

Big Ideas Around Loyalty for Small Operators

C-store retailers of all sizes can create successful customer loyalty programs *By Renée M. Covino*

A CUSTOMER IS THE MOST IMPORTANT ASSET to any retailer. However, the goal is to attain that customer's loyalty, not just that customer's transaction.

Four in 10 consumers are more loyal to brands today than they were five years ago, according to a recent Oracle study. Sizeable marketing budgets have enabled big retail chains to run fast and furious with customer loyalty programs, but does that mean small operators and independents don't have a chance to keep up in the race?

Not at all, according to several experts who shared with *Convenience Store News* their best loyalty program ideas geared for smaller operators in the c-store realm.

Here are their suggested tactics and best practices:

Quick & Easy Does It

A recent Gartner study found that 20 percent of customers drive 80 percent of sales in the world of SMBs (small to mid-sized businesses). This makes a good business case for small retailers to invest in customer loyalty for increased sales.

Phan Meduri, director of product management for River-sand, a data science research firm and data management solution provider, suggests that small operators follow the key tenets of the top-ranked 2018 loyalty programs (as named by Bond Insights). They include Speedway's Speedy

Rewards, Amazon Prime and the Kroger Fuel Program.

What these program have in common, Meduri explained, is that they focus on ease of use and quick rewards, namely:

- An easy registration process — they give a pre-generated loyalty number vs. a user-initiated registration process;
- Transaction accumulation toward a reward — for example, a digitized punch card/free coffee for every 10 coffees purchased; and
- The ability for customers to unlock rewards in quicker intervals.

"Providing reward redemption at shorter transaction limits helps in quicker acceptance of the program," Meduri said. "Smaller retailers must also communicate frequently on deals and promotions exclusive to members."

Narrow It Down

Small retailers should choose just one of the key loyalty tenets — recency, frequency or monetary — to design their loyalty program upon, according to Jenn McMillen, CEO of Incendio, a consulting firm that builds (and fixes) loyalty programs, including the architecture behind GameStop's PowerUp Rewards program.

"Everyone wants everything, but a good program should be focused around one of the tenets to start," McMillen told *CSNews*. "Do you want one more visit? One more incremental purchase? More visits in a shorter timeframe? Each of those things is a great goal, but best practices dictate that you choose one to start."

She believes a key piece of running a successful loyalty program is the software that powers it. Several new companies have entered the market in the past few years that "take away the enormous price tag and support staff of running a loyalty program," according to McMillen. "That's how small companies, such as the local gas station or car wash, are coming to market with impressive loyalty programs," she said.

The latest loyalty techniques include using analytics to make



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smarter decisions around segmentation, retention and offer strategy. “Sending the same coupon to the entire mailable customer database is foolish and margin-eroding,” she cautioned.

The best customer loyalty tactics for a small retailer are the same as for a big retailer, McMillen said. “Personalize the content you send me, make it relevant to me, demonstrate that you know me by serving up content that relates to things I’ve already done or purchased, and show me the love through exclusive discounts, coupons or experiences,” she detailed.

Her most important tip, though, is to digest the data you’re gathering and use it to make smart decisions. “Not everyone on your customer list should be treated equally; a common mistake,” she said. “Treat your best customers better and they’ll reward you with more frequency, more spending, more visits. After all, it’s easier to get one more purchase out of a current customer than one purchase out of a new customer.”

Keep It Real

Roi Kliper, CEO of City Hive, an e-commerce and data platform for the wine and spirits industry, believes the most important aspect of a small retailer’s loyalty plan is to be fair and honest. Kliper has a PhD in computational neuroscience.

“Your customers will see a fake loyalty plan from a mile away. If you are trying to pretend to give something, don’t,” he said. “Customers are smart. But that doesn’t mean a loyalty plan has to boil down to discounts or eroding margins.”

Good businesses know to reward their loyal clients with a personal touch, a better service level, and early or exclusive access to unique offers or events, said Kliper.

“The most successful ones manage to use their loyalty plan to build a community where members feel connected,” he added.

Some other loyalty tips from Kliper include:

- Clubs are better to offer than subscriptions.
- Cash is better than points.
- Bother to know your customers.
- Do not sell them a quantity discount, but rather a unique relationship. “Punch cards are so 1980s — even the digital ones,” he remarked.
- Figure out what makes you unique and make that available for your customers at better conditions.
- Measure the effect on your business.
- Iterate — repeat these steps over and over again.

The way Kliper sees it, omnichannel is also a forward-thinking approach in successful loyalty plans and something small operators must keep up with as well.

“People need to be able to connect with you and enjoy the benefits of their membership across different channels. To make something only available in-store or for app customers is unacceptable to the modern consumer,” he said.

Get Personal

Some retailers think a loyalty program is strictly an incentivized rewards program with discounts or perks, but Zack Goldstein, CEO and founder of customer engagement solution provider Thanx, believes the best loyalty programs build a deeper relationship between the brand and its customers.

“Everything is about personalization these days and savvy customers expect their customer experiences to be highly relevant and tailored toward them,” he said. “One-size-fits-all marketing and campaigns fit no one.”

Data is the fuel for personalization at-scale and “an absolute game-changer” in enabling offline merchants to finally compete against online behemoths, said Goldstein.

He also recommends the following for small operators:

- **Start with enrollment and make it as easy as possible for customers to join the program.** Alert shoppers to the program in-store at the point of service, at a kiosk, online or by asking customers to join via text or a mobile app.
- **Make the program effortless by eliminating the need for customers to scan a card or enter their phone number.** “Modern engagement platforms make it effortless for your customers and your staff by making the credit card the trigger of data that enables customers to earn rewards with every purchase they make,” he said.
- **Retain current customers by marketing effectively** through tailored campaigns at the right time and knowing how they prefer to engage across preferred communication channels, such as SMS, email, social media, etc.
- **Incentivize customers to return in order to drive a high customer lifetime value.** Use a holistic platform to seamlessly interact with shoppers while assessing a wide range of data from the initial contact to point of purchase and beyond.
- **Ask for feedback.** “It is one of the most cost-efficient ways to gain insights into your customer and their experience with your brand,” Goldstein advised. Proactively asking a customer about their experience also fosters a deeper connection. **CSN**



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