

Nielsen

Loyalty driving programs – a new vision

ECR Baltic

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Topic of discussion: Retailers' loyalty program

- Based on: Transaction log combined with Loyalty card data



<u>BAKERY</u>	
AN 9 GRAIN BREAD	3.99 *
<u>DELT</u>	
ND HONEY CURED HAM	2.54 *
TOI TURKEY	7.06 *
<u>GROCERY</u>	
DAN 8PK ACTVIA ST/BL	4.49 *
EGGLND LG WHT EGG	3.59 *
<u>MEAT</u>	
ANG TOP RD LND BRL	5.49 *
<u>PRODUCE</u>	
TOTE GALA APPLES	
4.80 1b @ 0.99/ 1b	4.75 *
BANANAS	
2.18 1b @ 0.39/ 1b	0.85 *
GREEN CUCUMBERS	
2 @ 2 FOR 1.00	1.00 *
BULK GARLIC	0.49 *
RED TOMATOES ON VINE	
1.33 1b @ 1.59/ 1b	2.11 *
YELLOW ONIONS	
0.37 1b @ 1.49/ 1b	0.55 *
YELLOW ONIONS	
1.26 1b @ 1.49/ 1b	1.88 *
GREEN BELL PEPPERS	
0.63 1b @ 1.49/ 1b	0.94 *
<u>SEAFOOD</u>	
FRESH TILAPIA FILLET	4.13 *
TOTAL TAX	0.00
16 BALANCE DUE	
Debit Card	43.86

Market Context - Key challenges facing the market

- Highly competitive market
- Price and promotions driving down margins
- Little brand differentiation
- Low customer loyalty
- High mass media communications costs
 - wasteful, difficult to measure
- Little customer level marketing
 - targeted, relevant, effective, accountable
- Costs of loyalty program
 - need to deliver more benefit to cover discounts and support resources

Retailer Go-to-Market Focus Continues to Evolve



Industry movement to “Customer-centricity”

Loyalty is driven by the Shopping Experience (not by the scheme itself)

Commonly, loyal customers are thought of as those that spend the most with a company

Customers will consider themselves loyal if they only spend a few pounds with a business but do so consistently over time

When retailers look at winning and keeping the loyalty of their customers they are looking to achieve increments that accumulate significantly



Loyalty program help retailers to grow profitably by delighting their shoppers

“

bring **clarity** to the shopper

decision process, improving the **total**

shopping experience resulting in

sustainable **customer-centric growth**



”

Using customer knowledge to drive growth

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Segmentations provide new *lenses* to understand households

Loyalty (RFV)

Price Sensitivity

Needs (Lifestyle)

Promotional Response

Store Preference

Share of Wallet



...and they are tools to use in everyday decision making, either individually or combined

Who are our most valuable customers?

- Balance of customers based upon their “loyalty”
- Segments available for targeted communication
- Category Management decisions incorporate segment knowledge



Share of Wallet Improves the Customer Loyalty Measure



RFV
Platinum

85% actual spend
goes to retailer

SOW
Gold



RFV
Gold

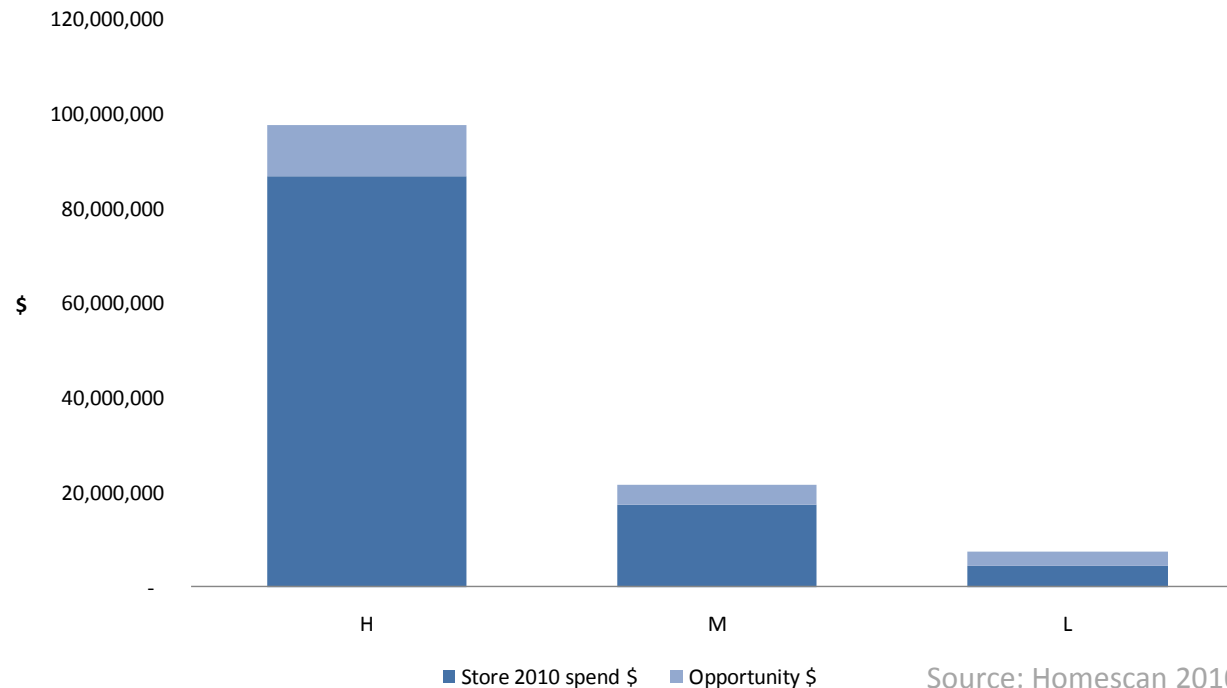
95% actual spend
goes to retailer

SOW
Platinum

- Understanding of headroom helps in targeting

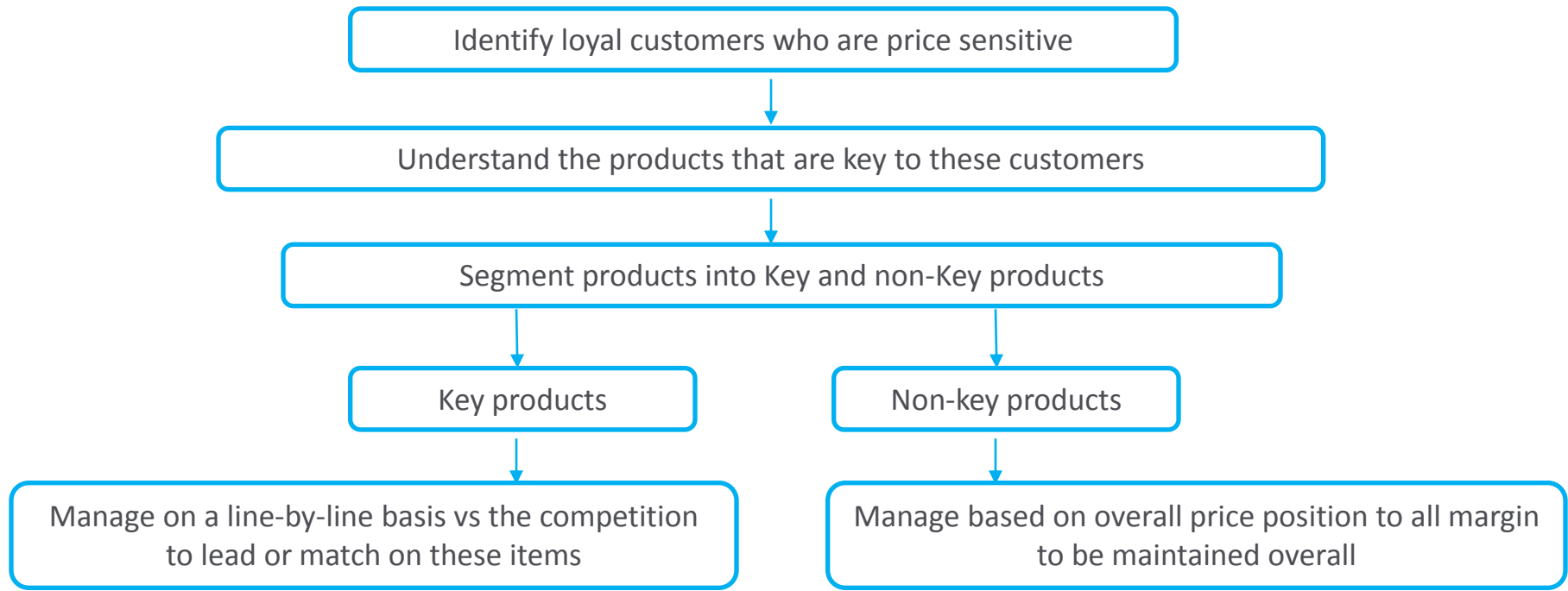
Case Study: Understanding the opportunity for growth from existing customers

- Based on an initial analysis of a retailers shoppers, repeat buyers were segmented into light, medium and heavy
- Using Nielsen market data share of spend for this retailer was identified, revealing the headroom value
- Heavy customers, uplifting by 5 percentage points would generate an annual incremental \$11m



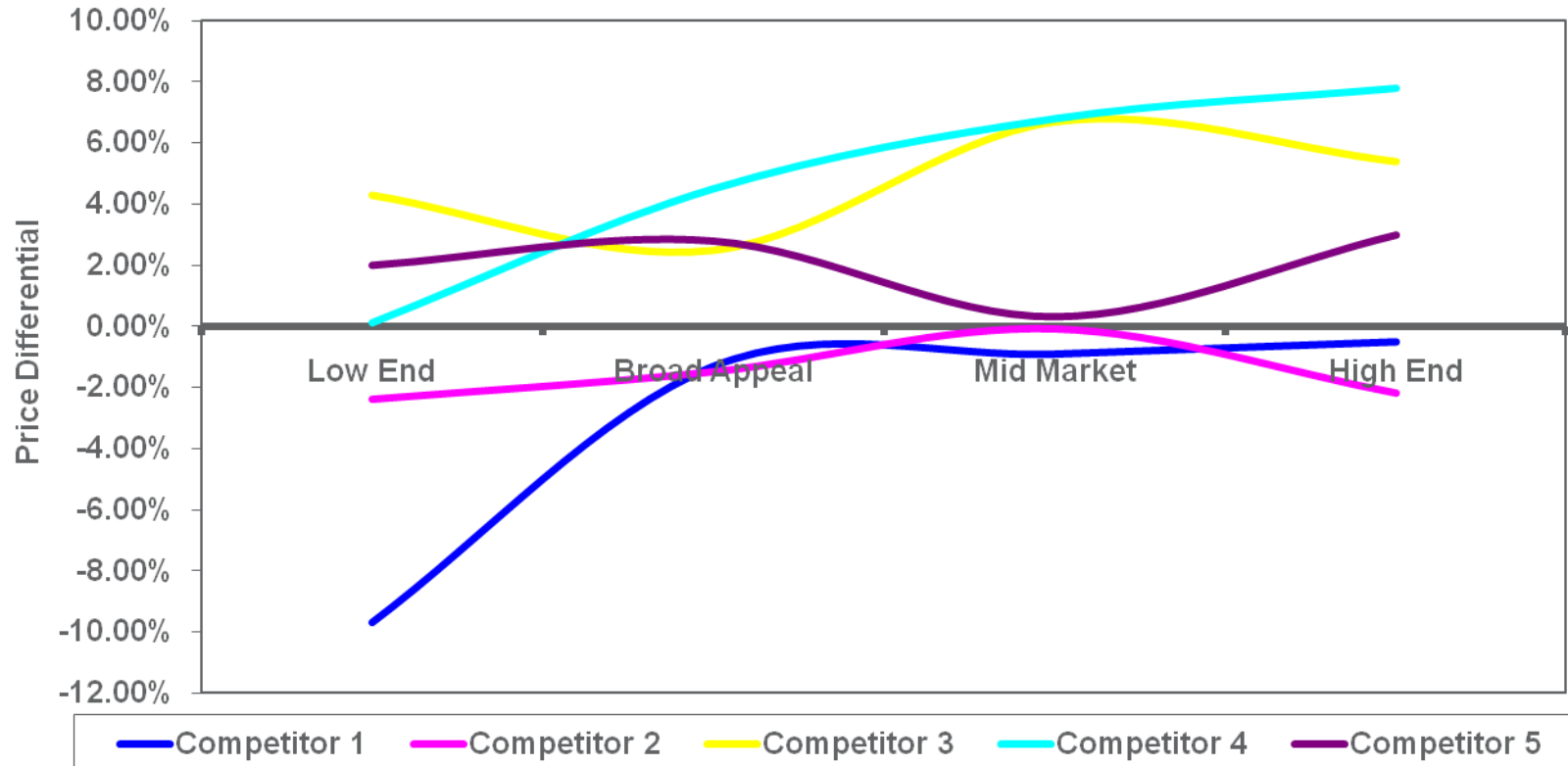
Source: Homescan 2010 and T-Log

Customer-Led Pricing



- Customer Led pricing is a way of putting the customer at the heart of pricing
- Customer-led pricing identifies the items that are most important to price-sensitive customers. These products can then be managed to lead on price
- This price investment can be offset by increased margin on less price sensitive items which can lead to improved price perception

Using Segment Price Sensitivity to Understand the Competitive Position

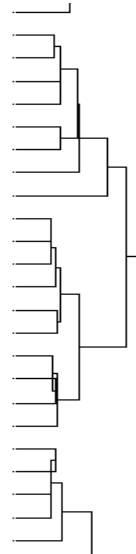


For this European client we defined their pricing position against all major competitors using the price sensitivity segmentation and pricing data. Following this, a new list of price matched items were identified and a new strategy was put in place and measured on an ongoing basis

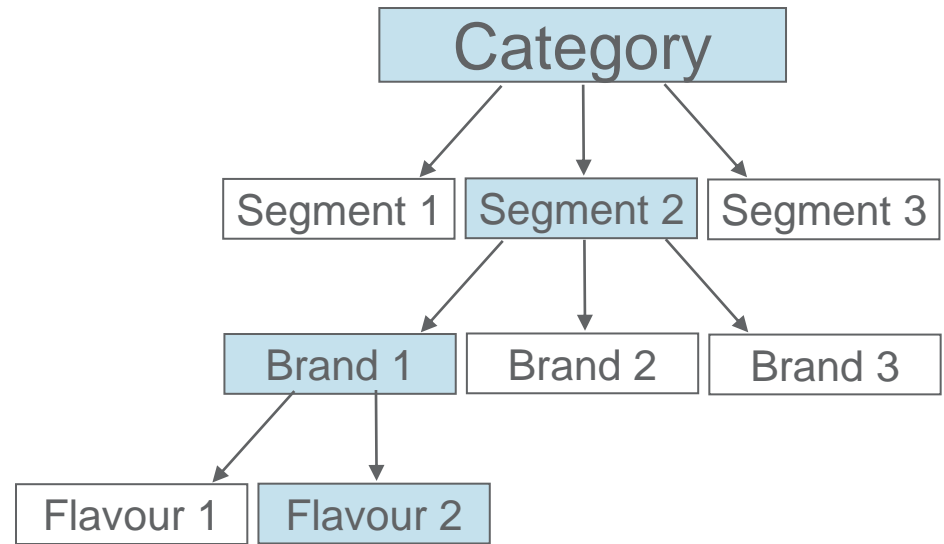
Assortment Analysis Reveals How Customers Make Their Choices

Product Substitutability Tactical View

STFFRSLCBEEFSTEAKTIPDIJON
 STFFRSLCPIZZAPEPPERONI
 STFFRSLCPIZZADEEPPDISHTHREEMEAT
 STFFRSLCPIZZAFOURCHEESE
 STFFRSLCPIZZADEEPPDISHMARGHERITA
 STFFRSLCPIZZABBQ – RECIEPCHICKEN
 STFFRSLCPIZZAROASTEDGARLICCHICKEN
 STFFRSLCPIZZADEEPPDISHSPINACH/MSHRM
 STFFRSLCPIZZAPEPPERONI
 STFFRSLCPANINISOUTHWESTCHICKEN
 LEANCUISINEPANINICHICKENCLUB
 STFFRSLCPANINICHICKENTUSCAN
 LEANCUISINEPANINICHICKENMSHRMSPINCH
 LEANCUISINEPANINIS TEAKCHEDDARM SHRM
 STFFRSLCPANINIPHILLYSTEAKANDCHEESE
 STFFRSLLEANCUISINEMELTSCHKNPHELLY
 STFFRSLLEANCUISINEMELTSCHICKENPESTO
 STFFRSLCFLATBRDMELTSCHKNRANCHCLUB
 STFFRSLLEANCUISINEMELTSSTEAK
 EATRTPIZZATHINCRUSTLEANPEPPERONI
 EATRTPIZZATHINCRUSTDELUXE
 EATRTPIZZATHINCRUSTGARLICCHICKEN
 EATRTPIZZATHINCRUSTBBQCHICKEN
 EATRTPIZZATHINCRUSTFOURCHEESE



Market Structure Strategic View



- Understanding of customers' hierarchy and substitutions:
 - How customers make choices? Which products should be placed together?
 - What do the most loyal shoppers buy? Will they accept a substitute?
 - Does our range satisfy all customer segments?
 - What should we de-list?

Thinking Smaller to win Bigger

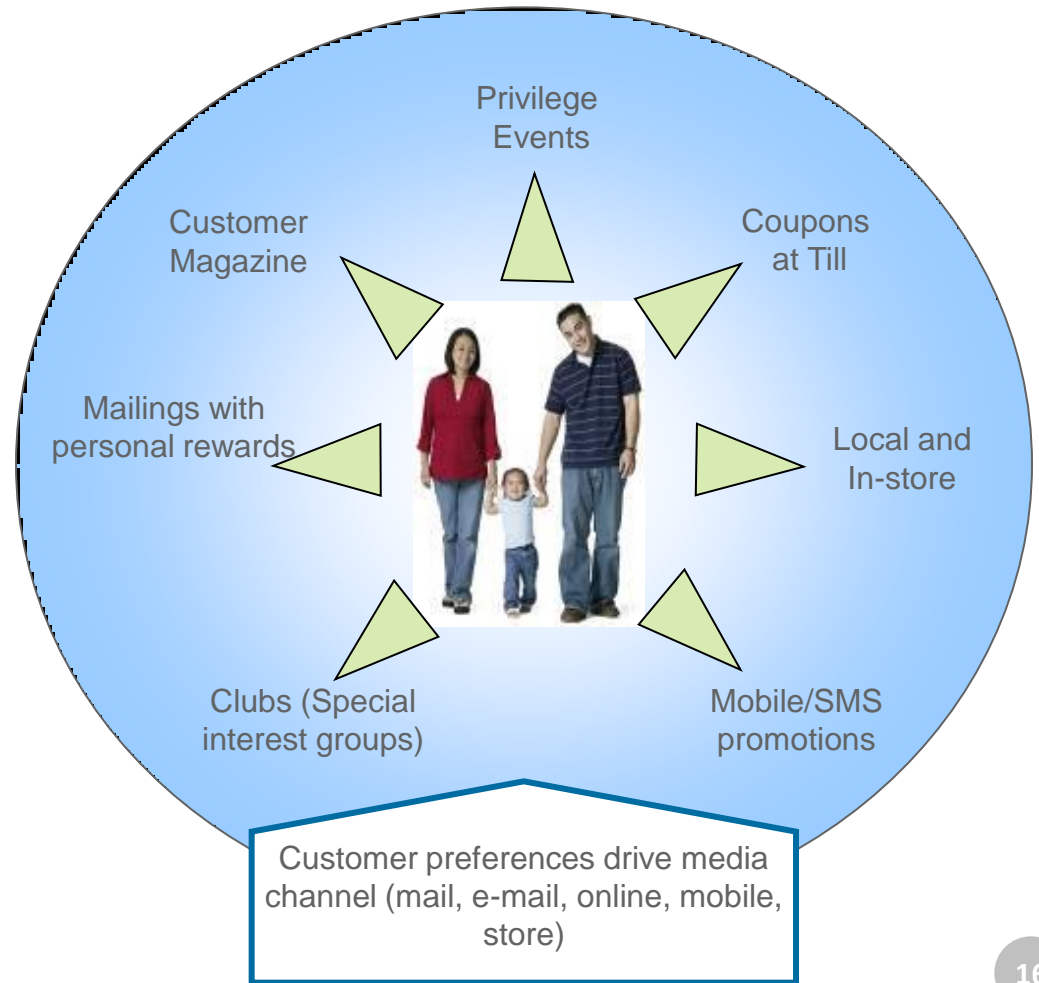
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Delivering Engaging Customer Communications

Communicating directly with customers provides a significant opportunity to influence perceptions, preferences and buying behaviours

- Between visits
- Planning a trip
- In store



Motivation and relevance are key

- Reward
- Personal interest
- Shared experience

Targeted Communications Case Study

Addressing decreasing basket sizes

- Retailer was experiencing a decrease in average basket size across all stores. Analysis shows the decrease was driven by two factors

- ~10% of loyalty cardholders had slowly reduced spend over 13 weeks –classified as **Reduced Spenders**

Objective

- Restore the previous spend levels for a fixed period of time

Offer

- Bonus points if they lifted their total spend to a specific amount over a 4 week period was devised

- ~10% had stopped shopping at their stores altogether, not visiting in 13 weeks –classified as **Lost Shoppers**

Objective

- Attract Lost Shoppers back into the store

Offer

- Low threshold spend target to get them back into the store

Especially for you

Spend at least \$175 each week at New World during the four weeks between 19 February and 25 March and you'll collect a total of 30 Bonus Points. That's a total spend of \$700 over four weeks. It's that easy.

SPEND

\$175
each week

OVER

4 weeks
between 19 February and
25 March 2007

COLLECT

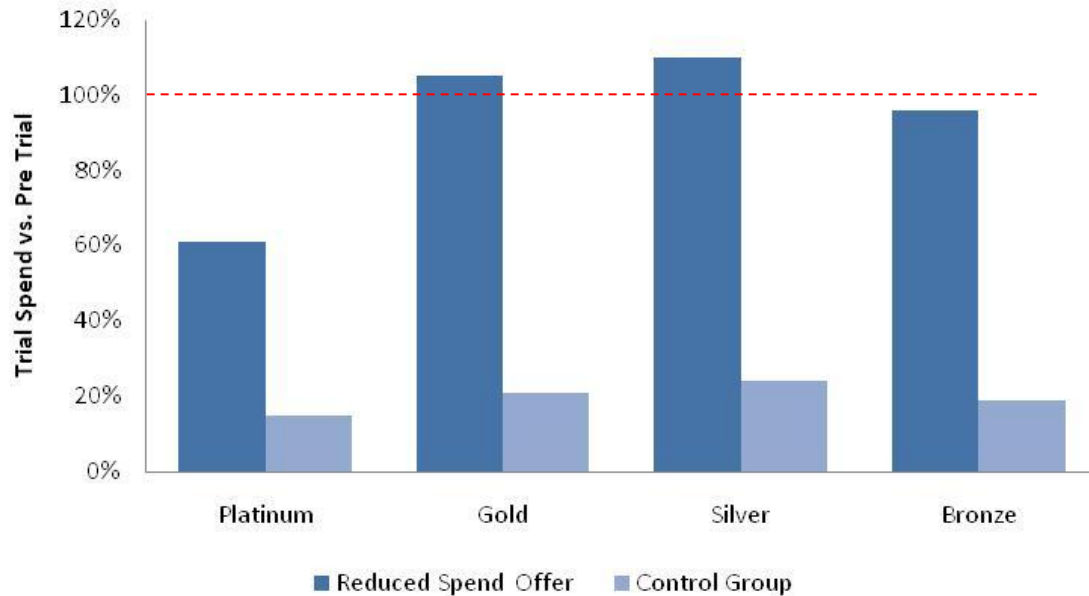
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BONUS POINTS

Making your shopping
even more rewarding

Targeted Communications Case Study

Addressing decreasing basket sizes: Results

- Reduced Spenders responded well to the targeted communication overall



- Lost Shoppers did not respond well
 - Indications were that after 13 weeks of not visiting the store these shoppers were truly lost

- Recommendations included
 - Monitor targeted Reduced Spenders post period
 - Develop a methodology to identify potential Lost Shoppers earlier before they lose a connection with the store

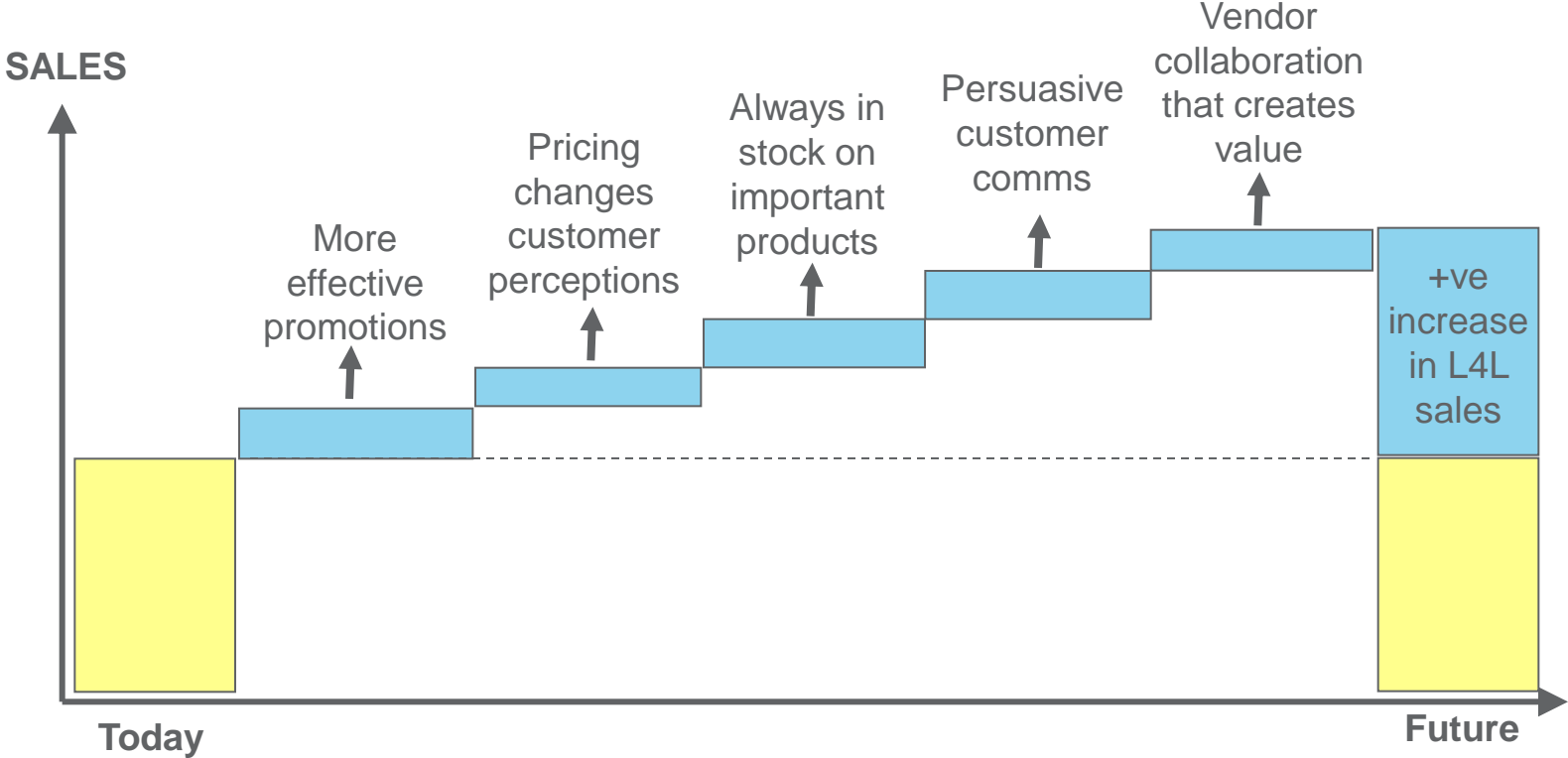
Targeted Communications Case Study

Coupons@Till

- Working with a large European retailer, we have extensive experience in delivering Coupons at Till for both strategic and tactical purposes:
 - Driving L4L growth through tactical trade driving coupons
 - Strategic growth with vendors through collaboration on coupons
- Utilising in basket triggers and pre defined targeting, this retailer rewarded customers employing the following mechanics:
 - Single Stretch Spend Coupons
 - Time Banded Stretch Spend Coupons
 - Category Specific Stretch Spend Coupons
- This particular retailer saw a ROI of 4:1 on targeted Coupons at Till



Pulling these Levers has a direct impact on business performance



The Trend to Customer-based Management will Continue to Gain Momentum

Thoughtful use of all data to benefit customers in new ways



Customers



Retailers



Consumer Goods
Manufacturers

Engage more with relevant brands, retail and product, that offer more value

Use data analytics to drive pricing, promotion, assortment, space, and comms.
Share more data as basis for collaboration

Match their brand targets with retailers' views.
Collaborate more through data and media

Thank you

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The logo for Nielsen, featuring the word "nielsen" in a serif font. The letter "n" is blue, while the rest of the letters are grey. Below the text is a horizontal row of nine grey dots.