



Retailers get creative with fuel-island promotions

With increasing costs and stiff competition taking margin out of convenience retailers' gasoline business, the value in drawing customers from the fuel island into the store on a regular basis is clearly top of mind these days.

Given this, retailers are turning to technology to help them convince customers to venture beyond the pumps and into the store aisles. In two separate workshops at the recent NACStech Conference in Nashville, Tenn., retailers and other industry experts discussed the systems they employ to draw customers into the store – and to keep them coming back.

In a session titled, "Merchandising at the Fuel Island," Calloway Oil Co. President Tommy Hunt and Deweese Enterprises Image Director Kim Gianakos each discussed how they are employing new technologies at the fuel island to communicate with their customers and, ultimately, convince them to shop the stores regularly. Meanwhile, [Red Apple Markets](#) Chief Operating Officer Adam Coleman and [Mirabito Fuel Group](#) Chief Information Officer Ross Mirabito detailed their approaches to fostering customer loyalty in a session titled, "Customer Loyalty: What Retailers are Really Doing."

No Nail Polish

For Maryville, Tenn.-based Calloway Oil, the challenge was to find a way to communicate with customers at the fueling islands and offer them a reason to shop its E-Z Mart stores in the face of stiff competition from drug chains and supermarkets in its marketing area. "The problem we all have is that there are a lot of other businesses going after our customers, using gasoline as a lead in," Hunt told attendees, noting that drug chains can be particularly stiff competition in attracting female shoppers. "How many bottles of nail polish have we sold lately?"

In seeking a way through which Calloway Oil could offer special promotions to customers at the fuel islands, Hunt had set a few criteria. "We wanted it to be automated, so we would not place a lot of demands on our managers and employees, and we wanted to be able to show our suppliers when we were promoting their products at the pump," he said. "But most of all, we wanted to make sure it was not annoying to our customers."

Last August, Calloway Oil became one of the early adopters of the new [SMART Merchandiser system](#) for [Gilbarco, Inc.'s Encore](#) and [Eclipse](#) series of multi-product dispensers (MPDs). The system, which Greensboro, N.C.-based Gilbarco displayed on the NACStech tradeshow floor, employs a web-based interface through which retailers can set up product-specific promotions that display on the dispenser's LCD screens. Using the MPD's payment buttons, customers can select a promoted product and print out a coupon with a scannable UPC at the pump and redeem the coupon immediately in the store.

According to Hunt, customers will typically see as many as 10 to 12 promotions at the pump during an average fill up, and redemption rates have been running between 30 percent and 60 percent. Customers print an average of 1.1 coupons per visit. But most important, the system has resulted in a 10-percent increase in sales and all discounts offered to the customer are funded by product manufacturers – often with incremental promotional dollars.

"We are seeing a measurable result," Hunt said, "and our vendors can see which coupons have been printed and scanned, so they know their products are being sold."

Outsite Networks loyalty system employs an interface at the dispenser and in the store where customers can access information on their loyalty points and rewards.



In March, for example, Calloway customers printed and redeemed 1,672 coupons for free milk and in April they redeemed 1,800 coupons for a free pint of ice cream.

Calloway Oil spent approximately \$4,000 per site to upgrade its existing dispensers to work with the

tremendous value in information her chain can collect on its customers through its loyalty system.

“We used to think we knew who was coming into our stores, but now we really know about our customers,” she said. “It’s like ‘Minority Report,’ we know so much about our customers.”

“ We, as an industry, do not know enough about our customers’ buying habits. ”

— Ross Mirabito, Mirabito Fuel Group

SMART Merchandiser system and Hunt says the system has paid for itself though increased store traffic and resulting overall sales – though he is in the process of more closely determining the specific sales lift on products being promoted.

Knowledge is Power

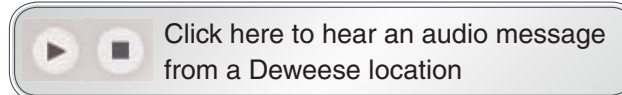
But with the technology being used in systems such as Calloway Oil’s, determining the impact on sales – by product and by customer – is a manageable task, according to Gianakos, who says she finds

At Deweese Enterprises, Gianakos has access to data on more than 130,000 customers in its marketing area who have signed up for the loyalty program at its Super Stop! stores, and the company invests significantly in rewards for customers above and beyond product promotions and discounts that are funded by suppliers.

“We work very closely with our vendors, we put together a marketing program and we convince them to find additional soft marketing dollars [to participate],” Gianakos said.

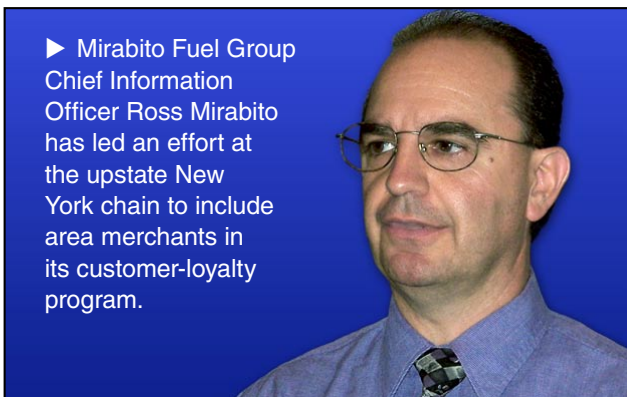
Deweese’s loyalty program is built around a cartoon fish character it calls Seymour. The Seymour Rewards program employs Norfolk, Va.-based [Out-site Networks](#)’ technology, which combines hardware at the pump and in the store with a web-based interface to build points-based loyalty programs and promotions. The system uses intelligent voice prompts at the pump, such that when participants wave their membership tag in front of the pump-mounted unit, they are informed as to whether they

have earned a loyalty reward or how many points they need until they receive their next reward.



Deweese invested \$500,000 to roll the system out and has set aside a budget for reward merchandise for its most loyal customers. To Gianakos, the most rewarding part of her job is selecting gifts for the chain’s loyalty program participants. “I have the terrible job of going onto Amazon.com and buying TVs and CD players just to give them to our most loyal customers,” she said.

But just as the company is taking the program seriously, its customers appear to be as well. According to Gianakos, approximately 30 percent of the tags it has distributed are being used. In an attempt to



▶ Mirabito Fuel Group Chief Information Officer Ross Mirabito has led an effort at the upstate New York chain to include area merchants in its customer-loyalty program.



▲ Video: Calloway Oil Co. President Tommy Hunt describes his company’s use of fuel-island marketing and printable coupons at the pump.

further increase usage – and to offset some cost – Super Stop! customers interested in enrolling in the program must now purchase their membership tags for \$4 (Deweese’s cost for each tag is \$2). While Gianakos was skeptical about the change initially, she said the company now sells as many tags as it had previously been giving away.

Like other chains employing loyalty programs to generate merchandise sales from gas-only customers, Deweese has taken to creating special promotions on Wednesdays – its slowest days. Now



◀ Red Apple Markets’ Chief Operating Officer Adam Coleman used a series of “triple reward points” offers to loyalty program participants to lift sales at struggling stores. The results were even better than he had hoped.

customers purchasing products on Wednesdays receive double reward points and, according to Gianakos, tag usage is up to 45 percent on that day.

Double Day

For Ashoskie, N.C.-based Red Apple Markets, the “double points” concept has served it well in drawing customers into its loyalty program. According to Coleman, the 25-store chain is closing in on its 50,000th loyalty customer, representing one in every four adults in its marketing area.

When Red Apple first installed its loyalty system – the same Outsite Networks system employed by

Deweese, Coleman’s goal was to get customers to shop the store one additional time each week. “We figured if we could get them to shop one additional time per week, we would just about double our business,” he said.

To attract additional attention to the program, Coleman ran “triple points” promotions on Wednesdays in his stores, and soon Wednesdays became his highest-revenue days, surpassing Fridays. Similarly, Coleman said he has generated more sales in his first winter with the program in place than he had the previous summer without the program.

Since then, Coleman has used the “triple points” approach to help turn around struggling stores. In one instance, he ran a two-week “triple points” promotion in a highly competitive market and advertised it in the local newspaper. The results were record sales and record fuel volume for the location. “We used the newspaper ads to attract customers who were not already buying gas at our stores, and we saw a 42-percent increase in inside sales, which was much more than we could have anticipated,” he said. “We had to call [wholesaler] J.T. Davenport to get more product delivered.”

Strength in Numbers

Another way to draw customers into the store is to work with other local merchants to cross promote products and services. In Sidney, N.Y., Mirabito Fuel Group is working with more than 100 area merchants to participate in its loyalty program, thereby increasing its value.

Since rolling out the program in May 2003, Mirabito has used television and radio advertising to build its program participation up to some 70,000 customers.

“We saw a 42-percent increase in sales, which was much more than we could have anticipated.”

**— Adam Coleman,
Red Apple Markets**

“This is a very competitive business and we, as an industry, do not know enough about our customers’ buying habits,” Mirabito said. “Our loyalty program participants spend 90 percent more than non-loyalty customers and they are more than twice as profitable to us as non-loyalty members.”

Through the program, member customers can receive discounts on products not only at Mirabito Quickway stores, but at other area merchants such as [Jiffy Lube](#) and [Dick’s Sporting Goods](#).

“We’ve set up a pretty good network of merchants and we have other retailers coming to us to ask how they can be a part of it,” Mirabito said.

The system is integrated into the chain’s [Verifone Sapphire](#) point-of-sale system, and customers can designate a credit card of their own to serve as their loyalty card if they choose not to carry the Mirabito card.

In addition to discounts for loyalty, Mirabito customers have been entered into sweepstakes for major prizes, such as trips to the Major League Baseball All-Star Game and the NFL Pro Bowl in Hawaii.

“We wanted to create some excitement with our customers,” Mirabito said. “I think we are accomplishing that.” ■