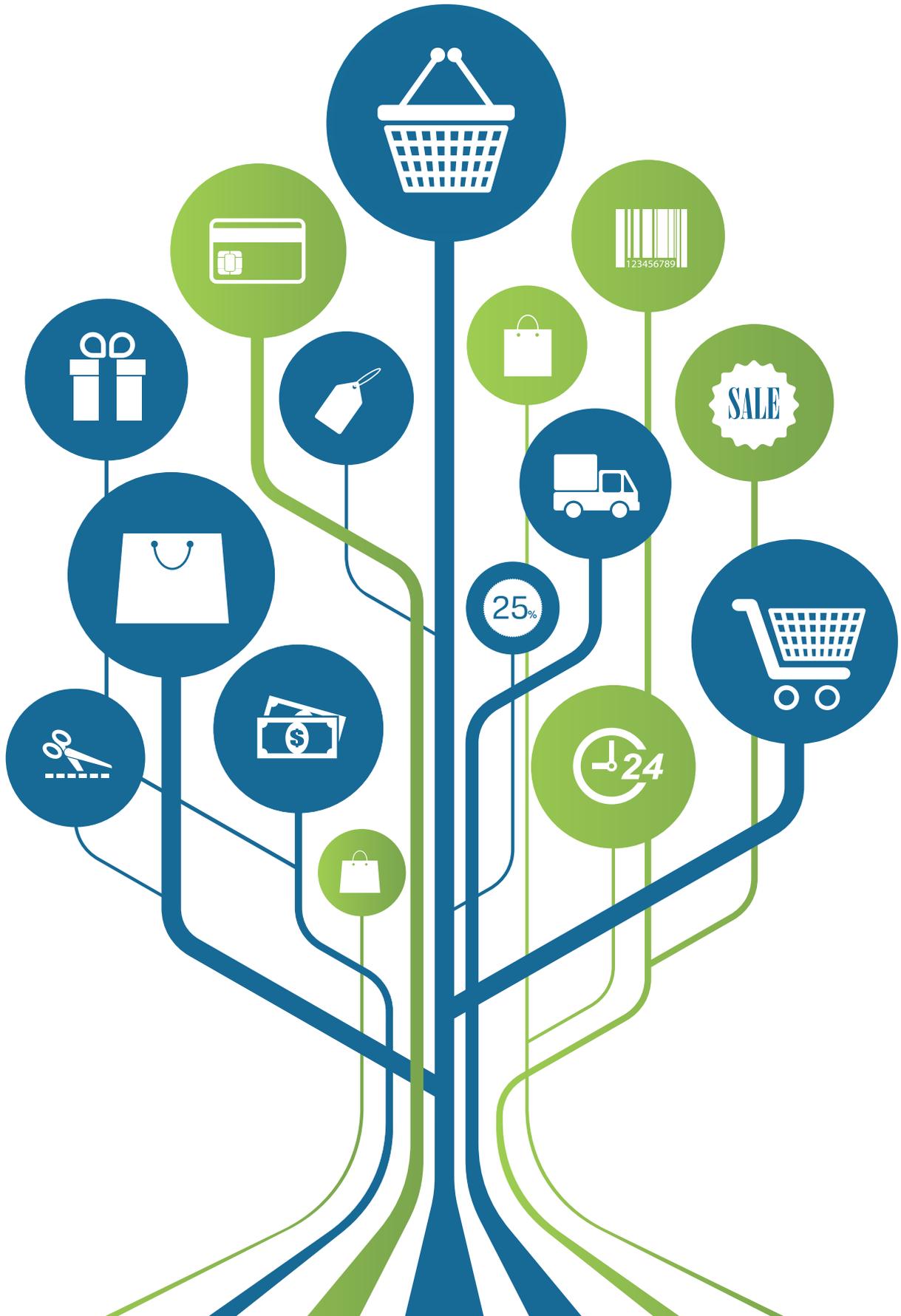


Comarch Loyalty Management implementation at
X5 Retail Group



X5 Retail Group

X5 Retail Group N.V. is a leading Russian food retailer. The company operates the following retail formats: the soft discounter chain under the Pyaterochka brand, the supermarket chain under the Perekrestok brand, the hypermarket chain under the Karusel brand the online retail channel under E5.ru brand and convenience stores under various brands.

At 31 December 2013, X5 had 4,544 company-operated stores. It has the leading market position in both Moscow and St. Petersburg and a significant presence in the European part of Russia. Its store base includes 3,568 Pyaterochka soft discounter stores, 390 Perekrestok supermarkets, 83 Karusel hypermarkets and 189 convenience stores.



Business Challenges

The main objective of the loyalty program operating under the name Klub X5 (X5 Club) is rewarding supermarket and hypermarket customers for their loyalty by offering them additional benefits, including loyalty points. The basic premise of the implementation was the definition of a loyalty program supported by an effective and modern IT solution.

At present, Klub X5 includes two independent loyalty programs, these being Klub Perekrestok (Perekrestok Club), realized at supermarkets, and Special relations, which has been implemented at Green Perekrestok premium stores. Prior to 2011, another program had been offered, the Magic Card program, also available at the Karusel hypermarkets. All of the programs have been supported and managed by the Comarch Loyalty Management system. In 2014, the Klub Perekrestok program had 21 partners, including such market leaders as S7 Airlines, Baltic Miles, TNK, Home Credit Bank and Citibank.

Program Rules

Program participants may register at any store, where they will receive a start package including a questionnaire, marketing materials and a magnetic Klub Perekrestok or Special relations program card. The program organizer also enables registration with the program through a dedicated website; it is also possible to submit the registration form via email or by means of a Call Center. The cards may be used to accumulate points immediately after they are received, while redemption may occur 20 days after registration. It is also possible to add additional cards to a user's account. The main card enables the user to collect and redeem loyalty points, while the additional cards make it possible solely to accumulate points.

As part of the Klub Perekrestok and Special relations programs, customers doing their shopping at stores collect loyalty points according to the rules of the particular program. With the Klub Perekrestok program, the participants receive two points for every RUB 10 spent, while with the Special relations program, the number of points depends on the amount paid for the purchase, e.g. one point is granted per RUB 10, up to a maximum of RUB 1,999.99 spent.

The points granted as part of the programs are divided into standard and additional. Standard loyalty points are awarded to customer accounts for each purchase. The value of the transaction determines the number of points granted to the cardholder. Additional points are granted for a purchase between particular hours, on the customer's birthday or of selected products on special offers.

The points accumulated may be redeemed by users according to the following formula: RUB 1 per 10 points when paying for all or part of a purchase at X5 chain stores or program partners. It is also possible to redeem X5 points for other partner program points, offered by, for example, CitiBank or Baltic Miles. In 2012, X5 included the E5.RU online store within the Klub Perekrestok program.



Implementation

The three-month-long pilot project for the Klub Perekrestok program was launched in November 2006 at three Moscow area stores – one hypermarket and two supermarkets. Following the initial period, further 90 Perekrestok stores were connected to the system. Since that time, the number of participating stores has grown continuously.

The entire loyalty program implementation project was finished within six months, together with the implementation of Comarch Loyalty Management. The project also includes consulting services, technical support, maintenance, hosting and DRC services provided at Comarch Data Center in Krakow. The Comarch Loyalty Management system processes transactions in real time.

As part of Comarch Loyalty Management, Business Administration, Multipartner Application, Contact Center and Customer Web Application modules were installed (a separate portal for each program).

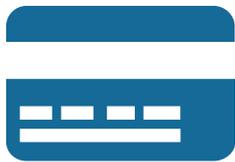
The integration between Comarch Loyalty Management and the MVNO operator ALLE enables program participants to exchange loyalty points for additional minutes or SMSes or they can receive additional minutes for the purchase of particular products.

Communication

The system implemented for X5 Retail Group was equipped with a modern communication module, enabling the program organizer to deliver a marketing message through various communication channels. This module makes it possible to inform the customer at the moment of purchase of the number of points earned as a part of a particular transaction, the account balance and individual offers prepared especially for that particular customer. Promotional offers are prepared on the basis of purchase history and program participant data. For the purpose of communication, Klub Perekrestok uses an additional receipt, Electronic Help (a special info-stand at the stores), SMS and email, as well as a customer portal.

Results

The Klub Perekrestok loyalty program proved a great success as early as its pilot phase initiation. At participating stores at present:



the total number of points issued is approx. 21 billion, worth around RUB

2.1 billion



the total number of points redeemed by customers for rewards is approx.

20 billion



the total number of loyalty program participants in Klub Perekrestok and Karuzel -

6 million

the average basket value of a program member is

45% higher than that of a non-member



more than

26% of revenue is generated through loyalty transactions



Why Comarch?

Comarch is a world leading provider of future-oriented IT solutions and professional services that help to manage and support the entire loyalty value chain. Our multi-industry experience with supporting marketing programs for best world's brands and deep understanding of loyalty strategy makes us a reliable partner for your business.

"We are constantly researching, 'listening' to our customers and, guided by their preferences, engaging partners from various business spheres. Our partner program is based on the '360° rule': we attract and will attract partners to cover all areas of the lives of our users,"

- Alexander Ivanov, Head of the Management of Loyalty Programs and Customer Relationships at X5 Retail Group N.V.