



COMARCH EMM

COMARCH LOYALTY MANAGEMENT

IMPLEMENTATION OF COMARCH LOYALTY MANAGEMENT AT

# X5 RETAIL GROUP

X5 Retail Group N.V. is the largest retail company in Russia in terms of sales. As of 30 September 2010, X5 had 1,630 Company-managed stores, including 1,232 Pyaterochka soft discount stores, 289 Perekrestok supermarkets, 65 Karusel hypermarkets and 44 convenience stores. X5 Retail Group has stores in 42 regions of the Russian Federation, as well as in Ukraine. Its key strategic objective is to become the main consolidator of the Russian food retail market and the absolute leader of Russian retail, able to compete with leading international chains as an equal. X5 Retail Group N.V.'s global depository receipts have been traded on the London Stock Exchange since May 2005 under the ticker "FIVE".



## BUSINESS CHALLENGES

X5 Club's main goal, developed by one of the largest chains of retail stores in Russia, is to reward supermarket and hypermarket customers for their loyalty by offering them loyalty points. The main assumption of the program implementation was to build a **loyalty program** scheme supported by an effective and modern IT solution. X5 Club consists of two independent loyalty programs: "**Perekrestok Club**" and "**Volshhebnyaya Karta**". Both are supported and managed by the **Comarch Loyalty Management** solution.

## PROGRAM RULES

Program members can register at any store and receive a start-up package that consists of marketing materials and 1 magnetic "**Perekrestok Club**" card (one card in "Volshhebnyaya Karta"). The main cards allow members to either collect or redeem loyalty points while the additional cards allow only the collection of loyalty points. Loyalty points can immediately be issued to a card. However, redemption of loyalty points is allowed 15 days after receiving the card and the customer's data is entered into the system.

In 2010 the Perekrestok Club had 10 Partners: AKP LUKOIL, S7 and Transaero Airlines, the apparel chain SELA, the mobile operator ALLE, the Bolero and 003.ru e-shops, the Nastroyenie retail chain, and the laundry chain DIANA. In "Volshhebnyaya Karta", program participants can also collect points by making purchases at e-shop partners Bolero and 003.ru.

## BENEFITS

In the "Perekrestok Club", members receive loyalty points based on the amount spent on their daily purchases (according to the basic principle: 2 points for each 10 rubles). Members can redeem their points on any purchased goods according to the formula of 10 points to 1 ruble.

Points in the program are divided into **standard** and **additional points**. According to the rules of this program, each client earns standard points with each purchase. The value of the transaction determines the number of points granted to the cardholder. Additional points are awarded when a client makes a purchase during defined hours, takes advantage of a special offer of chosen products, during a client's birthday or purchases a selected product.

A special feature of the "Volshhebnyaya Karta" program is the **progressive accumulation of points** (the main rule is 1 point for each 10 rubles). A person who joins the program and makes purchases at 1000 rubles, can receive 100 points. However, if a purchase total during the first three months is greater than 30,000 rubles, double points will be accumulated during the next quarter. If the total purchases for the three months exceed 100,000 rubles, the rate of accumulation will be 5 times greater. This may be a significant benefit for wholesalers and owners of private companies. Additional points are also provided for purchases of non-food goods and in various types of promotions.

## THE IMPLEMENTATION

The pilot project of the "Perekrestok Club" program, lasting 3 months, was launched in November of 2006, in three Moscow area Perekrestok stores – one hypermarket and two supermarkets. After this initial period, another 90 Perekrestok stores were connected to the system.

The entire project of the loyalty program creation was completed within a six month period of time, including the implementation of **Comarch Loyalty Management**. The project includes system implementation, as well as consulting services, technical support, maintenance, hosting and DRC services from the Comarch Data Center in Krakow, Poland. The Comarch Loyalty Management system works in an online mode.

Within Comarch Loyalty Management, the **Business Administration Module, Multipartner Application, Comarch Contact Center and Customer Web Application** were installed.

Integration between Comarch Loyalty Management and MVNO operator ALLE allows program members to exchange loyalty points for additional minutes or SMS's, or they can receive minutes for purchasing specific products.

## COMMUNICATION

The system implemented for X5 Club was supplied with a modern communication module, allowing the program organizer to define marketing messages distributed via **various communication channels**. This module enables informing clients about the amount of points earned with each purchase, their account balance and individual offers created for a specific participant. Individualized offers are based on purchase history and data collected from participant questionnaires. Communication channels which could be used by X5 include: printing of **additional receipts, "Electronic Help"** (a special info-kiosk located in stores), SMS service, **Customer Web Application** and **emails**.

## RESULTS

Launching the "Perekrestok Club" loyalty program project was a big success. Currently in participating stores:

- ▶ the average basket value of program members is **45% higher** than for non-members,
- ▶ more than **26% of revenue** is generated through loyalty transactions,
- ▶ more than **230 promotions are active** simultaneously.

In test mode, the "Volshebnaya Karta" program began in the Volgo-Vyatskiy region on 1 April 2010 and within two months of operation, about **40,000 inhabitants** of Nizhny Novgorod (4 hypermarkets), Dzerzhinsk (1) and Cheboksary (1) have joined it. At the end of May 2010, card holders have already accumulated about **50 mln points**.

*"We constantly research, „listen" to our customers and, guided by their preferences, engage partners from various business spheres. Our partner program is based on the „360° rule": we attract, and we will attract partners, to cover all areas of our users' life." - says **Alexander Ivanov**, Head of the Management of Loyalty Programs and Customer Relationship in X5 Retail Group NV.*

*"Volshebnaya Karta is a new effective loyalty program for customers, employing the most modern technologies and ensuring maximum benefits for those who consistently shop at our hypermarkets. This card provides not only material benefits, but is also a tool that allows us to „listen" to the customer, to understand him/her better and improve our business, making it more customer-oriented." - **Karina Czernikowa** Marketing Director in 5 Retail Group N. V.*

## KEY FACTS & FIGURES

### "Perekrestok Club":

About **2,333,600 active participants**  
Approx. **5,915,550 cards in the program**  
More than **131,006,100 Perekrestok transactions** from the program start  
**135 active promotions** for program participants

### "Volshebnaya Karta":

About **40,000 participants**  
Approx. **50 mln points** issued

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