



Personalizing Convenience:

How Technology and Customer-Focused Marketing Are Transforming the Fuel & Convenience Store Industry

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Table of Contents

3

Introduction

15

Creating a Successful Customer Engagement Program

- 16** Your Customer Is Your Main Focus
- 18** Designing a Successful Loyalty Program

4

The State of Fuel & Convenience Retail Today

- 5** The Case for Change
- 8** Give the People What They Want
- 10** Sounds Great in Theory, But It Can't Be Done
- 13** Looking on the Bright Side

20

Conclusion



Introduction

Technology is advancing at an exponential rate and having a ripple effect across all industries. Consumer expectations are particularly impacted, with consumers expecting more personalized marketing from brands and retailers in return for sharing their data. Many industries have begun to adapt to this rapid shift with more advanced customer engagement strategies, but many, like the fuel & c-store industry, are lagging behind. This occurs for a number of reasons from high costs, fragmented tech stacks and an uncertainty of how to handle big data. However, the benefits outweigh the costs as

more nimble, flexible technology solutions enter the market, allowing fuel & c-store retailers the ability to bypass implementation barriers. Understanding that it is not just Customer #48676 at the pump who purchased \$20 in fuel, but Jim who pumps \$20 in fuel every 6 days and prefers Diet Coke over Pepsi is crucial. A successful customer engagement strategy can lead to long-term loyalty. Having a technology platform to power that strategy not only gathers customer data, but informs marketing decisions with attributable metrics and return on investment.

The State of Fuel & Convenience Retail Today

Most customers stop for fuel because they need to get to a destination and do so with some disdain. However, the 3-5 minutes a customer spends at the pump is an opportunity to engage. To have a customer's attention for that span of time is a potential gold mine, imagine how powerful you can make those 3 minutes!

Many retailers have begun making changes to their customer engagement strategies, while others are anticipating those changes to take place in the near future. Spending on commerce platforms and other order management technologies will grow from \$1.4 billion in 2015 to \$2.1 billion in 2019.

Complicated proprietary and legacy technology will be replaced with more agile, omni-channel solutions. This will facilitate deeper data mining and ownership, with retailers having to synchronize data from multiple sources in order to create customer profiles that will allow for more sophisticated, 1-to-1 marketing efforts.

Currently, most fuel providers are unable to identify the customer at the pump, or have a very limited view of their behavior. This results in generic mass marketing messages that are not resonating, disengaging customers and making loyalty a far off dream. By monitoring customer behavior and activating that data, fuel & c-store retailers are able to increase and diversify baskets, drive customers from the pump to the store and increase frequency.

The Case for Change

With the changes in technology and consumer expectations, segmentation isn't enough to create a successful customer engagement strategy. Consumers know that their data is valuable and expect personal, enjoyable experiences in exchange for it. While there are legacy "loyalty" providers in the market today, they will be unable to keep up with rapidly changing technology. Loyalty cannot be purchased, but is a result strong customer engagement over time, which requires flexible, nimble technology to keep up with changing demands.



Spending on commerce platforms and other order management technologies will grow from \$1.4 billion in 2015 to \$2.1 billion in 2019.

The New Paradigm of Retail
Forrester





CUSTOMERS AREN'T SEGMENTS, THEY'RE PEOPLE

If fuel & c-stores have some type of customer engagement strategy in place already, it is likely based off of transaction level data that allows them to separate their customers into segments based on basket items such as fuel-only, fuel and tobacco, tobacco-only, fuel and retail, etc. While this data was helpful for delivering mailers and coupons in the past, it is not nearly personalized enough to keep customers engaged today -- much less into the future.

Mass marketing efforts disguised as personal offers will be ignored, and could potentially create a negative impact. Targeting a Coca-Cola drinker with a Pepsi offer, simply because you've segmented them as a soda drinker, indicates to your customer that you're not invested in understanding who they are. Personalization improves not

only the customer experience, but ultimately your bottom line as well. In fact, companies that have personalized the customer experience see an average of 19% lift in sales.

As consumers become more informed and understand that their personal data is valuable, they expect something worthwhile in return for sharing their information with you. There is a wide range of consumer needs and expectations, and it's important that you address more than just a single facet.

Not only is the content of your message important, but the channel through which it's delivered is equally significant. Brands with omnichannel consumer engagement retain 89% of their customers vs. 33% of brands with little or no omnichannel engagement.

TRADITIONAL LOYALTY PROGRAMS CAN'T KEEP UP WITH CHANGING TECHNOLOGY

Traditional solutions are either too generic to be enticing enough for customers, or too complex and expensive for retailers to implement. Future proofing your business is critical to survival as the digital age barrels into the age of machine learning and artificial intelligence. As new digital and consumer trends emerge, brands and retailers will need to rely on technology providers that are flexible and adapt to these changes, rather than ones that bog them down with rigid programs.

Traditional loyalty programs focus on full customization, planning your strategy for the next several years down to the smallest detail, but are slow to implement. Newer platform technologies enable configurable loyalty programs, which launch with a simpler version today, but allow you to address your needs as they change over time without having to anticipate what those needs will be years, or even months from now.

While these traditional approaches can provide you with all of the bells and whistles you think you'll need over the next few years, they're costly to develop and will be outdated by the time they get to market, 18-24 months after your initial program design was finalized. They reduce real-world flexibility as technology and consumer demands change.

Platform technologies can still provide a customized solution and its design will be better informed by program performance and customer behavior.

Customized vs. Configurable

Customized Solution: all of the bells and whistles, but must anticipate all of your needs for the next 3-5 years and will cost 2-3x more

Configurable Platform: start small, learn from customer behavior and iterate as needed. Does not require you to anticipate the future today

CONSUMER EXPECTATIONS

Address all facets of consumer expectations to build stronger relationships.



Monetary/Transactional Rewards



Relevant Communication



Enjoyable & Convenient Experience

Give the People What They Want

One of the biggest (and most costly) mistakes any retailer can make is not understanding customer needs, wants and/or expectations. However, there are many barriers to entry. First is access to quality data, which is difficult for brands to achieve if they're operating on legacy technology systems that don't allow for aggregation across data sources. Second is knowing what to do with customer data. Often, retailers will deliver a standard set of rewards to all customers, potentially ostracizing large

aren't relevant. Customers understand that their personal data is valuable and therefore expect much more from retailers in return for sharing that information. The fuel & c-store industry is not exempt from this expectation. 71% of consumers are part of a grocery store rewards program, but only 30% are part of a fuel rewards program, suggesting that current "cents off" programs just aren't enticing enough for consumers. In fact, 77% of consumers in loyalty programs say that special treatment is important to them and a generically applied offer is not enough to drive engagement. While personalized rewards can be more costly, it is important to consider the lifetime value of a highly engaged customer, not just operational costs.

DECODING CONSUMER BEHAVIOR

FOR FUEL & C-STORE RETAILERS

77

PERCENT

of consumers in loyalty programs say that special treatment is important to them

71

PERCENT

of consumers are part of a grocery store rewards program

30

PERCENT

of consumers are part of a fuel rewards program

Why is there such a large gap in participation?

GLOBAL FUEL CONSUMPTION IS EXPECTED TO PLATEAU.

2015



1MM
electric cars

2040



150MM
electric cars



PREPARE FOR THIS SHIFT BY UNDERSTANDING YOUR CUSTOMER

Customers last went into a c-store to purchase...



49%
purchased a drink



35%
purchased a food item

WHAT DOES THE CUSTOMER OF THE FUTURE WANT?



SELF CHECK-OUT



MOBILE PAYMENTS



CONNECTED CAR

...and much more. With a platform approach, fuel & c-store retailers don't need to have all of those answers today.

Sounds Great in Theory, But It Can't Be Done

When it comes to actually implementing a customer engagement strategy, many retailers face challenges. Some have begun to figure out a path to engagement, but barriers such as fragmented tech stacks (point of sale, CRM, data warehouse, etc.), implementation and

operational difficulties, and adaptation can make it difficult to invest the time and resources in this endeavor. Technology shouldn't be a barrier between a retailer and their customer, but the fuel & c-store industry has been burdened with fewer innovative options that enable customer engagement.

THE BARRIER OF FRAGMENTED TECH STACKS

This industry faces an additional variable that makes it difficult to iterate and implement new technology: the fuel pump. Fuel & c-stores have likely invested substantially in their existing hardware and software technology, and many have been burned by solutions that have over-promised and under-delivered. The sheer operational and support challenges that have proven to be costly in the past create a large barrier.

In order to work around these challenges, some fuel & c-store retailers have adopted programs that require minimal integrations such as a branded credit card. While this is a step toward identifying customers, these types of programs isolate a very small part of the total customer population and do not capture in-store transactional data, creating segmentation that is often inaccurate and even stagnant.

Without linking all behavior to one customer profile, there is no true way to measure the ROI of a loyalty program. Therefore, allocating marketing dollars for a loyalty program becomes unjustifiable to finance teams.

THE IMPLEMENTATION BARRIER

Let's say you've found a way around, over and/or under the tech stack barrier and have settled on a loyalty provider and an initial program design. Now what? Unless you're a retailer that has either standardized its systems or created a proprietary point of sale across all locations, implementation can be difficult and costly. If your locations are managed in part by jobbers or are independently owned, implementation may seem like an impossible feat to overcome.

Here lies the starker contrast between legacy loyalty providers and modern, more nimble solutions: flexibility. While it could take years for a legacy provider to build out all of the integrations you think you may need, platform technology can offer integrations to third party tech providers that can enable simple integrations across multiple hardware and software solutions. This type of option also minimizes upfront implementation costs, doesn't require additional planning and resources from the retailer and allows programs to get up and running quickly.

THE ADAPTATION BARRIER

Under the current model, your engagement strategy may be reactive at best, but cannot be proactive. According to research by Forrester, most industries only take advantage of big data retrospectively, but few have breached the barrier of predictive data activation. Platform technology allows brands and retailers to react to real-time data in, you guessed it, real-time.

Beyond changes in everyday program design, a platform allows you to adapt to major changes in technology without heavy cost burdens. A platform will continue to add features and functionality as new technologies become available, allowing you to take advantage of those updates without downtime and additional development fees.

Many customer engagement solutions ask you to anticipate your marketing initiatives, and ultimately how consumer demands will change, for the next 2-5 years. Before complying with this type of a request, consider that technology has changed more in the last 5 years than it did in the 50 years that preceded. The world is moving faster than ever and fuel & c-store retailers need a platform that can adapt at the same pace.



Looking on The Bright Side

Changes to your customer engagement strategy need to be made, but the challenges may make you throw your hands in the air and say it's not worth it. However, there's always a silver lining. There is an opportunity to differentiate your brand in a highly saturated market, and newly available tech enables you to begin generating revenue at a lower cost to entry.

THE RISE OF PLATFORM- AND CLOUD-BASED TECHNOLOGY

Technology in this industry is at an inflection point. With platform- and cloud-based technology companies becoming more prevalent, fuel & c-store brands can opt for best-in-class solutions through an unbundling of services. While it may seem daunting to seek out multiple providers for a variety of services, the upside is that many of these providers work with partners and have already established a variety of integrations. Fuel marketers can rest assured that they will be receiving best-in-class providers across services rather than a provider that claims to do everything, but can only do a few things well. Opting for several service providers who perform excellent specialized services also enables fuel & c-store retailers to get a highly custom solution set based on their needs.

WHAT MAKES YOU DIFFERENT?

There are three ways in which a brand can differentiate itself: price, product quality and customer experience. The first two are expensive to execute on in a vertical that is as saturated as the fuel & c-store space, so fuel brands should be focused on differentiation within their customer engagement strategy. The more saturated a market, the more differentiated your customer experience needs to be. Effectiveness, ease and emotion are what impact engagement the most.

While many brands make the mistake of trying to compete with customer engagement across verticals, they should instead focus on what factors have the greatest impact within their specific vertical. In the fuel & c-store space, ease and effectiveness are key.



Brand Differentiation

There are three ways in which a brand can differentiate itself: price, product quality and customer experience. In saturated markets, the first two are too costly.



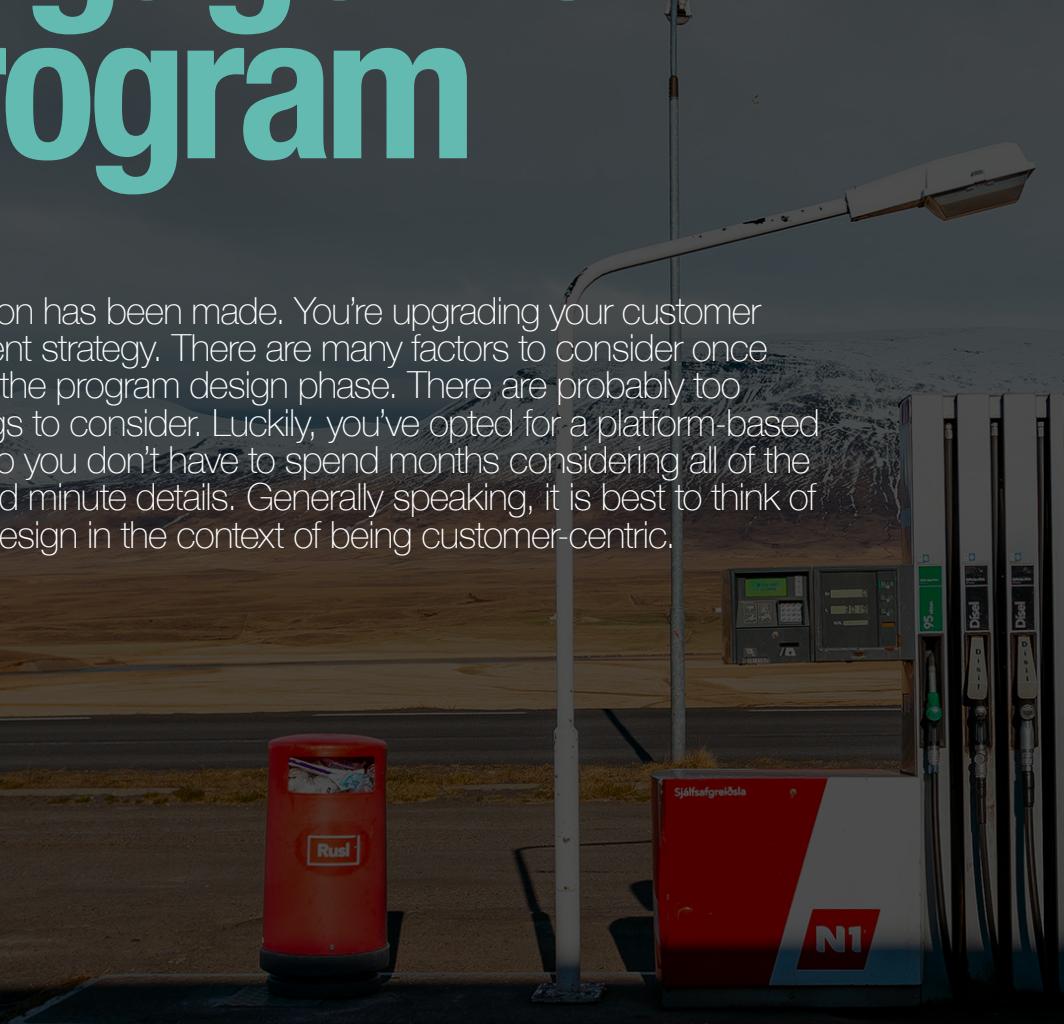
Under-delivering on a customer engagement program can damage relationships with your customers, but doing it well can be a major brand differentiator.

Ease and effectiveness can be equated to convenience at point of purchase and personalization of the experience. The fuel pump is not the final destination for most customers, but a necessary (and sometimes unwelcome) pit stop. On the bright side, you have customers' attention for 2-5 minutes as they pump fuel so put that time to good use. Simplifying the identification process opens up the funnel for many more customers to join your program.

Once a customer does identify themselves, make sure that your messaging is effective through personalized offers. Focus on converting customers with new behaviors such as driving them from the pump to the store with an offer that is relevant to them.

Creating a Successful Customer Engagement Program

The decision has been made. You're upgrading your customer engagement strategy. There are many factors to consider once you reach the program design phase. There are probably too many things to consider. Luckily, you've opted for a platform-based provider, so you don't have to spend months considering all of the options and minute details. Generally speaking, it is best to think of program design in the context of being customer-centric.



A Closer Look: Amazon Prime

Retail behemoth Amazon designed Amazon Prime with their customers in mind. Amazon began with a platform, what you know as Amazon.com. Over time, its platform has enabled it to add additional features and programs, such as Amazon Prime. While it may not seem logical to give customers access to free 2-day shipping, music, movie and TV streaming, access to books and magazines etc. for only \$99 per year, Amazon has structured their offering to deliver a pretty significant ROI.

Prime members spend, on average, 4.6x more on Amazon than non-Prime members. By listening to and learning from consumers, Amazon was able to disrupt the retail industry, forcing other retailers to change their customer experience strategies in order to stay competitive. Always keep ROI in mind when designing your program, but don't let it steer you far from your customers.

Your Customer Is Your Main Focus

PEOPLE-BASED MARKETING

The average person will have 3.4 connected devices by 2020, according to Cisco Visual Networking Index (VNI). Born out of this shift is people-based marketing. Rather than targeting devices, marketers are targeting the right customer, with the right message, at the right time. Previously, marketers would use third-party data sources to piece together information about customers, often inferring preferences based on vague segmentation.

People-based marketing utilizes first-party data providers (allowing the data to be owned by the retailer) to paint a

more accurate picture of individual customers. Tagging customers with a loyalty ID enables brands to continue tracking customer journeys as they go from online to offline and vice versa.

The key is to think about the customer as a person who has wants, needs and preferences. When you shift your way of thinking about consumer engagement to the customers themselves is when you'll deliver an experience they're excited to be a part of, and one that is profitable for your business.

SEGMENTATION, YOU'RE OUT. PERSONALIZATION, YOU'RE IN.

The shift from fragmented third-party data to first-party data and data-management platforms also enables marketers to move beyond segmentation. In the past, many brands and retailers created a few, or even dozens, of segments in which they bucketed customers and marketing messages. What segmentation does not account for is when a customer behaves in a way that crosses multiple segments, or doesn't fall within a segment at all.

What happens to a customer you have bucketed into the "Fuel + Tobacco" category when they purchase a Pepsi product? Maybe they're moved to the "Fuel + Tobacco + Retail" segment, but what happens when Coca-Cola wants to fund an offer to all of your customers that fall into the retail segment?

One study found that 74% of consumers get frustrated when targeted with irrelevant offers and marketing messages, so you could potentially be hurting your bottom line with this approach.

With segmentation, you can only get so narrow with your targeting. There are infinite possibilities that you're unable to anticipate. If a customer knows they will be receiving relevant communication and offers, they are much more likely to willingly share their information and purchase behavior with you.

Retailers that add real-time personalization and event-triggered campaigns see a 667% ROI. By delivering value, you're able to build trust and ultimately, customer loyalty while also driving value for your business.



667%

Retailers that add real-time personalization and event-triggered campaigns see a 667% return on investment.

Designing A Successful Loyalty Program

The actual program design portion of your customer engagement strategy can seem daunting. Should it be points per spend? What kinds of rewards do my customers want? How many points should this reward be?

PROGRAM DESIGN STRATEGY

Before feeling completely overwhelmed, think about your overall marketing strategy. What are your business objectives? Outline your KPIs to measure program efficacy against those objectives.

While your reward and offer structures should deliver a return on investment that's beneficial for you, it should be built around your customers' needs. If you have customer data already available to you, it will be a great resource to inform your program design. If there is no historical customer data available, start your program with a simple structure that you can add to over time as you learn more about your customers. In both cases, a platform enables you to build your program based **your** customers' behaviors.

This is also the opportunity to leverage any partnerships with third parties to fund rewards. All parties win with the brand gather customer data, the fuel brand/c-store boosting sales and the customer receiving relevant offers. Read about our activation with Gatorade in a case study here.

Get creative and think outside of the box. Approximately 55% of consumers say they're interested in experiential rewards such as concerts, getaways, sweepstakes, etc., which not only engages your customers, but it also is ROI positive as these offers and rewards are funded by your third-party partners.

55%

of consumers say they're interested in more than just monetary rewards & would also like experiential rewards such as:



Concerts



Getaways



Sweepstakes

IS IT WORTH IT? MEASURING ROI

At the end of the day, a loyalty program must have a way to effectively measure ROI in order to get the green light. Defining a subjective concept like loyalty can be difficult because of the variety of factors that impact it.

Simply looking at spend and purchase frequency won't demonstrate the full impact of your program. There is no one number that can summarize the efficacy of your program. However, there are a number of comparisons and observations you can make that will paint a clearer picture on program performance.

Average Bill Value: Member vs. Non-Member

Similar to the Amazon Prime example presented earlier, measure whether or not members of the program are actually spending more than non-members. If not, it may be time to revisit the incentives provided.

Member Growth Over Time

Hopefully member growth will be high right at the launch of the program. Has growth plateaued? Determine if the initial offering is enticing enough to maintain growth.

Customer Lifetime Value (LTV)

One of the most powerful metrics, LTV determines profits beyond selling \$20 in fuel on any given day, instead revealing that a particular customer is worth \$50K over their lifetime.

Double Category Buyers (Fuel + Retail)

Most profits come from convenience store sales. Determine whether the program is effectively doing so by measuring how many customers purchase from both categories.

Purchase Frequency

This metric gives a quick snapshot of customer behavior, but when tracked over time and across categories, can be powerful in determining the areas that need improvement.

Change in Profit Margin per Customer

Are customers becoming more profitable over time? Is the program driving those profits? This is a valuable metric to compare across members & non-members.

Conclusion



Consumer expectations are in constant flux. In the past, technology did not enable the fuel & c-store industry to form 1:1 relationships with their customers due to inflexible technology and high costs. With the industry at a turning point due to more nimble technology platforms, there is no better time to rethink customer engagement strategies. Take advantage of the 2-5 minutes customers are pumping fuel by learning about their preferences, needs and behavior to deliver more personalized marketing and offers. Loyalty is an outcome of strong consumer engagement.

HATCH LOYALTY

www.hatchloyalty.com

Hatch is a simple, adaptable platform designed to help retailers and brands build stronger relationships with their customers. More than a loyalty company, Hatch makes insights actionable, enabling a more personalized and meaningful customer experience for retailers of all sizes. Hatch is grounded in the belief that customers are more than just transactions, they're people.

The world's largest retailers and brands have access to the Hatch platform's full configurability, while small- to medium-sized businesses can access Hatch's off-the-shelf marketing solution, Belly, which is already an industry-leading solution.

Get In Touch!

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