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UT Tyler Marketing Research

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Prepared for

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FRESH by Brookshire's

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EXECUTIVE SUMMARY

Primary and secondary research confirms that loyalty programs are an important concept in any retail store trying to gain market share. A graduate level marketing class from the University of Texas at Tyler was assigned to conduct research on a Loyalty Program that FRESH can implement into its new system. Specific instructions from FRESH state that this loyalty program must NOT BE BASED ON DISCOUNTING PRICES. In order to conduct this research, the UT Tyler's marketing team conducted a focus group, thus obtaining and analyzing Brookshire Employee thoughts on loyalty programs and rewards that would fit into the FRESH model.

Results prove that customers need to be provided with incentives that are not provided in other competitive retail stores in order to become loyal to a particular company. The Brookshire employees not only discussed ideas on ways they would benefit as a customer of FRESH, but also stated ways that FRESH could benefit as well. The most common themes of Brookshire employee preferences were as follows:

Benefits as a FRESH customer:

- Point system – Customers gain points based on the amount of items they buy. The customers can then use these points for free items or special events.
- Generate loyalty to each individual section of the store - The rewards suggested were concepts such as free sliders or tacos after the purchase of respective items
- Generate rewards targeted towards special events - Ex. winning lunch for an entire family that is prepared by a featured chef.
- Promotions to be added directly to the customers' loyalty card or phone number - the customer receives the discounts automatically rather than having to present a physical coupon to receive the reward

Benefits for the FRESH store:

- Promotions to generate awareness of all aspects of the store - many consumers still believe that Brookshire's is less expensive on "everyday" items.
- Point system - to encourage shoppers to buy more items than they normally would

These items are discussed more thoroughly later in the paper. Further listed are the methods, results, limitations on the study and a few brief recommendations. FRESH should use these results only as part of their research in determining a Loyalty Program, as further research is needed.

BACKGROUND INFO

Team/Goals:

A marketing team consisting of four MBA students named Nick Kreines, Skylar Dillingham, Mark Mercer, and Brett Parsons was assigned to help FRESH create a Loyalty Program that they can eventually implement in their store. The idea behind this program is for a brand new store to create faithful, consistent shoppers. The goal here was not necessarily to provide FRESH with a final program that they should implement in the store, as that would take more research and time. The goal was to aid in the research and provide useful data that FRESH can use when it comes time to make a final Loyalty Program Decision. The primary focus and secondary focus were as follows:

> **Primary Focus**- to gather information and provide recommendations for a loyalty program based on researched customer input.
>
> **Secondary Focus**- to provide recommendations for a loyalty program based on the goals of FRESH i.e. increases in consumers basket size, frequency of shopping, specialty item purchases, utilization of the store, event participation, and purchases of chef prepared meals.

The research consisted of using primary data, as well as secondary data, in order to come up with the most accurate information for FRESH.

Primary Data

The marketing method that was determined to be the best fit for conducting research for the new FRESH Company was a Focus Group. We found this research to be the method of choice because allows actual customers to share their voice in exactly what they are looking for. A focus group was also a method that we would able to complete as an unbudgeted graduate class. Much more research will need to be conducted by FRESH or hired consulting companies in order to truly to determine the end product.

Focus Group - a demographically diverse group of people assembled to participate in a guided discussion about a particular product before it is launched, or to provide ongoing feedback (dictionary.com). It is a way to get consumer opinions on truly matters to them. These consumer opinions are very important in developing a loyalty program because if companies want customers to be loyal, they have to provide them not only with satisfaction, but also a specific reward that will motivate them to think of only FRESH when completing their shopping needs.

Secondary Data

The secondary data, stemming from studying several research articles, provided previously collected data in line with the current research. By studying data obtained by other sources, the positives and negatives of creating a loyalty program can be better realized and implemented.

According to Richard L. Oliver in the Article "*Whence Consumer Loyalty*", the true meaning of loyalty is "a deeply help commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior" (Oliver 1999). Oliver goes on to explain that in order to achieve loyalty, there are four different types of loyalty that must be achieved. Those four loyalties are as follows:

1) **Cognitive loyalty** – loyalty based on belief only. This type of loyalty is very shallow in nature, being no deeper than mere performance. If satisfaction is processed, it becomes part of the consumer's experience and begins to take on affective overtones.
2) **Affective loyalty** – A liking or attitude toward the brad has developed on the basis of cumulatively satisfying usage occasions. The consumer is still subject to switching.
3) **Conative loyalty** – Marked by repeated episodes of positive affect toward the brand. First appears to be a deep commitment to buy, but similar to any "good intention", this desire may be an anticipated but unrealized action.
4) **Action loyalty** – The previous loyalty state is transformed into readiness to act accompanied by an additional desire to overcome obstacles that might prevent the act.

- **To sum it up, cognitive loyalty focuses on the brand's performance aspects, affective loyalty is directed toward the brand's likableness, conative loyalty is experienced when the consumer focuses on wanting to rebuy the product, and action loyalty is commitment to the action of rebuying.**

Theses for types of loyalty, along with combination of perceived product superiority, personal fortitude, social bonding, and synergistic effects, allow ultimate loyalty to emerge. If any byproduct fails to be attained, the potential for loyalty erodes. (Oliver 1999)

Loyalty programs are used by companies in order to reward, and therefore encourage, loyal buying behavior. Companies use them because it is less expensive and much more profitable to keep an existing customer, than it is to bring new buyers in. Most companies use one of two of the following loyalty programs:

Discount card. This is a loyalty program that when used, knocks the price off previously selected items. This allows customers with a loyalty card to save money over customers without a loyalty card.

Point based system. This type of loyalty program, as most commonly known in the airline industry, gives a customer points every time he purchases a product or service from a given retailer. The customer can then use those points for items such as free merchandise, vacations, or whatever the company is offering at that point in time.

NOTE: FRESH has specifically mentioned that a price reduction loyalty program is not applicable. Therefore our research was focused more towards the point system, or a new innovative system that could set FRESH aside from the competition.

The problem is that no two customers want the same thing. Today's consumer is much smarter and savvier than yesterday's consumer. A loyalty program must be flexible and easily adaptable to fit the needs of an increasingly diverse customer base. In the end, a consumer will find exactly what they are seeking; you just have to make sure that your business is the destination that can provide exactly what they are seeking. (Furinto)

METHODOLOGY

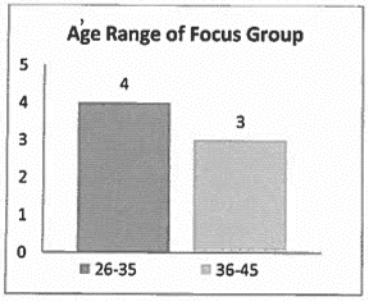
FRESH by Brookshire's is a specialty grocery store located in Tyler, TX. It is the first of its kind in the Tyler Area, and the first attempt by Brookshire's Grocery Company at a specialty store. The mission of FRESH is simply to share the wonders of food, both through great products and a welcoming environment. Now that they have been open for several months, FRESH is looking for a way to generate additional store loyalty.

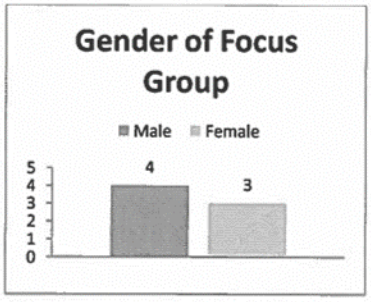
In May of 2011, we met with FRESH management about conducting a market research project into implementing a store loyalty program. The Brookshire banner stores are using a loyalty program with great success, and FRESH wanted to see if a loyalty program was a viable option for them. Also, we were asked to see what kind of rewards consumers would want from a loyalty program. The class decided that a focus group would be the best way to collect the data we needed in order to make recommendations to Fresh about a possible store loyalty program, in the limited amount of time we had to complete it.

The purpose of the focus group was to bring randomly selected FRESH customers together for an informal meeting to discuss what they liked in a loyalty program. FRESH provided our class with 2 lists of random customers that responded to a FRESH email about being in a focus group. The list assigned to our group only contained Brookshire Grocery Company employees. This list was generated by employees responding to the FRESH email about focus group interest. There were 9 employees interested in participating in the focus group, but do to scheduling conflicts only 7 were able to commit to attend the meeting. We held our focus group meeting in the Business building at the University of Texas at Tyler on July 13, 2011. All 7 registered participants made the meeting. For participating, the 7 employees were given sandwiches, drinks, and a $25 Fresh gift card.

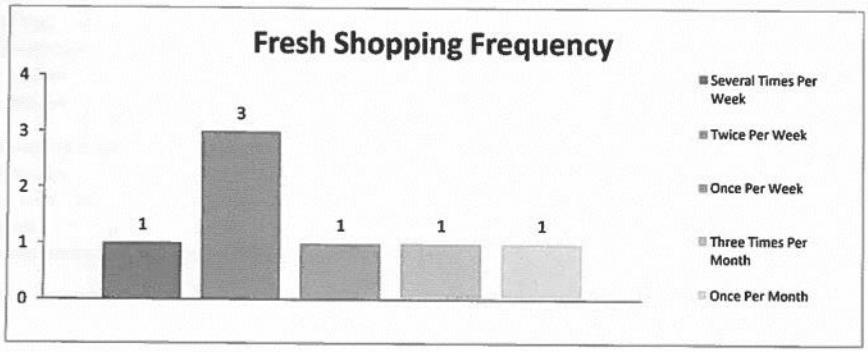
A standard moderator guide was used in each focus group. Our class worked together to decide on the questions that we thought would most benefit the client. This standardized guide was used to guide the interview in the direction it needed to go, while also allowing the participants the ability to expand on topics and make recommendations on what they would value in a loyalty program. At the beginning of the meeting, the participants were answering the questions quickly. As soon as the discussion turned to direct questions about FRESH, however, they all began to actively engage each other in conversation. The meeting lasted a little over 1 hour in duration.

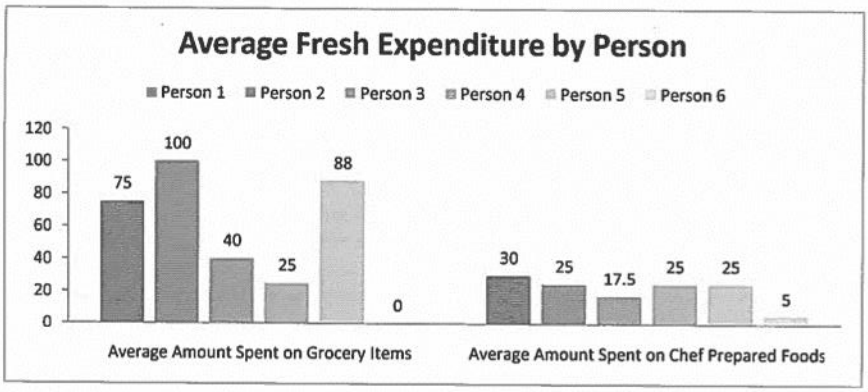
At the end of the focus group we had each participant fill out a demographic card. Graphs below show the demographics of the focus group.





The next two graphs show the responses to question of the frequency and amount each of the participants spend at FRESH.





One participant refused to answer the question.

This project was due back to the client on August 10, 2011.

RESULTS

The participation in this particular focus group was based primarily on the participants desire to be a part of their own organizations development of a loyalty program as well as to strengthen the ties between Brookshire's and the University of Texas at Tyler. Due to this, a large portion of the discussion was weighted on organizational perspective, not just customer perspective, which helped to create unique ideas that combine the desires of both the organizations objectives and customer desires.

Every participant of the focus group is a current shopper of FRESH, with their main attraction to the store being its convenient location along with the abundance and quality of ready to eat food. All participants of the focus group also belonged to a vast array of other store loyalty programs in the area. Their favorite parts of these programs include receiving more rewards for the more they shop at each retailer, as well as being able to track their reward points and reward offers.

MOST POPULAR (from consumer POV)

A large portion of the discussion focused on rewarding customers with items that they are already shopping for. The idea was to generate loyalty to each individual section of the store, mainly its unique aspects, such as the sandwich bar, taco bar, gelato bar, and outside grill. The rewards suggested were items such as free sliders or tacos after the purchase of respective items, similar to the idea behind punch card reward systems at other eating establishments (receive 1 free item after 10 purchases of that same item).

OUTLIERS (from consumer POV)

Two interesting ideas were brought up throughout the discussion, but were not developed very far. The first was to use the program to help promote social responsibility through health and wellness programs. A customer could receive points for participating in online education and awareness modules pertaining to important issues such as diabetes or physical exercise, and those points could then be redeemed at the store for products or discounts. The second idea was to generate rewards targeted towards special events, such as winning lunch for an entire family that is prepared by a featured chef, or getting a private lesson from a chef.

MOST POPULAR (from FRESH POV)

The discussion then turned to what features would be best to promote the goals of Fresh and expand the basket size of each customer. The reasoning behind this was that many customers aren't aware of all the products that are sold in the center store and other customers, including some of our participants, are still under the impression that the center store of FRESH costs more than other Brookshire's locations. One participant said, "I love the grill and the prepared food items, but my family cannot afford $5 a gallon of milk". We went to FRESH to see if he was right about the price of regular milk. We found the milk at FRESH was the same as the milk at Brookshire's on Rice Rd., $3.69. These kinds of perceptions have resulted in the center store having very little traffic compared to the perimeter of the store. This is causing the store to be a location that is used to pick up a quick, readymade meal or a few essentials items on the way home after work.

In order to rectify this and turn the store in the destination location for all grocery needs, the group suggested for customers to receive promotions to generate awareness of all aspects of the store. This could include center store shoppers receiving promotions for the sandwich bar or outside grill, and gelato customers receiving promotions for center store items such as milk or Frosted Flakes or specialty items. To expand on this idea, it was suggested for the promotions to be added directly to the customers' loyalty card or phone number, so the customer receives the discounts automatically rather than having to present a physical coupon to receive the reward. Using text messages was a popular means of communicating to the customers when these rewards are available to them.

OUTLIERS (from FRESH POV)

The focus group drew to an end with a discussion revolving around rewards geared towards children, which could help develop loyalty from an entire family, such as having a children's cooking school during the daytime allowing parents to get away and enjoy themselves. Free gelato for children, or other special promotions geared towards young families could help to start developing loyalty from a child that could end up lasting for a lifetime.

LIMITATIONS

1. **Time Frame:** We were allotted just over two months to conduct this research and an even shorter period of time to put together a focus group. This process can last several months or years in most data gathering situations.

2. **Focus Group**
    a. **List of potential participants:** The group of employees allotted to us was put together by Brookshire Grocery Company. We were provided with contact information for only nine (9) employees.
    b. **The number of actual participants:** Our focus group consisted of seven (7) participants. Most focus groups consist of 6-12 people, thus 7 participants is considered on the low end.
    c. **Absence of professional moderator:** Funds were not provided for a professional moderator. We chose a group member with no experience as moderator.

3. **Lack of Experience:** This is the first focus group conducted by each group member.

4. **Participants of study**
    a. **Employees vs. Customers:** Employees of a sister company may not provide the same answers as customers who are unaffiliated with the company. They may provide bias and conservative information.
    b. **Age Group:** There was not a wide variety of age groups represented in our focus group. All members were within 20 years of each other, being in the 26-45 year old age range.

5. **Reparations for participants:** As stated earlier, there was no budget for our research. In order to have a successful focus group, you need to provide incentives for participants. We were limited to the incentives that FRESH was generous enough to donate.

RECOMMENDATIONS AND MARKETING IMPLICATION

From our focus group, it is clear, FRESH is unique from any other store. Customers are offered more than just groceries. Our focus group uncovered several interesting and potentially valuable recommendations for a FRESH Loyalty Program. The recommendations we feel deserve further study are as followed:

1. Loyalty program based on a point system.
2. Rewards to drive customers to shop in the center store.
3. Points can be redeemed for items and services from the power aisle.
4. Incentive for customers attending special events.

We recommend a loyalty program be based on a point based system. Like American Airlines, Best Buy, or Niemen Marcus, customers will gain points based on every dollar they spend at FRESH. Points are accumulated when they purchase from the center store, power aisle, pharmacy, gas station, floral department, grill and prepared food aisles. The ability to earn points on every item sold at the store would encourage shoppers to maximize their shopping experience at FRESH. With the full utilization of the store, a loyalty program based on points could drive frequency and larger basket sizes.

Rewards could be used to encourage people to shop in the center store. One suggestion is using coupons on center aisle items to persuade shoppers to get more of their everyday items from FRESH. Growing the consumer base in the center store could grow basket sizes and help with the perceptual problem of the store. If customers see they are getting as good a deal at FRESH on everyday items as they do at other Brookshire's, we believe this will increase their frequency and eliminate the high price perception at the store.

There is no doubt the power aisle is one of the biggest attractions for customers to come to FRESH. Our suggestion is looking at a loyalty program that will allow frequent customers to use their points for items or services on the power aisle. The same way an American Airlines frequent flier can redeem his or her points for a ticket on a future flight. Shoppers could redeem their points at the grill for things like "a Slider and a Shiner", or a free serving size of produce, meat, or seafood of their choice. Points could even be redeemed for kids to have a cupcake cooking party with Chef Jennifer Kuhn. For the adults, frequent shoppers, could earn an opportunity to have Chef Michael Brady personally prepare a meal or have a cooking lesson for them and four of their friends. Rewards from the power aisle could increase trials of specialty foods, frequency, and bigger basket sizes.

One of our secondary focuses was how a loyalty program could increase attendance at special events. If further research shows a point based loyalty program has value to customers, as it did in our focus group, then we recommend FRESH reward its customers for their attendance at events by allowing them to earn double and triple points on purchases. Offering customers extra points on their purchases could drive attendance, and increase basket sizes to maximize their point earning potential.

The initial research showed there is a demand for a loyalty program at FRESH. According to Grinner, Gremler, and Binner, loyalty is based less on financial benefits than on psychological benefits (Garbarino and Johnson 1999). In other words, discounts do not drive loyalty. Our primary focus was to discover a loyalty program without discounts being a reward. A point system would allow customers to decide which reward has the most value to them, and as a result, the program will build loyalty.

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APPENDIX A: MODERATOR GUIDE

Focus Group Moderator Guide

Tonight's discussion will be focused on store loyalty programs. Store loyalty programs are used by retail businesses to encourage and reward customers for their purchases. Some loyalty programs provide a price reduction where others offer rewards. You have been asked to participate in this focus group to get your opinions about what you would want in a store loyalty program for FRESH if it were NOT based on a price reduction, but instead on some type of reward.

1. Why were you interested in participating in this focus group?

2. What do you like best about FRESH?

3. Do you belong to any store loyalty programs? If so, which ones?

4. What do you like about those programs?

5. What would make you want to join a loyalty program?

6. If you could design a store loyalty program for FRESH, what would it look like? For example, what types of rewards would be of interest to you?

7. If FRESH offered a store loyalty program, would it encourage you to shop more often?

8. If the FRESH store manager was here tonight, what suggestions would you have for FRESH?

APPENDIX B: RESEARCH ARTICLES