

# Loyalty in Gas & Convenience



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# Why Loyalty in Gas and Convenience Category?

- High levels of competition and commodity product base suggest need to differentiate
  - Convenience/fuel retail sales forecast to be flat over next several years
    - Fewer gas visits provide fewer opportunities for inside sales
    - Declining tobacco consumption increases pressure on other categories to replace revenue
  - *NACS 2012 Retail Fuels Report* highlights price sensitivity
    - Price is dominant reason for buying gas at a particular location; even \$.01 per gallon can change behavior
- **Implication:** Loyalty program may be an effective tool to create barriers to switching where natural barriers may not exist
  - Can't solve category problems

## Loyalty Program Benefits

- Increased retention/frequency/purchase size
- Competitive differentiation
- Individual-level/identified data capture
  - Targeted communications/offers
  - Product planning
- Drive efficiencies in marketing spend
  - Esp. acquisition marketing



# Grocery/Fuel Tie-Ins

- Fuel discounts prominent for all big chains, often in addition to card pricing
  - For some chains, fuel discounts only rewards offered



# Loyalty Penetration in Gas/Convenience

- Anecdotal research suggests that 16% of the top 150 chains utilize non-credit proprietary loyalty programs
  - 3 of the top 10, including recently announced BP program
  - Most continue to offer programs tied to house credit and focused on fuel purchases
- Many additionally utilize email-based customer contact programs and mobile apps to connect with customers









“We know that loyalty programs can generate **an increase of up to 15 percent on inside sales volume and up to 10 percent in gallons** at the pump“  
*General Manager, CITGO Light Oils Marketing*

“48% of consumers **reported increased frequency in gas purchases** at Shell stations after obtaining the Shell Saver Card“  
*FirstData Customer Success Story*

- Average transaction size grew 25%
  - Loyalty members purchase frequency more than doubled
  - Double category buyers increased by 22%
- Wipro Fuel Loyalty Study*

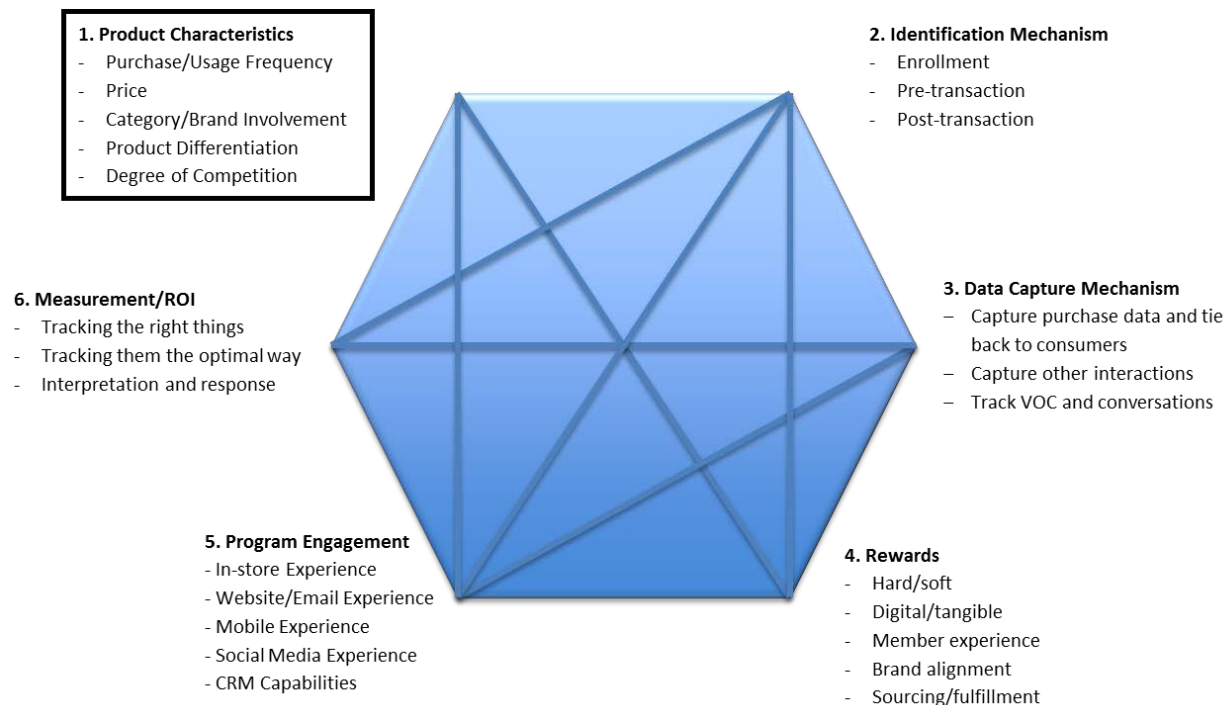
# Loyalty Landscape? Sample Geo Focus

- Where loyalty program are utilized, usually tied to pump discounts
  - Additionally, almost all major grocery chains now include “fuel rewards” as part of their card program
- Consumers appear willing to engage through social media – if leads to benefits

								
	Sheetz	Citgo	Speedway	Shell	Giant Eagle Get Go	Rutters	Sunoco	Turkey Hill
# of Stores	431	6,102	1,460	43,000	229	55	4,900	270
Primary States of Operation	PA, MD, NC, VA, WV, OH	East of Mississippi the River, TX, OK, AR, LA	OH, WV, IN, KY, MI, MN, WI, IL	Worldwide	OH, PA, VA, WV, MD	PA	23 states stretching from ME to FL and west to IN	PA, OH, IN
Private Label Credit Card	✓	✓	✓	✓	✓	✗	✓	✗
Details	5¢ off per gallon with Sheetz Credit Card. 5 points for Sheetz purchases, 1 point everywhere else.	5¢ off per gallon with Citgo Credit Card	40 additional speedy reward points for every \$1 spent at Speedway, and 10 points for everywhere else.	5¢ off per gallon with Shell Credit Card, and cash back for travel.	An additional 4¢ off per gallon, when you use a Giant Eagle Credit Card	N/A	5¢ off per gallon with Sunoco Rewards Credit Card	N/A
Rewards Program	✓	✗	✓	✓	✓	✓	✓	✓
Details	3¢ off per gallon with Sheetz Loyalty Card, and a number of loyalty deals in store	Loyalty bucks announced	Points system in which points can be redeemed for in store products and gas. 20 points per \$1 in store, 10 points per gallon.	Shop at participating grocers, retail stores, restaurants and inside the shell store to receive cents off per gallon	Every \$50 you spend earns 10¢ off per gallon. Every 10 gallons pumped earns 1% discount in store	Instant 4¢ off per gallon at the pump, accumulate cents off in store, and have monthly drawings for prizes	Purchase select items to build up discounts on gas and redeem at the pump, i.e. buy large coffee and save 5¢ per gallon	Instant 3¢ off per gallon at the pump, earn points on items in store for cents off gas i.e. 10¢ of per gallon for every 100 points
Facebook Likes	888,345	1,846	42,780	2,551,540	412,752	5,372	9,469	11,510
Likes Per Store	2,061.1	0.3	29.3	59.3	1,802.4	97.7	1.9	42.6
Twitter Followers	11,413	1,008	0	79,036	8,063	1,015	309	8,023
Followers per Store	26.5	0.2	0.0	1.8	35.2	18.5	0.1	29.7

# A Rational Planning Framework

- Implementing a loyalty program requires a larger commitment than a frequency-driving promotion
  - Level of investment, time horizon, philosophical shift
- Once decision is made, category characteristics and consumer behavior in the category should drive program development



# Align Potential Returns to Ensure Positive ROI

Proven methodology allows alignment of expected behavioral shifts with projected program costs to ensure positive ROI

		Breakeven	
<b><u>Scope of Rewards</u></b>			
Gas Rewards (% of purchase)	0.8%	0.8%	0.8%
In-store Rewards (% of purchase)	1.2%	1.2%	1.2%
<b><u>Cost of Rewards</u></b>			
% Reward to Retail Price - Gas	96.6%	96.6%	96.6%
% Reward to Retail Price In-store	43.0%	43.0%	43.0%
<b><u>ROI if Visits and Inside Spend Increases</u></b>			
<i>Incremental Visits (Gas and/or Inside)</i>	3.5%	6.0%	10.0%
<i>Incremental Inside Spend</i>	3.5%	2.0%	5.0%
Incremental visits per month per active	0.22	0.37	0.62
Incremental inside spend per active per trans \$	0.21	0.14	\$ 0.30
<b>Program ROI</b>	<b>-18.0%</b>	<b>0.0%</b>	<b>87.0%</b>
<i>Hypothetical Performance Worksheet</i>			



# Launching or Evaluating Your Program? 5 Best Practices

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Whether you're considering launching a new program, or evaluating an existing program, some considerations:

***1. Make it simple to understand and easy to participate***

- Leverage technological innovations that consumers are adopting

***2. Recognize and reward***

- Try to move recognition before transaction is completed
- Utilize a mix of hard and soft benefits that balance attainability and aspiration
- Targeted and relevant communications

***3. Create incentives good enough to change behavior but not so generous that they erode margins***

- High perceived value, low cost to deliver

***4. Continually measure and evaluate***

***5. Employee engagement at front line is critical***

# Loyalty Expert

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John Keenan, Managing Partner  
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Over fifteen years of experience in data-driven marketing, with specific expertise in retail, grocery, consumer packaged goods, and home services.

Loyalty program experience includes: Marlboro Miles, My Coke Rewards, Tropicana Juicy Rewards, Sainsbury's Rewards, Red Robin Royalty, My Sheetz Rewards, Finish Line Winner's Circle



*This eBook's content was taken from John Keenan's Keynote presentation at the NACS State of the Industry Summit*





*Intelligent Marketing Investment™*

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**Need more ideas?**  
See our [Loyalty Resources](#) page for  
case snapshots, video series

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