# Carrefour strengthens customer loyalty and its brand with a new promotions strategy

## Overview

■ **Business Challenge**

   *To maintain its leadership in the increasingly competitive retail grocery industry, Carrefour sought to gain more control over its marketing processes and more effectively leverage its business intelligence—with the ultimate aim of strengthening customer loyalty.*

■ **Solution**

   *Carrefour teamed with IBM and its partners to put in place a groundbreaking in-store promotion system across its supermarket and hypermarket stores—operated entirely by Carrefour—that enables the planning and execution of more targeted campaigns, with more rapid feedback as to their effectiveness.*

■ **Key Benefits**

   — *Greater control over marketing strategy and customer relationships resulting in stronger customer loyalty and a stronger brand*

   — *Faster and more profitable growth through more effective, targeted and personalized promotional campaigns*

   — *Deeper knowledge of customers via analytics and segmentation*



Over the past 40 years, the Carrefour Group has grown to become one of the world's leading distribution groups. The world's second-largest retailer and the largest in Europe, Carrefour operates four main grocery store formats: hypermarkets, supermarkets, hard discount and convenience stores.

As grocery retailers battle for market share, the competitive landscape is changing. While the traditional supermarket retail format still accounts for the largest share of grocery purchases, consumers are increasingly turning to multiple retail formats. Foremost among these are hypermarkets, whose broad selection of groceries and general merchandise provide consumers with the added benefit of one-stop shopping as well as low prices. Within both retail formats, a different kind of shift is playing out on the shelves. In an effort to sustain growth and strengthen their brand, grocery retailers are increasingly offering their own private label brands alongside branded products. These examples demonstrate that the battle for the grocery wallet share is intensifying, and the rules of the game are changing.

> " *Our new model for managing promotional campaigns gets us closer to our customers, gives us greater control and vastly improves our overall effectiveness."*
>
> – *Hervé Thoumyre, Chief Information Officer, Carrefour Group*

**Strengthening the loyalty of retail grocery customers through more targeted promotions**

## Business Benefits

- Increased revenue through more targeted promotional campaigns

- Greater control over marketing strategy and customer relationships resulting in stronger customer loyalty and a stronger Carrefour brand

- Deeper knowledge of customers via analytics and segmentation

- Shorter campaign planning to execution cycle

- Faster feedback on promotional effectiveness and more detailed feedback to suppliers

- Closer supplier relationships

- Lower marketing costs

*" With this solution, we have a unique opportunity to be both customer- and product-centric in the way we manage our marketing campaigns in our different store formats."*

*– Hervé Thoumyre*

### A fresh look at promotion

Retail grocery chains realized that to sustain their profitable growth in an increasingly competitive environment, sustaining—and indeed strengthening—customer loyalty is a top strategic priority. To engender maximum satisfaction and loyalty, grocery retailers have traditionally focused on the most visible and high-profile elements of the customer experience, from the products they stock, to the look, feel and layout of the stores, to the courtesy of their employees. Equally important to customer experience, though less visible, is the value customers derive from their relationship to the retailer through such promotional activities as points-based loyalty programs and couponing, through which retailers reinforce the value of their ongoing relationship with the customer. While couponing and promotional practices are well established, the reliance of retailers on third-party service providers to administer them has made it harder for retail grocers to apply them with precision, measure their effectiveness and feed that information back to their key suppliers. That's because this traditional paradigm keeps retailers one step removed from the information they need to create and execute smart promotional campaigns to their customers—those which support the retailer's more targeted strategies and goals.

Carrefour (www.carrefour.com), the world's second-largest retailer and the largest in Europe, saw the opportunity to enhance its business performance—and become an even stronger competitor—by embracing a new promotional paradigm. Carrefour recognized the growing importance of customer loyalty to its future growth, and how leveraging the strength of the Carrefour brand across its supermarket, hypermarket and convenience store formats would help to achieve a competitive advantage by creating a common customer experience. As part of this strategy, Carrefour sought to enable smarter, more effective and more personalized promotions and campaigns that—instead of being unique to a particular Carrefour store format—would span them all, thus enhancing loyalty to the Carrefour brand across all formats. Achieving this would require Carrefour to redefine its processes, leverage information as a strategic asset, and transform the systems that supported them—all without disrupting its in-store operations. It saw IBM, with its retail track record and expertise, as the best qualified to help it reach this vision.

The solution Carrefour conceived is predicated on the idea that loyalty sales and profitability can be enhanced by compelling promotional offers that reflect each consumers individual purchasing patterns. Providing Carrefour's marketers with a means of designing and executing these offers presented another set of challenges. In defining its needs, one of Carrefour's most important attributes was flexibility—both in terms of the system's ability to configure highly tailored offers for specific customer segments, and in its ability to creatively integrate its promotional activities with its existing loyalty programs.

Guided by this vision, IBM Global Business Services and IBM Business Partner Mapping designed an end-to-end solution—the first of its kind in the retail grocery business—that integrates all the key components of Carrefour's core retail systems, from point-of-sale terminals to back-office systems and all points between. On top of this infrastructure, IBM defined a new process flow that leverages real-time business intelligence to create more effective, dynamic and profitable promotion programs. In addition to enabling smarter programs, the solution also delivers a quantum increase in the degree of flexibility and control Carrefour can exercise in creating, monitoring and managing these programs. In the same way, the seamless quality of the solution that makes this possible also enables Carrefour to develop a deeper understanding of—and relationship with—its customer base.

**Opportunity through insight**

By tracking transaction history, Carrefour can leverage its in-house analytics capability to determine not only which products customers buy, but which promotions they are most likely to respond to. From this information, Carrefour's marketers can further glean such insights as to who its most profitable customers are, what products they buy now, and—perhaps most importantly—what products they would be willing to buy if the incentive was right. A good example is a customer segment that may purchase organic food products, but has yet to try organic health and beauty aids. To target this opportunity, Carrefour's campaign management system enables company marketers to craft a sophisticated and targeted promotional program to get this subset of customers to try this or any other mix of products.

But in the big picture, it is campaign execution capabilities that make the Carrefour solution truly stand out as first of a kind. It isn't just that Carrefour is the first grocery retailer to perform its own targeted couponing—it's also the unprecedented flexibility the solution gives Carrefour in executing promotional campaigns within its stores. The key is a process called offer arbitration; IBM and Mapping were its key architects. When Carrefour wants to promote, for example, a particular brand of soft drink to a particular group of customers (based on their history of purchasing specific products), available promotional tools include coupons for current use, coupons for use in later transactions, and point-based incentives related to its loyalty program. Once Carrefour's marketers determine the optimal mix to achieve the desired goal, these rules are defined centrally in a promotional management application developed by Mapping, and then propagated out to each of Carrefour's stores, where the Mapping application runs on IBM System x® servers; Mapping's customer and transaction data is stored in IBM DB2®. IBM DB2 data server provides the high-performance, resilient information infrastructure needed to help Carrefour to manage data over its lifecycle and as part of these critical business processes.

**Smarter solutions for Retail**

Carrefour broke new ground in the retail grocery industry by taking full control of its end-to-end couponing and promotion systems. By relying on its own business intelligence and analytics—instead of third parties—Carrefour can craft highly targeted campaigns, execute them more rapidly and gauge their impact instantaneously. This new model also provides more direct support for Carrefour's efforts to strengthen customer loyalty by creating a common customer experience across all of its retail formats.

Mapping is central to the solution because it automatically orchestrates the presentation of offers on a customer-by-customer basis. Triggered by the customer's purchases and the scanning of the loyalty card during the checkout process, Mapping first applies its rules to determine which offers are available to the customer, then goes out to Carrefour's customer loyalty application to determine point balances. Combining and processing this information, Mapping then determines the optimal offer incentive and sends it back to IBM SurePOS terminals at the point of sale. The solution then fulfills the offer by printing out the coupon, issuing the discount and/or updating the customer's loyalty account. The solution's ability to distribute promotions through kiosks, mobile phones, Web sites, and hand-held devices attests to the flexibility of its architecture.

**Taking control**

With the system deployed across its French supermarket and hypermarket grocery stores (with implementation assistance from IBM Global Technology Services), Carrefour has gained control over—and dramatically improved—the effectiveness of its marketing capabilities. Strategic agility is another key result, evidenced by the significant reduction in the time required from campaign planning to execution, which in turn enables Carrefour to undertake more campaigns. This is reinforced by Carrefour's ability to monitor the effectiveness of its campaigns almost instantaneously and share that information with its partners. Most importantly, notes CIO Hervé Thoumyre, its new capability enables Carrefour to create a common experience across all of its stores that strengthens the company's brand and the loyalty of its customers. "Our new model for managing promotional campaigns gets us closer to our customers, gives us greater control and vastly improves our overall effectiveness," says Hervé Thoumyre. "We see the success of our retail grocery solution as a testament to IBM's unique mix of technology, industry expertise and thought leadership."

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