

Business Idea Zone



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What's in it for me?

Customer loyalty programs

You be the customer.

Store A has superior service, great product, fun in-store events, and fair prices.

Store B also has superior service, great product, fun in-store events, and fair prices, but store B also has a Frequent Buyer Club that rewards members for their loyalty with coupons and discounts. Which store would you choose?

If you're like the many shoppers we speak with each year, you'd probably go with Store B: over 60% of customers we surveyed this year told us rewards programs definitely influence where they shop. And when asked about the value of frequent buyer programs, retailers tell us that "Member" customers tend to spend more at each transaction (up to 15% more) than "non-member" customers. Stores with the highest market penetration are those with the largest frequency of customer purchases; when done well, frequent buyer programs attract customers.

Frequent Shopper Cards, Loyalty Clubs, Rewards Programs – whatever you call them – are favorites with today's customers, but only when they can see the immediate value of the program. "What's in it for me?" is the big question customers wrestle with before they join any club. If the program only benefits the store, why should customers bother to join?

That's a big question. There are lots of loyalty programs out there, and many of them aren't very good, so we decided to hold a focus group to ask consumers to tell us what they like, and don't like, about loyalty programs. And just as we suspected, customers do not give you credit for creativity. They like simple, easy to understand programs. Participants do not necessarily expect a price break, but they do enjoy receiving an occasional deal, new product information, and special in-store privileges. Here are a few of their favorites:

Chico's Passport Club: After spending \$500 you receive a 5 percent discount on all purchases, free shipping online; invitations to exclusive sales, in store parties and private events, birthday bonuses, and more. Our focus group especially liked that Chico's offers additional incentives when they introduce a new member to the club. (Remember this for your own program – customer referrals are of tremendous importance.)

American Express Member Rewards gives you one point for virtually every dollar you spend on your card; points have no expiration date and there's no limit to the number of points you can earn. Our focus group liked the frequent references to "Member" benefits – being a member sounds more important than just a customer. DSW Shoes Rewards was voted best retailer rewards program by Kiplinger.com. Members (there's that word again) get certificates for every 1500 points earned, enjoy two double-points shopping days each year, receive special offers and birthday gifts, plus an All-Access Pass to a members-only page. Focus group