THE REAL NEWS ABOUT
GLOBAL GROCERY
LOYALTY
AND NOW, THE NEWS!

In 2018 business headlines around the world were dominated by stories of established retailers going out of business, store closures and the increasing struggle retailers face as they try to survive in the shopping environments they once dominated.

Across the UK and US household names have vanished from the high street and in other, less established markets, mergers and acquisitions have created lifelines for businesses in trouble. The accompanying commentary, from well-placed industry experts suggest that Amazon, the giant online retailer, is the force behind much of this disruption.

Amazon is an easy target. It’s true to say, they are playing a significant part in the evolution of retail but fundamentally companies that have failed to innovate are falling away. Agile and imaginative businesses are surviving and, in some cases, flourishing.

In the grocery sector, we have seen some consolidation and a slight reordering of the pack. The grocers are fighting back. They are fiercely competing with each other and taking the fight to discounters and online competitors.

Grocers are staying in the game by creating loyalty programs and loyalty events, which surprise and delight consumers. However, grocers know they need to do more, harnessing their position in the community and promoting healthy living, to maintain a loyal consumer base and win the hearts and minds of their shoppers.

HOW ARE THEY EXPANDING THEIR LOYALTY OFFERING? LET US GIVE YOU THE NEWS. WELCOME TO THE 2019 TCC GLOBAL LOYALTY REPORT.
BY THE NUMBERS

HEADLINES

5% of shoppers would stop shopping with a grocer if their loyalty card was no longer available.

54% of consumers only shop at a store that is close to them.

3.3 average number of different food stores used by shoppers.

70% of shoppers feel strongly that they want to be rewarded for their loyalty with more than another loyalty card.

13% of shoppers switched store format this year.

STORE FORMATS SWITCHED INTO (PAST YEAR)

<table>
<thead>
<tr>
<th>Store Format</th>
<th>% Switched</th>
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</thead>
<tbody>
<tr>
<td>Hypermarket</td>
<td>3%</td>
</tr>
<tr>
<td>Supermarket</td>
<td>5%</td>
</tr>
<tr>
<td>Convenience</td>
<td>2%</td>
</tr>
<tr>
<td>Discounter</td>
<td>3%</td>
</tr>
<tr>
<td>C&amp;C/Club</td>
<td>0.3%</td>
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WHERE GROCERY CONSUMERS SHOP

<table>
<thead>
<tr>
<th>Country</th>
<th>% Supermarket</th>
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<tbody>
<tr>
<td>Portugal</td>
<td>41%</td>
</tr>
<tr>
<td>Italy</td>
<td>52%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>55%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>60%</td>
</tr>
<tr>
<td>Brazil</td>
<td>37%</td>
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<tr>
<td>France</td>
<td>51%</td>
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<tr>
<td>China</td>
<td>79%</td>
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<tr>
<td>Czech Republic</td>
<td>42%</td>
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<tr>
<td>Spain</td>
<td>65%</td>
</tr>
<tr>
<td>Australia</td>
<td>86%</td>
</tr>
<tr>
<td>South Africa</td>
<td>60%</td>
</tr>
<tr>
<td>USA</td>
<td>52%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>% Hypermarket</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>47%</td>
</tr>
<tr>
<td>Poland</td>
<td>56%</td>
</tr>
<tr>
<td>Russia</td>
<td>48%</td>
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<tr>
<td>Brazil</td>
<td>37%</td>
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<tr>
<td>France</td>
<td>51%</td>
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<td>USA</td>
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GROCERS & CONSUMERS

what is loyalty?
At tcc global, we work in tandem with our clients to help them avoid becoming the focus of a bad news story.

Together, we are creating insight-based loyalty and marketing campaigns. These campaigns contribute towards innovative retail strategies, which are designed to resonate with consumers.

Deep insight, achieved via shopper feedback, is critical to every loyalty campaign and platform we help to create. Our tailor-made approach relies on continual dialogue with our clients and most importantly, their shoppers.

This unique consumer conversation underpins the 2019 iteration of the tcc global loyalty study.

Our study is the largest of its kind, exclusively looking at grocers, their consumers and shopping trends around the world. Over 15,000 shoppers participated in the research, including respondents from North America, Latin America, Europe, Africa, Asia and Australasia.

Our no holds barred approach captures consumer opinions as they express their feelings towards loyalty and the grocers who interact with them most during their daily shopping journeys.

Through the report we’ll take you around the world, uncovering the headlines, news and features that are driving successful loyalty campaigns.

**BUT WHAT KIND OF CONSUMER LOYALTY ARE WE FOCUSING ON?**
Throughout the wider retail world, references to loyalty are increasing. From airlines to high street stores, loyalty programs are being deployed to influence shopper behaviour and capture data - reflecting consumer preferences, spending habits and shopping frequency.

As more players enter the market, consumers are becoming more discerning. Our research indicates an initial desire to join or sample multiple programs. Over time, consumers scale back their participation, as they build trust and establish value with retailers that are particularly significant to them.

To maintain their relevance, grocers have been rapidly developing their approach to loyalty. It’s becoming clear that their influence now extends beyond the traditional store footprint.

Consumers who participated in the tcc global study indicated that loyalty in the grocery segment is generated by five emotional and practical pillars which exist between a grocer and the shopper.

| ★ ★ ★ ★ ★ | 3.8 | number of loyalty cards owned per person, globally |
| ★ ★ ★ ★ ★ | 2.1 | number of loyalty cards that are used per person globally |
# THE 5 PILLARS OF GROCERY LOYALTY

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<tbody>
<tr>
<td>1</td>
<td>CONVENIENT STORE LOCATION - PRACTICAL ELEMENTS</td>
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<tr>
<td></td>
<td>Shoppers admit that location - their proximity to a store - is</td>
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<tr>
<td></td>
<td>a key consideration to winning their custom and creating a</td>
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<tr>
<td></td>
<td>foundation upon which loyalty can be established.</td>
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<tr>
<td>2</td>
<td>AN ENJOYABLE SHOPPING ENVIRONMENT - PRACTICAL/EMOTIONAL</td>
</tr>
<tr>
<td></td>
<td>ELEMENTS</td>
</tr>
<tr>
<td></td>
<td>Visiting a clean and well-maintained store is important.</td>
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<td></td>
<td>However, consumers also expect store staff to be polite and</td>
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<tr>
<td></td>
<td>helpful, contributing to an elevated shopping experience.</td>
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<tr>
<td>3</td>
<td>HEALTH AND WELLBEING PROMOTIONS - EMOTIONAL ELEMENTS</td>
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<td></td>
<td>Grocers who provide healthy eating options and create</td>
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<td></td>
<td>wellness-orientated promotions are seen to be better servicing</td>
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<tr>
<td></td>
<td>shopping needs.</td>
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<tr>
<td>4</td>
<td>EDUCATIONAL OPPORTUNITIES - EMOTIONAL ELEMENTS</td>
</tr>
<tr>
<td></td>
<td>Grocers who help educate their shoppers and consumers,</td>
</tr>
<tr>
<td></td>
<td>especially children, are seen to be caring and engaged</td>
</tr>
<tr>
<td></td>
<td>with their customers. Loyalty campaigns that help educate</td>
</tr>
<tr>
<td></td>
<td>people in a fun and direct way are very effective.</td>
</tr>
<tr>
<td>5</td>
<td>COMMUNITY BENEFITS - PRACTICAL/EMOTIONAL ELEMENTS</td>
</tr>
<tr>
<td></td>
<td>Acknowledging life outside the store and the challenges</td>
</tr>
<tr>
<td></td>
<td>faced by people within the local community is a powerful</td>
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<tr>
<td></td>
<td>loyalty tool which enhances the way shoppers view their</td>
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<tr>
<td></td>
<td>grocer.</td>
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</table>
LOYALTY IS PERSONAL
the loyalty equation
THE GROCERY LOYALTY EQUATION

It’s important to highlight that grocers might only need to align with ‘one’ pillar to create a significant loyalty connection. Inevitably, linking with more than one element deepens the sense of loyalty exhibited by consumers.

On a practical level, shoppers now set their expectations against non-traditional shopping channels, like online retailers. For example, a convenient store location often means that shoppers can make quick or frequent visits, for both impulse and more considered purchases - an instant fix not matched by many online retailers.

Creating emotional bonds between grocers and shoppers marks a significant return to an old and often overlooked strategy. Harking back to the days of the corner shop, where a grocer occupied a special place at the heart of a community. Modern grocers are making their mark, in a much broader way.
CONSUMER TRENDS

how are consumers shopping?
CONSUMERS ARE ADAPTING THEIR HABITS

Our research has uncovered data demonstrating how consumers are adapting their shopping habits to fit their changing lifestyle and time constraints.

Meanwhile, we can see how grocers are listening to shoppers when developing their retail, marketing and loyalty strategies, particularly when it comes to identifying new store locations and how stores should be designed and configured.

72% of consumers still visit Hypermarkets or Supermarkets as their main store, but the basket size and product mix of this ‘big-shop’ is changing. Instead of solely carrying out weekly shopping trips, consumers are supplementing the ‘big-shop’ with smaller and more frequent trips to discounters and convenience stores.
SHOPPING IS NOW ABOUT TIME AND EFFORT

In general, consumers across the world are maximizing their time and minimizing their effort when it comes to shopping, resulting in the fragmentation and relocation of shopping trips.

However, in Germany and Poland consumers are thinking differently about their shopping needs. In these territories, discount stores dominate the grocery landscape.

Often close to home, or work, discount stores carry just enough product choice (at an attractive price point) that consumers are overlooking the ‘big shop’ altogether and settling for a discount-driven mindset.

The other outlier is Russia. In this marketplace, smaller stores (like Magnit and Dixy) capture the consumer’s attention. Here we are seeing the rise of on-demand shopping - consumers only purchasing what they need when they want it.
As fragmentation gathers momentum, grocers are reevaluating marketing, ranging and loyalty mechanics, hoping to align better with the underlying motivations and broader expectations of the consumer.

Grocers are also considering how to develop their brick-and-mortar strategies, based on the new habits exhibited by consumers.

In the United Kingdom, for example, it’s becoming clear that investment in new hypermarkets and supermarkets is slowing. Meanwhile, discounters and convenience stores are growing. These operators are opening shops at an accelerating rate, inspiring mainstream retailers to expand their own c-store operations and dip a toe into the discount market.

Around the world, the ongoing expansion of the c-store model means that specialists like 7-Eleven and Couche-Tard are proliferating. The net effect for consumers has seen the level of choice available to grocery shoppers reach unprecedented levels.

On average, grocery shoppers across the world have 5.5 easily reachable grocery stores available to them, with each shopper regularly using 3.3 different stores. With greater choice comes greater promiscuity or, to put it another way, less banner loyalty.
CONSUMER CHOICE

banner drivers
We’ve established that consumers are changing how they shop but what influences where they go shopping - what is really driving them to a particular store, or grocer (banner)?

Consumers recognize they have more store formats and an increasing number of grocery operators to visit. Our research clearly establishes that functional and transactional factors have become the key influencers when choosing where and who to shop with.

In fact, 90% of the consumers in our study rate functional factors as their key driver. Functional considerations were identified as proximity, ease of access, value and promotions, simple in-store experience, on-shelf availability, opening hours and low prices. Otherwise known as ‘functional hygiene factors’. ✿
WHAT PART DOES EMOTION PLAY?

Traditionally, emotional factors were considered to be essential to creating meaningful loyalty. Amazingly, only one emotional dimension was highlighted as being significant to consumers - friendly staff helping to make shopping a great ‘experience’.

It’s obviously time for grocers to rethink this and take more steps to ensure that all staff are well trained, aware of short-term promotions and prepared to help shoppers in an effective way.

If more evidence was required, grocers should reflect on the views expressed by 48% of consumers, who stated “it would not matter to me if my usual grocery store closed.

I would just shop somewhere else.”

Consumer emotions also play a significant part in advocacy, this is reflected in the way grocers connect with their consumers.

Discounters achieve the second highest Net Promoter Scores in grocery retailing, in stark contrast to the more traditional channels of convenience, hypermarkets and superstores.

Whilst low prices are a factor, our research indicates that shoppers recommend the discounters based on other attributes too, namely strong private label ranges, the quality fresh produce on offer and the discounters’ non-food selections.

48% OF SHOPPERS SAY THAT IF THEIR USUAL STORE CLOSED, THEY’D JUST SHOP SOMEWHERE ELSE
THE GROCERY FIGHTBACK
how grocers can inspire
It’s very evident that grocers have many challenges to overcome when they attempt to attract new customers. Likewise, the pressure is on to retain their existing customer base.

Traditional supermarkets and hypermarkets are under competitive pressure from all angles – convenience stores, discounters and online all heaping on competitive pressure in the form of cheaper, quicker or more convenient shopping trips.

However, consumers haven’t turned their backs on larger grocers completely! In fact, there are specific indications that loyalty programs can bring consumers back into a store... but not in a way that has previously been recognized.

As consumers become more informed about topics like health and wellbeing, grocery loyalty programs can align with heightened consumer expectations.

**FOR THE FIRST TIME IN DECADES, GROCERS ARE ABLE TO PUT THEMSELVES AT THE CENTRE OF THE DEBATE AND FULFIL CONSUMERS EXPECTATIONS ON A RANGE OF SENSITIVE TOPICS.**
GROCERY LOYALTY
the mechanics of loyalty
SHOPPERS INSPIRED BY GROCERS

Our research indicates that consumers want grocers to take the lead, helping them achieve a better more balanced lifestyle.

Given the nature of grocery stores, it’s understandable that food consumption, especially healthy eating, would feature in this discussion. However, consumers believe that a balanced lifestyle now extends beyond food.

We asked shoppers what retailers could do to help them lead better and more fulfilling lives, and five revealing responses emerged:

- 47% Inspiring everyday simple healthy meals, cooking from scratch
- 33% Offering simple solutions to make life easier in the kitchen
- 30% Helping you to support local community and charities
- 25% Providing fresh and tasty way to explore foreign cuisine
- 24% Helping to improve and learn new cooking and baking skills
In addition to meeting elevated consumer expectations, grocers have had to acknowledge an uncomfortable truth: loyalty cards are showing signs of serious fatigue.

Through our research, the overriding sentiment is that, while loyalty cards are fine in their own right, they are no longer as effective as they once were. 62% of shoppers in Europe expressed a desire to shop for and receive loyalty rewards which go beyond the traditional capability of a loyalty card.

Let’s examine how grocers from around the world are going the extra mile to satisfy their highly demanding and knowledgeable consumers.

42% loyalty rewards, focussed around the kitchen and home encourage 42% of consumers to shop at a specific store

32% 32% of consumers feel that loyalty rewards which are focused towards children and learning or family activities are very appealing
Throughout the developed world, health and wellbeing initiatives are gathering momentum. Supported by governments and often endorsed by celebrities, consumers are facing pressure to make alternative lifestyle choices.

Food and drink categories are targeted by healthy living advocates, placing grocers in a unique position. Grocers now have the opportunity to inform their consumers and direct them towards more balanced food choices.

However, it’s critical for grocers to strike the right balance, subtly advising consumers, without harming their income and upsetting their suppliers.

Grocers are using loyalty and shopper engagement programs to spread a clear health and wellbeing message. Here we examine some examples of this activity.

A number of retailers around the world have started offering free fruit for young shoppers. These initiatives are seen as a way of placating kids without recourse to crisps or sweets. A Mumsnet survey showed one in three children had eaten more fruit as a result of the Tesco scheme.
KITCHENS: THE HEART OF EVERY HOME

Kitchens are acknowledged to be one of the most social places in every home. By definition, grocers play a part in making this room popular. Food, drink and sundries combine to make this a functional and convivial location.

Through loyalty programs, grocers are injecting a new sense of fun and purpose into the kitchen, encouraging consumers to experiment with new recipes and equipment.

This subtle approach to enhancing home-based activities meets the expectations of consumers that took part in our study, who have expressed a desire to improve their culinary skills and reduce food waste.

tcc / E.Leclerc campaign with Nutrifresh rewards – accompanied by online recipes to encourage French consumers to eat more fresh food & cook from scratch.
Consumers are now more mobile than at any other time in history. Foreign travel is becoming increasingly significant, either for work or for leisure.

Social media influencers highlight diverse cultural trends and internet search engines offer consumers millions of different recipes from around the world. To keep up, grocers have curated rich and diverse world-food categories. Loyalty programs are emerging as a popular mechanism to introduce shoppers to flavours and styles of food, which might otherwise have passed them by.

In other instances, consumers revel in the opportunity to replicate dishes which are linked to their own world travel adventures.

Adventurous Woolworths (Australia) shoppers were able to take a tour across the globe through a range of augmented reality experiences.

All they had to do was scan the map with the Zappar app.

The interactions ranged from games (be that throwing tomatoes in Spain or spotting hieroglyphs in Egypt), to fun photos (posing with landmarks including Sydney Harbour Bridge and The Statue of Liberty), lunchbox ideas and fact-filled videos.
For years, grocers occupied a pivotal position within the local community. The ‘corner’ shop often provided a focal point for neighbourhood debate and conversation, celebration and sympathy and the place where local events and gatherings were advertised.

As grocers diversified and moved to edge of town locations, it’s evident that this connection to the local community eroded.

Some of the gap has been filled by discounters and convenience stores, opening within town and city boundaries.

Within the last decade, all grocers have started to reconnect with residents and communities within their catchment area. Loyalty programs are helping with this process.

One of several community campaigns run over many years by leading Italian retailer Esselunga, this latest tcc campaign rewards shoppers with collectible Despicable Me figurines as well as rewarding schools with points that they can redeem against IT equipment and educational materials.

In the last three campaigns, Esselunga has donated more than EUR52 million to thousands of schools.
BEST PRACTICE

who are the loyalty leaders?
WINNING RETAILERS BY CATEGORY

VALUE:
ALDI (UK) & LIDL (FR)
It’s no great surprise to see these two retailers lead the way in terms of value, with other well-regarded retailers including Poundland (UK), Aldi (FR), Lidl (UK) and Shoprite (ZA).

It’s not just low prices that see these retailers score highly on value perceptions. Both retailers have made great progress on their ranges, marketing and the look and feel of their stores while Lidl has also unveiled a number of loyalty campaigns in the French market.

EXPERIENCE:
M&S (UK) & WAITROSE (UK)
While competitive pressures are being heaped on these two retailers, they are up there with Woolworths (ZA), Globus (CZ) and Trader Joe’s (US) for having a glowing reputation for instore experience.
Both retailers still prioritize customer service and both are also adding in new instore features such as sushi bars to further the accentuate the shopper journey.

CARES:
M&S (UK) & WAITROSE (UK)
These two leading premium retailers in the UK sit alongside Perekrestok (RU), Trader Joe’s (US) & Costco (TW) as retailers that are perceived as caring about their customers.

Initiatives such as free coffee for loyalty cardholders have no doubt contributed to Waitrose’s success in this regard, as have the various community and charity initiatives that it undertakes in each store. Likewise, M&S’ rigorous endeavours in areas like clothes recycling and other environmental concerns have stood it in good stead.
WINNING RETAILERS BY CATEGORY

REWARDS LOYALTY:
KROGER (US) & TESCO (UK)
Alongside operators like Tesco (CZ), Esselunga (IT) and Sainsbury’s (UK), Kroger (US) and Tesco (UK) are recognised for rewarding shoppers for their loyalty. It is noteworthy that both businesses place a huge priority on the data and analytics behind their loyalty card programs.
Tesco has also recently introduced innovations like enhanced mobile payments and contactless loyalty cards to boost its loyalty infrastructure, while Kroger is using data from different platforms to improve promotions and communications with its shoppers across touchpoints.

CONVENIENCE:
IGA (AU) & CO-OP (UK)
Alongside other retailers also perceived well for convenience, including China’s Lianhua and the Polish chains Stokrotka and Zabka, Australia’s IGA and the UK’s Co-op lead the way in the convenience field. This doesn’t just reflect extensive store networks (although that helps!): IGA is a very eager participant in community and healthy eating initiatives, while the Co-op in the UK has been further enhancing the convenience of its proposition though new payment technologies and improvements to its assortment and merchandising.
WHAT WE’VE LEARNED

conclusion
Without any doubt, grocers are under pressure. As our research highlights, hypermarkets and supermarkets still dominate the global grocery sector, although discounters are continuing to grow and disrupt the established order. Across the sector, store loyalty is weak. Consumers have a vast amount of choice, and this is fueling a new approach to grocery shopping. With so many options, convenience is now the most significant driver when selecting where to shop. Low prices also remain important.

Hypermarkets and supermarkets are most strongly associated with ‘rewarding loyalty’. Traditionally, loyalty cards have been deployed to lock-in consumers, however, they are no longer as effective. Only 5% of users would stop shopping in a store if it withdrew its loyalty card. This trend is forcing grocers to innovate and look at loyalty through a different lens. As such, existing loyalty card schemes are not enough to successfully differentiate mainstream retailers from discounters.

There is however still some appetite for more premium shopping experiences above and beyond low price, with shoppers in many markets preferring to shop in more upmarket banners, leaving the mid-tier retailers squeezed from both sides.

To combat this, shoppers are typically open to loyalty campaigns which have more meaningful loyalty rewards, particularly those which inspire healthy home cooking and family activities.

MEANINGFUL LOYALTY CAMPAIGNS WORK
IT TAKES IMAGINATION AND THE RELENTLESS PACE OF CHANGE TO DRIVE TRUE INNOVATION. GROCERY LOYALTY IS BEING REIMAGINED, TO HELP GROCERS REMAIN RELEVANT AND MAINTAIN AN EMOTIONAL CONNECTION BETWEEN THEM AND THEIR CONSUMERS.