



THE NEW RULES OF ENGAGEMENT

To lock in loyalty, grocers need to get creative with their rewards programs

By Rosalind Stefanac

AS CONSUMERS SEARCH for savings in the face of ongoing inflation, grocers face a serious dilemma: how to keep their customers coming back. “Loyalty is arguably the No. 1 battleground for grocers right now to keep foot traffic in stores,” says Sylvain Charlebois, a professor in food distribution policy and senior director at the Agri-Food Analytics Lab at Dalhousie University. “[Consumers] are becoming nomads as they’re always looking for deals and willing to change [stores]—a lot.”

Enticing customers with loyalty programs seems like an obvious solution,

with good reason. More than half (57%) of Canadians ranked grocery rewards programs as the single most valuable type of loyalty program, outpacing any other category, according to a 2023 Consumer Survey from Givex, a cloud-based global customer engagement and business insights platform. Almost all (98%) respondents said they’ve used rewards or points from a loyalty program at least once to make a purchase. “Rewards programs have been around for so long because they work—in airlines, for credit cards and for grocery, too,” says Bill Gray, president of Givex Rewards, which is

headquartered in Toronto.

Yet having a loyalty program that offers deals and promotions ad hoc is no longer sufficient. With so many options available to consumers, industry analysts say grocers need to get their loyalty programs just right to keep shoppers engaged. “Right now, we’re going through loyalty programs 2.0 in the grocery business,” says Charlebois. “First it was just about increasing foot traffic and now it’s grocers thinking about the competition and how they can differentiate themselves through these programs—and provide as much value as possible.”

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FINE-TUNING PROGRAMS TO KEEP CUSTOMERS LOYAL

PC Optimum, which is operated by Loblaw, is considered the gold standard among loyalty programs, says Joel Percy, regional director, Canada at Eagle Eye, a digital marketing company that has worked with some of the largest loyalty programs in the world (including Loblaw's). "PC Optimum has been around for a while and is still a leader in the space, and the one others are looking to ... as one of the most sophisticated programs, in part, because of a heavy emphasis on personalization," he says.

Ryan Markle, senior vice-president, loyalty at Loblaw Companies, says loyalty programs have been a fundamental part of its business for decades. "To give our customers the most value possible, we merged [Shoppers Optimum and PC Plus] programs together and launched PC Optimum in 2018," he says. "With nearly 16 million active members, we are one of the most trusted loyalty programs in Canada and last year our members earned over \$1 billion in points."

Markle says the secret to the program's success is that it's continually evolving to better serve its customers. "We're always looking for more ways to deliver more value and savings to help manage the cost of essentials for Canadians," he says. In addition to personalized offerings based on shopper behaviour, delivering more

value includes expanding the program's suite of points offerings to all Loblaw's retail stores and introducing "members-only pricing" to provide immediate discounts. "Our loyalty program also makes it easy to redeem points at Esso for savings on fuel, and we're introducing exciting new partners like Apple to give access to new services." (Through the PC Optimum app, members now have extended free trials of Apple services, including Apple TV+, Apple Music, Apple Fitness+, Apple Arcade and Apple News+.) "We're always looking for new ways to reward our customers and that includes exploring program extensions in new areas like entertainment," says Markle. "With the breadth of offerings within our network, there's something for everyone to get excited about."

With PC Optimum and other loyalty programs around the world getting creative with their rewards offerings (*see sidebar below*), other Canadian grocers are following suit by engaging customers with rewards beyond just groceries. Scene+, a partnership between Empire Company (owner of Sobeys), Scotiabank and Cineplex, is a good example, allowing members to earn points on banking, dining, movies and other entertainment.

Earlier this year, Metro launched the "Moi" rewards program across its banners, which includes the no annual fee Moi RBC Visa card. It gives users double

the points earned on eligible purchases with the grocer's network and one times the points on purchases everywhere else.

The grocer says the new program is an evolution of the Metro&Moi program, which launched in 2010 in Metro stores in Quebec and had more than 1.2 million active members. Speaking about the new program during a call with analysts in August, president and CEO Eric La Flèche said the results were encouraging, with more than one million new members joining the program for a total of 2.2 million members and growing. "Overall, customer response has been positive ... and we see a higher basket spend from Moi customers across all banners," he said.

After extensive research, Calgary Co-op also launched an app and rewards program to its employees this June with a public launch scheduled for late September. Penney McTaggart Cowan, vice-president marketing and member experiences, says the grocer looked at other co-operatives around the world and learned that many have the same issues in terms of aging members, price perception issues and a need to connect with younger shoppers.

In researching what Calgary Co-op members wanted in their loyalty program, she says the top asks were a more simplified model, immediate access to patronage and more ways to save. "Being

GROCERS GET CREATIVE TO ENGAGE CUSTOMERS

Here's a look at what some grocers outside of Canada are doing to earn shopper loyalty:

» At **WOOLWORTHS** in Australia, shoppers can pay for a monthly subscription service called Everyday Extra from Everyday Rewards for a host of discounts and perks, including 10% off one shop a month on all in-store purchases.

» British supermarket chain **ASDA** has a strictly app-based rewards program that compensates users in currency instead of points. The money earned in a member's "cashpot" is converted into a voucher to use in-store or online. For the month of April this

year, the grocer was offering all members £5 (about \$8.50) in their cashpot the first time they scanned their rewards app. There are also meal-themed incentives such as a three-course Valentine's Day dinner in February that will earn members cash back.

» Shoppers who are part of **KROGER'S** loyalty program in the United States can redeem rewards for a variety of gift cards, including Apple and Google Play, and also donate to charities with their points. For the subscription

Kroger Boost program, members get free grocery delivery and double the fuel points for discounts at Kroger gas stations.

» Members of **ALBERTSONS** for U program in the United States get a treat offer up to US\$10 value in their loyalty account at the beginning of their birthday month. Members also have access to the Pet Health Savings Card that can save them up to 80% on pet medications at participating pharmacies.

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Loyalty

a co-operative is unique as our members are already invested (they had to purchase a share to join), but they also have a need for instant gratification and to be rewarded for their shopping behaviour.”

McTaggart says this is the first app of its kind in North America designed to reflect the uniqueness of being a co-operative, while providing visibility to annual estimated patronage earnings (the profit sharing provided back to its member-owners.) “This is a game changer for our members, providing more instant gratification and savings,” she says.

With the app, members get bonus cash earned on selected items each week. Then each dollar of bonus cash is redeemable for an equal amount in credit towards purchases at Calgary Co-op. There are also weekly personalized offers based on how members shop. McTaggart says the patronage model will be simplified, fully transparent and more immediate. “Our goal is to show members how their shopping behaviour directly connects to their estimated patronage earnings,” she says. “Even though they will not receive their patronage payout until it is approved by our member elected board of directors, they will see a nice little nest egg accumulating in the app.”

WHAT'S NEXT FOR LOYALTY PROGRAMS?

To better understand changing shopping habits and loyalty and promotional approaches across grocery and retail sectors, Eagle Eye surveyed consumers and loyalty program managers in North America, Asia, Australia and the United Kingdom. The results showed a great value in personalization, but more needs to be done in terms of engagement strategies such as gamification or real-time notifications. Of consumers surveyed, 71% said they would consider buying an item or find it helpful if they got a promotion for that item while in-store, and more than one-third said they'd welcome receiving offers on or before their shopping day. Two-thirds of global consumers would or already do take part in games, contests or challenges through their loyalty program or app to save money, earn rewards and win prizes.

Percy points to Sephora as a company that has done a stellar job in taking personalization beyond value and promotions with tailored beauty recommendations that fully engage consumers in

the shopping experience. “Ten years ago in grocery, you could knock someone's socks off by giving them a really personalized recommendation and now they're disappointed if you don't,” says Percy. “It comes from years and years of using Spotify, Netflix, Amazon and others leading the way with personalization.”

In addition to engaging more customers and increasing basket spend, personalization will benefit grocers by giving them a massive advantage in being able to spend more strategically themselves, says Percy. “Personalization gives you this whole set of levers to know where to dial back or invest more in this quarter, for example,” he says. As artificial intelligence becomes more and more accessible, Percy says personalization strategies will become even more enhanced in helping retailers know what people will buy at what time of the week so they can invest in the right items.

Gray, of Givex Rewards, says the sweet spot for loyalty programs going forward is in grocers being able to predict what consumers need and getting that out in front of them before they even realize they need it. “At Givex Rewards, we find the deals from vendors to communicate to consumers, which increases store trips and sales,” he says. “The real benefit of loyalty programs is matching deals from vendors with shoppers based on shopping history and predictive history of what they're going to be needing.”

While technology will undoubtedly enhance customer experience, grocers are still grappling with how to ensure their older, cost-conscious and more tech-averse patrons can reap the benefits of their loyalty programs. Just as seniors “learned to Zoom” during the COVID-19 pandemic, Percy says new behaviours can be learned when there is a compelling reason, such as cost-savings and real value. “There is a generation of digital engagement factors coming up that will become the norm and much more mainstream,” he says.

Some grocers are also combatting this issue by using front-of-store kiosks that display digital ads customers can save and use when shopping in-store. “They don't even need an email but just key in their phone number at the cash to access the deals they [digitally] clipped when they walked in,” says Gray. “It makes it easy for seniors to participate in digital deals, too.” **CG**