



Driving Loyalty

Operators succeed with programs via proper mix of technology, basic execution

By Paul Rogers

Between smart cards, radio-frequency identification tags, MP3 players, scanners, printers and the software that collects the data and ties it all together, loyalty programs have matured quite a bit from those hole-punched ticket-size stubs tucked in your wallet and purse.

But for all the advancement in technology, no one has been able to invent a loyalty program that runs itself.

So whether you spend \$500 on proprietary hole punches and business cards or \$500,000 on a high-tech system that tracks and analyzes customer purchases, the success or failure of your loyalty effort will be determined by how it is implemented and operated.

Even the technology suppliers agree: "It's not like a light bulb where you flip a switch and the light goes on. It's more like a car: You have to drive it," says Anton Bakker, president and chief executive officer, Outsite Networks Inc., a Norfolk, Va.-based loyalty systems provider.

Bakker, other technology suppliers and c-store executives who have steered their companies through the loyalty process have seen the more frequent customer visits and higher rings that result from a well-run system. It happens by making the technology

work, or, more precisely, using the technology as a platform around which to craft a program that customers just can't resist. Here are some of the experts' driving tips.

Keep It Simple

Simplicity is a good thing—for customer and employees. "In the end, a loyalty system has to be customer-friendly, understood, easy and convenient," says Adam Coleman, vice president and chief operating officer of Red Apple Markets, Ahsoskie, N.C.

Apple teamed with Outsite to implement its Red Apple Rewards program, a system that uses radio-frequency identification (RFID) tags to identify customers and MP3 players at the pump to deliver a store-recorded message every time the tag is swiped. If customers at the pump do not swipe an RFID tag, the pump plays a recruitment message aimed at getting them in the store to sign up.

To sign up, a store employee simply waves the card over a card reader, which recognizes that it is a new RFID. A printer immediately prints out a form (customers need not fill out the form and can participate in the program anonymously, but they then could miss out on any sweepstakes held) and a

coupon for a predetermined item in the store.

"Employees have to do very little except make sure there's paper in the printer and tags for new customers and remind people to use their tag when they come inside the store," says Coleman.

Make It Personal

Don't let technology replace person-to-person contact. Even in a system like Red Apple's, where much of the recruitment is automatic via the message at the pump, in-store workers still need to be advocates of the program.

"Creating a relationship between the customer and the cashier is where true loyalty lies. We want some interaction there, and that requires teaching cashiers how to get the card out there, overcome skepticism and be knowledgeable about the program to answer questions," says Patrick Lewis, chief executive officer of Kickback Points LLC and co-owner of Oasis Stop N Go, Twin Falls, Idaho. Lewis designed Kickback Points because he wanted a loyalty program for his Oasis Stop N Go stores to reflect the perspective of an actual c-store operator—and then he created a loyalty company based around it. "The programs we design put heavy emphasis at the store level," he says.

That means training and managing on a store-by-store basis—communicating with and motivating employees, including possibly employee incentives. Consider giving the worker who signs up the most customers a \$50 monthly bonus, suggests Mike Radlovic, chief executive officer of Claremont, Calif.-based TranStar Systems Inc., a marketer of “smart card” technology and card-based programs.

“If you have great technology run by people who don’t care, then that’s not a good program,” Radlovic says. “Focus on what the customer really wants. People want to be thanked, want a human touch, and a loyalty program says thank-you in mass appeal way.”

Be Beneficial

Find the right rewards. Not everyone chases the same carrot. Some people like cash back, some want dollars off, some free merchandise, some something altogether different.

It needs to be the right combination of “hard” and “soft” benefits, says Lewis. Hard benefits are the points earned. Soft benefits are things such as the excitement of the program, whether that be privileges that only members can receive, instant-win prizes or a monthly drawing for something a little bigger. Red Eagle Oil Inc., Powell, Wyo., uses a series of random rewards in its Red Eagle Rewards program to add an element of surprise. One of every 100 members, for example, wins a candy bar.

Both Oasis and Red Eagle have given away ATVs through their respective loyalty programs.

“People tend to join these loyalty programs for their own reasons,” says Lewis. “A rebate might not appeal to someone



Sending a Message: Red Apple Market’s rewards program uses RFID tags to identify customers and MP3 players at the pump to deliver a message whenever the tag is swiped.

but a chance to win a four-wheeler does.”

Last spring, Apple Markets began giving away \$1,000 in free gas every month. Loyalty customers are entered every time they buy something and swipe their card.

“When word of mouth gets around that you’re passing out \$1,000 in gas, that obviously drives interest very quickly,” says Coleman.

Everyone Wins

Make the prizes accessible. If the program’s structure puts prizes out of reach, it will fail, operators say. Customers need to feel if not immediate gratification, then nearby gratification. Red Eagle Oil and Red Apple Markets give away products on sign up just to start things off right.

“We make it easy for them to start earning points and discounts quickly,”

says Coleman.

Red Apple uses a tiered point structure, where payoffs are grouped into five buckets, allowing the customer to decide when they want to redeem their points and for what product. Customers get 5 points for every gallon of gas purchased and 20 points for every dollar spent inside. To boost its own business and accelerate point accumulation, the company also doubles or triples points at times. Double-point Wednesdays are a regular feature.

“It became the busiest day of the week after it was the quietest day of the week,” says Coleman.

Of course, giving points is no good unless people know what they are getting and where they stand in the payoff scheme. Points are updated on a real-time basis at Red Eagle and Red Apple. Customers can get an instant

printout from a tag reader inside the store. Or the audio at the pump can be programmed to tell them when they are approaching a milestone.

“If they are close, it immediately gets consumers thinking they have to go back to that chain,” says Bo Sasnett, vice president, sales and marketing, Outsite Networks.

Partner Up

Tie in vendors. Specific vendor partners entice customers to both join and use the card.

“We don’t push items that are bottom-dwellers but products like Coke 2-liter bottles or Pepsi 12-packs, items that already have solid market traction. And what we are doing is using the system to leverage and make growth hap-

pen,” says Coleman.

Kickback Points is part of Oasis Stop N Go’s regular product marketing. Instead of offering a discount on a product, the company might give 100 bonus points to loyalty members.

“It helps increase the average ticket with customers who are price sensitive,” says Lewis. “Some customers that utilize the card become zealots and try to get points any way they can. So they may buy a Pepsi now and drink it later.”

Explore Options

Give them more options. Red Eagle runs c-stores, liquor stores, car washes, three Burger Kings and a Polaris dealership and all are wired into the pro-

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—Brad Christiansen
Red Eagle Oil

gram. The company is now working with other retailers and grocery stores in Wyoming who are losing business to Albertson’s because the supermarket giant offers cheap gas at stores with pumps.

Oasis Stop N Go’s Kickback Points is a coalition program that links more than 50 retailers in the region, including restaurants, florists and oil and lube shops.

“It’s easier to get consumers to buy into a program like that because it’s one card that they can use at different businesses. It has the benefit of portability,” says Lewis. “And because they have more opportunities to earn points in the network, balances

increase more rapidly and they can make redemptions quicker. That's where they perceive the value of the program. Once they get something free, they're hooked."

Lewis has definitely hooked Idaho's Magic Valley region: With a population of about 100,000, Oasis Stop N Go has issued more than 67,000 cards.

It's in such numbers that a chain will quickly see whether its own loyalty program is paying off. One thing the technology does provide on its own is extensive sales tracking capabilities.

When Red Eagle started Red Eagle Rewards in July 2004, customers were visiting an average of 1.7 times per month. Now, loyalty customers are approaching almost three times a month. Last July, the average ring was

about \$3.80. Loyalty customers now average \$8.40 per transaction.

Those numbers started coming a month after rollout, says Brad Christiansen, Red Eagle vice president. "We feel we've gained market share, seeing that the in-store basket has more than doubled," Christiansen says. "We'll take that every day of the week."

Lewis says Oasis experienced a minimum double-digit growth in ticket average and a minimum double-digit increase in customer frequency at its stores. Coleman has even seen it help customer defections during high gas price periods.

"Right now, we're in the middle of high gas prices and we're seeing record loyalty numbers," says Coleman. "High prices usually mean a decline in business.

Where customers might have come in originally to buy three things, they only buy two or one. We kept looking for it last week, but we found it to be the opposite. The basket size kept getting bigger."

But Coleman, Lewis and Christiansen didn't just install equipment to produce those results—they worked to get people interested, into the stores, signed up and excited about using it.

"It's complex in the back office but effective and extremely profitable," says Christiansen. "Everybody believes loyalty is a discounting program, and that's one thing I have to overcome constantly when we're trying to explain what we do. We are not discounting, and our margins and volumes are up. It's all about how you deploy it." ■