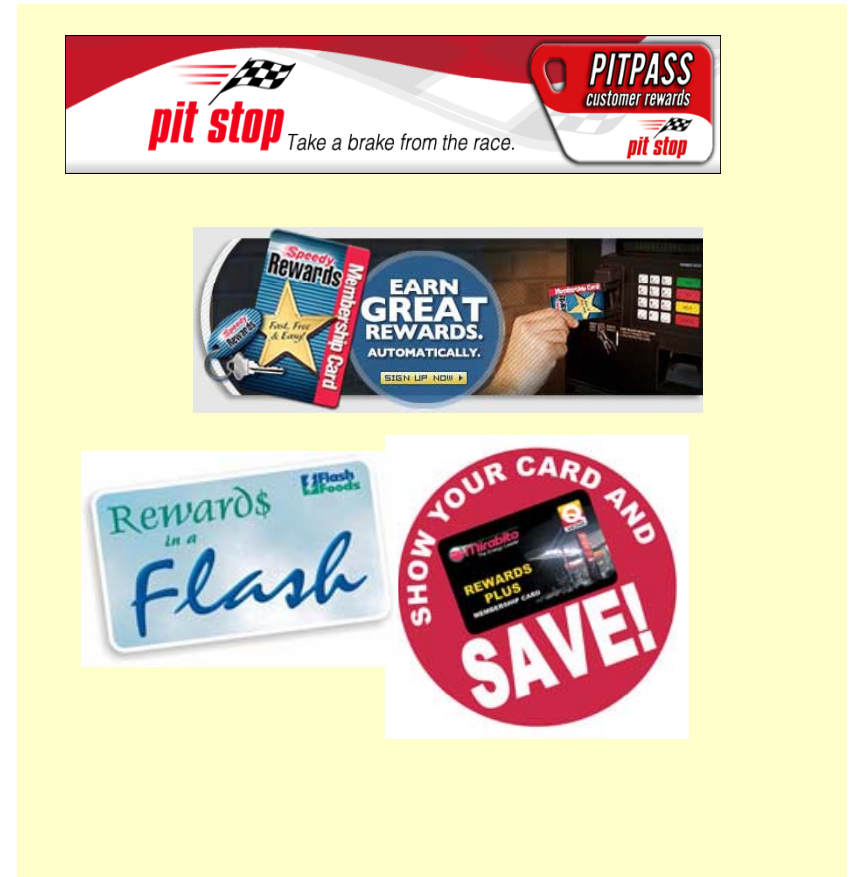
# Rewards Based Credit Cards

- Most prevalent in retail fuel marketplace
- Managed partnership between retailer and bank
- Variety of award structures:
  - Rebates on branded location purchases
  - Lesser rebates on other qualified purchases
- Payment interchange benefit to the branded marketers



# Single Brand Points Bank

- Earn and redeem within a single retailer
- Varied reward schemes:
  - Fuel discounts
  - Merchandise clubs
  - Product discounts
  - Sweepstakes
- Technology platforms support:
  - Enrollment
  - Transaction processing
  - Redemption and fulfillment
  - Analytics and research



# Coalition Rewards

- Multipartner earn and burn relationships:
  - Grocers/Fuel Marketers
  - General retailers
  - Restaurants & QSR
  - Services
- Integrated promotional programs
- Host technology and marketing platforms
- Various reward structures:
  - Fuels focused
  - Cash redemptions
  - Catalog of gifts



# Loyalty Program Benefits and Challenges

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## *Benefits*

- Can drive repeat business and enhance customer purchases
- Opportunity to communicate more directly with customers and to provide distinctive offers to most valuable customers
- Helps drive customer retention versus big box competition
- Change customer behaviors through value added offerings
- Partner and coalition opportunities to leverage customer traffic with noncompeting businesses

## *Challenges*

- Significant human and financial capital required to develop and operate
- Operational and technology integration with existing business practices
- Balancing negative perceptions of discounting and rebates with consumers value proposition
- Can be difficult to stop programs once started
- Can become “me too” programs
- Challenge to keep the program fresh

# Optimizing Your Program Through.....

- Measurement
- Integrating across offers
- Improved technology
- Data – now what do I do with it?
- Integrating with payment

# Optimizing Your Program Through Measurement

- Make sure to track the full cost of developing and sustaining a program including marketing, program support, offer fulfillment, customer service, and IT infrastructure costs
- A long term focus is required sufficient to establish robust metrics that adequately measure and demonstrate the impact of a program
- Don't measure strictly on revenue gains but also consider margin and customer retention contributions
- Get agreement across the enterprise on how and what will be measured



# Optimizing Your Program By Integrating Offers

- Integrate your core retail value propositions into the program (e.g. food, fuel, beverages, car wash, etc.)
- Integrate multiple merchandise categories to enhance your reward pool and to leverage your supplier contributions
- Differentiate your program with promotions that help build and retain consumer interest (e.g. sweepstakes, clubs)
- Integrate offers with other merchant partners to grow the available reward pool and provide consumers with greater earning potential
- Integrate the marketing support of the program into your store operations to help drive success (e.g. enrollment, promotion, incentives)



# Optimizing Your Program Through Improved Technology

- New technologies provide greater opportunities for innovation and functionality:
  - Price rollback in fuel
  - Multimedia interaction (e.g. audio, video)
  - Enablement technology (e.g. kiosks, RFID, wireless)
- Industry standardization (PCATS Loyalty):
  - Easier POS integration
  - Concurrent program participation
  - Accelerated value creation
- Consider integrating with a web presence for greater consumer and partner community interactions



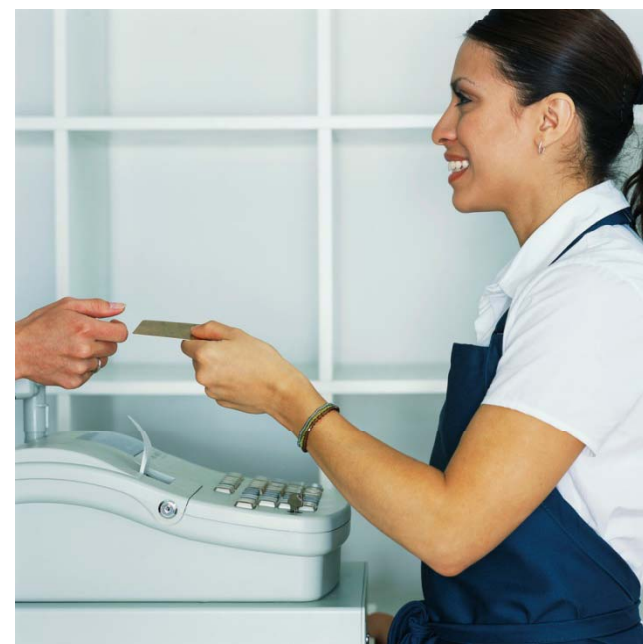
# Optimizing Your Program Through Program Data Utilization

- Use collected data to target product categories and give customers what they want (i.e. merchandising)
- Use your data to influence and collaborate with manufacturers and suppliers
- Use data from loyalty programs to determine order quantities for special promotions
- Use the data to notify customers of sales or new products and services
- Use shopper data to personalize the experience of your customers (i.e. tailored messaging, MVP status)
- Use data to determine stocking quantities or making decisions on new products
- Be mindful of privacy laws and regs for collected consumer data



# Optimizing Your Program Through Payment Integration

- Connect loyalty program to existing or alternative payment types to help lower the cost of payment interchange (e.g. ACH, private label, prepaid)
- Linking loyalty to payment selection can create savings to help program funding
- New marketing opportunities through integration of payment programs with loyalty and store promotion initiatives (e.g. new accounts, repeat users)



# What's the Future?

- Increased coalition activity (e.g. recreation)
- Greater integration with web activity
- Loyalty currency clearing houses or exchanges (e.g. Points.com)
- Emerging technologies (e.g. mobile phone, social networks)

# Questions/Comments?



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“What triggers impulse and promotion purchases... and what are the reasons for failed purchases?”

“Who are my customers and what are their missions at my store?”

“What do my customers intend to buy... and what do they buy?”

## What you don't know can hurt you.

Go beyond scan data to learn what your customers think about your stores and others in your market — and translate these findings into sales.

Convenience Tracking Program (CTP), a new NACS joint partnership with the renowned retail consultancy him!, allows retailers and suppliers to gain valuable insights into their business through shoppers' eyes and benchmark against the best in class.

Learn more about your customers. Contact Neerja Kathuria, at (703) 518-4216 or [nkathuria@nacsonline.com](mailto:nkathuria@nacsonline.com).



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