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Electrons?*INNOVATIONS—AND PERHAPS A COUPLE  
OF REVOLUTIONS—IN GROCERY  
TECHNOLOGY FORM THE FOUNDATION OF  
MORE-EFFECTIVE FOOD-STORE LOYALTY  
MARKETING.*

By Bill Brohaugh

How ironic that the grocery shopping cart—that metal cage on wobbly wheels—is a literal icon of internet ecommerce, yet the recent revolutions in grocery shopping

technology have nearly no connection to the previous century's shopping revolution. Grocery tech resides elsewhere: In the shopping cart itself. And in the bricks-and-mortar store the carts patrol.

A flurry of innovation continues to arrive at the grocery store, from “smart” shopping carts that download and display your shopping list from the web and automatically maintain running totals of the green beans and frozen tortillas you place there, to POS systems that allow customers to pay with a touch of the finger, to cellular phone technology that powers loyalty programs.

Grocery has led the way in various technology applications for the same reason that it's so important in loyalty programs: habitual purchase. Forming a new habit or adapting a new procedure is far easier when you can practice it regularly—as regularly as you go to the supermarket. Just as UPC use was pioneered and

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popularized in grocery stores—spearheaded (and not spearminted) by a pack of Wrigley’s Juicy Fruit passing over a scanner in 1974 at an Ohio supermarket—shopping and checkout innovations are rising in aisle 7 and checkout lane 16.

Operational efficiency pushes the in-store drive to technology. “It’s all about operations--it always has been,” says Jim Litwin, Vice President of Marketing Insights of Vertis, the marketing firm that publishes regular *Customer Focus* studies. “UPC codes were introduced not for marketing purposes but because grocers wanted to have a better way to track inventory. And they wanted to save money on the labor of the guys who used to put the stickers on the cans and the boxes. It’s just lately that grocers are starting to wake up and say, ‘Hey, we’re getting our heads handed to us by Wal-Mart. What can we do about it?’ And using customer purchase information is one thing they can do.” More on that in a moment.

***Mayberry RFID***

Using Litwin’s specific example, the next technological step past bar-coding is RFID: radio-frequency identification. Using antenna and transceivers, RFID systems can recognize products that feature small transponder chips imbedded in packaging or labeling. It’s the same idea as UPC, but no line-of-sight scanning is required, and RFID chips can store large amounts of information. In fact, RFID technology is the backbone of contactless credit cards such as MasterCard’s *PayPass* and American Express’s *ExpressPay*.

RFID technology has application in various grocery efficiency initiatives, from inventory management (down to the level of automatically updating inventory numbers as soon as a customer pulls that jar of strawberry preserves off the shelf), to shopping and checkout optimization. Available technology allows enabled smartcarts to maintain a running total of items placed in them, and to “speak” to the checkout without need for additional scanning or handling.

Everyday application of such capability depends on fuller implementation of RFID in the stores, of course, and such implementation may be some time off. Here, again, Wal-Mart inspires industry action; the

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discounter's adoption of RFID motivates manufacturer commitment and conversion. Yet, increasing availability of RFID product may not translate into comparable increases of retailer RFID acceptance. Of those surveyed for the *Supermarket News* 12th annual *State of the Industry Report on Supermarket Technology*, just 9 percent are testing RFID. Of the remaining 91 percent, only 2 percent plan to test the technology within the next year. Another 37 percent plan to test in the relatively far future (the next three to five years). A full 39 percent have no plans at all.

In the interim, current barcode tech allows adapting some of the RFID advantages. Instead of passing purchased goods over scanners in checkout, scanners can be passed over the goods in the aisles. Chains such as Massachusetts-based Stop & Shop have experimented with supplying handheld scanners to customers, who themselves scan items as they place each in their carts. The handheld keeps the total, and—as in the RFID example above—communicates the order directly to the checkout. The advantage to the store: no checkout clerk, no one intoning “Paper or plastic?” The advantage to the customer: maintaining a running purchase total, the nice bit of convenience of customer ability to organize the in-cart bagging so he or she can, for instance, segregate the pantry items from the ones that will be used to make the stroganoff tonight; and cutting handling of items by half (put them in the cart just once, take them out of the cart—and into your car—just once, without having to empty and refill the cart at checkout).

“The grocers are looking for ways to make the shopping experience better for their customers,” says Shannon Riordan, Director of Marketing of Pay By Touch, a provider of biometric solutions, which put convenience literally at your fingertips. Instead of using a card to activate a transaction, biometrics use a fingerprint scan (although other unique identifiers can be and have been used, including retina patterns and facial shapes). Pay By Touch offers not only an alternative to other payment methods, but also a consolidation of those methods.

Signup for Pay By Touch involves collecting payment card information—possibly including debit card, credit card, checking account, and loyalty card—into an

“electronic wallet,” which you open at the POS with two identifiers—your finger, and a “search code” (often a phone number). “You don’t have to bring out a wallet or a frequent shopper card,” says Riordan. “You can get rid of all the key fobs hanging on your keychain. The accounts from your wallet are presented to you on a screen, a little pen pad, that’s already there at point of sale.”



### ***Lining out***

In addition to scanners and biometrics and self-checkout lanes, a range of innovations await: from electronic shelf-talkers and labels, to self-serve vegetable weighing and bar-coding, to outbound faxes of prepared lunch specials, to in-store kiosks where customers place deli orders to be picked up at the checkout later.

Some of the technology being used for efficiency and loyalty marketing is walking through the grocer’s front

door of its own accord. Markets are employing cell phone strategies at levels both simple and more complex.

At a basic level, the pharmacy or deli sends a text-message alert to a customer in the store (or down the street running another errand, for that matter) that items are ready for pickup. Or the store might “broadcast” specials, via text-messaging, to customers who have opted in.

More sophisticated are such capabilities as delivering segment-specific offers by phone, near-field communications (NFC) to activate payments directly from cell phones, and using the phone number as a unique identifier tied to a grouping of payment accounts similar to the biometric electronic wallet. The man punching numbers into his cell phone in the meat department who a couple of years ago was probably dialing his wife to find out if she’d prefer spare ribs or pot roast for supper tonight is probably now checking for specials and in-store promotions or posting his order to the deli.

No waiting in line for sliced ham. Faster checkout. Such niceties satisfy not only particular customers, but also everyone else in line behind.

Not to mention the overall benefits to the grocer, again thanks to operational tech: “One of the main reasons our stores implement Pay By Touch is the ability to profit from ACH transactions,” says Shannon Riordan. ACH—Automated Clearing House—is a network processing debit transactions directly from bank accounts. “To give you an idea of the cost difference, using a credit card to pay for a 25-dollar basket might cost the grocer 90, 95 cents, and 30 to 40 cents for a debit card or to pay by check. An ACH transaction through Pay By Touch costs about 15 cents. Imagine a hundred-store chain and how many transactions they might process in one day—we’re showing numbers that indicate if you shift 1 percent away from credit card, and you have a positive ROI in four weeks.”

The system also gives the retailer some control over what payment system is used. “If the retailer accepts multiple payment methods from the Pay By Touch wallet, the methods will be presented to you in the

order most beneficial to the retailer,” says Riordan. “So you’ll probably have to scroll down to get your credit card account. Your echeck account will be presented first. And that’s how retailers are getting control over what accounts shoppers use.”

### **Wakeup calls**

This is all operations and customer satisfaction, but inventory and checkout efficiencies don’t directly contribute to loyalty marketing. They do, however, supply foundations for innovation in the loyalty space.

For example, a Tops Market in Amherst, New York, features an *EasyShop* program based on handheld scanners, with three checkouts dedicated to users. To be eligible for *EasyShop*, customers must belong to the Tops *Bonus Card* loyalty program. This is a classic soft benefit. Become a member, and you get to use this cool time-saving technology, while at the same time the cool tech gathers transaction information and communicates relevant offers to you on its display screens.

More and more, such relevance marketing is being designed into the tech. The S&H *greenpoints* coalition program features the S&H PROMO Engine and offers real-time digital communications at checkout: “interactive, intelligent targeted communications,” as described by S&H Solutions Vice President of Marketing Kimberly Mernovage. “The communications are flexible; depending on the campaign objectives. Content and Graphics define the offer details, such as discounts, real-time points offerings and redemption activities, advertising messages, or even sweepstakes and games. It provides permission-based marketing with persuasive intelligence.”

The concept is also utilized by *Pay By Touch SmartShop*, now in place at Green Hills, an upscale one-store grocer in Syracuse, New York. Biometric identification at an in-store kiosk activates customer-specific offers and, as Shannon Riordan says, “out come coupons and discounts that are truly targeted and meant for you. This is a purely loyalty-driven long-term customer retention program. It’s not about short-term promotions, or a shopper coming into your store to get the discounts at Thanksgiving-time, or giving away a four-dollar turkey.”

Usable “meant-for-you” data is what it’s all about, and technology can lead not only to more information for loyalty marketers, but also to better information. Giant Eagle stores, for example, utilize CRM data-validation technology from TARGUSinfo in its *Advantage Card* loyalty program signups. Customers sign up by giving their telephone numbers; TARGUSinfo bumps that telephone number against a database of 1.5 billion records to auto-populate the customer’s record with address information. This speeds signup, and assures that the next flyer the store sends to customers goes to addresses that actually exist.


As another example, the biometric identifier leads to better customer-specific transaction information. In a program using a loyalty card as the identifier, you can lend your card to a friend who buys a lot of yogurt even though you don’t; in a program using a phone number, the retailer can’t tell the difference between you and others who share the number—like your spouse, who may also have a taste for yogurt.

Yet, the technology has the potential of leading to a different danger: far too much information. The 2006 National Retail Federation Convention saw demonstration of the ability to track individual customers’ movements through the store by way of RFID-enabled loyalty cards. In a space where folks sometimes have difficulty capitalizing on the fact that a customer buys eggs religiously every week, tossing on information that said customer visits the produce, dairy and seafood sections in precisely that order seems a bit like overkill (though we wonder how the crab quiche turned out at home that night).

### **Return to center store**

And circling back to our icon: whither the real internet shopping cart? Groceries remain cautious about ecommerce. In the State of the Industry Report on Supermarket Technology, a mere 7 percent of respondents said they gave priority to online selling; a slightly-less-mere 11 percent indicated that online would be a 2006 priority. Top of mind to respondents for 2006 are POS systems, advertising/marketing/promotion systems and category management (all 42 percent); pricing management (40 percent); handheld tech (33 percent); self-checkout

(31 percent); and customer loyalty programs (29 percent). In those figures, we hear Jim Litwin's declaration echoing loudly: "It's all about operations--it always has been."

But the concentration on customer loyalty is on the increase, up slightly from 27 percent in 2005. Slowly, grocers are waking up. It's probably the squeaking of that wobbly wheel. 

***Bill Brohaugh is COLLOQUY Managing Editor. His research failed to uncover the one technological innovation he'd love to see: a checkout scanner that doubles the customer's bill as soon as item #13 is registered in the "12 Items or Less" lane. For COLLOQUY's overview of loyalty in the grocer space from Editorial Director Rick Ferguson, visit "[Lost in the Supermarket.](#)"***

***And, please let the grammar police add, it should be "12 Items or Fewer".***

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