



GROCERY HEADQUARTERS

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Linking to Loyalty

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By aligning more closely with frequent shopper programs, electronic coupons and mobile marketing programs gain traction as a strategy to keep customers coming back.

While frequent shopper programs remain a key strategy for attracting shoppers, consumers want something more than the mass loyalty discounts offered to everyone with a card.

By strengthening and expanding their mobile marketing campaigns, supermarkets are driving shoppers into stores, increasing in-store purchase decisions and delivering more value to consumers.

While the supermarket industry has fared far better than many other retail segments in such a sluggish economy, grocers still struggle to increase the market baskets of cost-conscious shoppers. "Customers arrive at the store with a predetermined list and budget, forcing retailers to create want and desire for merchandise before that shopper even steps foot inside the store," says Justin Hiller, vice president of Southfield, Mich.-based Hiller's Markets.

One way to create this desire is to promote marketing campaigns that are supported by coupons. Thanks to the tight economy, coupon usage is at an all-time high. While coupons take on many forms, FSIs remain the most widely used by shoppers.

As more shoppers eagerly await FSIs to arrive in the mail, consumer packaged goods (CPG) manufacturers continue to deliver more incentives. More than \$199 billion in consumer incentives were delivered during the first half of 2009, according to a study by NewYork-based Marx Promotion Intelligence, a division of TNS Media Intelligence.

While FSI coupon activity jumped by 9.3% during the same period, the study reported, interestingly, only a small portion of shoppers actually takes advantage of FSI savings. Multiple issues are to blame. Many shoppers say they are too busy to sift through piles of paper and cut coupons. Some simply forget to bring them or fail to use them during shopping trips.

Even more telling however, is that "newspaper readership is down nearly 30% since 2005," says Bill Catania, owner and CEO of M-Dot Network, an Erie, Pa.-based digital

incentive processor that enables retailers to issue and redeem digital coupons and incentives in real-time while using the company's existing in-store technology infrastructure. "Shoppers are seeking new distribution channels for money-saving offers."

Digital Value

For example, more shoppers have been whipping out their loyalty cards more during checkout, according to experts. But those chains that don't incorporate value into those rewards are only dulling that impression. Too many chains fail to target customer segments—let alone individual members—and too many are merely vehicles that deliver clipless coupons, industry observers note.

"Loyalty programs almost operate on a delay," says Vernon Slack, director of marketing for Salt Lake City, Utah-based Klever Marketing. "While retailers are able to reward shoppers with discounts as cards are swiped at checkout, retailers don't recognize club members until they check out. As a result, many chains have grown accustomed to delivering incentives during checkout that can be used on future shopping trips."

More shoppers are in-tune to these antiquated practices and now demand shopping experiences, and related savings, become more timely and personal—factors that have spurred the growing popularity of electronic coupons.

A New Era

Electronic coupons are not new in the industry. Shoppers have made a habit of searching the Web for coupons that fit their purchase needs. Since last summer, 44.1 million adults printed coupons they found on websites, according to market researcher Experian Simmons. That's a 21% increase from the same period last year, according company officials.

To make the task even easier, many retailers invite loyal shoppers to sign up for e-mails offering exclusive savings.

Indianapolis-based Marsh Supermarkets is one grocer that invites consumers to access online coupons through links on its website, www.Marsh.net. The chain accepts electronic coupons printed out from third-party coupon companies Redplum (a division of Valassis), uPromise and Indy Star.

However, with the explosion of smart phone technology, a new dimension in electronic coupon phenomenon is evolving: enter mobile coupons.

Mobile promotions are directly delivered to a shopper's personal consumer device, including cell phones and personal digital assistants (PDAs). Third party coupon issuers and retailers try to create more targeted offers based on their consumers' preferences and shopping histories.

It is this targeted approach that will make or break the evolving mobile couponing strategy. “A big challenger with sourcing coupons is to keep offers relevant,” explained Brian Costello, general manager and vice president of interactive media for the Lavonia, Mich.-based marketing company Valassis.

“If retailers continue to hit up shoppers with irrelevant offers, shoppers will lose interest and retailers could lose credibility,” he says. “A majority of the grocers we work with are targeting sourcing efforts, which gives shoppers a reason to come into the supermarket today. They need to focus on delivering offers in the right manner so not to upset their loyal shoppers.”

K-VA-T Food Stores, based in Abingdon, Va., began its texting program last summer. “Our advertising department got a texting program started and they just ran with it,” says Paul Widener, vice president of information technology.

The program, which dovetails into the chain’s loyalty program, invites shoppers to receive special SMS (short message service) text message-based promotions. Shoppers can enroll on the chain’s website, www.foodcity.com, where they share their cell phone number, name, address, e-mail and loyalty card number. Non-members can simultaneously enroll for membership and text messages.

Text messages, which are based on shopping behavior, could be coupons, discounts or special promotions. Shoppers receive up to five messages per week, according to information on the website.

Hiller’s is proving that text message programs are also beneficial for chains that don’t support loyalty programs. Hiller’s is currently integrating M-Dot software within Hillers’ point-of-sale system from Dallas-based Retalix. This configuration connects Hiller’s to the M-Dot coupon processing engine.

Shoppers will sign into www.Hillers.com, which aggregates electronic coupons from a variety of third party sources, as well as register their cell phone number and choose a four-digit PIN number. Shoppers can send a text to receive coupons.

“Shoppers receive an SMS message with a link to a WAP site where they can view offers they already selected online at Hillers.com, as well as all available coupon offers, and their online shopping list,” M-Dot’s Catania says.

Redeeming mobile coupons is just as easy. Shoppers enter their mobile phone number and PIN into the payment card terminal during checkout and M-Dot’s secure redemption engine reconciles coupons by electronically comparing used electronic promotions to those that have been selected. Once the order is tendered, shoppers receive an SMS message reporting their savings. They can also stay abreast of their annual savings on a portal that is integrated with Hiller’s website.

“Coupons have always been a way for us to reduce customers’ per basket average

without affecting our bottom line,” Hiller explained. “Switching from standard printed coupons to a digital clearinghouse like M-Dot has allowed us to provide more enticing money-saving features to customers.”

The program will be available to shoppers across the chain’s seven stores by the first quarter.

Marsh is upping the ante on text messaging promotions through a partnership with ChaCha.com, an Indianapolis-based mobile technology search engine. The service invites Marsh shoppers to ask questions from their mobile phone, as if they were talking to a Marsh store associate. ChaCha.com routes the question to agents within its community, and responses are delivered within minutes.

To sweeten the deal, Marsh also rewards users with exclusive discounts. Shoppers can redeem the offer by printing it out at a participating test store and presenting it during checkout.

Raising the Bar

As the electronic coupon market continues to evolve, the most beneficial programs will be those that deliver consumers the most value. It makes sense then, to integrate mobile coupons within existing loyalty programs.

“The key to survival in the supermarket industry is getting people in the door,” says Valassis’ Costello. “By merging online coupons and loyalty systems, grocers are giving shoppers more bang for their buck. At the same time, they are building loyalty among shoppers.”

Cincinnati-based Kroger Co. partners with e-coupon distributors AOL Shortcuts, Cellfire and Procter & Gamble’s P&G eSaver.

In a move to target more of its 25- to 34-year-old shoppers, Kroger is enabling consumers to load electronic coupons directly onto their Kroger Plus loyalty cards. Shoppers can access the three third-party partners through www.Kroger.com. As they enter each micro-site, shoppers click on offers and discounts they want. As shoppers present their loyalty cards during checkout, all chosen discounts are applied to the order.

Cellfire however, adds yet another dimension to the program. Shoppers who visit www.cellfire.com can learn how to download Cellfire Mobile software onto their cell phones, a move that enables shoppers to access electronic coupons directly through their phones, as well as through their PC or laptop.

Shoppers using the mobile service tend to redeem more than one coupon per visit, and conversion rates are more than 10%, according to a Cellfire representative.

The 'Mobile' Market

The Market may be able to hold its own among larger, more established chains, but the single-store operator hopes a mobile device can deliver the right promotions that will help its store stand out among its main customer base: local shoppers.

The Market at Park City resides in the heart of one of the nation's most appealing ski settings. While many tourists visit the store during their excursions, the Park City, Utah-based grocer strives to "make the local folks, those who live here 365 days a year, happy," says the store's owner, Mike Holm. The task becomes increasingly difficult as the grocer tries to stand out among competitors, such as Associated Foods, Smith's and Whole Foods.

Marketing is also challenging. Besides not featuring a loyalty program, The Market has limited point-of-purchase marketing opportunities. "Seventy five percent of all purchase decisions are made at the point-of-selection," says Vernon Slack, director of marketing for Salt Lake City, Utah-based Klever Marketing. "While television, newspaper and magazine ads do influence decisions, shoppers are making a majority of shopping choices in-store."

By targeting shoppers where and when they make these choices, "we have the opportunity to build our loyal customer base," Holm explained. "That was when we began evaluating ways to bring in an average of 1,000 more loyal shoppers each week."

The Klever Giving Cart fit the bill. A device similar in size to an Apple iPod, Klever Giving Cart sits in a cradle on the shopping cart. The device, which features a barcode scanner, is outfitted with an RFID-based system from Time Domain, based in Huntsville, Ala.

A micro-circuit tag within the unit interacts with antennas housed in the store's ceiling. As the cart passes an antenna in the vicinity of a promoted or advertised product, the customer hears an audible tone and a server links to Klever Marketing software that delivers an eight-second promotion to the unit's LCD screen. The unit also enables users to access an electronic store directory. They can also use the integrated scanner for price checks.

When shoppers return the device to a Market associate during checkout, the unit is docked in a dedicated cradle that ports all viewed advertisements. Data is correlated with transaction data to determine how many shoppers took advantage of displayed promotions.

Since introducing 44 units across the store in September, Holm reports a sales increase in specific items. "Some advertised items have seen sales movement increase by 10%," he says.