



Mastering the Art of Loyalty

With the right technology, a strong brand strategy and competitive rewards, retailers are finding success with loyalty programs

By Tammy Mastroberte

Launching and managing a loyalty program is not for the faint of heart. As the popularity of these programs continues to grow, retailers are being forced to step up rewards in order to differentiate themselves from their competitors who have their own loyalty programs.

Gone are the days of punch card programs, and even giving a few cents off a gallon of gas is commonplace today. Consumers are now looking for more — more value, more customer appreciation and more incentives — and retailers are scrambling to find new and innovative ways to keep them loyal.

“We don’t want to offer the same promotions with our loyalty card that our competitors offer without a loyalty card,” said Jeannie Amerson, advertising and loyalty manager for Flash Foods Inc., headquartered in Waycross, Ga., and operating more than 170 c-stores in that state and Florida. “It is important to show our customers the

value they receive when shopping with Flash Foods. Our loyalty program allows us to connect with our customers in a way that is well above and beyond what the competition offers.”

The retailer works with its vendors to negotiate special deals for its more than 430,000 active loyalty customers, and is often able to promote something in addition to just a discounted product, she explained. “Our intent is to reward our loyal, everyday customers for shopping with us, to offer promotions that encourage them to purchase products from us instead of the competition,” she said.

Standing out from the crowd is important because Americans belong to many different loyalty programs. The average U.S. household participates in 14.1 loyalty programs, according to research by Colloquy, a company devoted to researching and reporting on the global loyalty marketing industry. Getting consumers to not only sign up for an additional

program, but also to utilize it on a regular basis is becoming more challenging, according to Kelly Hlavinka, partner with Colloquy.

“Retailers need to avoid the copycat syndrome. They can’t just do what the competitor is doing and then up the ante a little bit,” she noted. “They need to look at the unique aspects of their brand and reinforce those aspects

ever, when asked if the programs they participate in offer special treatment, only 26.5 percent said they noticed any.

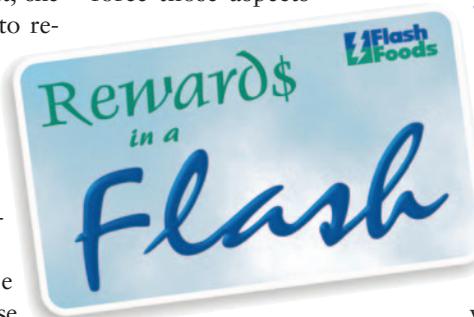
“This shows all industries could be doing a better job,” said Hlavinka. “It’s not just about getting your money’s worth, it’s about being valued as a customer.”

TACKLING THE TECHNOLOGY

Retailers in the c-store industry that have taken on the task of launching a loyalty program are quickly learning the importance of getting the right technology in place. Rutter’s Farm Stores, based in York, Pa., launched Rutter’s Rewards in September 2009, but President and CEO Scott Hartman said the program planning started two years earlier.

“It takes a lot of planning to get the technology systems in place in order to do a loyalty program the right way,” he explained.

The retailer is utilizing its Radiant Systems point-of-sale solu-



Flash Foods offers “Rewards in a Flash” and its Automated Clearing House card, GOBlue. The retailer has more than 430,000 active loyalty customers.

to stand out from the crowd.”

According to Colloquy’s 2009 Demographics Study for the U.S., 63.6 percent of consumers said special treatment in a loyalty program is “very important.” How-



tion in conjunction with the vendor's loyalty manager system, and also partnered with MetroSplash FuelLinks, enabling the retailer to roll back the price of gasoline when loyalty customers redeem their earnings.

Rutter's also works with GasBuddy OpenStore Inc.'s social network platform, and the vendor recently developed an iPhone application for Rutter's, allowing customers to track current gas price data in real-time for each Rutter's store.

Honey Farms, a 35-store chain based in Worcester, Mass., also learned the importance of getting the technology systems in place before launching its loyalty program, called Honey Money. While it has been in the works for a while, the biggest obstacle to launching has been the technology, said David Murdock, executive vice president of the chain, explaining the company is now testing the program with employees.

"It's all about connectivity,

and in order to do a good program you have to make sure it is up and running," he said. "We are trying to keep our local area network and other

"It takes a lot of planning to get the technology systems in place in order to do a loyalty program the right way." SCOTT HARTMAN, RUTTER'S FARM STORES

networks PCI compliant, and trying to get a seamless Web link to our Web page so when the customer goes online to register, they will go right to the loyalty database."

The retailer is using Pinnacle's loyalty program and also purchased its own Issuer Identification Number (IIN) to identify itself as the processor. Honey Farms is issuing employees their own cards to be used when clocking in and out, as well as an ID card. The employee card is black, while consumers will receive a red one.

"We are launching with employees first to test the functionality," Murdock explained. "This way they will understand the whole idea of loyalty, how to use

on credit card fees with the ACH card. Our efforts in 2010 will be focused on continuing to educate our customers on the value and convenience of our loyalty pro-

it and how to swipe the card."

Pinnacle's Loyalink application is also used by Flash Foods, for both its Rewards in a Flash program, which also functions as a Pumpstart card, and its GOBlue card, a branded Automated Clearing House (ACH) payment card using National Payment Card's network in June 2008.

"We have more than 4,000 GOBlue customers and are planning a new rollout in April, where GOBlue will offer an even more significant discount than it currently does," said Amerson. "We are definitely saving money

program, with the main focus on our GOBlue Payment Card."

Currently, 34 percent of the company's transactions, minus gas sales, are by loyalty members, and the company finds these customers also spend more money than non-loyalty members.

"The average ring of a loyalty customer is \$1 to \$1.75 more than an average customer ring," Amerson explained.

The marketing department uses the analytics piece of the loyalty software to track how often customers shop the store, and also look at market basket data to see what items are purchased together — which is one of the biggest benefits for a retailer offering a loyalty program.

RAISING THE BAR

With more and more loyalty programs launching in the convenience store industry, retailers are looking for innovative ways to reward customers in order to stand apart from competitors.

"Fuel rewards and perk rewards are popular, but once it permeates the marketplace it ceases to be a differentiator," said Colloquy's Hlavinka. "Retailers need to go beyond the discounts and rebates, and then their program will be more sustainable in the long run."

Loyalty Programs Must Stand Out to Be Effective

RETAILER/PROGRAM	BENEFIT TO MEMBERS	TECHNOLOGY USED
Rutter's Farm Stores/ Rutter's Rewards	Gas discounts; iPhone app to search gas price; gift card giveaways; more to come in the future	Radiant Systems Loyalty Program Manager; MetroSplash FuelLink (to roll back fuel price at the pump); GasBuddy OpenStore Inc. (social network platform and iPhone application)
Honey Farms/ Honey Money	Discounted grocery items; gifts for registering card; redeemable points and instant coupons; more to come in the future	Pinnacle Loyalty Program
Flash Food/Rewards in a Flash and GOBlue	Deeper discounts; giveaways such as money, concert tickets, motorcycles and cars; coffee club; fountain club; doughnut club; Pumpstart card	Pinnacle Loyalty Program; National Payment Card



As soon as Honey Farms completes the test with employees, it will roll the program out to customers, and Murdock plans to offer more than expected, even though the chain will be the first c-store in its market to launch a loyalty program.

“We will be offering much more than just cents off gasoline,” he noted. “We want to tie it into grocery items or offer a milk club, and even offer local charities or little league baseball teams in town the opportunity to join the loyalty program and earn points for their [organization].”

The chain will also provide incentives for customers to sign up for the program, such as a vendor-sponsored, eco-friendly tote bag for registering the card on the Web.

When Rutter’s Rewards launched late last year, the company started with gasoline rewards where customers could earn cents off by purchasing a qualifying item in the store. The company also tied it in with coffee, offering 3 cents off a gallon of gas with the purchase of any size



Both Honey Farms and Rutter’s are in early stages of their loyalty programs, but are planning innovative rewards for customers beyond gas discounts.

coffee, and for those customers who stop by for coffee every morning, the reward was 15 cents off each gallon on their next fill up.

Rutter’s also gives away prizes, including gift cards, to consumers who register their card.

“We are currently just offering gasoline rewards, but in the coming months we will



be doing a lot more,” Hartman explained.

At Flash Foods, in addition to partnering with vendors to offer deeper discounts to loyalty members, the company hosts giveaways ranging from concert tickets to a Harley-Davidson motorcycle. For example, it may offer a candy bar at a certain discounted price to all customers, but only loyalty members purchasing the item and using their loyalty card will be entered to win the prize, Amerson said.

“We partnered with a lighter company to give away a Harley last year and are giving away a car this year,” she explained. “We have also given away money. We do smaller promotions throughout the year with ticket giveaways and then a large one at the end of the year.”

EMPLOYEE BUY IN

As with any new initiative, it’s important for employees to embrace and help promote a loyalty program at the store level, and offering incentives is a popular way to get them on board.

Rutter’s offers employees incentives tied into the success of the loyalty program, and Flash Foods offers incentives based on the percentage of loyalty card use at each store. Amerson sends out loyalty transaction numbers monthly and runs quarterly reports to let employees know if they are falling above or below the grade, and their loyalty transaction percentage plays a role in their bonuses.

“We attribute the success of our loyalty program to our employees and the relationships they build with customers,” she said. “This relationship enables us to understand our customers and creates an environment that ensures they will continue to shop with us frequently.”

For comments, please contact **Tammy Mastroberte**, Executive Editor, at tmastroberte@csnews.com.



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