



Industry Perspectives

Shopper Loyalty in the Digital Age: Hard to Win, Easy to Lose

IN PARTNERSHIP WITH





\$128 billion

of total digital grocery sales in 2022



14%

of all grocery sales were digital in 2022



63%

of all grocery shoppers shopped digitally in 2022



Source: Incisiv - Loyal Guru - FMI | Loyalty Study 2023

Digital is reshaping shopper behavior.

Digital grocery sales have grown ~4x over the past three years, reaching \$128 billion in 2022. This rapid growth has significantly reshaped shopper behavior. The COVID-19 pandemic accelerated the adoption of digital commerce as consumers sought safer alternatives to in-person shopping. This led to a surge in demand for online grocery shopping, which was made more accessible by the availability of technology such as same-day delivery and curbside pickup.

As a result of these trends, an increasing number of shoppers are turning to digital channels as their preferred method of grocery shopping. In 2022, 63% of shoppers used digital channels to purchase groceries, and many expect to continue doing so in 2023. This shift in behavior is due to the convenience of anywhere-shopping and the ease of making purchases from digital devices. Furthermore, consumers are also using their mobile devices to enhance their store experience. They use them to search for product locations, learn more about products, receive offers, and compare prices. This use of technology creates a more convenient and personalized shopping experience, driving the growth of the digital grocery market.

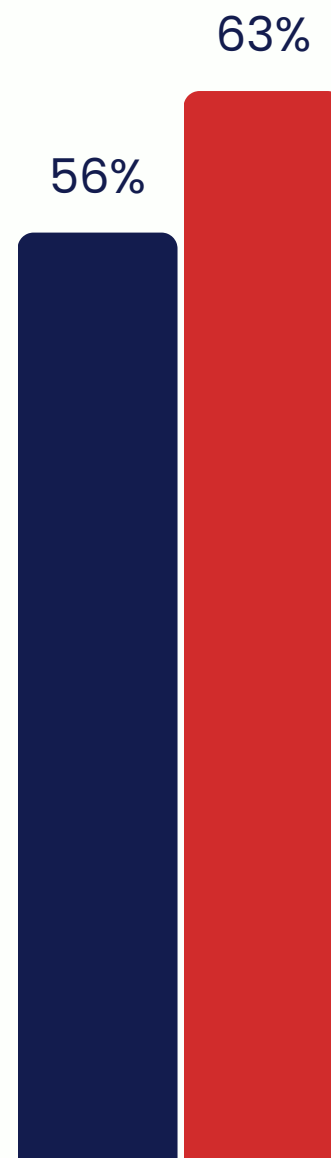
Shoppers greatly value the convenience, control, speed, and personalization that digital shopping has provided them, and will reward grocers that deliver on these expectations.



71%

of grocers say that improving shopper loyalty is a C-level priority in 2023

● 2022 ● 2025



% of sales from Loyalty Program members



Source: Incisiv - Loyal Guru - FMI | Loyalty Study 2023

Improving shopper loyalty is a C-Level priority.

For grocery retailers, shopper loyalty has become a critical aspect of their business, and they are making a concerted effort to prioritize it in 2023. This is evident in the fact that a significant portion of grocers, 71%, see it as a key focus area at the C-level. Loyalty programs are essential for building customer loyalty and are a valuable asset that drives growth. Grocers expect a substantial increase in the share of sales generated through their loyalty programs. They expect the share of sales generated through their loyalty programs to increase from 56% in 2022 to 69% in 2025.

This increase highlights the need for grocery retailers to focus on adding new members to their loyalty programs, retaining existing members, and launching new programs and experiments designed to increase basket size. However, loyalty programs are not the only factor in driving shopper loyalty.

Grocers must also focus on improving personalization, offering high-quality product assortments, and providing a seamless shopping experience to build strong relationships with their shoppers.



82%

of shoppers say they prefer price discounts and points as a part of their loyalty program

Rank	Loyalty Program: 2023 Goals	%
1	Reduce impact of inflation on the shopper	93%
2	Acquire new shoppers	85%
3	Improve shopper retention	77%
4	Increase average basket size	61%
5	Improve personalization of digital experience	31%
6	Shift spending to higher margin products	28%
7	Create deeper shopper engagement	23%
8	Improve product and offer recommendations	22%
9	Incentivize more profitable behavior	18%



Source: Incisiv - Loyal Guru - FMI | Loyalty Study 2023

Grocers are focused on reducing price inflation and customer acquisition in 2023.

Grocers have identified three main objectives for their loyalty programs: reducing the impact of inflation on shoppers, acquiring new shoppers, and improving shopper retention.

The high rate of inflation in the grocery industry has made it imperative for grocers to find ways to minimize its impact on shoppers. Loyalty programs that offer discounts and points can offset the rising prices and make grocery shopping more affordable for customers. Expanding their member base to drive sales is the primary objective for grocers; thus, acquiring new members and retaining current ones are among the top three goals.

Surprisingly, grocers are not focused on personalization or understanding profitable shopper behavior and rate it low in their list of priorities. This is a big gap. Understanding profitable shopper behavior directs grocers where to focus, and personalization allows grocers to deliver higher-quality offers and content that have a greater probability of driving conversion and shopper engagement.



74%

of grocers believe digital shopping has made shoppers less loyal



88%

of grocers believe a poor third party experience negatively impacts shopper loyalty



76%

of grocers believe a poor web and mobile experience negatively impacts shopper loyalty



Source: Incisiv - Loyal Guru - FMI | Loyalty Study 2023

Loyalty in the digital age, is hard to win and easy to lose.

In today's digital age, winning and retaining customer loyalty has become a significant challenge for grocers. 74% of grocers believe that the rise of digital shopping has made shoppers less loyal, which has hurt their ability to build and maintain long-lasting relationships with shoppers.

Additionally, the rise of third-party delivery services has disintermediated the grocery and made it easier for shoppers to shop across the competition. At the same time, a poor experience with a third-party delivery service reflects poorly on the grocer; this is evident in the fact that 88% of grocers believe that a poor third-party experience can negatively impact shopper loyalty.

Another challenge facing grocers is the increased expectations of shoppers for a seamless and personalized shopping experience. With 76% of grocers believing that a poor web and mobile experience negatively impacts shopper loyalty, it's clear that retailers need to invest in their digital presence to meet these expectations and build lasting relationships with their customers.

Shoppers and Grocers dissatisfied with digital loyalty components.

Traditional loyalty programs remain a staple for many grocery retailers. Most regular shoppers are members and largely satisfied with it – 63% of shoppers indicated that they are satisfied with their grocer's loyalty program. However, the same isn't true for the digital components of these programs, with only 17% of shoppers expressing satisfaction with the digital aspects of their grocer's loyalty program. Grocers feel the same way, with 69% indicating satisfaction with their loyalty program but only 27% satisfied with the digital components.

One possible reason for the low satisfaction with the digital aspects of grocery loyalty programs is the lack of seamless integration with the overall shopping experience. For example, many shoppers may find it difficult to track and redeem their rewards online or through a mobile app. Additionally, the user interface for these digital components may not be user-friendly, making it difficult for shoppers to navigate and understand their rewards. Furthermore, a poor web and mobile experience may also contribute to low satisfaction with the digital aspects of grocery loyalty programs. Issues such as slow page load times, technical glitches, and poor navigation on their grocer's website or mobile app. Another reason could be related to the quality of the digital experience provided by third-party providers – while grocery loyalty programs (earn and burn) may not be accessible on third-party apps, shoppers may not understand or appreciate it.

● Satisfied with Loyalty Program ● Satisfied with Digital aspects of Loyalty Program





Source: Incisiv - Loyal Guru - FMI | Loyalty Study 2023

Cost and technology are top impediments to loyalty transformation.

Transforming a loyalty program to meet the demands of the digital age is a complex and challenging process. Grocers are facing numerous hurdles in their efforts to digitize their loyalty programs.

The number one challenge is cost. 93% of grocers see the cost of transforming their loyalty program as a significant hindrance. The second challenge is limited technology platforms. 85% of grocers believe that their technology platforms are a challenge in transforming their loyalty programs. Many grocers are using legacy technology platforms that can't effectively support the demands of digital loyalty programs, which leads to limited functionality, a lack of integration with other systems, and a poor shopper experience.

The third challenge is integrating with digital channels. 77% of grocers see integrating with digital channels as a challenge in transforming their loyalty program. For a loyalty program to be successful in the digital age, it must be able to seamlessly integrate with the grocer's e-commerce platform, mobile app, and other digital channels.

Rank	Top Challenges in Loyalty Transformation	%
1	Cost of transforming loyalty program	93%
2	Limited by technology platform	85%
3	Integrating with digital channels	77%
4	Lack of Internal alignment	61%
5	Consumer privacy issues	31%
6	Lack of Executive Support	28%

KEY TAKEAWAYS

Improving loyalty requires Grocers to adapt to the change in shopping behavior and building a digital-first end to end experience.

Digital has changed shopper behavior



Shoppers are now more digitally savvy and want convenience, control, speed, and personalization offered by digital. Most will use multiple channels to shop for groceries in 2023.

\$128 billion

of total digital grocery sales in 2022

Loyalty is hard to win and easy to lose.



While grocers are delivering on core parts of the loyalty program their digital maturity is still low. Additionally digital shopping has made shoppers less loyal, which has hurt grocers' ability to build and maintain long-lasting relationships with shoppers.

74%

of grocers believe digital shopping has made shoppers less loyal

Grocers need an Omnichannel view of their shopper.



Grocers need an omnichannel view of their shopper journey and to understand what drives and impedes loyalty. A poor digital experience or friction at key moments can lead shoppers to defect.

17%

of shoppers are satisfied with digital aspects of the loyalty programs

Grocers need to upgrade their technology platform.



Grocers need to upgrade their loyalty platforms to better integrate with digital channels, reduce cost, and improve the technology platform for better shopper experience and loyalty.

85%

of grocers state that poor technology is a challenge in transforming their loyalty program



Joe Szala
VP of Sales, US
Loyal Guru

Joe is responsible for Sales and Business Development of the US market, where he specifically focuses on helping grocers and wholesalers accomplish their goals in terms of digital transformation. His vast experience with loyalty and personalization technology positions him to help regional and national grocers drive retail growth without breaking the bank.

Joe is an executive leader with exceptional strategic instincts and leadership skills. He knows the FMCG and retail industries to their core and has the unique ability to articulate how technology shapes the space, both today and into the future.

Executive Perspective

Hyper-personalization is the future of promotions. Gone are the days when all customers and prospects were lumped together into one homogeneous mass.

Most mass promotions are unprofitable, while targeted and personalized promotions deliver increase in sales, uplift in net income, EBITDA, and ROI. Customers want it; they appreciate relevant offers, and inflation has elevated the need to save money on groceries. And grocers need better personalization technology, because very few have succeeded in executing on a scale. While 71% of brands and retailers think they excel in marketing personalization, only 34% of consumers would agree.

As we navigate 2023, technology will be a key lever for effective personalization at scale, designing away complexity and delivering significant results with far less effort. Due to the ever-increasing consumer demand for relevant and unique offers, the strive for personalization will only accelerate in the future.

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ABOUT INCISIV

Incisiv is a peer-to-peer executive network and industry insights firm for consumer industry executives navigating digital disruption.

Incisiv offers curated executive learning, digital maturity benchmarks, and prescriptive transformation insights to clients across the consumer and technology industry spectrum.

www.incisiv.com



ABOUT LOYAL GURU

Loyal Guru is a grocery-specific Customer Data Platform with unbeatable Loyalty and Personalization capabilities, focused on helping grocers harness the power of data to create the best customer experiences.

Our platform, trusted by enterprise grocers across the globe, solves the unique challenges of developing retail business with next-gen loyalty initiatives, personalized offers at scale, advanced retail analytics and new opportunities for monetization.

www.loyal.guru



ABOUT FMI

As the food industry association, FMI works with and on behalf of the entire industry to advance a safer, healthier and more efficient consumer food supply chain. FMI brings together a wide range of members across the value chain – from retailers that sell to consumers, to producers that supply food and other products, as well as the wide variety of companies providing critical services – to amplify the collective work of the industry.

www.FMI.org