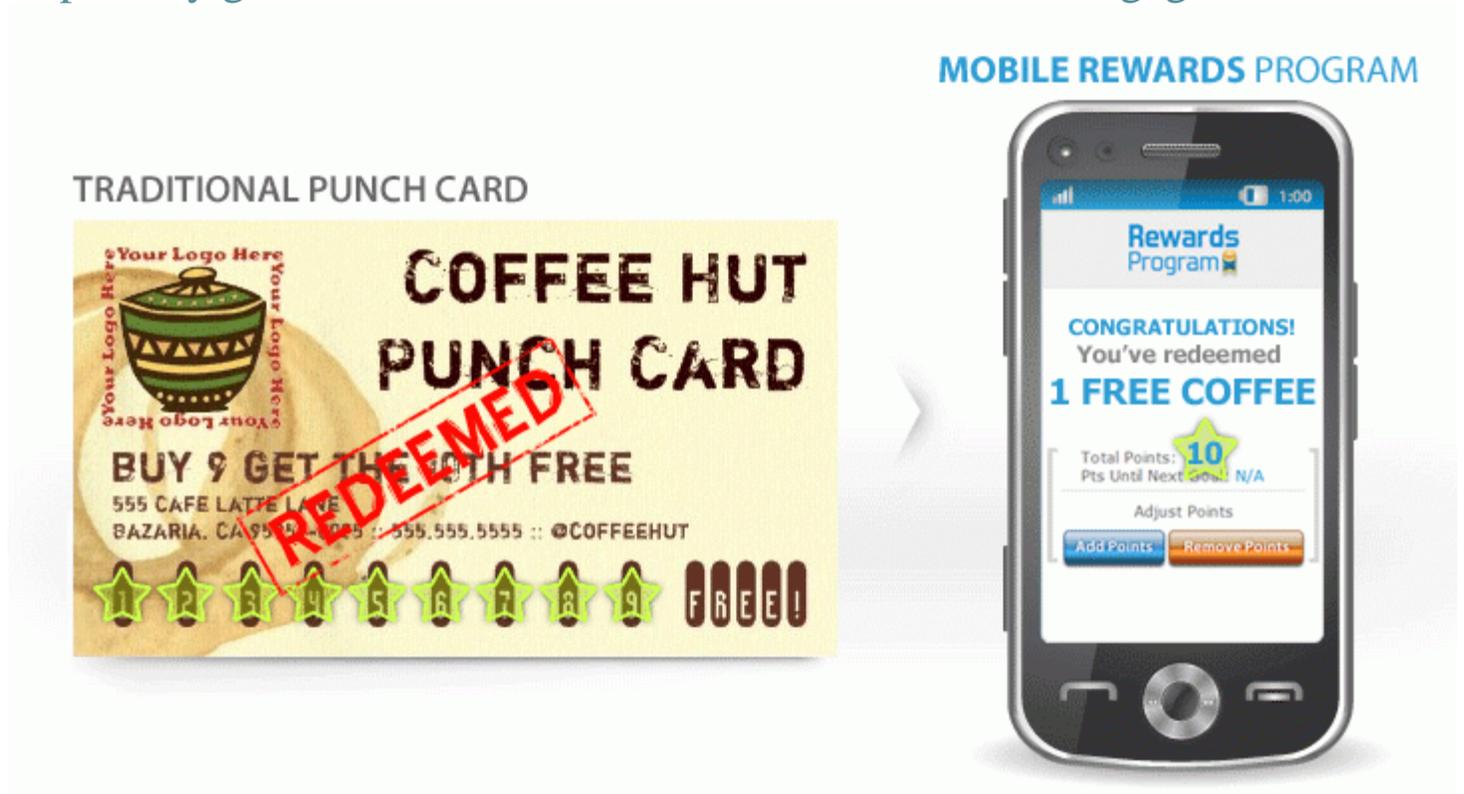


Founding a Loyalty Program

One primary goal for retailers is to create a network of re-engagement.



October 16, 2015, 01:27 pm By Danielle Romano, Convenience Store News



LAS VEGAS — During the "Founding a Loyalty Program" educational session at NACS Show 2015, the first question that moderator Ernie Harker, executive director of Maverik Inc., and speaker Jon Parrish, CEO of CityGo, posed was: Why loyalty?

To answer the question, Parrish cited that businesses with loyalty programs are 88 percent more profitable than competitors who do not have a loyalty program. He then took a quick poll of the audience and discovered that attendees were divided just about equally at a 50/50 split of stores that have a loyalty program vs. stores that do not. With statistics like this, Parrish asked the question, Why *not* loyalty?

Stores with a loyalty program, Harker pointed out, see a difference in four major focal points. They are: point of difference; influence on purchases; focus on retention to make retailers more profitable; and the affect it has on future revenue.

The speakers delved into the primary goals of loyalty programs, including:

- Move customers through sales funnel;
- Create network of re-engagement; and
- Advocate word of mouth.

“Think of it this way: Customers cannot buy from you if they aren’t aware of you,” said Parrish. There is a hierarchy that lies within these three primary goals, he said, and it includes awareness (at the top) and funnels down to consideration, conversion, loyalty and advocacy.

In the sales funnel, loyalty knows who the customer is. If you know who your customer is, you can increase spending, said Harker. Retailers can do this by sending offers that complement the purchases customers typically buy.

“If you know me,” said Harker, “you’ll know that I love Snickers and Diet Dr Pepper. So if you track my purchases, you can send me offers for a complimentary Snickers bar with my next purchase, or \$1 off my next bottle of Diet Dr Pepper. You’ll get me back in the store by knowing who I am.”

Another benefit of loyalty in the sales funnel is increasing frequency of purchases. Retailers should send offers at the most opportune times and create a retention program. However, they must make sure they know the opportune times. “There is a big difference between weekdays vs. weekends when it comes to knowing your customers’ buying habits,” Parrish cautioned.

The next goal is to then create a network of re-engagement. This touches upon four points: value/principle of touch-point marketing; put the business in the driver’s seat; build contact list that has value; and communicate to accelerate loyalty.

“Put yourself in your customer’s shoes and ask yourself, 'Is it relevant and is it profitable?'" Parrish said.

Finally, word of mouth can help retailers by pushing loyalty. Trust referrals from family and friends affect 50 percent of purchases, he stressed to attendees.

The Four Kinds of Loyalty Programs

After discussing what loyalty is and what it does, Harker and Parrish shared with retailers the four kinds of loyalty programs and how to get them started in their stores.

The first kind is no tech, or punch cards. The most important thing with punch card loyalty is asking whether or not it will accomplish the three goals of loyalty programs, according to Harker. He provided RaceTrac Petroleum’s Sodapalooza as an example. “With Sodapalooza, you don’t know who’s buying, but they’re buying intentionally,” he said. “Retailers love the fluid, seamless transaction.”

For retailers to start a no tech loyalty program, they must partner with vendors to help cover hard costs, order punch cards, run a promotion that gives one product away with every first purchase and, most importantly, invite every customer to participate.

“At NACS, we think everything is big and high-tech, that we step over ourselves without starting where we should,” said Harker.

The second kind is low tech, in which retailers create a loyalty database. To start, retailers need to collect contact information, hire or buy a text or email platform, and key in customer contact info.

The third kind is high tech, in which retailers don’t need a highly integrated platform. High-tech loyalty programs include third-party “out of the box” loyalty programs. Retailers utilize this kind of loyalty program through CityGo, BellyCard, SpotOn, 5 Star, and POS Systems.

To start, retailers need to research third-party programs and check out demos, interview their favorite parties, turn the program on and invite everyone to participate.

“This kind of loyalty program allows you to advertise differently with customers,” said Parrish. “If [Harker] shops every day, maybe you don’t have to send him promotions. If [he] doesn’t, send him a promotion in week one, week three and so on, until he comes in.”

The final kind of loyalty program is integrated. With integrated loyalty programs, retailers measure the frequency of what their customers purchase and why they purchase. These programs can be third-party or in-house developed, although Harker suggests to perhaps stay away from the latter because it is difficult and can take several years to accomplish.

By Danielle Romano, Convenience Store News



About Danielle Romano Danielle Romano is assistant editor for Stagnito Business Information's Convenience Store News, Convenience Store News for the Single Store Owner and CSNews.com. Prior to joining CSNews full-time in January 2015, Romano served as product content copywriter/editor for Myron Corp., a promotional product company.

MOBILE REWARDS PROGRAM

TRADITIONAL PUNCH CARD

COFFEE HUT PUNCH CARD

BUY 9 GET THE 10TH FREE

555 CAFE LATTE LA VE
BAZARIA, CA 95141-0255 :: 555.555.5555 :: @COFFEEHUT

REDEEMED

FREE!

MOBILE REWARDS PROGRAM

Rewards Program

CONGRATULATIONS!
You've redeemed
1 FREE COFFEE

Total Points: **10**
Pts Until Next Goal: N/A

Adjust Points

Add Points Remove Points