2024

NAVIGATING CONSUMER ENGAGEMENT: EVALUATING MOBILE APPS IN CONVENIENCE STORE MARKETING

REPORT

ELECTRUM

Are mobile applications an effective marketing method in the convenience store market?

Analysis Method

Data

Electrum, as a loyalty, mobile application, and scan data service provider, has a broad spectrum of data for analysis. Additionally, Electrum provides APIs to other mobile app service providers, enabling them to enroll loyalty consumers and promote both loyalty and non-loyalty discounts to mobile application users.

Therefore Electrum has data from the largest providers of mobile applications in the convenience store market for this analysis. As a scan data service provider to manufacturers, including tobacco manufacturers, Electrum receives daily detail location Tlog files containing data on all transactions at a store each day. As a mobile application service provider Electrum receives data on mobile application usage.

*Map does not approximate full retailer list
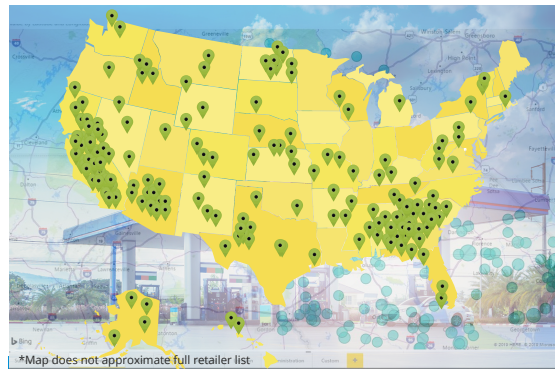
In this analysis, Electrum drew data from over 200 locations employing Electrum's loyalty services and two major mobile application service providers utilizing Electrum's API in the convenience store mobile application domain.

Electrum compared historical data since the inception of its loyalty services. However, given that mobile applications have only been offered to convenience store retailers in the last 5 years, Electrum conducted a separate analysis using recent data.

Analysis Method cont.

Comparison against Alternate Methods

A. Mobile applications provide the functions of user enrollment, promotional information, consumer POS identification and general support such as point and club balance reporting, directions to the nearest location, feedback etc. In convenience stores, these functions are also provided by alternate methods including in-store kiosks, convenience store web site, and point of sale systems.

B. In analyzing the effectiveness of mobile applications in the convenience store market, Electrum compared the use of mobile applications in providing functions against these other methods.

Analysis Process

A. Electrum stores its data in SQL databases and produces analysis using SQL queries.

B. The process was to compare:

1. Enrollments by enrollment method.
2. Initial Enrollments vs adding mobile
3. Method of POS loyalty identification by enrollment method.
4. Percentage of total spend by enrollment method.
5. Average ticket size by enrollment method.
6. Frequency of spend by enrollment method.

Scope

1

COMPARISON OF THE OPERATING COST OF EACH METHOD.

There are costs for each method including mobile application Apple fees, kiosk system costs, development costs etc. These costs, if any, are not considered part of this analysis.

2

ADMINISTRATIVE OVERHEAD OF EACH METHOD

Promotions must be centrally configured. Administrative costs for configuring specialized promotions, like mobile app exclusives, using different methods are beyond the scope of this analysis.

3 BRAND IMAGE BENEFITS

Regardless of usage and acceptance, there is a perceived value that a business have certain engagement methods such as a mobile app. The value of this is subjective and out of scope for this analysis.

4 BUSINESS REQUIREMENTS

As an example, Altria requires that a retailer have a mobile application for the purpose receiving promotion reimbursements and payment for data. Therefore, the value of having a mobile application is more than just related to consumer usage. Quantifying this benefit is out of scope for this analysis.
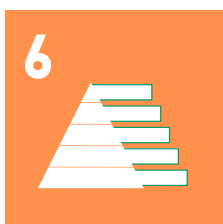
5 CHANGES IN CONSUMER TRENDS AND PRACTICES

Consumer preferences change. Because of new features of mobile applications, such as online ordering, demand for mobile applications may change. Quantifying this out of scope for this analysis.

6 CONSUMERS WHO INSTALL MOBILE APPLICATIONS WITHOUT ENROLLING IN LOYALTY SERVICES

Consumers installing a mobile application are not required to sign up for loyalty services. However, without enrollment, they cannot access promotion details for age-restricted offers like Altria's P+ offers due to the lack of age verification. Limited to general promotions, these users miss out on points and club balance information. Despite over 90% of consumers enrolling in the loyalty program, their frequency and usage, beyond mobile coupon redemption, are unknown and not within the scope of this analysis.

7 OTHER MOBILE TECHNOLOGIES

Other mobile technologies such as Progressive Web Apps and associated and mobile based engagement methods such as QR codes are out of scope for this analysis.

8 MOBILE PAYMENTS

Mobile Payments are growing as a method of payments. Mobile payments can be made in association with or without obtain loyalty program rewards and benefits. The efficacy of mobile payments usage in the convenience store market is out of scope for this analysis.

Abstract

Despite extensive advocacy for the use of mobile applications in the convenience store space to communicate promotions, engage customers, and boost sales and profits, statistical findings from this analysis reveal limited success. This failure can be attributed to many factors including…

01 ————————— Appeal of shopping applications in general

02 ————————— Grab and go nature of convenience business that mitigates consumer use of mobile applicaitons

**03** ————————— High frction method of mobile coupons

BOOMER
X
Y
Z
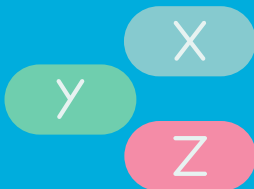
While few consumers install convenience store mobile applications, the percentage of Millennials and GenZ is higher than average.

Report

General Usage

The usage of mobile applications is experiencing exponential growth. However, when considering mobile applications by segment, shopping applications constitute a relatively small percentage of the total.

Distribution of global time spent on mobile in 2020 to 2022,

Details: Worldwide; Data.ai; 2020 to 2022; Android only
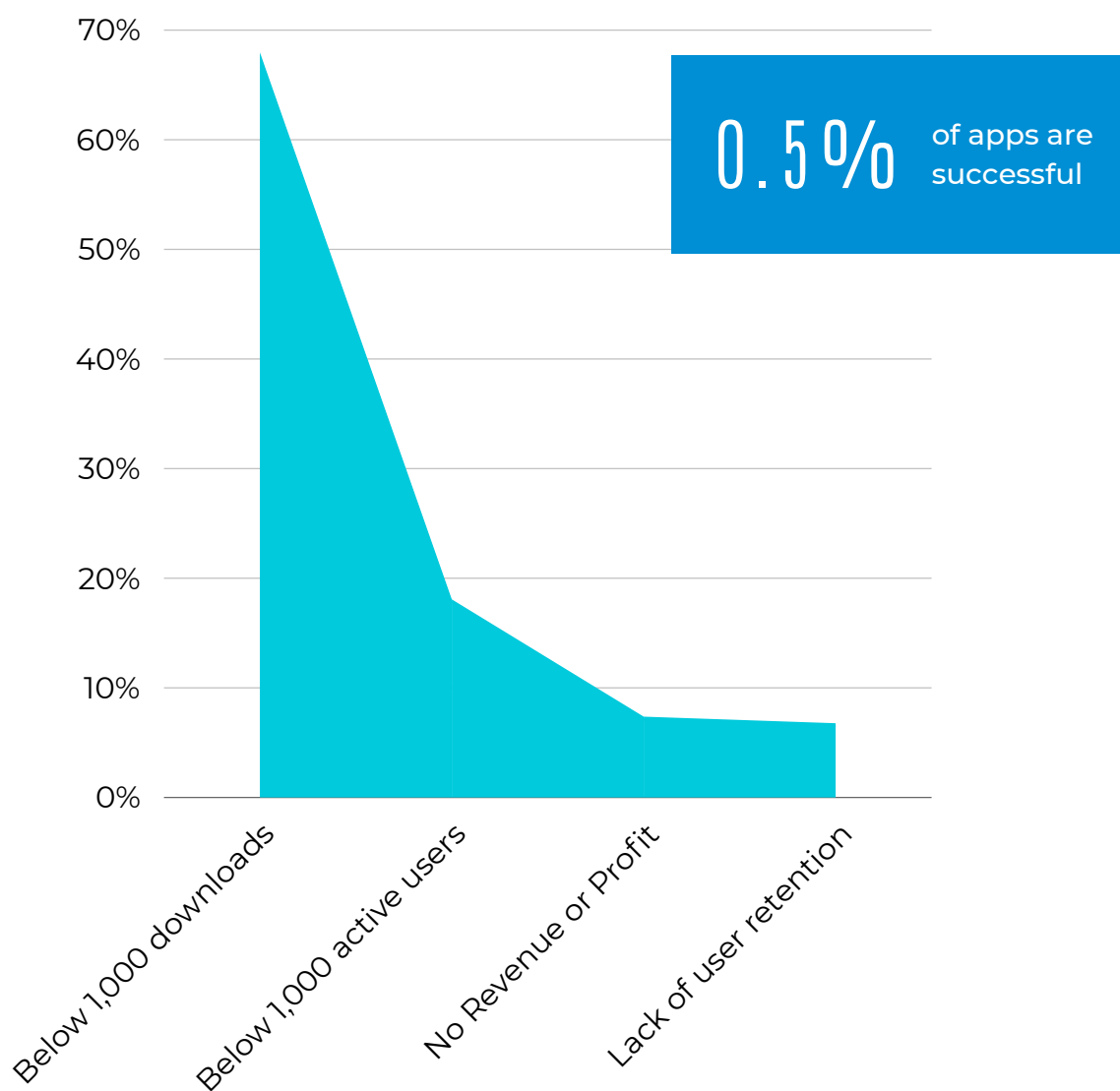
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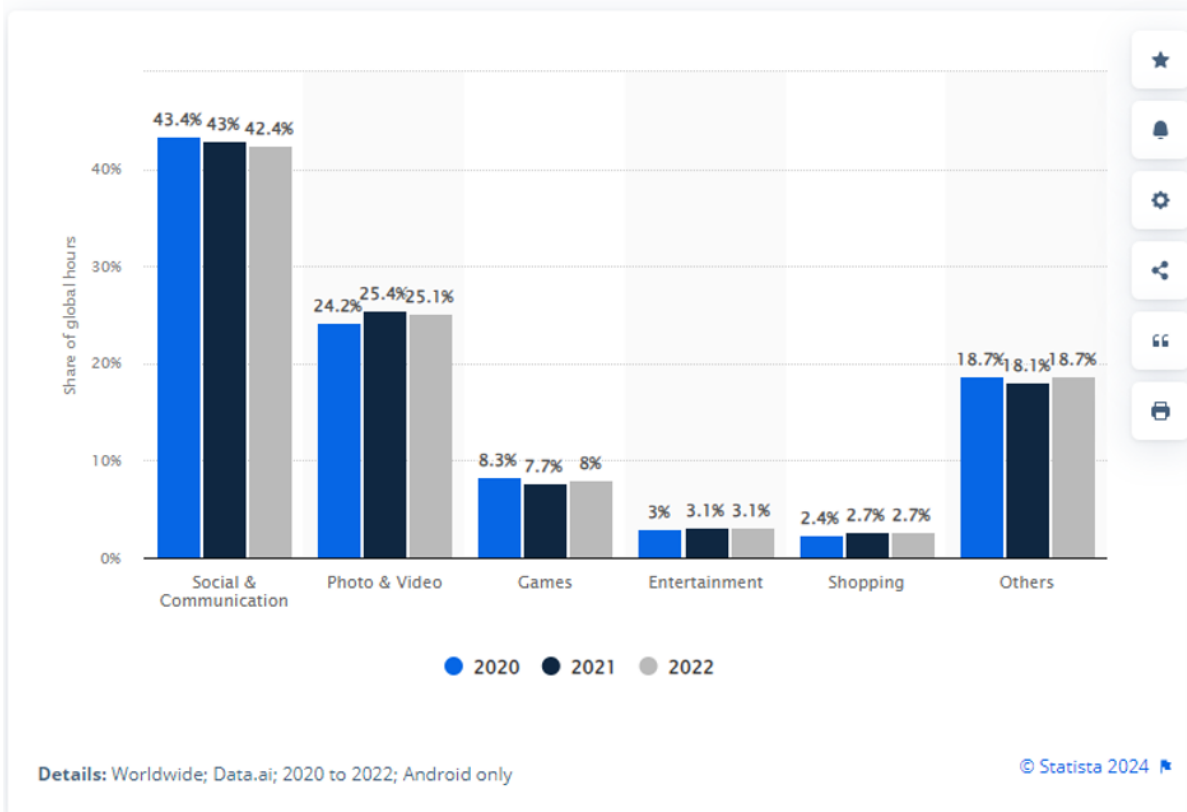
Report

Mobile Application Success Rate

The usage of shopping mobile applications accounts for less than 3% of the time consumers spend on mobile apps.
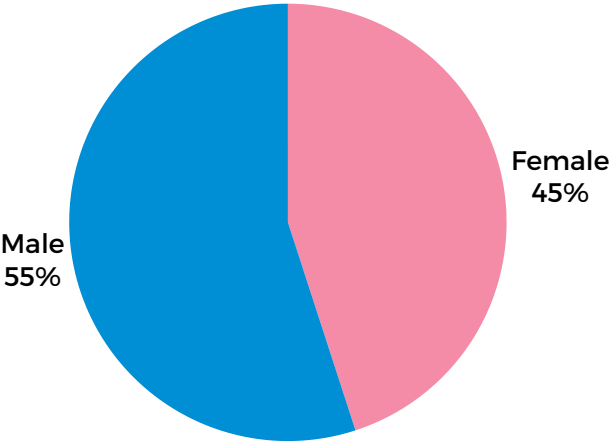
Most common failures cited
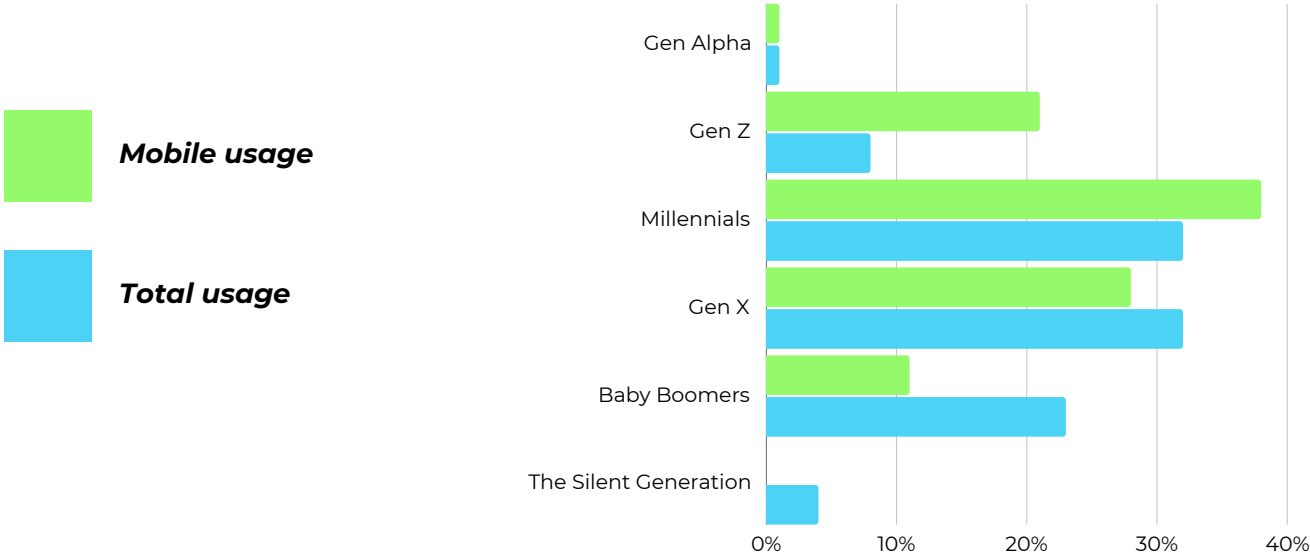

0.5% of apps are successful

Breakdown of mobile users

The following is an analysis of mobile users, based on analysis of mobile application users from all mobile application providers who provided profile information on Electrum's system as part of the enrollment process.

By gender

Male
55%

Female
45%

By Age

Mobile usage

Total usage

Gen Alpha	
Gen Z	
Millennials	
Gen X	
Baby Boomers	
The Silent Generation	

0% 10% 20% 30% 40%

Analysis shows that loyalty members born after 1980 are more likely to download and install convenience store mobile applications. As a long-term engagement strategy, if mobile acceptance becomes popular, using mobile applications can potentially be used with these groups.
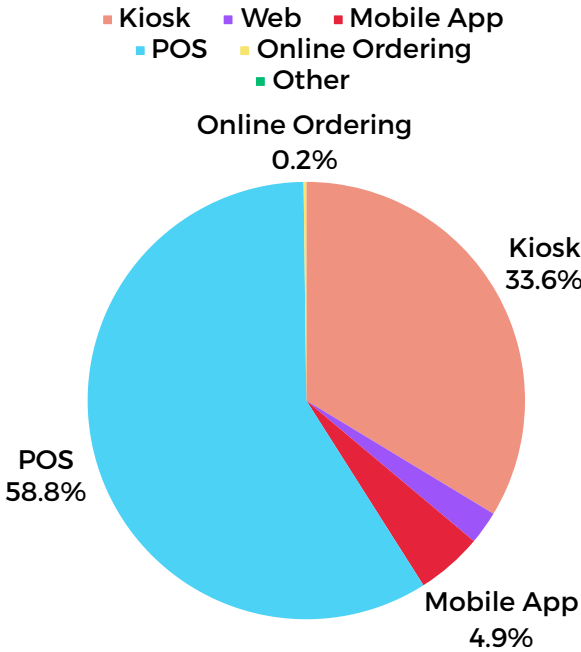
Are consumers interested in mobile applications offered by convenience stores?

In this analysis, Electrum looked at total installation of loyalty consumers as compared to the number of loyalty members.

The following is a count by enrollments methods historically since the inception of Electrum's system for all loyalty programs

Enrollment - historically

Legend: Kiosk ■ Web ■ Mobile App ■ POS ■ Online Ordering ■ Other

Online Ordering 0.2%
Kiosk 33.6%
POS 58.8%
Mobile App 4.9%

Mobile applications are less than 5%. Since the data goes back in some cases over 15 years and mobile applications have only been employed recently, Electrum also ran data on recent mobile application enrollments.

Enrollment - 2023 only

The following is a count by enrollment method for 2023 where all methods of enrollment were employed for the control locations for the mobile applications of the three mobile application service providers.

Legend: Kiosk ■ Web ■ Mobile App ■ POS

Kiosk 5.3%
POS 91.1%
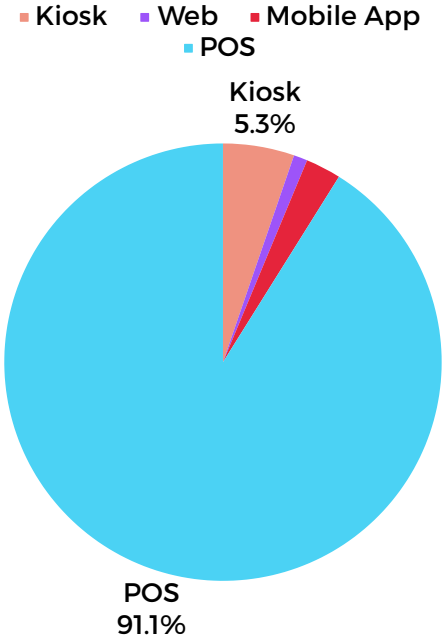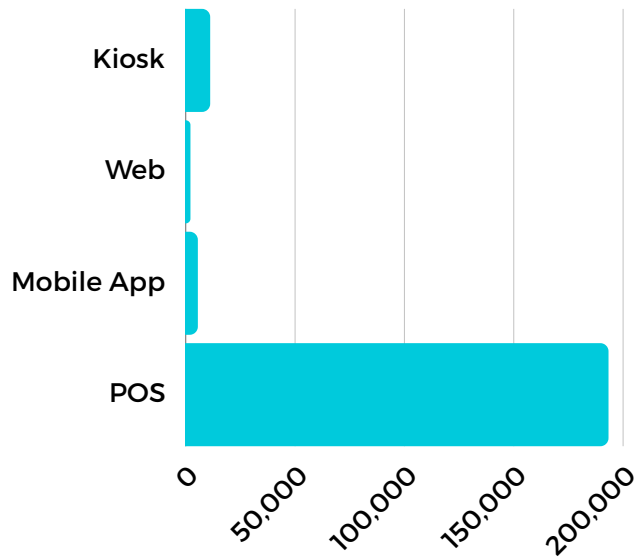
The mobile enrollments for this control group during this period decreased as a percentage of total enrollment. This was due to a significant surge in the alternate method of POS enrollment, wherein individuals could enroll by providing their mobile number at the point of sale (POS), consequently diminishing the proportion of enrollments for all other methods, including mobile enrollment.

Enrollments by location

The following are historical numbers for the average number of enrollments by enrollment method per location.
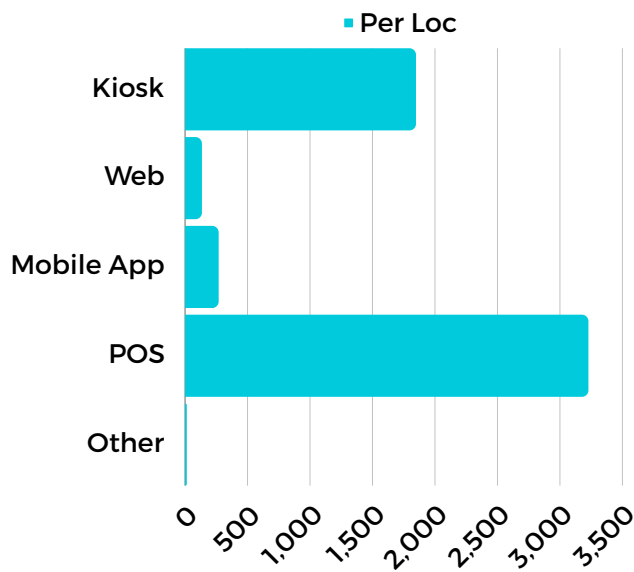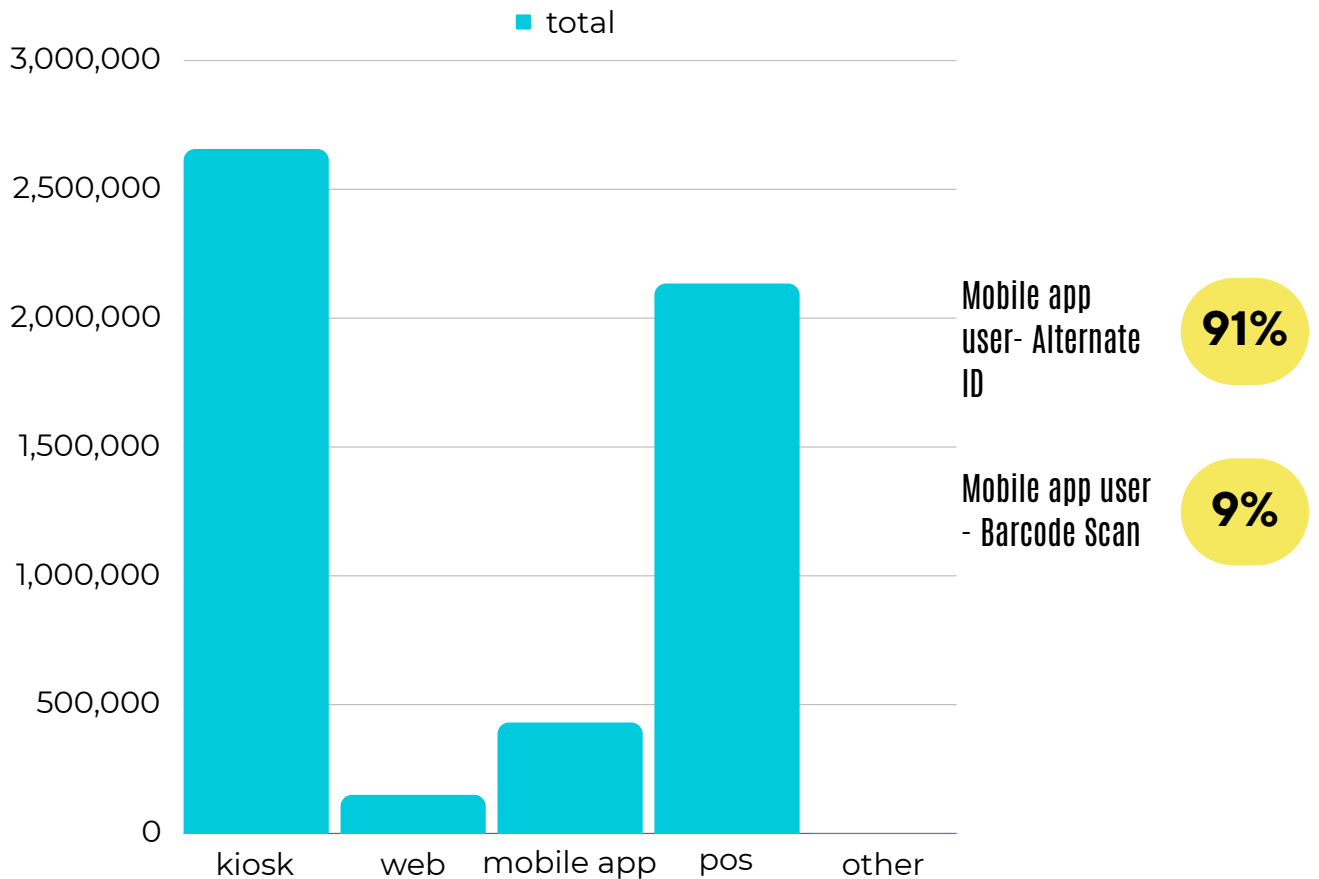

Conclusion: When compared to other methods of enrollment mobile enrollments are a small percentage.

Once installed do consumers use mobile applications?

The method used by mobile users to identify themselves as a loyalty member at the point of sale.
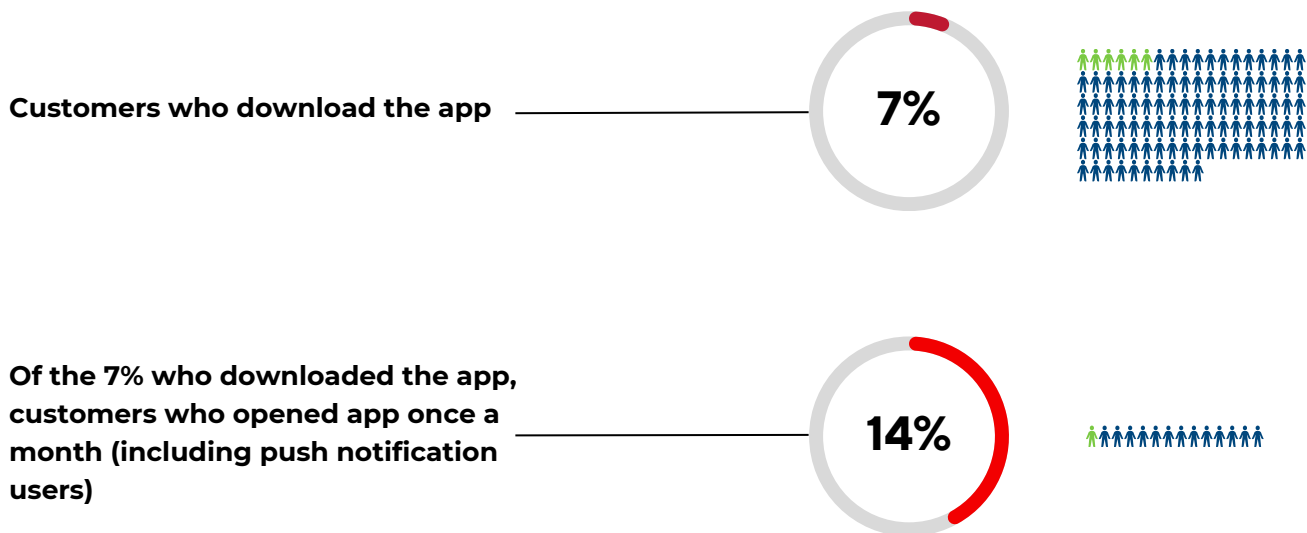
Non-Fuel POS Login By Enrollment Method

The analyzed data reveals that a small number of mobile application users either do not carry their phones with them or choose not to utilize them when identifying themselves as a convenience store loyalty member. This identification process typically involves methods such as barcode scanning, card swiping, RFID scanning, or entering an alternate ID on the store PIN Pad. The significance lies in the fact that for the effective promotion and redemption of offers using a barcode or RFID, consumers need to be willing to use their mobile phones during the point of sale. The data suggests that users of convenience store mobile applications generally show a reluctance to use their mobile phones at the point of sale.

Frequency per month a mobile user opens an installed mobile application.

Electrum used data from the mobile application of its largest mobile application that logs at Electrum's host each time a mobile user opens their mobile application and divided it by the number of mobile users for the program.

Customers who download the app —————— 7%

Of the 7% who downloaded the app, customers who opened app once a month (including push notification users) —————— 14%

Are mobile applications an effective method of promotion and promotion redemption?

Related to the above, an analysis of promotions done generally by mobile coupons or pricebook coupons, against loyalty discounts and loyalty digital coupons. Loyalty digital coupons are coupons for a product offered by a merchant or manufacturer based on various rules, communicated to the loyalty member via direct email, text messaging or mobile application and redeemed by the consumer buying the product at the point of sale without having to present any form of identification, paper or image of a coupon on a mobile phone.

To analyze the effectiveness of this method, Electrum analyzed data from one loyalty program using mobile coupons. The analysis quantified the loyalty coupon redemptions at the loyalty program location point of sale for a six-month promotion where mobile users were offered a mobile coupon to be redeemed at the merchant point of sale by rendering a barcode on the user mobile phone at the point of sale at the time of purchase.

The barcode was a negative department UPC previously entered into each location's pricebook. Electrum compared the average monthly redemption of these mobile coupon discounts against the average monthly discounts and the average monthly digital coupon redemptions at control locations.

The number of mobile pricebook coupons redeemed are substantially less counts than alternate coupon and promotion methods. This also addresses the question whether mobile applications attract consumers who do not want to enroll in a loyalty program. If this were the case, the number of mobile/pricebook coupons would be higher not lower than loyalty digital coupons.

Discount Type	Avg Redemptions per location/per month
Mobile Pricebook Coupon	8
Loyalty Digital Coupon	434
Instant Reward Discount	14,378

What is the average ticket size of mobile users and the frequency of shopping as compared to non-mobile users?

Type - 2023	Average Ticket Size
Mobile	$23.07
Non-mobile	$21.25

*Mobile users average ticket size is higher due to the lower ATS of POS enrollees $20.87.

Shopping Frequency

Mobile users purchase more when they shop but shop less frequently. The analysis shows a low frequency of all shoppers because it does not eliminate shoppers who become inactive.

Type - 2023	Shopping Frequency
Mobile	1.37
Non-mobile	2.72

What would be the effect of requiring all loyalty members to enroll only using mobile applications?

The analysis method was to remove kiosks from stores and require consumers to enroll by mobile application.

Average Enrollments Per location 3 months prior to eliminating in store kiosks compare to 90 days after.

Enrollments average per location	All Methods	Mobile Only	Percentage
Non-mobile enrollments	75	2	97%
Mobile enrollments	8	26	225%
Total	83	28	66%

While mobile enrollments per location per month increased by 225%, total enrollments per location per month decreased by 66%. This indicates that mobile only enrollment method is not a good marketing method.

Conclusion

Our examination underscores the challenges in engaging mobile users at convenience stores, revealing that they represent a modest percentage of loyalty customers. Despite a higher average ticket size among mobile users and a younger demographic, the low redemption rates for mobile offers prompt a closer look at the limitations of only using these applications in attracting a wider consumer base.

Low Mobile User Percentage

- Mobile users account for less than 5% of all loyalty customers on average.

Limited Mobile Engagement

- A detailed analysis reveals that fewer than 9% of mobile application users actively utilize their phones for convenience store loyalty logins.

Redemption Challenges

- Consumers must display an inclination to use their mobile phones at the point of sale for the redemption of mobile offers.

Coupon Redemption Disparity

- The redemption of mobile pricebook coupons falls significantly below alternative methods, averaging less than 8 per location per month.

Final Insights

Optimizing redemption rates and ROI in the c-store industry demands a multifaceted approach to engagement. Leveraging diverse methods such as QR codes, signage, mobile apps, pump texts, direct emails, and social media is imperative. While mobile users typically exhibit a slightly higher average ticket size and encompass a greater proportion of millennials and Gen Z, the persistent challenge lies in the low redemption rates and the difficulty in effectively engaging users at the point of sale. This indicates that relying solely on mobile applications may not sufficiently capture a broader consumer base. Therefore, a holistic strategy that integrates various engagement channels is essential for sustained success. Additionally, there's a need for deeper exploration into the profitability of specific manufacturer programs and an acknowledgment of the evolving consumer demand for retailer mobile apps across segments.

Contact

About Electrum

Who is Electrum?

- Founded in 1998, Electrum is a Louisville, KY based SaaS company specializing in providing loyalty and other related services predominantly in the convenience store market. Other services include gift cards, ACH POS debit payment, Direct Bill/Fleet Fueling, store credit, subscriptions, and scan data services. Loyalty program features include Conexxus compliant in-store and pump instant discounts, point issuance and redemption, clubs, sweepstakes, kiosk, web, mobile application, text messaging, direct email and social media engagement methods.

- With a presence in over 4,000 merchant locations across the US, Canada, and the Caribbean, Electrum has successfully enrolled over 4.8 million consumers in loyalty and other services for its retailer customers.

- Electrum extends its services to manufacturers such as Altria, RJR, and ITG, providing scan data and other data reporting services.

- Electrum develops, publishes and supports its own mobile applications.

- Electrum's primary goal is to employee its services, processes and technologies to increase profitable sales for its retail customers. Electrum does this without bias for or against any technology or method.