

# H2020 WORK PROGRAMME

## D3.2 - CUSTOMER REWARD AND LOYALTY PROGRAM DEFINITION

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## TERMS, DEFINITIONS AND ABBREVIATED TERMS

TABLE OF ACRONYMS			
Acronym	Definition	Acronym	Definition
M	Month	EV	Electric vehicle
WP	Work package	ESCO	Energy service company
EU	European Union		
PV	Photovoltaic		

# 1 INTRODUCTION

## 1.1. Content and objectives of this report

This report (deliverable) is associated with WP3 (Strategies to connect with customers). The main objectives of the work package 3 are:

- To define strategies to awaken general public awareness about energy savings, environmental impact of the production of energy, among others.
- To define (in Task 3.2) and implement (in Task 3.4) the loyalty and reward program (including potentially web-platform and gamification strategies for supermarkets and their clients, which should be attractive and promote proactivity ideally by the supermarket management, the supermarket staff, local territory actors of interest, suppliers and shoppers.
- To set up advertising campaigns for stakeholder awareness about the energy savings in supermarkets and define strategies to influence relevant customer's groups to achieve a wide dissemination.

### **Task 3.2 Customer reward and loyalty program definition.**

The scope of this specific task is to understand how to connect to, engage and reward supermarket customers. The definition and implementation of the reward and loyalty program should be attractive and promoted proactively. Project partners have worked with the Pilots and other supermarkets to define a set of possible solutions based on ongoing loyalty programs and corporate sustainable strategies and aligning them with energy efficiency strategies.

### **D3.2 Customer reward and loyalty program definition**

This report starts by describing the main reward and loyalty programs currently ongoing in the pilot sites and, if relevant, in other contexts. Then, the report describes a range of possible innovative schemes that the supermarkets can undertake to involve the customers and to make them participate in energy efficiency projects.

## 2. Analysis on current ongoing loyalty programs

### 2.1 Loyalty programs

Loyalty programs are an effective tool used by companies in different sectors all over the world to engage their customers and build a strong relationship. The main rationale of a loyalty program is to reward the customer for its purchases with the final objective of building a loyalty relationship. Customer loyalty is appreciated by many companies<sup>1</sup>, and may represent an important valuable asset.

The various existing loyalty programs have been categorized by several authors in different periods, one of the most common categorizations is by Holz (1997) and Butscher (2002) in the following categories:

- **Book and music clubs:** a meanwhile increasingly outdated form of distribution used particularly by book and music catalogue retailers. Hereby, customers are lured into the “club” by special offers, upon which the new members are obliged to buy a specific number of products in a given period of time.
- **Fan clubs:** clubs initiated and often run by consumers themselves, such as fan clubs of a particular soccer team, car brand or actress.
- **Club companies:** clubs that do not serve as a marketing instrument for a company, but that form the actual basis of the organization (e.g. the American Automobile Association in the US).
- **Warehouse clubs:** a form of retailing where customers pay an annual fee for the club membership, enabling them to shop at the corresponding retail store, which usually offers no-frills settings and wholesale quantities for competitive prices (e.g. Costco or Sam’s Club in the US).
- **Rebate clubs:** clubs based entirely on price discounts, whereby the payment of the membership fee entitles customers to a specific rebate for a particular period of time (e.g. the BahnCard of Deutsche Bahn, the German railway company; one available variation of this card, the BahnCard 25, can at the time of writing be purchased for 57 EUR and entitles its owner to a discount of 25% on all railway tickets in second class purchased within a year).
- **Business-2-Business Clubs:** marketing instruments similar to regular customer loyalty schemes, but aimed at partners in B2B transactions.

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<sup>1</sup> *Do Rewards Really Create Loyalty?* (1995). <https://hbr.org/1995/05/do-rewards-really-create-loyalty>

Moreover, they further distinguish loyalty programs in:

- **Customer clubs:** the main characteristic of this type of club, which might also distribute cards as a sign of club membership, is supposed to be the lack of price discounts as well as a payment function of the card. Club benefits are thereby reduced to things like special service, a club magazine, invitations to special events, or an exclusive product selection available to members (e.g. the Family Club of the Swedish furniture retailer Ikea).
- **Customer cards:** according to these authors' definitions, customer cards, as opposed to customer clubs, are loyalty programs that offer price discounts and/or a payment function of the card. Particularly with regard to price discounts, this category could probably be called the classic loyalty scheme of today's business environment.
- **Frequency programs:** the single differentiating feature of this type of program is their foundation on the collection of some form of bonus points

As said, loyalty programs can be organized following different categories, mainly depending on the point of view from which are analysed. However, even if categorized differently some characteristics can be common to all the loyalty programs:

## B2C VS B2B

A key characteristic of a loyalty program is whether they are designed for business to customer engagement or business to business engagement. A B2C loyalty program is the traditional loyalty program offered by a company to its retail customers, who are also the final customers of the product's value chain. B2B loyalty programs are more rare to find, and have received less attention from academics, however their functioning mechanism is not so different than a B2C one. Retailers can engage in loyalty programs with their suppliers where on the basis of certain parameters can receive rebates or free demonstration units.

## Stand Alone vs shared vs coalition

Loyalty programs can be launched by a single company, stand alone, or by multiple actors with the role of partner of the company. Stone et al., (2004)<sup>2</sup> identify different ways, inside the borders of standalone and coalition, through which companies can operate loyalty programs:

- Solus: stand-alone programs;
- Shared: the main company lets customers collect points at a range of partner companies as well;
- Consortium: coalition schemes where an organization outside the circle of sponsors usually sets up and runs the program;

<sup>2</sup> Stone, M., Bearman, D., Butscher, S.A., Gilbert, D., Crick, P. & Moffett, T. (2004). The Effect of Retail Customer Loyalty Schemes – Detailed Measurement or Transforming Marketing? Journal for Targeting, Measurement and Analysis for Marketing, 12(3), 305-318.

However, managing the shared loyalty programs result to be more difficult than the other two modalities, due to the specific arrangements companies accept for sharing customers and programs.

### **Within sector vs across sectors**

This characteristic relates only to partnership schemes, shared or consortium. In this model companies can decide whether the participation is restricted only to companies of the same industry or open to outside participants. An example of coalition within the sector is easily represented by airline alliances, where different airlines share loyalty programs through which customers collect miles and exchange them for prizes. On the other hand, retailers often arrange loyalty programs with companies from other sectors, such as fuel stations or sporting goods.

### **Target group**

Loyalty programs are usually defined in order to address a target of customers, the main distinction to be made is obtained by answering at the following questions:

- Should the program target all or only a specific group of customers?
- Should the program target only existing clients or potential new customers as well?

The choice has to be properly driven by the output the company wants to achieve. If, for example, the goal is to obtain a detailed database of the current customer the campaign would have the biggest possible target. On the other hand, if the goal is to award top clients the best choice is to target the campaign to the existing customers.

### **Open vs closed**

Loyalty programs can be identified as open programs or closed programs. The main difference lies on how a new customer can join the program. Open programs welcome any customer to the program, while closed programs may require a financial commitment. Open programs are way more diffused and utilized by both companies and customers. However, closed programs may be able to create a much tighter relationship with the target group. Closed schemes are much suitable for the creation of personalized rewards on customer preferences<sup>3</sup>. These characteristics are harder to be found in an open loyalty program.

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<sup>3</sup>Hoffmann, Nicolas (2013) : Loyalty Schemes in Retailing: A Comparison of Stand-alone and Multi-partner Programs, Forschungsergebnisse der Wirtschaftsuniversität Wien, No. 61, ISBN 978-3-653-03515-5, Peter Lang International Academic Publishers, Frankfurt a. M., <http://dx.doi.org/10.3726/978-3-653-03515-5>



Butscher<sup>4</sup> summarized the characteristics for both modalities, open and closed:

Open programs are generally a better option for those companies that:

- possess little knowledge about their current and potential future customers
- prefer a rather general approach
- have a big, long-term budget at their disposal
- operate on unsegmented markets
- are set in consumer goods markets
- are retailing commodity products

On the other hand, closed programs are a better option for those companies that:

- primarily try to approach their top customers
- prefer a rather focused approach
- command a smaller budget
- operate in clearly segmented markets
- are not set in consumer goods markets
- have a relatively homogeneous target group

### 2.1.1. Value of data

Loyalty programs can bring manyfold commercial benefits for the company implementing it: increasing customers loyalty or attracting new customers are just quick examples of what can be achieved. A “side-benefit” of a loyalty program is the collection of data. Loyalty programs allow for highly detailed information on individual customers to be collected and thereby benefit various aspects of the company. Data collection mainly regards customer habits and purchase history. Data collection is performed with the loyalty cards, that when swiped at the counter link the customer's personal information and data (age, sex, etc.) with the items he is purchasing. The collected information enables the supermarket to access data on customer preferences and use them as a powerful dataset for performing forecasts and analysis. This is particularly important for supermarkets, as their customers purchase products much more frequently than other retail stores. Data access enables the company to a huge number of benefits, reported in the next paragraph.

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<sup>4</sup> Stone, M., Bearman, D., Butscher, S.A., Gilbert, D., Crick, P. & Moffett, T. (2004). The Effect of Retail Customer Loyalty Schemes – Detailed Measurement or Transforming Marketing? *Journal for Targeting, Measurement and Analysis for Marketing*, 12(3), 305-318.

## 2.1.2. Benefits and drawbacks of Loyalty programs

Benefits generated by loyalty programs are numerous and due to all the possible specific implementations they cannot be all listed. Indeed, the following list provides an extensive, but not complete, overview of the benefits. Benefits have been reported by Frisou and Hildiz<sup>5</sup> in two main categories, general benefits and benefits related to data collecting practices.

General benefits	Data collecting benefits
<p>Increase of:</p> <ul style="list-style-type: none"> <li>• purchase frequency</li> <li>• basket size</li> <li>• share of wallet</li> <li>• lifetime duration</li> <li>• trust</li> <li>• satisfaction</li> <li>• commitment</li> </ul> <p>Plus, the:</p> <ul style="list-style-type: none"> <li>• build-up of exit barriers</li> <li>• generation of positive word of mouth for the company</li> <li>• attraction of new customers through the program itself</li> <li>• decrease in price sensitivity among loyal customers</li> <li>• improvement of company, product, service, and brand image</li> <li>• formation of a means of competitive advantage</li> </ul>	<p>The ability to:</p> <ul style="list-style-type: none"> <li>• minimize wasteful marketing spending</li> <li>• mass customize marketing communication to maximize the impact of the corresponding marketing activity</li> <li>• identify customer segments with similar characteristics</li> <li>• engage in profitable customer acquisition by modelling expected customer potential</li> <li>• increase revenues through cross and up selling, based on a model of the customer's purchase likelihood of specific product sets or services</li> <li>• optimize store layout following a better understanding of purchase behaviour</li> <li>• promote follow-up products</li> <li>• reduce churn with predictive models that identify customers who are likely to stop patronizing the company in the future</li> <li>• identify customers who were recently lost and to reach them with an action plan aimed at bringing them back</li> <li>• identify the profitability of the company's customers</li> <li>• identify and track trends</li> <li>• make qualified changes to the range of goods or services on offer</li> <li>• measure and evaluate the effect of marketing campaigns in a better and more efficient manner</li> <li>• improve the success of a necessary product recall by directly addressing affected customers</li> </ul>

<sup>5</sup> Frisou, J. & Hildiz, H. (2011). Consumer Learning as a Determinant of a MultiPartner Loyalty Program's Effectiveness: A Behaviorist and Long-Term Perspective. *Journal of Retailing and Consumer Services*, 18(1), 81-91

- cheaply acquire new customers for new business areas developed by the company
- support business decisions of various kinds

Drawbacks of loyalty programs, proposed by Dowling and Uncles<sup>6</sup> and several other authors, share the same characteristics of the benefits.

### Potential Drawbacks

- Loyalty schemes merely bribe customers to patronize the company
- customers would prefer generally lower prices over a loyalty scheme
- loyalty programs are often easy to reproduce, eliminating any competitive advantage and leaving behind an industry with lower margins
- handling and analyzing all the data generated from such program is like drinking from a fire hose
- customers are concerned about privacy issues
- following an initially visible sales bump, it is difficult for the company to measure the ongoing success of the program
- common rewards worth around 0.5-3% of sales are not enough to sway customer behaviour
- once the loyalty program is started, the company will be committed, as it is extremely difficult to take it away from customers
- in most programs where customers accrue points, it takes them far too long to achieve a desirable reward
- customers often hold multiple cards from competing firms, allowing them to engage in cherry picking
- competing loyalty schemes are often similarly structured, resulting in too little differentiation to be effective in a competitive setting
- customers' wallet space is limited, making it impossible to carry a membership card of every store around all the times
- A good part of the rewards goes to customers who were already loyal to the company in the past and would have remained loyal even without the program

For both benefits and drawbacks, several voices have been questioned many times by different authors. Questions arose on the appropriateness of considering certain factors merely as benefits or drawbacks due to the multiple results that can be obtained. Since loyalty campaigns are not a scientific predictive tool based on solid mechanisms, it may happen that the same mechanism expresses different performances.

<sup>6</sup> Dowling & Uncles 1997, Passingham 1998, Wright & Sparks 1999, Parker & Worthington 2000, Dowling 2002, Berman 2006, Leenheer et al. 2007, Meyer-Waarden 2007, Humby et al. 2008, Lacey 2009, Cedrola & Memmo 2010

## 2.2 Fast moving consumer goods loyalty programs in Europe

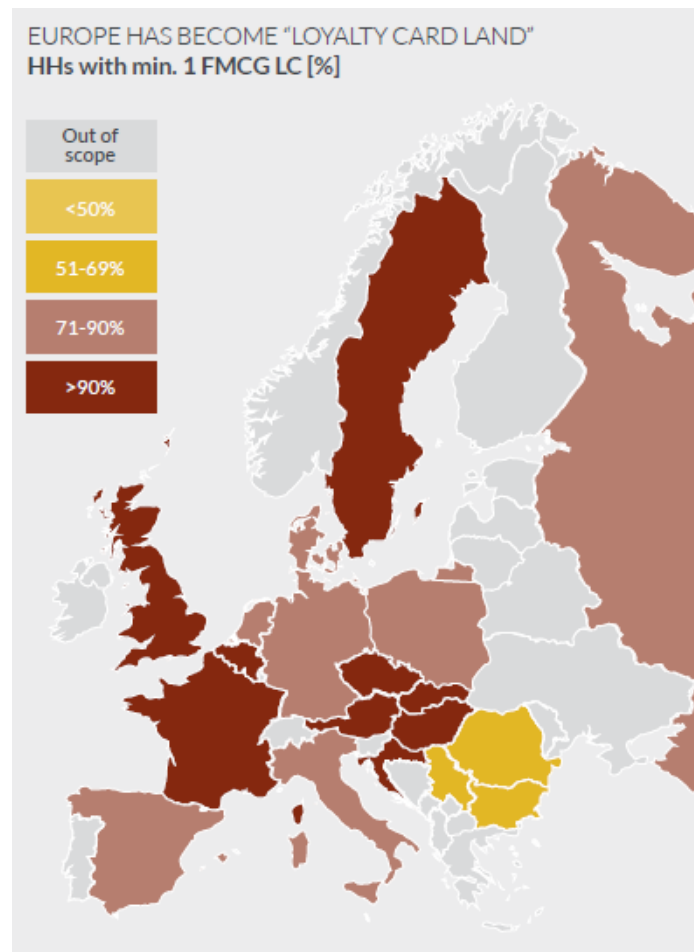


Figure 1 Loyalty cards in Europe. Source: Household panel from resp. countries;

In Europe, the most common form of loyalty program is based on loyalty cards. Loyalty program cards share the main characteristics with general loyalty programs as they reward customers and encourage higher spending.<sup>7</sup>

<sup>7</sup> An inventory of FMCG loyalty card programs in Europe. (2020). <https://www.gfk.com/blog/2020/04/how-to-keep-shoppers-in-fmcg-loyalty-card-programs-in-europe>

Loyalty cards are based on three pillars:

- They require some sort of registration, which is needed to define the customer profile;
- They track an individual's shopping history;
- They are a channel for personal communication.

Different Countries have developed different customer preferences reflected in how loyalty programs are designed and implemented. For example, in Germany the multi partner loyalty campaigns comprehend a higher number of shop categories compared to other categories. In Italy and Spain, where Super Heero focuses loyalty campaigns are generally based on loyalty cards issued by single actor (supermarkets or other shops).

Moreover, loyalty cards have different penetration rates across European countries, as depicted in figure 2:

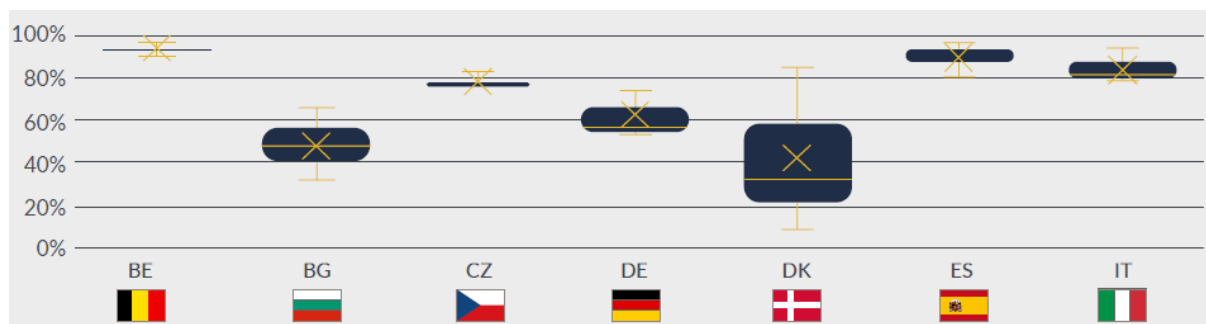


Figure 2 Penetration rates of loyalty cards, Source: Growth from knowledge.

## 2.3 Loyalty programs in Italy

In Italy, the 53%<sup>8</sup> of the companies feature a loyalty program, with the majority of programs active in the B2C scheme compared to B2B.

Out of those 53% of companies with an active loyalty program, only 76% of them measure the effectiveness of their programs, which however is showing improvements compared to previous years. One of the ways to measure the positive effect of a loyalty program is to evaluate its activity rate, measuring the percentage of active customers over the total number of customers participating in the program. Another effective parameter that is used for measuring the performance of a loyalty program is the covered turnover, that consists in the percentage of turnover traceable to customers

<sup>8</sup> LA FIDELIZZAZIONE IN ITALIA TRA PROGRAMMI FEDELITÀ E PERSONALIZZAZIONE DELLA CUSTOMER EXPERIENCE. (2020). <https://www.osservatoriofedelta.it/workspace/uploads/la-fidelizzazione-in-italia-white-paper-of-2020.pdf>

participating in loyalty programs. Italian large-scale retail companies perform greatly according to the covered turnover indicator, showing a mean of 79%<sup>9</sup> where the best in class is able to manage a result of 96%<sup>10</sup>.

The most common form of loyalty program in Italy for large-scale retail companies is based on loyalty cards. In 2019, more than 22 million active loyalty cards were active. Figure 3 depicts the diffusion of loyalty cards among supermarket chains (not named).

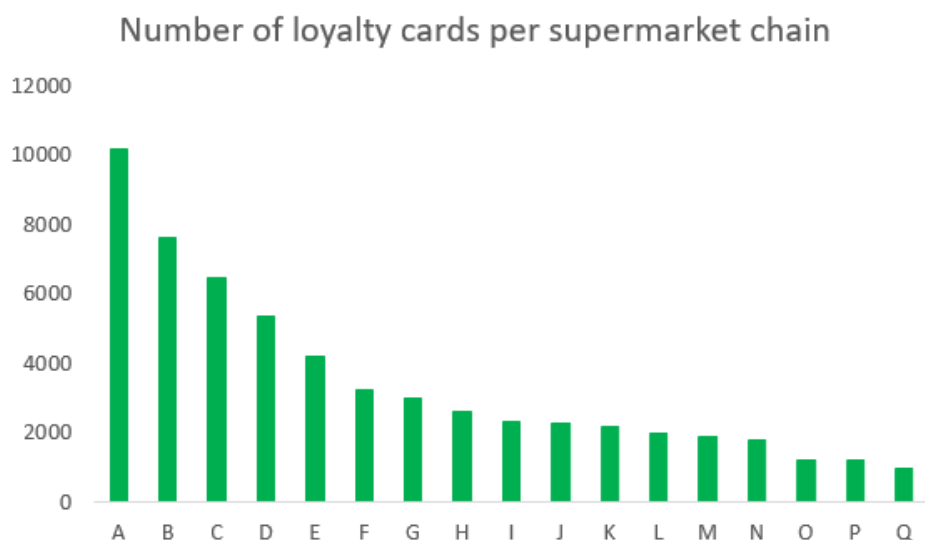


Figure 3: Number of loyalty cards per supermarket chain in Italy. Data in thousands. Source: osservatorio fedeltà.

65% of Italian companies personalize their communication regarding loyalty programs while only 57% manage to personalize the loyalty program offer and only 1 out of 5 companies have the capability to tailor rewards for specific customer needs<sup>11</sup>.

Supermarkets are nowadays combining the classical model of the loyalty cards with innovative models based on information technology potential. Loyalty cards are now integrated in ad hoc proprietary applications and may offer specific rewards tailored on the customer requirements.

For example, one of the supermarkets involved in the SuperHeero project, Lidl Italia, has recently launched a completely online loyalty card activatable through their own app Lidl Plus. By activating the card customers can benefit from special discounts dedicated only to Lidl Plus customers.

<sup>9</sup> LA FIDELIZZAZIONE IN ITALIA TRA PROGRAMMI FEDELTA' E PERSONALIZZAZIONE DELLA CUSTOMER EXPERIENCE. (2020). <https://www.osservatoriofedelta.it/workspace/uploads/la-fidelizzazione-in-italia-white-paper-of-2020.pdf>

<sup>10</sup> LA FIDELIZZAZIONE IN ITALIA TRA PROGRAMMI FEDELTA' E PERSONALIZZAZIONE DELLA CUSTOMER EXPERIENCE. (2020). <https://www.osservatoriofedelta.it/workspace/uploads/la-fidelizzazione-in-italia-white-paper-of-2020.pdf>

<sup>11</sup> LA FIDELIZZAZIONE IN ITALIA TRA PROGRAMMI FEDELTA' E PERSONALIZZAZIONE DELLA CUSTOMER EXPERIENCE. (2020). <https://www.osservatoriofedelta.it/workspace/uploads/la-fidelizzazione-in-italia-white-paper-of-2020.pdf>

Moreover, Lidl Plus customers also have the possibility to receive coupons as a reward of the “Cancella e Vinci” contest.

Several other supermarket chains are now moving from physical loyalty cards to electronic one with different degrees of integration among the two. Aspiag Services, for example, has a loyalty card program very similar to that of Lidl. Customers can, through the dedicated app, activate tailored discounts and join the restricted group of customers defined as “Tribù”.

Investment in loyalty programs from Italian companies are on average of 1%<sup>12</sup> of turnover. Considering that many of these brands have multi-billion-euro turnover, this is not an insignificant number (tens of million euro).

## 2.4 Loyalty programs in Spain

On average, Spanish consumers participate in loyalty programs mainly in three different sectors, Hypermarkets and Supermarkets being the sector that attracts the most consumers to their loyalty program, followed by Service and Distribution Stations (brands such as Ikea, Decathlon, Fnac, Leroy Merlin...). For its part, land transport (car, bus and train rental) is the sector that has the least concentration of participants in its loyalty programs.

According to a new research from the global market research and market information group Kantar, “Uses, evolution and tendencies in fidelization strategies”,<sup>13</sup> fidelization has recently become an essential part of any marketing and brand’s strategy which is based more on satisfaction than on retention. There has been a big change, mainly caused by the possibility to establish a direct relationship with the consumer, facilitated by technology, apps and the consequent diversification of communication channels, all adopting a client centric approach.

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<sup>12</sup> LA FIDELIZZAZIONE IN ITALIA TRA PROGRAMMI FEDELTA' E PERSONALIZZAZIONE DELLA CUSTOMER EXPERIENCE. (2020). <https://www.osservatoriofedelta.it/workspace/uploads/la-fidelizzazione-in-italia-white-paper-of-2020.pdf>

<sup>13</sup> Report “Usos, evolución y tendencias en estrategias de fidelización” (2020) [https://www.esic.edu/pdf/ESIC\\_Inloyalty\\_Usos\\_evolucion\\_y\\_tendencias\\_en\\_estrategias\\_de\\_fidelizacion.pdf](https://www.esic.edu/pdf/ESIC_Inloyalty_Usos_evolucion_y_tendencias_en_estrategias_de_fidelizacion.pdf)



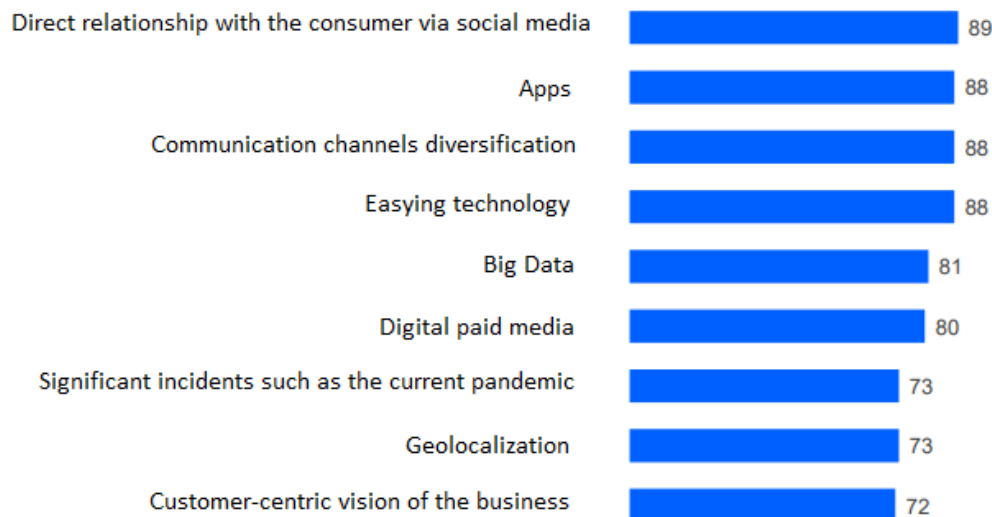


Figure 4 Fidelization channels. Source: Report “Usos, evolución y tendencias en estrategias de fidelización”

The research carried out interviews and focus groups with directors, strategy managers and fidelization managers, as well as with consumers and users. When asked about the key elements affecting fidelization strategies and making them evolve, most of them appointed at the direct relationship with the consumer established via social media, the impact of applications development and the diversification of the communication channels that can be used. Some key elements of current successful marketing campaigns are:

- The proximity (listening to the customers, interacting with them personalising the messages and creating a habit in their day to day).
- Control and convenience (analysis of the customer journey, removal of pain points, digitization in the sense of making the shopping easier and quicker).
- Surprise (have unexpected gestures and stimulate the consumer to create “wow moments”).
- Ethic (make the consumer feel they are collaborating with brands that defend and support social and environmental causes and thus, that they are part of those actions).

Marketing experts seem to be moving away from focusing loyalty strategies on prices, discounts and points, although they undoubtedly recognize their importance to acquire customers. It is indisputable that the consumer values the price, the points, the prizes, the gift cards, especially in a context of crisis, but it is debatable whether this generates strong links between the brand and the customer. These systems are undergoing a transformation to adapt to today and create powerful links. They must be:

- easy
- immediate, integrated within the purchase chain
- digital



- transparent
- ideally integrated or related to the product or service
- gamification or scoring is a new version of the points format



Figure 5 Fidelization channels. Source: Report “Usos, evolución y tendencias en estrategias de fidelización”

Consumers identified occasional promotions and discounts, as well as loyalty programmes based on discounts/coupons/cashback or on points as their most preferred actions.

## 2.5 Reward mechanism of loyalty programs

Reward mechanisms are the core of loyalty programs, they can define the success or the failure of the overall campaign and sometimes are valued even more by non customers than by actual customers<sup>14</sup>. Deciding the reward mechanism, from the point of view of the promoting company, is a trade-off between what customers want and what the company can provide at a reasonable cost.

The customer perspective seen from O'Brien and Jones<sup>15</sup> contemplates 5 key elements:

- Cash value: is the value of the reward in percent of the spending amount necessary to achieve the reward;
- Choice of redemption options: is the variety of rewards a customer can choose from, meaning the possibility to choose the reward from a big selection of possibilities;
- Aspirational value: represents the desirability of the reward;
- Relevance: is the ability of a program to be valuable to a customer in the first place;
- Convenience: is the scheme's ease of use;

Further definitions and representations have been made by different authors trying to assess results of loyalty programs from the satisfaction of customers.

### 2.1.3. Tangible vs Intangible reward

Rewards are generally of two kinds: the tangible rewards, also called "hard", and the intangible rewards, also called "soft". The first category is composed of all the financial and other tangible rewards, while the second comprehends all the emotional and physiological benefits.

Hard rewards are easier to identify and evaluate: things like coupons, discounts, prizes, free products, access to airport lounges or similar places. Soft rewards are instead more difficult to identify, as they may be referred to actions that enable a "badge effect" that is the psychological benefit of receiving a special treatment or a special status<sup>16</sup>. Moreover, soft rewards are usually coming with hard rewards of different kinds, in a sort of bundle package.

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<sup>14</sup> Lara, P.R. & De Madariaga, J.G. (2007). The Importance of Rewards in the Management of Multisponsor Loyalty Programmes. *Journal of Database Marketing and Customer Strategy Management*, 15(1), 37-48.

<sup>15</sup> O'Brien, L. & Jones, C. (1995). Do Rewards Really Create Loyalty? *Harvard Business Review*, 73(3), 75-82.

<sup>16</sup> Reinartz, W.J. & Kumar, V. (2003). The Impact of Customer Relationship Characteristics on Profitable Lifetime Duration. *Journal of Marketing*, 67(1), 77-99.

Table 1 Classification of rewards type. Source: Lang.

Category	Type	Examples
Tangible / Financial Rewards		Price promotions available to members, electronic coupons, money-off vouchers
	Utilitarian	Products or vouchers for products catering to basic needs (e.g. basic household, personal, or food items)
	Amusement/Luxury	Airline tickets, theater tickets, jewelry, an evening at a high-end restaurant
Intangible	Service	Special hotline, exclusive check-out line at the supermarket, preferential treatment, late hotel check-out, airport lounge access, payment function of the card
	Information	Early notice of upcoming promotions, customer magazine giving background information on products and services
	Social	The psychological benefit of receiving special treatment (the "badge effect"), sense of belonging, feeling of participation
	Charity	Support of disadvantaged third parties such as the donation of accumulated points to an NGO
	Environment	Support benefiting the environment such as the donation of points to green projects

#### 2.1.4. Firm related vs non-firm related rewards

Rewards can belong to two main groups: rewards linked to products or services supplied by the firm itself (i.e. extra products, discounts, etc.) or supplied by other firms (i.e. third-party products or services). Virtually there can be a third group, made by a mix of both. The firm's choice about the type of reward to give to their customers strongly depends on the industry characteristics and their commercial strategies, as well as on their relationships with third parties and several other parameters.

Examples are numerous: Alì, a supermarket chain involved in the SuperHeero project, has a wide range of rewards available for their customers. Customers can select prizes from a catalogue on the basis of the points collected through their shopping. Prizes of many different types are supplied by several firms, outlining the case of completely non-firm related rewards.

On the other hand, LIDL provides to its customers only firm-related rewards, in the form of special tiered discounts on their products.

## 2.6 Loyalty programs of SuperHeero supermarket partners

Several supermarkets have been involved in the SuperHeero project in both Italy and Spain. In Italy, interviews have been conducted with Lidl, Aspiag, Alì and NaturaSì. In Spain, with Dia and Coviran. Moreover, even other supermarkets' loyalty schemes have been analysed, enriching the sample.

The general logic behind loyalty programs of supermarkets is generally similar for every player of the sector, however each one tailors its program on the basis of what the program wants to achieve and which class of customers they want to address. In the following paragraph the different loyalty programs of the supermarket will be briefly analysed.

One of the most used parameters to evaluate and compare loyalty programs is the cash value of the program. The cash value of a loyalty program is the ratio between the money the customer has to commit and the monetary value of the reward.

$$\text{Cash value} = \frac{\text{Cash committed by the customer}}{\text{Value of the reward}}$$

### 2.1.5. Aspiag Services

Aspiag Services is a company managing supermarkets, active in the north east of Italy under different brands: Despar, Eurospar and Interspar. The loyalty program run by Aspiag in its stores is known under the name of “Despar Tribù”. Despar Tribù is a free community that allows customers to collect points, called “Punti Cuore”. Customers can turn their points into special coupons.

Punti Cuore can be collected in three different ways:

1. General purchasing in the stores;
2. Purchasing of sponsor products;
3. Through participation to in-app games;

Customers can collect Punti Cuore when shopping in one of the Aspiag stores, and receive points on the basis of a certain conversion method. For every entire euro spent, the supermarket allocates 15 points. For a total bill of 10€ the customer receives 150 Punti Cuore.

Specific products are periodically assigned to be eligible for distributing Punti Cuore. These products are properly advertised and customers can opt for these products for collecting extra points.

Finally, customers can collect Punti Cuore by playing games through the dedicated app, “Despar Tribù”. This activity is part of the gamification strategy undertaken by Aspiag.

The cash value can be only partially computed, as sponsor products and in-app games enhance the collection of points, increasing the actual cash value of the program. However, just by basing the calculation on the general purchasing source the following outcome is obtained.

Aspiag declares that customers can exchange points with coupons at the following “exchange rate”:

- 2000 Punti Cuore can provide a 2€ coupon;
- 5000 Punti Cuore can provide a 5€ coupon;
- 8000 Punti Cuore can provide a 8€ coupon;
- 15000 Punti Cuore can provide a 18€ coupon;

At the proposed exchange rates, the cash value of the Despar Tribù loyalty program varies from 1,5% to 1,81%, meaning that, at 1,81%, for every euro spent by the customers the supermarket manages to



give back 0,018€. Aspiag however also runs side loyalty programs where customers can collect physical stamps and obtain dedicated rewards, usually products provided by third-parties. These campaigns are usually temporary and last for a short time (2 to 3 months).

#### 2.1.6. Ali

Ali is an Italian supermarket active in the Veneto Region and in some provinces in Emilia Romagna under two different brands: Ali and Aliper. The loyalty program run by Ali, called “PremiAli” is based on its loyalty card and the collection of points for which a vast catalog of awards is arranged every year. Every customer can request a loyalty card free of charge. Cardholders can not only collect points but also benefit from reserved discounts immediately at the counters. Points can be collected only through shopping activity. Ali offers customers 1 point for every euro spent after the first 5 euros of the bill. Meaning that if the total bill sums at 8€, the supermarket awards 3 points ( $8-5=3$ ). Moreover, points can be collected by purchasing specifically advertised sponsor products.

Computing the cash value is difficult, due to the rich catalogue of prizes that Ali offers to its customers. The offered prizes are mainly non-firm related, including also the possibility to donate points to no-profit associations. The cash value has been calculated taking as reference the voucher that can be spent in one of the Ali stores. The voucher has a value of 25€ and can be awarded in exchange for 2000 points. The proposed calculation obtains a cash value of 1,25%.

Moreover, Ali offers also the possibility to donate points to no-profit associations: in that case, the cash value is equal to 1%, but Ali doubles every donation. So, if a customer decides to donate 100 points to an association, the donation will be equal to 1 € and Ali will double the donation carrying it to 2€.



Parallel to its traditional loyalty program Ali has introduced the “Punti Natura” points. Punti Natura can be collected by customers by purchasing specific products properly advertised. Once collected points can be exchanged for planting a tree. A new tree is planted every 500 points collected.

### 2.1.7. Conad

Conad is a cooperative supermarket with stores all over Italy, representing the largest organization of independent retail entrepreneurs present in the country. Conad's loyalty program is called "miPREMIO" and allows customers to collect points through a free fidelity card. Points can only be collected by customers through purchasing: for every euro spent, one point is awarded. Moreover, on Saturday and Sunday points collection is doubled and tripled. Points can be used by customers to obtain different awards from the catalogue. Cash value of the loyalty program is then not easy to calculate; however, as in the case of Ali, the value of the voucher can be used as reference. Conad offers a voucher of 5€ in exchange for 500 points, making its cash value equal to 1%.



### 2.1.8. NaturaSì

NaturaSì is an Italian supermarket active all over Italy with different stores. NaturaSì is focused on organic and natural products, produced by local farmers. Average size of its shops is smaller than the usual supermarket and often located in city centres.

NaturaSì loyalty program, called "Programma Fedeltà NaturaSì" is based on a fidelity card, called "Community Card" free of subscription fees. Through the card, customers can collect points that are periodically transformed in purchasing vouchers. Points are collected by customers through their purchases: for every euro spent the customer receives 1 point. Points are automatically transformed into NaturaSì vouchers every 3 months. Points are transformed into vouchers at the following exchange rate:

- 90 points = 5€
- 300 points = 10€
- 600 points = 25€
- 900 points = 40€
- 1500 points = 70€



At the presented rates, the cash value of the loyalty is definitely the highest among the supermarket's partners. Cash value averages at 4%.



### 2.1.9. Lidl

Lidl is a German based supermarket active all over Europe and with stores in all Italian regions. Lidl has activated an electronic-only fidelity card through its proprietary app. The fidelity program is called Lidl Plus and includes several aspects of the customer experience. It allows customers to keep track of past purchases and related receipts. Customers have access to dedicated discounted prices and through the app they can activate weekly coupons dedicated to specific products.

Unlike the other supermarkets, it is not possible to compute the cash value of the loyalty program. However, Lidl also runs side programs, for example the initiative “TI FA BENE” which gives customers the possibility to randomly win vouchers at the cashier desk.

An interesting initiative performed by Lidl actively involves its customers in rating the stores and offers to the participants the possibility to win vouchers up to the value of 50€. In this case customers are not rewarded for their loyalty but for their willingness to participate in providing Lidl feedback and potentially improve the stores.



### 2.1.10. Grupo Día

The main feature of Grupo Dia’s loyalty program lies in the Club Dia Card, which provides personalised discount coupons adapted to the products that each consumer often purchases. These discounts can reach up to 50%. It also offers special prices on some specific products, and it does it all through its online app. With Club Dia, customers do not get the typical redeemable points, they directly receive a monetary discount on their purchases. Likewise, Dia Club Members enjoy more than 250 items at discounted prices only for them when doing their shopping. The app allows the possibility to manage all the sections of the loyalty card, to get purchase vouchers and manage coupons. In this way, the members have full control over their purchases and payments. In addition, they can share these services with their family and friends who are also Club Dia users.



**Cupones descuento exclusivos**



**Tu tarjeta CLUB Día en tu móvil**

### 2.1.11. Grupo Covirán

Grupo Covirán is a cooperative distribution company. Because of its cooperative model, each supermarket unit is owned by different people and thus, they may apply different loyalty programmes. Nevertheless, there is one loyalty programme to which many stores have adhered to called “Club Familia Coviran”. It consists of a loyalty card through which consumers will accumulate 1% of their shopping and, every three months, they will receive it back as a discount check. Moreover, there are special offers and discounts only applicable to frequent consumers and loyalty card members.



## 2.7 Loyalty programs of other supermarkets

Among Italian supermarkets, one of the best performing is Esselunga. Esselunga is an Italian brand mainly established in the area of Lombardy and other neighbouring northern regions. Esselunga has a long history of loyalty programs and competitions with prizes dating back to 1961 when for the first time they gave away 5 Fiat 600. During its whole history Esselunga has kept this initiative of providing to participants cars as prizes for the competition: in 2015 it gave away 1000 models of Smart Forfour and in 2017 1.500 models of Fiat 500.

Esselunga’s main loyalty program is called “FIDATY”, based on loyalty cards and divided into three categories: “FIDATY CARD - FIDATY GOLD - FIDATY PLUS”.

FIDATY CARD	FIDATY GOLD	FIDATY PLUS
Free of charge	Free of charges	23 € per year
Fidelity card	Credit line on Esselunga stores and others	Mastercard credit card
2 points for every euro of expenditures after the first 5€	2 points for every 0,90€ of expenditures after the first 5€	2 points for every 0,90€ of expenditures after the first 5€
cash value = 1,79%	cash value = 1,99%	cash value = 1,99%

Points can be collected in the different brand stores of Esselunga, and also in stores of partners of the program making it a shared loyalty program.

Once collected points can be used for different purposes:

- Choose a prize from a catalogue;
- Exchange points for a 27€ voucher usable in Esselunga stores;
- Exchange points for a voucher usable in stores of Esselunga's partners;
- Exchange points for a donation to no-profit organizations and associations;

By using as reference, the voucher usable in Esselunga store we can compute an approximate cash value of the loyalty program. The voucher of 27€ can be obtained in exchange for 3,000 FIDATY points. In the case of a standard subscription customers can collect the 3,000 points with expenditures of 1.505€. In this case the cash value,  $27\text{€}/1,505\text{€}$  will be equal to 1.79%. Instead, in the case of "gold" and "plus" loyalty programs the cash value will be equal to  $27\text{€}/1,355\text{€} = 1.99\%$  providing customers higher benefits.

Moreover, when customers choose to donate their points to non-profit organizations or associations, the cash value is increased to 4%.

In parallel to this main loyalty campaign, Esselunga runs occasional campaigns where customers can collect dedicated points for dedicated awards

In the case of Spain, the Carrefour supermarket chain, with 7.8 million members, is the largest customer program in Spanish distribution. The company has started an intense affiliation campaign with which it expects to reach 9 million in 2022.<sup>17</sup> The objective is to create a fully personalized community, offering promotions, personalized discounts and accumulation of money for future purchases, depending on consumption habits, among others.

The company returns 1% to the customer on food and drugstore purchases, 8% discounts at the company's gas stations and together with partners such as Iberdrola, Cepsa, EDP and Alain Afflelou.

<sup>17</sup> <https://revistamercados.com/el-ahorro-es-la-prioridad-para-los-consumidores-de-carrefour/>

Carrefour offers discounts equivalent to VAT on purchases of all fresh products to young people, large families and people over 65 years of age. All this means an annual saving of 600 euros for each member of The Club.

The analysed loyalty schemes even if different among each other highlight how the same rationale is being exploited in order to increase loyalty in customers. Supermarkets camouflage these schemes as based on purchases and rewards, while the underlying flux is just a monetary flux. By translating purchases and rewards in monetary value it is possible to replicate these schemes and their rationale for different purposes or projects.

### 3. Loyalty programs and Super Heero initiatives

As explained in Deliverable D1.4, energy efficiency retrofit in a supermarket can be funded through crowdfunding schemes. Among the different models proposed there, some included a financial reward, such as the lending- and equity-based crowdfunding models, while others may include a tangible but non-financial reward. Given the loyalty programs peculiarities of the supermarkets as shown in Paragraph 2, a common strategy could be implemented using the loyalty programs points. Customers can be rewarded through loyalty points in different ways: it is up to the supermarket to identify the correct reward strategy to implement, according to their corporate and marketing strategy. However, two preliminary and hypothetical analyses are conducted here based on a standard scenario. The first analysis is referred to an energy efficiency retrofit intervention undertaken by the supermarket in its own building, while the other analysis is referred to an energy efficiency intervention undertaken by the supermarket in a third-party building in a donation-based scheme (likely public buildings or buildings owned by non-profit organizations).

Then, on a wider scale, the SuperHeero initiatives could also be linked to the supermarkets loyalty programs also for other types of initiatives, that can be related to the corporate social and environmental responsibility policies, such as: information and communication campaigns on energy efficiency and sustainability (as discussed in Deliverable D3.1); capacity building and dissemination activities; the creation of a community with the involvement of customers, also through gamification; joint sustainability projects with other supermarkets/companies.

The following paragraphs show some preliminary ideas about how the Super-Heero initiatives could be linked to the supermarket loyalty programs. These ideas will be then further explored and assessed in detail in Task 3.3 “Advertising campaign and customers' groups networking implementation at Pilot Sites”.

## 3.1 Crowdfunding for energy efficiency

### 3.1.1. Equity- vs Lending-based crowdfunding

As presented in D1.4, different crowdfunding options are available, but not all are suitable for the promotion of energy efficiency projects related to supermarket buildings. Several meetings have been held with supermarkets' marketing department and Corporate Social Responsibility department with the goal to understand which crowdfunding model could be most suitable for funding energy efficiency projects in supermarkets and actively engaging customers.

Equity-based crowdfunding can be considered as a suitable model for making projects, but not to engage customers and increase loyalty. In fact, this possibility requires investors to make a long-term commitment on an uncertain outcome. Usually, the proponent is a newly created entity, a startup, active in a very innovative and uncertain market. These intrinsic characteristics require a long-lasting commitment in the project, and create uncertainty over the expected results of the investment. Moreover, the proponent has to share the ownership of the company, which may not be ideal and overall profitable. Such characteristics increase the risk of the investment, making it less attractive to risk-averse investors, but more attractive to rising innovative market enthusiasts. Such description seems not in line with a classic retrofit intervention, where duration and risks are identified.

As an example, NaturaSi has launched an equity crowdfunding campaign, in depth presented in D1.4, called "SiRicarica", for the installation of E.V. charging points in the parking lots of their stores. However, even though the object of the campaign is strictly related to NaturaSi, the supermarket did not sponsor the campaign, keeping it always precisely separate from their core business. As reported before, the risk of such initiatives is higher compared to lending crowdfunding, and supermarkets may not want to figure as promoters of such risky investments. This way, investors are sought only among the typical users of equity crowdfunding platforms, who are more open to financing this kind of project.

On the other hand, lending-based seems to be a more suitable crowdfunding model for promoting supermarket's energy efficiency projects, also toward the customers. In fact, lending-based crowdfunding foresees the financing of a specific investment project, where cash flows for the investor can be defined easier and, most of all, are usually independent from the technical performance of the investment itself. Lending-based crowdfunding is in fact a form of debt for the project promoter and the remuneration depends on the capacity of the borrower to pay back the loan. In general, supermarkets are medium to large companies with good reliability and creditworthiness and this should encourage investors to subscribe to crowdfunding campaigns. However, no initiatives of this kind seem to be promoted by supermarkets.

As an example, Carrefour kept the same conduct of NaturaSi when a crowdfunding campaign for the replacement of the ventilation system in one of its stores took place. In this case the crowdfunding

campaign was lending-based and was placed in one of the most important Italian energy crowdfunding platforms, ENER2CROWD. In this case the campaign on the crowdfunding platform was not even launched by Carrefour but by the ESCo in charge of the installation and operation of the new equipment.

This evidence highlights a common character of reluctance in the supermarket behaviour when it comes to openly sponsored and advertising these crowdfunding projects related to their own facilities. Such behaviour is in line with the evidence from the meetings and interviews with the supermarkets involved in the SuperHeero project, who have admitted their willingness to keep a separation between their core business and side projects, especially when it comes to sponsor investment opportunities among their customers. This is basically not in line with their corporate image and strategy, as it could be seen, from the customer perspective, as a way to ask them for money to finance the supermarket.

### 3.1.2. Leveraging on crowdfunding to involve customers

Even though crowdfunding initiatives in their classical scheme and on a stand-alone basis may not be common among supermarkets, leveraging on crowdfunding in an innovative way could represent the key to connect with customers and increase loyalty. In other terms, the crowdfunding campaign should not be seen as a way to raise capital for the investment, but as an additional opportunity with special reward to be provided to the customers.

One option could be the integration between a lending-based crowdfunding campaign and the supermarket loyalty program. As an example, if a customer of the supermarket, holder of a loyalty card, decides to invest in the crowdfunding campaign promoted by the supermarket, he may receive an extra return on the investment or extra rewards from the supermarket (in the form of extra loyalty points, discounts, etc.).

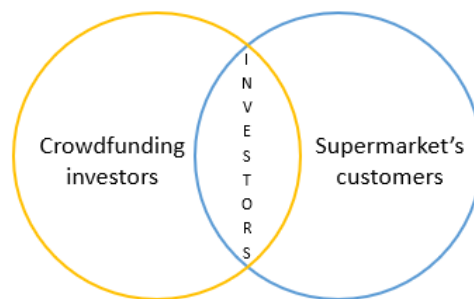
This is particularly true in the case of large supermarket chains that likely need no funding for financing the energy efficiency intervention and can thus share a large part of the benefits with their customers. Their goal would rather be to create a tight relationship with the customers and to start a project together, offering them the opportunity to get a high return on the investment.

This is the approach followed by two large utilities in Italy, namely ENEL Green Power and Falck Renewables, who launched a lending-based crowdfunding campaign for the realization of large photovoltaic plants. These campaigns, launched on the Ener2Crowd platform, were restricted for a first time period to investors resident in the area where the investment was supposed to be made, offering them an additional interest rate. The minimum collection target for the campaigns was €100,000 that represents a very small part of the multi-million overall investment project. Of course, the main objective of the campaign was not to raise money for the investment, but to involve the

citizens and the local community in the renewable energy projects, offering them an investment opportunity with a very high interest rate compared to the market.

Supermarkets could follow this example and involve their customers in the crowdfunding campaigns to offer them an opportunity for a green investment with an interesting return and/or reward. So, this could be promoted by the supermarkets with a double value proposition:

1. The promotion of an energy renovation or renewable energy investment, in line with the corporate social and environmental responsibility objectives;
2. The opportunity for the customers of the supermarket to benefit from a special reward or dedicated higher interest rate on a safe investment.



*Figure 6 Customers and investors intersection.*

**As example, consider the following scenario:**

An investor decides to invest in a lending-based crowdfunding campaign launched by a supermarket in a crowdfunding platform. The investor goes on the website, analyses all the relevant documentation and decides to invest € 1,000. The campaign has a duration of 24 months and pays an annual interest of 3.5%. The investors will then receive € 70 of interests and the reimbursement of €1,000. Under the proposed initiative, if the investor is a member of the supermarket loyalty program, he can have the possibility to receive an extra interest of 0.5%. Meaning that with the same investment of € 1,000 the interests gained by the investor over the 24 months will be equal to € 80, meaning €10 more than the previous case. Not only extra economic return, but also specific returns in terms of dedicated discounts and special offers.

Moreover, another possibility to involve supermarket customers and investors can be applied in the case of equity crowdfunding campaigns. In this scheme the supermarket can create incentives for investors to participate in the loyalty program and vice versa. The main possibility is to provide investors with an active participation in the supermarket loyalty program with an extra return, in terms of loyalty points, for a certain amount of time. For example, an investor can be entitled to receive double loyalty points for 6 months or a year as reward for its commitment in the equity crowdfunding campaign. The actual feasibility of these schemes and the way this can be implemented by the supermarkets and promoted among the customers should be further explored with the supermarkets.



### 3.1.3. Promoting a project on a crowdfunding platform

Solid foundation for reaching the goal to effectively promote the crowdfunding investment among the customers is represented by the choice of the right crowdfunding tool that will enable the capital collection. Nowadays, there are many crowdfunding platforms available in the market offering different investment opportunities, targeting different investors. So, to promote an energy efficiency or renewable energy project, it's important for the supermarket to choose the best platform where to upload the projects, considering pros and cons of each option.

Different possibilities appear reasonable and feasible, but in this context, we identified 3 main scenarios.

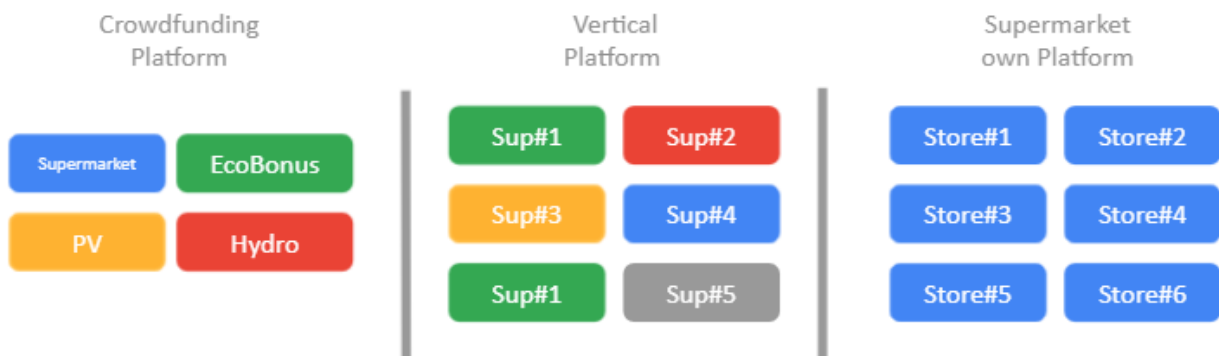


Figure 7 Platform possibilities

In the first scenario, we consider a generic, existing energy crowdfunding platform in which a supermarket can promote and launch a project dedicated to energy efficiency. In this case, the supermarket project will be positioned in the same marketplace of different projects not related to supermarkets. This possibility is always open and possible for every supermarket. Energy crowdfunding platforms active in Europe and Italy can easily accept and promote energy efficiency projects related to supermarkets. However, through this model it is difficult to establish a tighter relationship with customers and enhance their value.

In a second scenario, we consider a specific vertical platform dedicated only to energy efficiency projects promoted by supermarkets. In this case, the platform can be a stand-alone solution or a sort of "white label" platform, engineered and run by other crowdfunding platforms. As crowdfunding players are currently doing for big firms (see Enel Green Power and Falck Renewables). Through this solution supermarkets will have the possibility to launch their projects in an ad hoc solution, active only for the promotion of energy efficiency projects in supermarkets. So, different supermarkets will be able to launch crowdfunding campaigns on the platform, collect funds and tighten their relationships with their customers. However, this dedicated platform risks creating too much

fragmentation in a niche market, and not being able to reach a relevant size, and number of subscribers.

Finally, the last option would be a dedicated crowdfunding platform for each supermarket chain. In this scenario, for example, the headquarters of a large supermarket chain could exploit the platform for submitting energy efficiency crowdfunding projects promoted by the different stores. In this case, the platform will be inhabited only by projects of a single supermarket chain but referring to different stores. This possibility is probably the more risky. The dedicated platform, in order to work effectively, needs to have subscribers and projects, both in a relevant number, otherwise it would just be a marketplace where demand and offer did not match, due to the lack of both. Supermarkets undertaking this possibility will need to create a portfolio of projects constantly updated and well scheduled over a defined time period. Furthermore, they will need to promote the platform and the projects enough to ensure the participation of the needed customers.

We have identified three ways in which crowdfunding campaigns can be tuned/customized that are particularly interesting for Super Heero and supermarkets acting together on a territory. The first is by **geographic location** as shown in Figure 8. In this case, local area participants are rewarded with a higher interest rate. A variant of this approach can be that the campaign opens first to local area participants so that they have first access to include (or not) the higher interest rate.

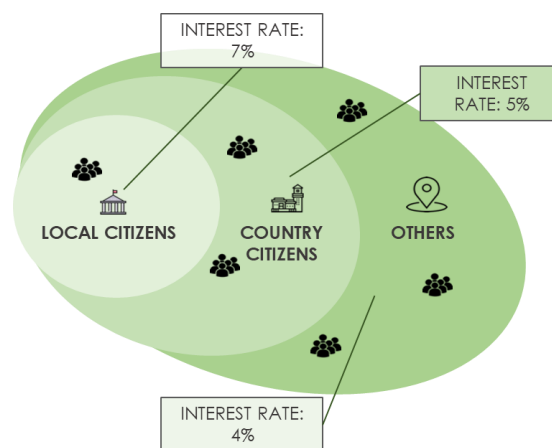


Figure 8 Differentiation based on geographical location; Source: Ener2Crowd

The second method relates to **loyalty program participation** as shown in Figure 9 in which three hypothetical cases are identified. In the "Light" case, the non-member loses access to points. In the "Medium" case, the non-member loses access to points and a difference in interest rate. In the "Strong" case, the non-member does not have access to the investment opportunity. There are advantages and disadvantages of each approach. A "Light" approach seeks to involve the maximum possible amount of investors and perhaps the focus is on raising capital. The "Strong" approach is dedicated to program members and perhaps the focus is not on capital but on gaining new members.



#### CASE 1 - LIGHT

Cluster 1	Investor with Loyalty Card	Interest Rate of 5% plus points
Cluster 2	Investor without Loyalty Card	Interest Rate of 5%

#### CASE 2 - MEDIUM

Cluster 1	Investor with Loyalty Card	Interest Rate of 5% plus points
Cluster 2	Investor without Loyalty Card	Interest Rate of 3.5%

#### CASE 3 - STRONG

Cluster 1	Investor with Loyalty Card	Interest Rate of 5% plus points
Cluster 2	Investor without Loyalty Card	No access to the project

*Figure 9 Differentiation based on loyalty program participation*

A third method concerns **hybrid value remuneration** as shown in Figure 10. The comparison other becomes a "traditional" crowdlending campaign where potentially this project is competing for capital with other projects. One benchmark for common interest rates of such (safe and secure) projects is 5%. One way to differentiate against such campaigns is to offer other value streams (points, coupons, free coffee at the café, ...) such that the total remuneration is greater than 5% (e.g. 4% plus coupons = 6%). Hybrid solutions can be particularly attractive to supermarkets because they want to differentiate against their competitors, they have access to customer profiles / data (for targeted coupons), and the use of points or coupons or other schemes brings additional business back into the store as opposed to an interest rate that can be used outside of the store.

Typical campaign	5% Interest rate
Hybrid 1	4% Interest rate plus points
Hybrid 2	4% Interest rate plus store coupons
Hybrid 3	4% Interest rate plus any value exchange or combination

*Figure 10 Differentiation via hybrid remuneration schemes.*

Customization of crowdlending schemes for supermarkets has ICT implications. An API that connects the crowdlending platform database to the supermarket loyalty program database is required. This linkage is non-trivial both with respect to data sensitivity and getting the coding right. The Super Heero project and its partners have solutions for this.

### 3.1.4. Donation based crowdfunding on third party buildings

Donation based crowdfunding has been identified as the least suitable crowdfunding model. Supermarkets' goal, despite their business, is being able to **“give back”** to their customers and reward them for their loyalty. In a donation-based crowdfunding the donors are not going to receive anything back from their donation, if not the positive externalities generated by the project. For supermarkets this model is not optimal.

Another possibility to leverage on loyalty programs could be the investment for an energy efficiency renovation on a third-party building, likely a public building (schools, public sport facilities, etc.) or a building owned by a non-profit organization used for social purposes. Capitals for this kind of project could be collected through the loyalty points that the customers can choose to donate. In this case, customers will not be financially rewarded for the commitment but may be willing to participate considering the positive social impacts the project may bring to the Community.

As discussed in Paragraph 2, loyalty points can be donated to specific projects, usually for charity purposes: the supermarkets set an exchange rate to which the points are turned into money (cash value) and then donate them to the final beneficiary. In many cases, supermarkets add their own resources to the donation, doubling the funds collected from the participating customers by committing capital to the investment.

This method, which is somehow similar to what the supermarkets are currently doing with their donation campaigns, could bring benefits to local communities, contributing to the reduction of energy consumption and CO2 emissions of the buildings owned by entities (Public Administrations or non-profit organizations) that lack the financial resources to invest in these projects.

*Table 2 Public building project*

Public Building Project		
Investment need	€	30.000
Points		1.500.000
cash value		1,0%
Value	€	15.000
Supermarket contribution	€	15.000
Total funds	€	30.000

The cash value used in the presented simulation has been set at 1%, in line with the value currently used by some supermarkets for their social programs of donation based.

## 3.2 Super Heero Community

Supermarkets of different groups rely on different loyalty programs, which are set up and run to properly target their customers and provide them rewards and benefits according to their marketing and customer relation strategy. As discussed in Paragraph 2.1, loyalty programs also create value for the supermarkets in terms of precious information they can collect. This prevents them from sharing their loyalty programs with other competitor supermarkets and third-party entities, unless they can find some sort of synergy with other companies in different sectors (i.e. see Esselunga's "Fidaty" program or Carrefour's partnerships as shown in Paragraph 2.7).

Trying to cope with the supermarkets' typical way of doing business, and assuming that they would not share any customer-related information or loyalty program with their competitors, we tried to assess what kind of initiatives could be carried out together by the supermarkets with the common goal of promoting energy efficiency projects among their customers, cooperating to create value and positive benefits for the whole community.

One idea could be to have supermarkets of different brands joining a common program, devoted to the promotion and active participation in energy efficiency projects. This program can be envisaged more as a community than a traditional loyalty program, specifically targeting that niche of customers more sensitive to environmental and sustainability issues.

The program could be identified as a customer club program, run by a consortium of supermarkets adhering to the program or by a third-party interest in the program (could be for example a commercial association of supermarkets).

Supermarkets could also implement a dedicated section of their website or app for the "SuperHeero Community" or provide the link to an external "SuperHeero platform", with a possible integration with gamification strategies or other initiatives of the supermarket related to energy efficiency and sustainability. The platform could feature useful data, information and tools related to energy, environment and sustainability topics. Moreover, the SuperHeero platform could as well integrate a dedicated section for the community, where members can join forums for different topics and interact with each other for sharing experiences and know-how.

Eventually, the platform could also represent a showcase for crowdfunding opportunities promoted by the supermarkets themselves or by ESCOs on supermarket buildings.

All these aspects will be further explored in Task 3.4.4

### 3.3 Side services and initiatives: Bike Sharing and electric-mobility

Supermarkets play a central point in most people's routine. In the "modern society", where people have to deal with everyday problems, work and needs, moving at a fast pace, supermarkets may act as a pivotal point for commuters, especially in city areas. At the same time, patterns of urban mobility are changing towards more sustainable transportation means, with more and more people using shared mobility services or electric vehicles (cars, bikes and scooters).

The integration among supermarkets and electric sharing mobility may represent an opportunity not only for supermarkets and sharing mobility companies but mainly for customers and citizens. E-bikes and e-scooters are facing great success as a means for sharing mobility in large and medium-size cities.

Supermarkets may be thus integrated in the ecosystem of shared electric mobility becoming a charging and stop hub for bikes and vehicles, offering an additional service to their customers. This also provides a focus area where communities and supermarkets can act together for societal transition toward sustainability. The linkage to the Super Heero project is that such an intervention (e.g. the inclusion of an E-Bike charging point) can easily be included amongst the EE renovation measures and become a focal point or integrated into the EE project advertising and engagement campaign.

Supermarkets in cities are usually located in two classic positions: in the city center or in suburban areas. Both these locations are suitable for the integration with shared mobility services. The idea behind the proposed integration is to dedicate some external space of the supermarket to place small hubs dedicated to electric bikes, electric cars, electric scooters, etc. (similarly to the SiRicarica initiatives for electric cars). In the case of shared mobility, this scheme may also require the interaction among the supermarket and a provider of electric mobility services in order to ensure the compatibility of the charging interface.

Benefits can be generated for both customers and supermarkets. On one hand, customers will enjoy:

- the possibility to reach supermarkets with different transportation means;
- the possibility to charge the vehicle while shopping in the store;
- the possibility to find charged electric vehicles outside the store;
- the possibility to use sustainable mobility services instead of normal cars or traditional public transportation.

On the other hand, supermarkets will benefit from the scheme in many ways, such as:

- for the attractiveness to customers and other citizens;
- for the improvement of their corporate social responsibility image;
- for the achievement of their sustainability goals.

This scheme, as said, can be activated with both electric bikes and electric cars, depending on the location of the supermarket, the space available and the services present in the city.

The ratio upon which the idea is based is to enhance benefits for both supermarkets and customers towards sustainable mobility choices. In the case of shared mobility, supermarkets and mobility service companies can act and cooperate at different “integration” levels:

- Mobility service companies and supermarkets can only agree upon the usage of a dedicated area of the parking lot;
- Mobility service companies and supermarkets can agree upon the usage of a dedicated area of the parking lot and the possibility to recharge electric vehicles, either bikes or cars;
- Mobility service companies and supermarkets can agree upon the usage of a dedicated area of the parking lot and the possibility to recharge electric vehicles, either bikes or cars. Moreover, supermarkets dedicated loyalty points can be eligible for discounts or free rides with the electric vehicles.

This last option is more comprehensive and interesting given its need for tailored loyalty programs and a reward mechanism. Supermarkets and mobility service companies can indeed define an ad hoc loyalty program, on the basis, for example, of the following principles:

- Dedicated points that customers can collect buying specific products, for example fair trade or biological products;
- Define, in a commercial contract, what would be the cash value of those points and for what they can be exchanged;
- Define a dedicated area in the parking lot, or similar, where the electric vehicles can be parked and charged;
- Define fees for the mobility service company.

This scheme could also be linked to the loyalty and points collection programs of the supermarkets, offering the possibility to customers, for example, to freely recharge their vehicle (IKEA, for example, offers to “IKEA Family” and “IKEA Business” card holders the opportunity to recharge electric cars at



*Figure 11 Loyalty schemes and e-mobility*

the stores, offering the first 5 kWh/day for free). This kind of reward may increase the loyalty of the customers that will be more willing to come back to the store if they have this additional service.

## 4. CONCLUSIONS

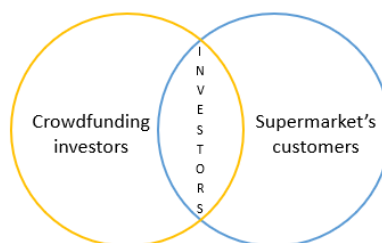
The presented deliverable assessed from a theoretical point of view the rationale behind loyalty schemes and their functioning. Moreover, it analysed the current situation of loyalty programs in Europe, focusing on Italy and Spain, assessing which are the most used and common. The results highlighted that the most common loyalty schemes are those based on points collection through loyalty cards.

The main result of the deliverable is the identification of a mechanism which allows supermarkets to involve their customers in an environmental and sustainable initiative, not only as spectators but as active participants. Through such schemes supermarkets will be able to increase the loyalty of their customers and retain them as shoppers even for the future. Moreover, they will put themselves in the same position of their customers/investors sharing the economic benefits of the initiative.

Three main possibilities have been identified: use of supermarket loyalty points for energy efficiency intervention in a third party building (on a donation-based scheme); implementation of a lending-based crowdfunding campaign where loyal customers receive extra benefits (on a lending-based scheme); use of supermarket loyalty points for an electric/shared mobility project (on a reward-based scheme).

In the first case, the rationale identified is based on the conversion of loyalty points in a monetary value thanks to their “cash value”. Through such conversion points can be allocated by customers to the specific energy efficiency project, in a building outside the supermarket (school, public gym), and dedicated the points in exchange to extra points for the following years, or dedicated discounts.

In the second case, loyalty programs of supermarkets may be used as the connection element between customers and crowdfunding campaigns. These are tools through which customers will enjoy the affiliation to the supermarket and benefit from such membership.



On the other side also general investors might be willing to affiliate to the supermarket loyalty programs and become new customers for the supermarkets, as they could offer extra returns to their customers investing in the campaign. Supermarkets, as promoters of the energy efficiency project and of the crowdfunding campaign, have the possibility to set different levels of remuneration for their customers, and activate such extra remuneration thanks to loyalty programs participation or even gamification activities.



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