

Grocery retailing is a dynamic and highly competitive industry, and is becoming even more so. Today, **consumers have more shopping choices than ever**, and as those channels proliferate, protecting and building loyalty is no easy feat. Maintaining share of wallet, driving repeat purchases and lifetime value across your customer base are just some challenges to overcome. To do this, retail leaders are looking for a heightened understanding of shoppers' mindsets.

Thankfully, with innovation in technology, **grocery retailers now have access to a wealth of data to better understand what drives their customers' shopping decisions**. With the right set of tools in place, you can make smarter and more profitable marketing decisions, and it all starts with rewarding your customers for the right behaviors.

Your loyalty program should create meaningful engagement with your customers and a mutually beneficial customer-to-company relationship that drives customer lifetime value and profitability.

Ultimately, your loyalty strategy should strive to incent key behaviors that address specific grocery business objectives, such as:



Shop Frequency

Increase store visits from existing customers



Category Penetration

Improve margin and customer share of wallet by increasing breadth of category penetration



Basket Size

Increase average order value



Brand Switch

Increase margins through upsell to house brands or other high margin brands



Lifetime Value

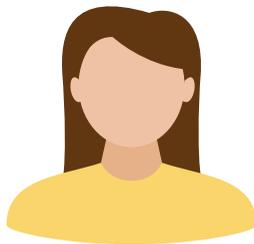
Increase lifetime value by providing incentives for all customer segments

In today's competitive retail market, if you don't have a loyalty program, you're not even competing. An incentive program of some kind is expected by today's consumer. Incentive programs create a common currency with transparent value that incents your customers to perform repeat purchases or drive new behaviors, in turn increasing your share of wallet. Your customers want to know that even though they have the option to buy milk from any grocer in the neighborhood, they will be rewarded in some way for their loyalty because they chose to buy from you.

Where we start to really influence consumer behavior is through personalization – you want your customer to not only feel rewarded but you want to **create a direct conversation with them through individualized offers** and incentives that speak uniquely just to them. We know that personalization is best delivered via an omni-channel approach, but building a full e-commerce solution can be costly and timely. Grocers can leverage other channels to deliver a personalized shopping experience such as a combination of **in-store, POS, email and app-based messaging** . Using these channels, grocers can easily deploy a variety of loyalty and incentive based programs.

Exchange Solutions has worked with several retailers to design, build, execute and manage their loyalty programs. We help to prioritize your initiatives and investments by giving you a deeper understanding of the decisions your shoppers are making along the path to purchase, the types of information they are seeking to inform those decisions, and where they are choosing to make a purchase.

Through machine learning, we are able to create “intelligent rules” to evaluate and predict customer action and then use individualized incentives to drive a profitable outcome. We help you better understand the customer, what drives them, and then create uniquely personal incentives to close their behavior gap. In the example below we've identified key behaviors we want customers to perform, demonstrating how we only incent customers for performing incremental behaviors.



Premade Meals Purchaser – Profile Attributes



Shops Produce



Shops Dairy



Shops week days



Shops premium brands



- Shops Premade Meals**
- Shops Produce
- Shops week day
- Shops Dairy
- Shops premium brands

No offer required to close the behavior gap



- Shops Premade Meals**
- Shops Produce
- Shops week day
- Shops Dairy
- Shops premium brands

Small offer required to close the behavior gap



- Shops Premade Meals**
- Shops Produce
- Shops week day
- Shops Dairy
- Shops premium brands

Large offer required to close the behavior gap

Key factors to creating effective incentive programs:



Incremental. Incentives should be incremental and only incent customers for performing net new actions. Incremental incentives eliminate and reduce rewarding customers for actions they already perform.



Reduce the cost of promotions. Avoid the 'give away' caused by incenting all customers with the same reward by creating different incentives depending on customer's marginal behavior.



Personalize, personalize, personalize. Personalize the incentive amount and type. The offer will be more relevant and engaging while still being incremental.

Client Case Study

After several failed attempts at launching a proprietary loyalty program, a national grocery retailer reached out to Exchange Solutions for help. The organization was able to leverage Exchange Solutions' core loyalty platform to accelerate market implementation and in just six months, their loyalty program was launched.

Exchange Solutions supported the key features of the loyalty program including: member enrollment, profile management, card production, currency earning and redemption (base loyalty and financial card) and reporting.

Additionally, Exchange Solutions designed, developed and launched the "Load to Card" digital offers capability. The custom one-to-one targeting of this feature allowed the client to drive and incent incremental behavior changes, avoiding the mass and dilutive coupon approach commonly used in grocery retail.

Recently, the client converted their proprietary points program into a coalition program as part of their "one program" strategy. Exchange Solutions was a significant contributor to the seamless transition of the program across technical and operational processes.



Redemptions for load-to-card coupons increased **19%** between 2014 and 2015

Source: Inmar

Client Results



7 Million +

offers redeemed in loyalty program
since inception date



6 Percent

response rate across
all members

As you can see, there are a variety of measures that grocery retailers can take to become more competitive and drive customer loyalty. There are options to improve or build upon an existing loyalty program and by choosing to work with an expert, implementation can be less painful and yield great results. Ultimately, your loyalty program should strive to create meaningful engagement with your customers and place an emphasis on mutually beneficial customer-to-company relationships that will drive customer lifetime value and profitability.

About Exchange Solutions

Exchange Solutions offers innovative customer engagement and loyalty products that maximize customer lifetime value, customer satisfaction, and profitability.

ES Engage is our cloud-based, individualized offers customer engagement product focused on driving incremental customer behavior and optimizing promotional spend, using 1:1, real-time technology, machine learning analytics and compelling customer experience.

ES Loyalty is our comprehensive, cloud-based loyalty solution that delivers robust functionality and services to operate a loyalty program.

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