2020 Loyalty Marketing Trends for Convenience Stores

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Loyalty Simplified

It's about choice, technology and data (but not too much data)

Across all retail segments, including convenience stores, loyalty programs are big business, and it's no wonder. They're proven to boost growth, they are not expensive for the retailer to implement, and they enhance your relationship with your customers.

When you consider that, according to Harvard Business Review, acquiring a new customer is five to 25 times more expensive than retaining one you already have, and that, last year, according to CS News, C-store operators said decreasing store visits and attracting new customers were their two main concerns, loyalty programs are a no-brainer.

U.S. consumers have 3.8 billion memberships in consumer loyalty programs. Today, it's all about the customer experience, creating personalized, choice-driven programs that will meet and exceed consumers' ever-heightening expectations. Whether it's a point system, discounts, cash back or members-only coupons, retailers need to balance the financial costs to them, versus increased customer loyalty and increased purchases as a result.

In addition, today we have access to more (and more personalized) customer preference data than

ever before as a result of technology-based loyalty programs. It allows retailers to offer personalized, customized rewards, offers and experiences to customers, which enhances their engagement. Like Netflix and Amazon, it gives the customer the feeling that retailers know them, are interested in their preferences, offering what they want and need even before they know what that is.

It's a gold mine of data for retailers, but that data is sitting on a slippery slope. It's the "too much of a good thing" syndrome. As consumers get more and more savvy about data privacy, and high-profile data breaches across all industries make people more wary about giving personal information, retailers must walk a fine line about the type of data they're collecting and using. The perception out there is: Shopping preferences = good. Email addresses or other personal information = bad.

In the end, it all boils down to value, customer engagement, increased purchases and an improved customer experience.

In this white paper, we'll delve into today's loyalty program landscape, highlighting current stats, challenges and opportunities; examining what makes a great loyalty program in this current market; profiling successful loyalty programs and best practices in other industries; and highlighting trends to look for in the year ahead.

Loyalty stats, challenges and opportunities

The loyalty landscape is stronger now than ever. Retailers are able to give more personalized and meaningful options to customers, which creates loyalty and repeat business. Win-win! But there are some conflicting stats out there that show the challenges and corresponding opportunities that still exist.

- Consumers belong to an average of 13 loyalty programs, but are active in only about half of them, according to Brand Bond Loyalty.

- 55% of customers say they abandon their loyalty program if they realize points have expired.

- 71% of consumers decide to join a loyalty program because of money off every purchase.

- 63% join for free products.

- 81% of consumers are loyal to brands that are there when they need them, but want their time to be respected.

- 94% of consumers name a good customer experience as the main reason they stay loyal.

- According to Excentus' C-Store Shopper Profile 2018 report, 43% of shoppers visit a convenience store because of its rewards program.

- 42.5% of consumers belong to a C-store loyalty program.

- C-store operators say keeping up with technology, mobile apps for tracking and redeeming and customer fraud were their main challenges with rewards programs.

What makes a great loyalty program?

A great loyalty program should...

- **Give consumers the power of choice.** Offer it via email, text, push notifications or a card.

- **Be relevant to most of your customers.**

- **Support and align with your corporate goals.**

- **Encourage customer referrals by offering valuable rewards to the sender and receiver.**

- **Focus on consumer engagement by making the program visible and accessible onsite.**

- **Leverage customer data to offer more personalized rewards and experiences.**

- **Not ask for too much information. Customers are becoming sensitive to that.**

- **Drive customers from the pump into the store by offering rewards for merchandise purchases in addition to fuel.**

What does it all mean? It means customers like and appreciate loyalty programs for the savings and other rewards, but don't want too much intrusion in the form of too-frequent emails or text messages. It also means customers should get points for every purchase, and those points should add up quickly. And for goodness' sake, the points should never expire.

And since only 42.5% of customers belong to a C-store loyalty program, it means there's room to grow.

Loyalty best practices in other retail segments

Target Circle

Target Corp. revamped its loyalty program this year, rolling out the new name, Target Circle, in October 2019. The free program gives members a 1% discount on everything in stores and online, and for every purchase made, customers earn votes to help direct Target's charitable giving to 800 nonprofits nationwide. Also, there are personalized perks tailored to the customer based on purchase preference data.

Why it works for Target: Engagement, greater spending, and data. In their six test markets, more than 2 million customers have already enrolled and are spending more than those who aren't.

Why it works for customers: Ease of signup and immediate discounts. If customers already have a Target branded debit or credit card, RedCard, the app-based Cartwheel savings tool or a Target.com account, they're automatically enrolled. If not, a quick phone number at the checkout is all it takes. Like RedCard, the discounts are applied to the next purchase.

Sephora Beauty Insider

It's a traditional point system with a twist: flexibility. Customers get points for every purchase, but they have a choice about how to use those points. They can redeem them for gift cards, discounts on purchases, limited-edition products and in-store beauty tutorials.

Why it works for Sephora: Popularity. Sephora Beauty Insider has 17 million members, which account for 80% of Sephora's annual sales. Those numbers show that most of Sephora's customers are participating in the program.

Why it works for customers: Flexibility and choice. Customers love the personalized way they can choose to use their reward points, earning discounts on otherwise expensive products.

My Starbucks Rewards

To compete with the increasingly competitive coffee marketplace, Starbucks simplified and streamlined its loyalty program this year to include a larger range of redemption options for the points customers earn with purchases. They can now earn rewards quicker, at just 25 points, or they can accumulate points for greater rewards. Also, points no longer expire.

The program is based entirely on the Starbucks app. No punch card, no sign in. To earn loyalty points, which they call "stars," customers must order or pay through the app.

Why it works for Starbucks: Data. Starbucks learns customers' usual drink orders, frequently visited stores, seasonal preferences for specialty drinks, and more. All of this information allows Starbucks to personalize offers that are relevant to customers.

Why it works for customers: Ease of use and rapid accumulation of points. Customers who order and pay on the app skip the long line, and earn two "stars" for every dollar spent.

Trends and Technology

How technology supports and enhances loyalty marketing programs

Loyalty programs that use technology, like an app, can seem like a game you play on your phone. It's not only fun for the user, it creates a sense of personal competitiveness, too.

If your customers earn points or stars (or whatever your unit of measure is) for purchases, accruing to win rewards, discounts or other perks, that gives them an incentive and a personal goal.

Random rewards and offers enhance the experience as well.

Data and AI are allowing brands to kick their loyalty programs up a notch by gathering consumer data about purchasing preferences (hello, Starbucks) and using it to offer personalized rewards.

3 main loyalty trends for 2020

What will we see in the loyalty landscape in the coming year? Look for these trends:

1. Brands across all retail segments will be refreshing and updating their loyalty programs in 2020, following the lead of successful brands like Target and Starbucks. A traditional loyalty program isn't going to cut it anymore. Some brands are upgrading, others are completely revamping.

2. Consumer preferences are changing. They want personalized rewards, simplicity, ease of membership, and points that don't expire.

3. Customers are becoming wary of supplying personal information. People are pushing back at loyalty programs that ask for too much information up front. Collecting data on buying preferences is fine, but asking for things like addresses, birthdays and sharing one's contacts is being viewed with wariness and skepticism.

4. Technology will continue to be important to the rewards experience. It's because it's easy to use, and makes purchasing easy and fun. It's also because we're accustomed to doing everything else with our smart-phones, why not loyalty, too?

Loyalty programs will continue to be an important part of a C-store's success in 2020. The best programs are inclusive, easy to use, engaging, and use technology to enhance the experience.

At Tecmark, we specialize in loyalty programs for convenience stores. Contact us to find out more.

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