

HOW LOYALTY PROGRAMS CAN HELP CONVENIENCE STORES AMID RECORD FUEL PRICES

An Ipsos Point of View

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GAME CHANGERS



KEY FINDINGS:

- In the era of inflation, a well-orchestrated loyalty program can aid customer retention and increase overall sales.
- The best programs extend the consumer's engagement with the brand beyond the confines of the physical retail location.
- Fuel and convenience retailers must ensure their programs are closely aligned with their brands and differentiate them from your competition.

While fuel prices are finally dropping, many consumers are still reeling from this year's rapid rise, making it important to help consumers find more value than ever when filling their tank. More than two-thirds (70%) of U.S. consumers are driving less due to the increased fuel prices and half (50%) are only partially filling their tank, according to a June 2022 Ipsos poll.*

Most fueling stations offer similar services and products. One way to separate from the pack is to offer consumers a simple yet rewarding loyalty and rewards program.

Fuel and convenience retailers are evolving their loyalty and rewards programs at a never-before-seen pace, all to attract new consumers, drive more trips among current consumers, and convert more purchases from fuel to backcourt (and vice versa) in an increasingly digital world.

Current loyalty programs are a far cry from a punch-card system earning your consumers a free sandwich or cup of coffee once they hit "10." The payoff for these programs is truly quantifiable, as loyalty program mobile app users typically spend upwards of 20% more a month and visit the brand more frequently.

In some cases, loyalty program transactions have been known to account for 50% of total fuel sales. This may be even more likely in emerging markets. A well-orchestrated loyalty program may not only aid customer retention, but it may increase overall sales.

The best programs aim to extend the consumer's engagement with the brand beyond the confines of the physical retail location, keeping it top of mind for future purchase decisions. This can be done in many ways, but most effectively through:

- **Personalization.** One of the greatest benefits of these programs is learning more about the participants (your consumers), including their visit frequency, what they purchase, and if they are fuel only/fuel and convenience store/convenience store only. Having this data in hand allows you to either craft offers specific to their behaviors or call out the appropriate offers specifically to them.
- **Recognition.** Reward your biggest contributors. Consider creating hidden menu items for your highest-spending c-store or restaurant loyalty customers. Get creative and play into your brand.
- **Promotions.** Make it easy to earn and redeem rewards through your program, including some of the most frequently purchased items. This allows your consumers to see progress in building points.
- **Order building/Shopping.** With a visit frequency greater than almost every other retail category, fuel and convenience retailers have a tremendous opportunity to capitalize on loyalty programs and grow their wallet share.
- **Delivery/Curbside.** A large number of retailers have launched last-mile fulfillment services in the past 2 years. Many consumer shopping behaviors have changed amid the pandemic and expectations have forever changed as a result. Offering these convenience services for your brand is almost becoming table stakes versus a differentiator for your business.
- **Embedded payment (contactless).** This accounts for the growing trend towards speed of payment as well, merging this convenience with current consumer behaviors around health and safety as we emerge from the global pandemic.
- **Creative rewards.** Gadgets or charity donation as an alternative can be very attractive to consumers. Although some of your consumers may be thrilled if the rewards all amount to free/discounted fuel as 31% of respondents were unable to fill their car with fuel as recent as August.**



WHAT'S NEXT

Here are some guiderails to keep you in the right lane.

1. Make it simple to get the app/sign up. Getting consumers signed up is the first challenge. Use QR codes to drive them directly to the app download. As these programs are digital in nature, play on the fact that they often have their mobile device in hand when fueling, paying, or shopping given U.S. smartphone ownership continues to increase.
2. Keep the look and feel of the user experience modern and easy. Remove any complications from the experience, allowing for seamless actions. Do you have the ability and flexibility to update as needed? As mobile devices and OSs evolve, are you able to incorporate and take advantage of these new features and functionality? Alternatively, smaller players can enlist third-party partners with established platforms to almost operate the order and delivery functions seamlessly.
3. Make the loyalty process smooth for the consumer, so they can easily understand how to gain and redeem rewards. The Circle K Easy Rewards program is easy to understand (10 points per gallon of fuel, 20 points per \$1 spent on snacks and non-alcoholic beverages) and even comes with its own fuel discount app that makes tracking rewards easy.
4. Loyalty programs are a long-term play. Flash in the pan efforts that do not include ongoing support and are not focused on consumer engagement are doomed to fail. Keeping them engaged and using the program will continue to produce the benefits you are seeking of more trips and higher spend.
5. Take advantage of the information you have (where/when they shop, what they buy, etc.) and create personalized offers.
6. Know your market. Is this an emerging or established market? Newer markets may benefit from more aggressive loyalty or rewards programs.
7. What is your competition up to? It's important to know what they are doing and ensure your loyalty offering matches their offer.

There are lots of hooks to make these programs work well. The key is to ensure your program is closely aligned with your brand, engages your consumer base, and differentiates you from your competition. Make it easy and fun to use and keep it relevant to your consumers.

To ensure the delivery of the rewards messaging is consistent across all locations and experiences, add measures to your on-site audit or mystery shop program to confirm the presence of current POP as well as listening for associate mentions of the program and its greatest benefits to your consumers.



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*Ipsos Omnibus, Data_Tracker_W54, 1120 US Consumers

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