

# ARE YOU LEVERAGING THE LOYALTY GOLD MINE?

C-store retailers can dig deeper into their program data for insights to drive more traffic and sales *By Renée M. Covino*

**ARMED WITH LOYALTY PROGRAMS**, convenience store retailers are collecting more data on their customers than ever before and the reasoning behind it is clear to data experts.

“It’s imperative to use loyalty data to retain customers since it’s seven times more expensive to acquire a new customer than it is to encourage a visit from an existing customer,” said Zach Goldstein, CEO of digital customer engagement platform Thanx.

Collecting data, though, is just the first step. The real results come when retailers dig deep into their loyalty program data and uncover insights to drive more traffic and sales.

Loyalty data such as date of purchase, items purchased, location of purchase and customer loyalty ID should be enriched with demographic data, weather data and category-specific data sets, “so any data mining or analytics efforts deliver rounded and well-defined insights,” advised Scott Jennings, director of market development, retail and services sector for Qlik, a data analytics company.

“This can be a particular challenge for convenience store chains that have grown rapidly through acquisition, which typically implies the valuable customer shopping patterns

and preferences are stored across many disparate legacy systems,” he noted.

Forward-thinking c-store operators engage the entire organization in the data mining process. “Chains can leverage customer shopping patterns to better understand many different aspects of their business, including modernization efforts like new fresh food offerings or store refacing initiatives,” stated Jennings. “Too many retailers forget to use the data as a common foundation of strategy across the organization.”

Jennings points to MAPCO Express Inc. as a great example of a convenience store chain that leverages customer buying behavior to improve the customer experience.

“Understanding buying behavior allows us to see where we need to market and find a way to bring customers into stores,” said Wade Sims, senior developer for BI (business intelligence) at MAPCO, which was recently acquired by Chile-based COPEC.

“We can look at customers who bought competing products, for example, and target them with a coupon online for one of our private label products,” Sims added. “This allows

us to provide our customers a better value and overall experience, while improving our store performance.”

Retailers who want to stay on top of data mining need data and analytics platforms that allow for data capture across all applicable channels — point-of-sale (POS), e-commerce, mobile app, social media, etc. — and have the capability to collect data “for all consumer-tracked actions, not just customer purchases,” according to Mona Patel, director of product strategy at Birst, a cloud BI tool and business analytics software platform.

“The latest customer data being collected is around customer engagement, which includes customer preferences and data metrics that help define a customer’s emotional sentiment,” Patel told *Convenience Store News*.

One of the best ways to drive more traffic and sales is by using loyalty data for predictive actions, she believes. “A common example is using predictive capabilities to determine when customer attrition is about to occur,” she said. “With this prediction, retailers can send targeted, personalized communications and offers to different customer segments, based on their past purchase cycles and frequency.”

### Getting Personal

Personalization is at the heart of loyalty programs today.

C-store loyalty programs are taking “massive strides from mere earn and burn, one-size-fits-all to more personalized and feedback-driven programs,” said Phani Meduri, director of product management for Riversand, a data sciences research team and provider of data management solutions. “They are leveraging customer analytics to identify the high-value customers with the highest propensity of churn and driving personalized engagements.”

Meduri offers up NOCO Express, operator of 39 convenience stores throughout western New York, as a prime

example of this. Using data collected through its loyalty program, NOCO recently launched a campaign where 700 gas-only customers were offered a free bottle of water. “The chain saw a 40-percent redemption rate,” Meduri reported.

“Segmentation as an end” is another trending data mining strategy that c-stores may want to consider. The old catchphrase, “Start with the data,” is actually a good recipe for analysis paralysis, cautioned Joshua Feng, director of strategy and analytics at SessionM, which offers a full suite of technology for a customized loyalty marketing solution.

“Instead, a more effective approach is to first understand your context — such as goals, market dynamics, existing knowledge within the organization — then develop hypotheses, and use data to validate or invalidate those hypotheses,” he told *CSNews*. “If you don’t know where you want to end up, it’s highly unlikely you’ll end up there in an efficient manner.”

Unlike traditional segmentation (means to an end), segmentation as an end is the idea that segments are not predetermined, but rather based on optimized outcomes.

“For example, we have four offers that are available to send to customers. Instead of creating segments based on, say, purchase frequency and assigning one of the offers to each segment, we could forecast which offers would generate the most impact (e.g., incremental revenue) on a per-customer level and assign the best offer to each customer,” Feng explained.

The resulting division in Feng’s example would be four segments: those who get offer No. 1, those who get offer No. 2, and so on. “We call this ‘segmentation as an end’ because the segments are already aligned with the correct action to take for that segment,” he said.

## THE DOS & DON'TS OF DATA

Zach Goldstein, CEO of digital customer engagement platform Thanx, outlines what a forward-thinking convenience store retailer should do and not do when utilizing loyalty data insights to drive more traffic and sales.

### DO:

- ✓ Identify VIP customers by capturing loyal customer data to attract high lifetime value.
- ✓ Make it effortless — use a phone number or email as a “loyalty card” because customers frequently forget plastic reward cards, causing retailers to lose valuable customer insights and data.
- ✓ Alternatively, use the credit or debit card as a “loyalty card,” removing all the hurdles by linking the entire loyalty experience to any credit or debit card.
- ✓ Retain customers by marketing effectively through tailored campaigns and knowing how your customers prefer to engage at the right time — i.e., through SMS offers vs. email offers.
- ✓ Ask for feedback — when retailers solicit and respond to customer feedback, the consumer is more likely to return. The feedback also provides valuable insights.
- ✓ Incentivize customers to return to drive a high customer lifetime value.
- ✓ Use a holistic platform that allows brands to seamlessly interact with shoppers while assessing a wide range of data from the initial contact to point of purchase.
- ✓ Use cost-efficient A/B testing to see what campaigns resonate with customers and deliver the best return on investment.
- ✓ Be transparent by telling customers that you are using their data to deliver better products and deals based on their specific interests.

### DON'T:

- ✗ Make your loyalty system overly complicated by asking for too much detailed information from customers (or else you risk fewer users signing up).
- ✗ Use generic marketing; it will be a wasted effort of both time and money that will not grab the attention of today's customers.
- ✗ Rely only on rewards and incentives; instead, engage with customers through every touchpoint available (i.e., social media, email, SMS, in-person).
- ✗ Use click rates as a true measurement for the success of a loyalty program; measure success by the most important metric — dollars spent.
- ✗ Offer rewards that are unattainable within a reasonable amount of time.

Action-oriented analysis with the end goal in mind is likewise touted by Don Stuart, managing partner at Cadent Consulting Group, based in Wilton, Conn.

Incentivizing customers to buy more of the same item in an expandable consumption category, such as beverages, is the “end goal” example he offers.

Conversely, he warns retailers against searching for a needle in a haystack.

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— Wade Sims, MAPCO

“Databases are enormous; the amount of data collected by basket, by household over time can get huge and retailers can get lost in the analysis,” Stuart said. “They have to begin with the end in mind.”

### The Future of Data Mining

What do the experts think the future of loyalty program data mining will look like?

Patel of Birst predicts that machine learning and other artificial intelligence (AI) disciplines will play a big role in loyalty programs of the future. This will enable better-timed and more personalized triggers to customers as they move through their engagement cycle, she said, noting that platforms that combine machine learning capabilities with loyalty functioning can start to incorporate non-loyalty data, which can help determine customer sentiment.

“For example, overlaying historical weather data with the purchase history will help predict which future promotions and offers will work with the two-week weather forecast,” Patel told *CSNews*.



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in choosing their own rewards.”

Similarly, Goldstein of Thanx believes that data science, machine learning, natural language processing and more advanced technologies are “lowering the burden for personalization and relevance.” Pointing out that these were previously the exclusive purview of national brands such as Starbucks, Goldstein sees the future moving away from generic, blanket promotions and toward deep personalization — even for smaller businesses and retailers.

Another change likely to occur in the future will be in the format of the offer.

“Customers may prefer different forms of rewards or incentives at different times,” said Patel. “Machine learning can help predict which form best suits the customer’s current sentiment, and more flexible loyalty capabilities may even allow customers to participate

“The outcome is good for consumers, who demand far more relevance in their brand interactions, and good for merchants, who can expect higher engagement and, as a result, greater incremental revenue,” Goldstein stated. “In many ways, this evolution is just mirroring what we have seen from e-commerce companies over the last decade as online advertising has used previous purchasing information and increasingly accessible demographic or psychographic

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data to send the right message to the right person at the right time. Offline businesses are now able to catch up thanks to these modern technologies and their mainstream availability within market-leading customer engagement, CRM and marketing automation platforms.”

Along these same lines, Feng expects traditional marketing calendars — those planned out a year in advance — to be replaced in the future with more flexible calendars that adapt with the learnings generated from previously run campaigns.

### Privacy Matters

With so much focus on data collection and analysis, c-store retailers should be aware that issues around customer data/privacy could become a bigger challenge for U.S. retailers.

Loyalty programs need personally identifiable information (PII), raising issues of various PII regulations. The issues roughly break down to: consent to collect the data (most/all loyalty programs are opt-in); and how the data can be processed (what can be done with the data once it is collected.) For most forms of consent, you need to declare at consent time what the data will be used for. The European Union (EU) and various U.S. state regulations also have requirements to be able to see the data collected, change it if wrong and have it deleted if you no longer wish to participate.

The best way to deal with the myriad regulations, according to Patel, is to assume the General Data Protection Regulation (GDPR), implemented in the EU in May 2018, as the baseline. “Make sure your privacy programs meet the requirements of GDPR. The biggest challenge is that customers want a personal relationship with retailers, but they don’t want it to be intrusive,” she said, adding that the line between personalized and intrusive is different for each customer and doesn’t always align with the letter of the law.

So, while the U.S. may currently have different privacy laws than Europe, the “fundamental human response to our age of



data is the same,” Patel concluded. “Retailers need to ensure they always operate within the letter and spirit of the laws of the lands where they operate, but are best-advised to always keep the customer’s interest in mind while collecting data.” **CSN**

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