eBook:

Redefining Loyalty for Convenience Consumers to Increase Engagement

punchh | NACS

About Punchh

Punchh is the leading customer loyalty and engagement solution for restaurant, retail, and convenience store brands. Punchh creates consistent, modern loyalty experiences to help physical retailers understand their customers and use real data insights to serve them best. Punchh, powered through artificial intelligence, builds meaningful relationships and dramatically increases lifetime customer value through data driven one-to-one customer engagement. Nearly 200 global enterprise brands rely on Punchh to grow revenue by building customer relationships. The company is based in Silicon Valley, California with a second US office in Austin, TX and global offices across Canada, India, the United Kingdom, and Singapore.

About NACS

NACS, the leading global trade association dedicated to advancing convenience and fuel retailing, serves as a trusted advisor to over 1,500 retailer and 1,800 supplier members from more than 50 countries. Founded in 1961, NACS ensures the competitive viability of the convenience and fuel retailing industry—which accounts for 165 million transactions daily and generates almost $650 billion in annual sales in the U.S. alone—through knowledge, connections and advocacy. For more information, please visit convenience.org.

Survey highlights:

43% of respondents felt their definition of loyalty has evolved "A great deal" or "A lot" – indicating how innovative technology and changing consumer preferences are shifting the role of loyalty in convenience retail.

85% of retailer respondents noted that the ability to personalize the consumer experience was "Extremely important" or "Very important".

100% of Retailers surveyed "Strongly Agreed" or "Agreed" that their organizations could benefit from more robust data management tools and analytics.

57% of retailers indicated that CPG rebate integrations were "Extremely important" or "Very important" to their loyalty program.

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"Generic promotions, pump toppers, window displays, they lack a one-to-one focus. 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."

— Lori Stillman
Vice President of Research for NACS

What does loyalty mean to retailers today?

Consumers participate in a multitude of loyalty and rewards programs offered by retailers across all channels. Conversely, retailers have many loyalty platform options available that they can offer their consumers – each program with its unique features, capabilities, and value proposition for the consumer. It is important for convenience retailers to define loyalty – both as a brand's approach to engage with the consumer, and the benefits gained by the consumer who participates in a program.

After surveying retailers representing over 4,000 locations, we've gained new insight as to their definition of loyalty, and how they leverage this understanding as a basis for building or optimizing their own loyalty program. This survey also revealed the role of emerging technologies that can provide a clearer value proposition to the individual consumer – resulting in greater adoption and long term engagement.

Defining Loyalty

How Do Convenience Retailers Define Loyalty?

Overall, most respondents defined loyalty in relation to "frequency" of shopping trips. Most interesting is that each retailer defined loyalty as a function of their own strategy, and not from the perspective of the customer. This can add further insight into the need for more customer-oriented programs that are built around the customer journey.

More than half of retailer respondents sited examples such as Fuel Discount and Sandwich or Coffee clubs offering a free item after a set number of purchases. Only one responded sited the use of "tailored" offers. While offering an incentive for continued purchases in exchange for free items is effective, the opportunity for the c-store industry to leverage personalization to drive loyalty while minimizing discounting is something that should be further examined.

Technology available today can easily personalize a user's experience. It can target the specific items that he or she typically purchases, suggest new products, and offer promotions that appeal directly to that individual, increasing basket size and the liklihood of their return visit.

Many c-store retailers are utilizing loyalty programs to benefit their customers and ultimately their own businesses. Of the respondents surveyed that currently offer a loyalty program, 43% have between 11–50 locations participating, and 29% have 51–200 locations.

Even as these retailers are currently engaged in loyalty programs, more than 43% of respondents felt their definition of loyalty has evolved "A great deal" or "A lot" – indicating how innovative technology and changing consumer preferences are shifting the role of loyalty in convenience retail.

While more generic programs offer consumers value and increase oveall customer satisfaction with a brand, these types of programs do not necessarily build trip frerquency or basket size.

43%

say loyalty has evolved "a great deal" or "a lot"
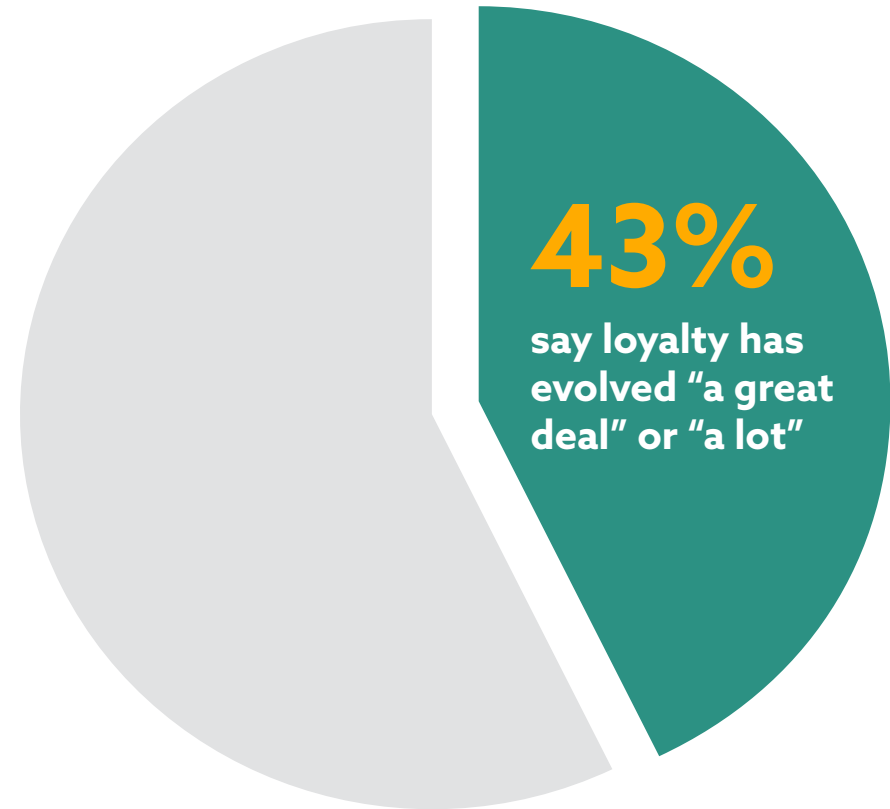
"This highlights the need for customer-oriented program features, such as personalized messaging, targeting, and offers."

— Sastry Penumarthy
Co-Founder & Vice President of Strategy for Punchh

The Role of Customization

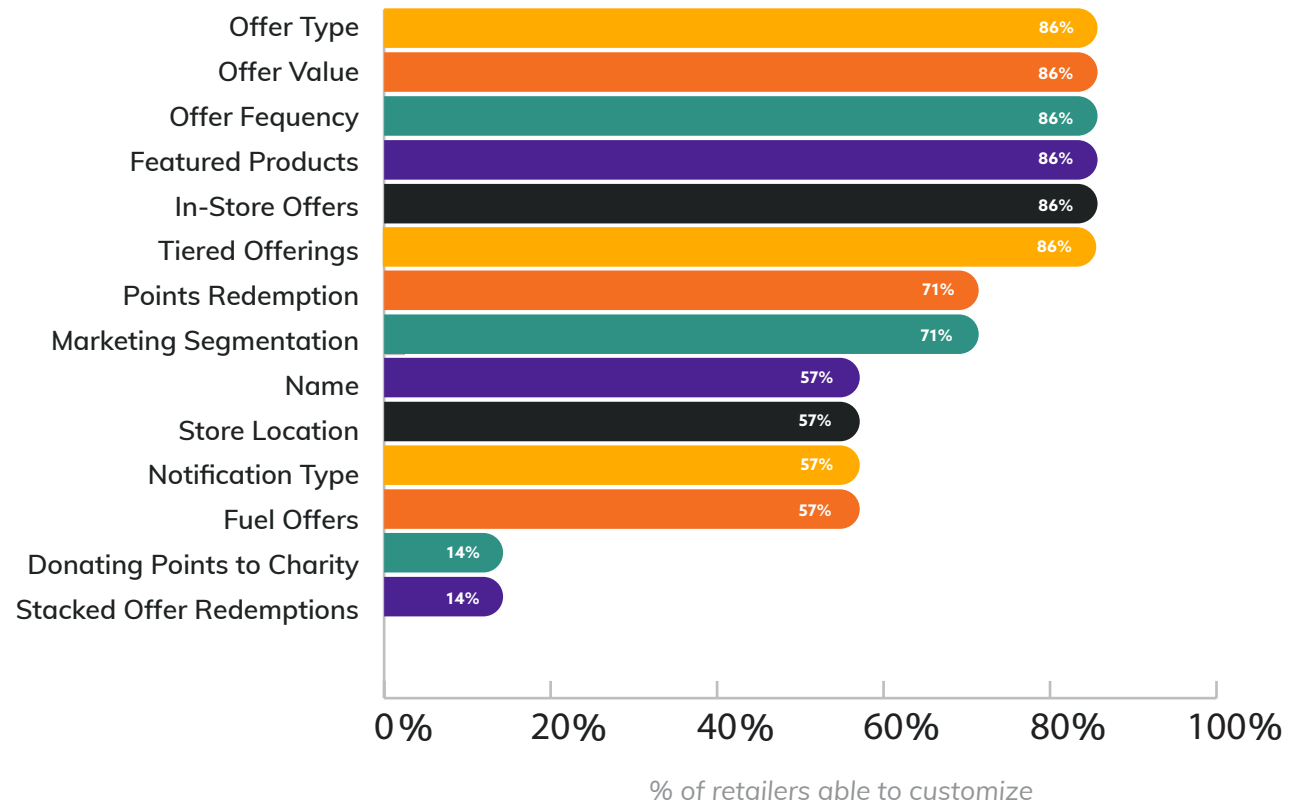## How Important is a Personalized Customer Experience to Retailers?

With the ability to track customer habits and shopping behavior in order to tailor their experience and inevitably increase their interaction with a brand, c-store retailers have a solid business case to utilize a loyalty platform that offers it. In fact, more than 85% of retailer respondents noted that the ability to personalize the consumer experience was either "Extremely important" or "Very important". However, despite this consensus, this capability is not being fully leveraged by c-store retailers.

85% say the ability to personalize is very or extremely important

WE ASKED RETAILERS

Which elements can be customized with your current loyalty platform?

Element	%
Offer Type	86%
Offer Value	86%
Offer Fequency	86%
Featured Products	86%
In-Store Offers	86%
Tiered Offerings	86%
Points Redemption	71%
Marketing Segmentation	71%
Name	57%
Store Location	57%
Notification Type	57%
Fuel Offers	57%
Donating Points to Charity	14%
Stacked Offer Redemptions	14%

% of retailers able to customize

Common customizable elements such as Offer Type, Value, Frequency, Featured Products, and In-Store Offers demonstrate how generic many loyalty programs remain, as other elements such as Notification Type, Fuel Offers, Marketing Segmentation and Stacked Offers have room to grow and offer more competitive differentiation. Customization is often limited by the loyalty platform utilized by the retailer, and for those that do support it, customizing elements can be a manual process not scalable at the customer level. In fact, for those elements that can be customized, only 43% of retailers noted this was an automated feature of their platform.

> "**This indicates a competitive advantage for retailers that offer it. Punchh's loyalty platform increases customer lifetime value by delivering dynamic programs that engage and adapt to changing customer behavior in real time.**"
>
> **— Sastry Penumarthy**
> **Co-Founder & Vice President of Strategy for Punchh**
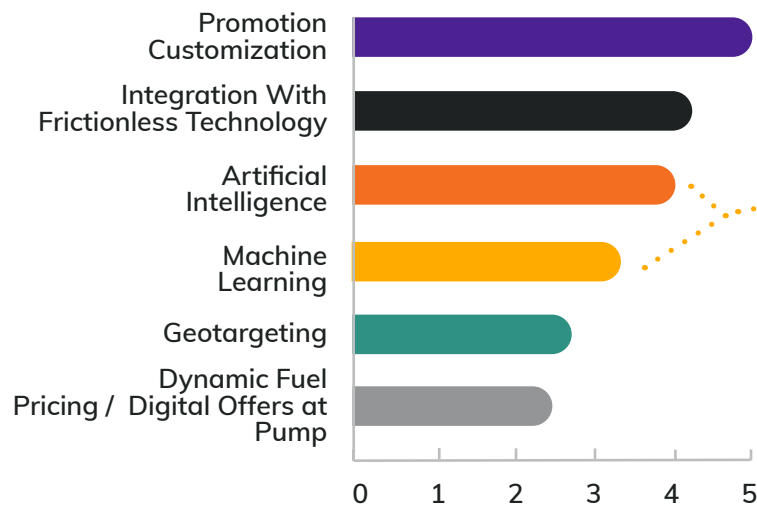
Advancing Technology

How Are Customers Participating in Retailers' Loyalty Programs?

Customer engagement is paramount to the success of a loyalty program and 43% of retailers utilize a Unique Customer Identifier such as a phone number to enable customers to participate.

Scannable Loyalty Cards and Punch Cards are still used by 29% and 14% (respectively) of retailers surveyed – indicating that many retailers have yet to transition to a digital, customer-facing loyalty platform.

Only 14% of retailers leverage a dedicated Loyalty Mobile Application despite the increase in mobile device ownership, adoption and usage in the last five years.

How do retailers rank technologies in terms of their ability to shape the loyalty programs of the future?

Promotion Customization
Integration With Frictionless Technology
Artificial Intelligence
Machine Learning
Geotargeting
Dynamic Fuel Pricing / Digital Offers at Pump

0   1   2   3   4   5

More than **85%** **of retailers surveyed recognized Machine Learning and AI as distinct technologies – indicating advanced knowledge and awareness of these technologies as they relate to the convenience retail industry.**

Aggregate retailer ranking of technologies on scale of 1 (lowest) - 5 (highest)

Retailers indicated that Promotion Customization, Integration with Frictionless Technology, Artificial Intelligence and Machine Learning were the top 4 technologies shaping the future of loyalty programs.

While Frictionless Technology was likley driven by quickly changing customer preferences due the impact of COVID-19, the remaining 3 technologies focus on automated customization at scale.

In fact, more than 71% of retailers surveyed acknowledged the benefits of automation as having "A great deal" or "A lot" of impact on the success of their loyalty program – especially as it relates to personalized offers and communication.
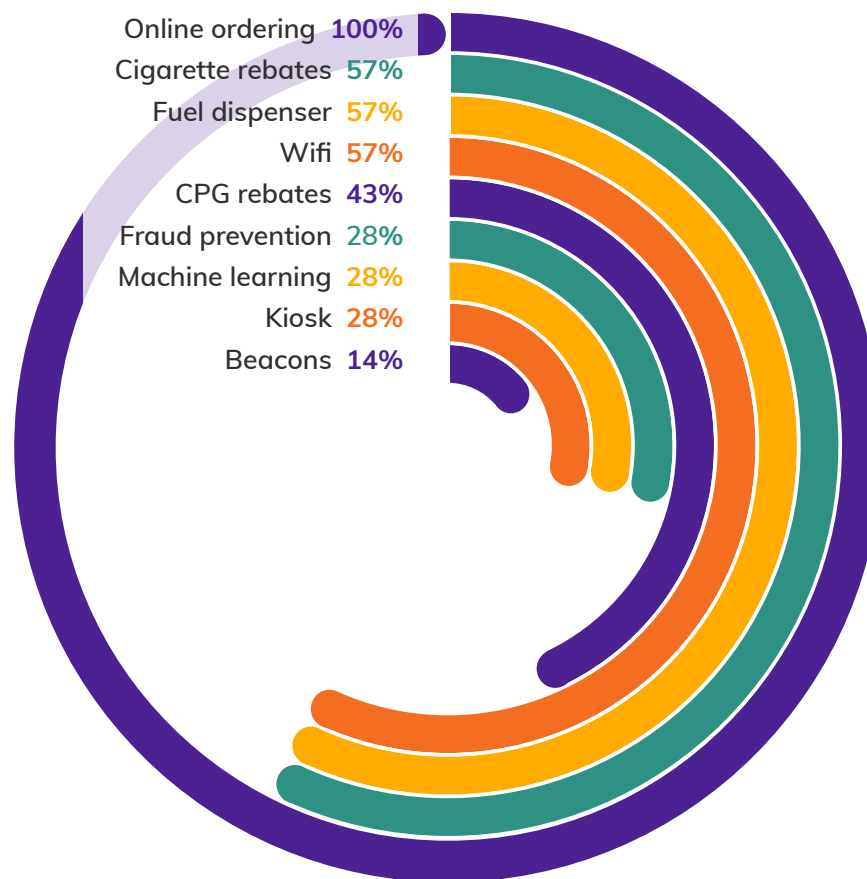
Retailers without a loyalty program ranked the top 3 as Geotargeting, Promotion Customization and Integration with Frictionless Technology.

What other technologies are retailers considering that will improve consumer loyalty engagement?

Online ordering	**100%**
Cigarette rebates	**57%**
Fuel dispenser	**57%**
Wifi	**57%**
CPG rebates	**43%**
Fraud prevention	**28%**
Machine learning	**28%**
Kiosk	**28%**
Beacons	**14%**

% of retailers considering each technology

Every single retailer surveyed is considering adding Online / Mobile Ordering, which is likely due to the impact of COVID-19. However, the addition of integrations for Cigarette (57%) and CPG (43%) rebates was surprising and indicate the need many retailers still have to invest in new technologies to offer better value for their customers while improving margins.

Other technologies focus on improving the customer experience in-store. The availability of Wifi (57%), dedicated customer Kiosks (28%), and the implementation of Beacon technology (14%) are all focused on engaging the customer in new ways that increase in-store traffic. Fraud Prevention technologies, which include the ability to proactively identify and prevent coupon fraud that can impact the profitability of loyalty programs, was considered by 28% of retailers.

However, without a loyalty platform that can integrate with and support these various technologies, the positive impact on customer loyalty engagement will be limited for many retailers. In fact, the need for a comprehensive loyalty platform that can integrate and leverage these technologies is driving the popularity of the Punchh program. It provides retailers with a turnkey, automated loyalty solution designed to maximize customer engagement while minimizing demand on the retailer.

More than 85% of retailers felt their current loyalty program was well-positioned to adapt to new foodservice demands, while more than 70% felt they were prepared for Mobile / Contactless Payments and Curbside Pickup.
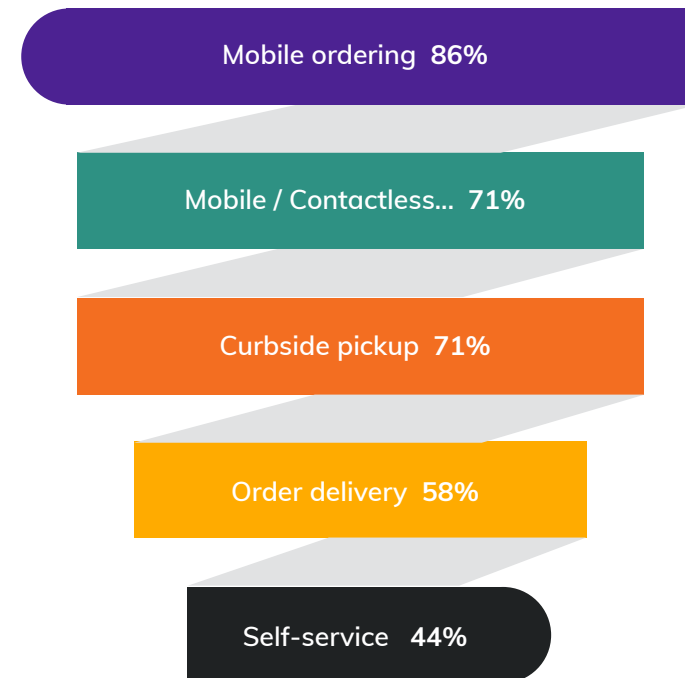
To execute on these features, many retailers indicated the need to integrate with various sources of data such as point-of-sale (POS) and rewards providers, in addition to platforms such as loyalty and mobile applications. Some retailers also shared the need to invest in hardware upgrades such as POS systems and PIN pads.

"These requirements point to a possible reason why retailers have not yet deployed these advanced technologies to enhance their loyalty programs."

— Sastry Penumarthy, Co-Founder & Vice President of Strategy for Punchh

With the emergence of foodservice as a traffic driver for convenience stores, which features are retailers' loyalty programs well-positioned to take advantage of?

Mobile ordering **86%**

Mobile / Contactless... **71%**

Curbside pickup **71%**

Order delivery **58%**

Self-service   **44%**

% of retailer program readiness by feature

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Leveraging Data

Is Real-Time Data Collection Becoming an Essential Component of a Competitive Loyalty Program?

An essential component for loyalty program success is real-time data collection as "strongly agreed" to by 100% of the retailers surveyed. This could indicate a growing openness to data sharing that many retailers have traditionally been hesitant to support.

In addition, 100% of retailers indicated that established integrations would have been beneficial when launching and adding new features and capabilities to their loyalty program.

Not only are retailers realizing the benefit of leveraging data to refine their strategy and increase engagement, but they are also sharing a need for more turnkey solutions and integrations that help them collect, track and make actionable customer insights.

When evaluating turnkey integrations, 71% of retailers surveyed would consider adding Mobile Payment, followed closely by Online / Mobile Ordering with 57%. This represents a clear opportunity for retailers to take advantage of platforms that can support both features.

100% of Retailers surveyed either "Agreed" or "Strongly Agreed" that their organization could benefit from more robust data management tools and analytics.

Another significant challenge when driving initial adoption of a retailer's loyalty program is how it is communicated both internally to employees and externally to customers.

Employee word-of-mouth was identified by 85% of retailers as a successful tactic to acquire new loyalty customers, followed by email / SMS with 57%.

Which integrations would retailers most likely consider?

% of integrations considered by retailers

| 13
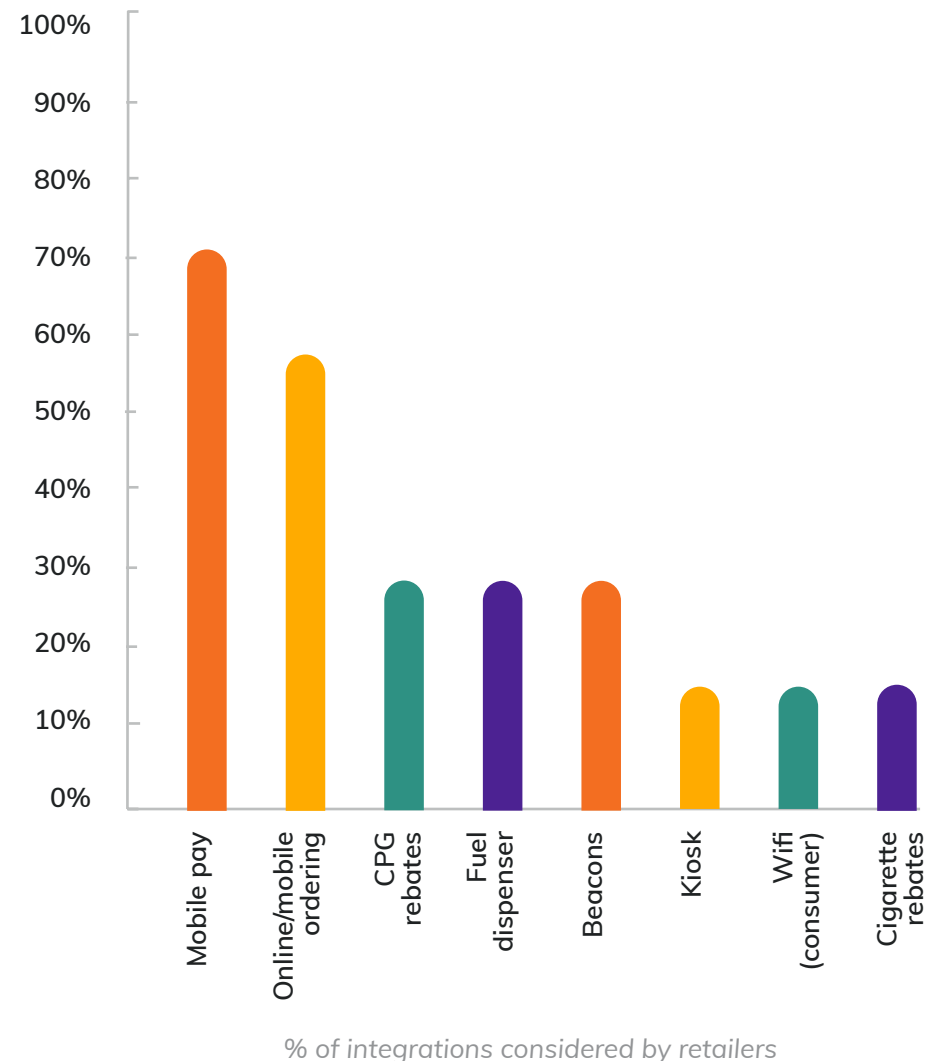
What are some of the most requested features or capabilities retailers receive from consumers participating in their loyalty programs?
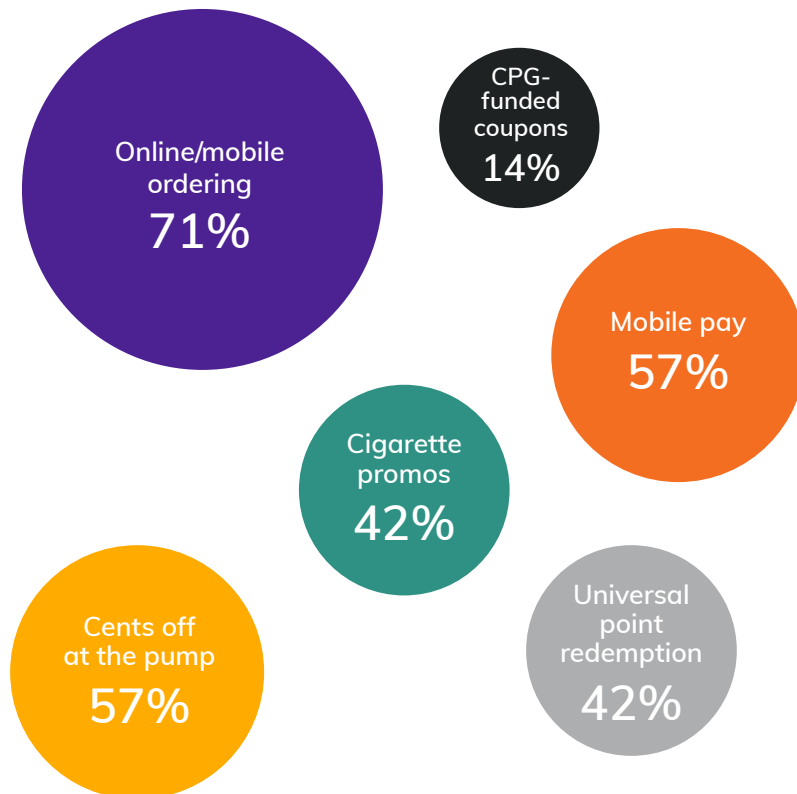
More than **57%** **of retailers indicated that CPG rebate integrations were either "Extremely important" or "Very important" to their loyalty program**

Online/mobile ordering
71%

CPG-funded coupons
14%

Mobile pay
57%

Cigarette promos
42%

Universal point redemption
42%

Cents off at the pump
57%

The most popular request consumers had of retailer loyalty programs is Online / Mobile Ordering (71%). Mobile Payment and Cents Off at the Pump were requested of 57% of retailers.

Cigarette Promotions and Universal Point Redemption (Pump or In-Store) were requested of 42% of retailers that did not already offer these options. These insights aligned with retailers' perspectives as well. Of those surveyed, 14% of retailers aknowledged that they would add a cigarette rebate integration, and 29% would add CPG rebates to their current loyalty offering.

As consumer preferences and shopping behaviors continue to evolve, it is important for retailers to ensure their loyalty program grows with them and continues to provide a high level of engagement by offering innovative features and capabilities that consumers are looking for.

Choosing a loyalty platform that is not only committed to continuous innovation, but is also able to seamlessly add new feature sets to retailer programs through turnkey integrations is not only efficient for the retailer, but ensures a loyalty offering that remains competitive in the marketplace.

Measuring Loyalty

Advancing Technology Allows for More Insightful Performance Metrics

Advanced loyalty platforms provide access to much more data throughout the customer journey compared generic programs. This provides the opportunity for retailers to leverage this data to establish reliable baselines and meaningful business goals using metrics based on customer interactions with a brand.

These metrics can be used by retailers to refine their personalized offers, craft more compelling messaging, classify loyalty customers based on their shopping behaviors, evaluate the effectiveness of specific campaigns and create lifelong brand loyalists through more relevant interactions. Measuring program adoption and ongoing engagement are essential to build momentum early in the launch of a program, while ensuring new loyalty customers remain active participants.
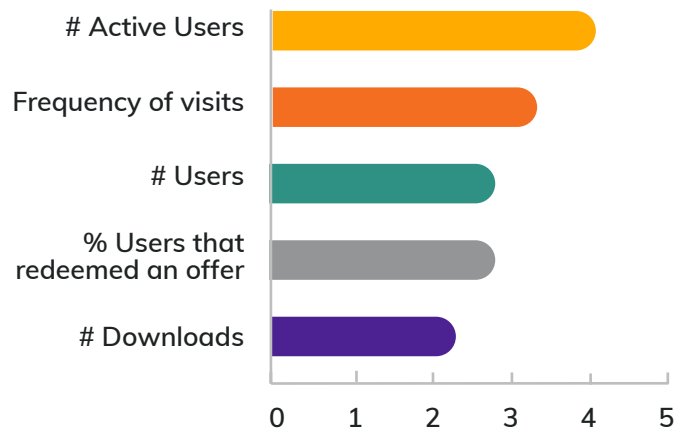
Retailer-ranked metrics from 1 (lowest) - 5 (highest)

## How do retailers rank metrics for evaluating program adoption?

Based on retailer responses, there is no standard measure of loyalty program success. However, perhaps more telling is how few retailers acknowledged the importance of engagement levels of consumers.

Retailers ranked # Active Users and Frequency of Visits highest, followed by an almost equal ranking of # Users, # Downloads, and % of Users Who Redeemed an Offer.

How do retailers rank metrics for evaluating program engagement?

The most common response to the challenge of increasing loyalty engagement related to how consumers interact with the program itself. Whether it is to track points, show value, or share the benefits of the program, it is becoming more important for loyalty platforms to ensure their offering empowers retailers on an ongoing basis.

This survey revealed $ Spend Lift and Unique Offer Redemptions are the two most important metrics used to measure program engagement. Interestingly, engagement was not a key factor in evaluating the relative success of the program.
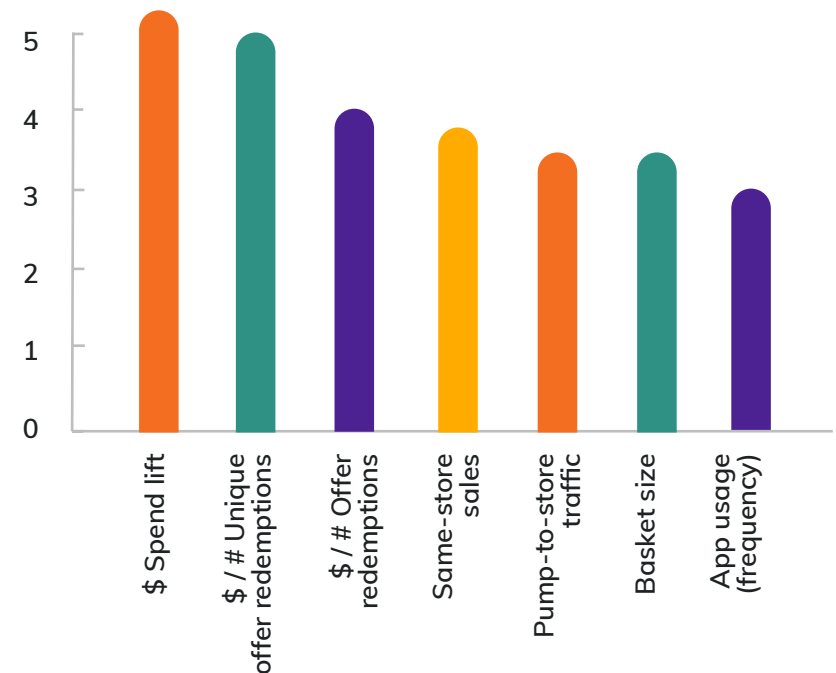
Retailer-ranked metrics from 1 (lowest) - 5 (highest)

How Punchh Helped

- 2.3 Million Loyalty Sign Ups*

- 25% of total transactions use Rewards*

- Implemented a game-changing loyalty solution that serves the needs of all their businesses including fuel, prepared food, grocery, and CPG

- Drives customer acquisition and retention at the pump, in-store and online

- Established a unified hub for customer data through system integrations with their POS, fuel pump system, online experience, and messaging hub

- Delivers personalized, real-time offers across all digital channels

- Customized program design offers three ways for customers to redeem/convert points: for cents off gasoline, into Casey's cash to use like currency in-store or online, or into Cash for Classrooms

Results from January - June 2020

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What's really unique about Casey's is that our guest loyalty program touches all three of our businesses – pizza, grocery, and fuel – to deliver personalized rewards in a meaningful way for our customers and our business.

— Art Sebastian
VP, Digital Experience at Casey's

punchh

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