



# Rewarding Experiences

Small businesses have many options—both new and tried-and-true—for loyal customers.

*by Deborah L. Cohen*



appears to have held steady since the economic downturn.

In the United States alone, loyalty memberships exceeded 2 billion, or about 18 per household through 2010, up 16 percent from 2008, according to Colloquy, a marketing consulting firm that develops loyalty programs for well-known brands. Colloquy estimates that a staggering \$48 billion worth of rewards are handed out annually.

#### Build Community

Loyalty programs vary widely in complexity, cost and results, based on factors that include business type and (of course) budget.

Simple approaches such as Glenlaurel's easy-to-track anniversary plan are still widely used. But increasingly, more businesses are choosing to ride the mobility wave, opting for tech-savvy solutions that work with cellphones and other portable devices and integrate with social media. The plans keep tabs on who is spending what, and the businesses can make customized offers based on a customer's location and personal preferences.

Whatever method they choose, experts caution businesses not to spend precious time and resources on customers who are already enthusiastic about the product or service. That's a common mistake, says John Bartold, vice president of loyalty solutions for Dallas-based Epsilon, a marketing services firm serving big corporations, and a sister company to Colloquy. "If I'm a small-business owner who only has \$2,000 or \$3,000 a year to market with and I dump it on my best customers, it's a waste because they're probably going to buy from me anyway. You target to the customer base that has room to grow."

Many retailers and service businesses already monitor consumer spending preferences, frequency of purchase and other buying habits with their point-of-sale systems, allowing them to easily filter out their devotees from those who need a little extra push to spend more, he says.

Finding the right enticements is crucial, whether they take the form of a special preview sale for "friends and family," stepped-up concierge service at a hotel, or extra amenities at the local gym or car dealership. Above all, Bartold notes, the most effective loyalty programs engender a sense of exclusivity—a feeling the customer now belongs to a group with distinct benefits for members.

"You [the consumer] are part of something that is more than just you," he says. "And the [business] is a player in that community."

Consider Wild Birds Unlimited Nature Shop, a franchised chain of more than 280 individually owned retail stores that sell birdseed, feeders and related merchandise to birding hobbyists. In exchange

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for special discounts, customers can opt to pay \$25 a year to join the Daily Savings Club, a program promoted in stores at checkout. Joiners get 15 percent off bird feed purchases and a \$10 "bird buck" coupon for every \$200 they spend, valid for any merchandise. Extra discounts are given at special events such as lectures from ornithologists or demonstrations on building a birdhouse, which also let members get to know other birders.

Throughout the year, various members-only deals arrive by email, often customized for a store's specific region. "Every message that goes out

to the customer has to be a reason for being a club member," says Amy Moore, director of retail operations for the Carmel, Ind.-based chain. "We constantly hit them with the benefits of being in the program."

Wild Birds created special software for its purchasing system to help its franchisees track and automate the program, efforts that seem to be working. Moore says Daily Savings Club members spend 47 percent more than nonmembers, and they also typically visit the store three times more frequently.

A similar rewards model might work well for many retailers—garden centers, fabric stores, fashion boutiques, pet stores, etc.

#### Power in Numbers

But non-franchise businesses can also launch high-tech loyalty plans. Blue Baker, a group of three bakery-cafés located in Austin and Bryan-College Station, Texas, gives customers an incentive to buy its pastries, artisan breads and pizzas by letting them choose rewards from a coalition of about 20 local restaurants.

Calling itself The Taste of B-CS, the coalition allows customers to earn points that can be used at any of the participating establishments, which run the gamut from a high-end restaurant to several bars and a diner. "Any dollar you spend at any of these places becomes even more interesting to the guest," says Blue Baker owner Dave Fox, adding that sales at his stores have risen steadily as a result.

Fox migrated to the program from a punch-card system that gave his customers a free loaf of bread for every 10 they purchased, but that offering—still used at his Austin site—limited their options, he says, noting that not everyone is a fan of bread.

Under The Taste of B-CS, customers get a point for every dollar spent, receiving a \$10 certificate for every 150 points

#### Who doesn't want to feel special?

That's the secret behind loyalty programs, the plans that entice consumers to rack up airline miles, earn points on their credit cards for cash and gifts, and receive discounts for frequent dining at favorite restaurants.

In some cases they'll even pay an extra fee to be part of a business's exclusive club.

While these rewards are often associated with big names such as American Airlines, Marriott and Chase, corporate giants have far from cornered the market. At a time when participation in loyalty programs is growing at a steady pace,

small businesses of all stripes—from self-serve yogurt outlets to dry cleaners and even dental offices—are rolling out concepts to keep their customers coming back for more.

At Glenlaurel, a high-end Scottish country inn in the bucolic Hocking Hills southeast of Columbus, Ohio, the loyalty plan is simple, straightforward and highly effective.

It plays to the resort's reputation as a romantic retreat catering mostly to couples. Customers pick a favorite anniversary date, often their wedding date or the day they met, to commit to a yearly getaway featuring high-end amenities such as seven-course meals and spa treatments. Each time they come back on or near the same date, they receive a discount on accommodations and earn ever-greater savings for the following year, beginning with 10 percent off and capping out at 50 percent.

It adds up to an ongoing incentive for cut rates on luxury rooms and cottages decked out with fireplaces and hot tubs that regularly go for \$189 to \$349 a night. Each year club participants also walk away with a limited-edition keepsake plate crafted by a local potter. Glenlaurel advertises the program on its website and talks it up at the resort during events and when customers make reservations. "The anniversary club is the big draw," says General Manager Sabrina McCartt, who estimates 25 percent of guests participate, a share that is progressively increasing.

Many businesses are finding loyalty programs to be an especially effective part of the marketing mix, as consumers' appetite for merchandise and services tied to special deals

earned. To sign up, they use their phones to send a text, scan a QR (quick response) code on a registration form picked up in a restaurant or visit a website. Loyalty members can also take advantage of periodic web-based sales of gift certificates offering discounts at their favorite restaurants.

Fox says he and the other owners pay about \$50 a month apiece to have the program administered by Wilmington, N.C.-based PowerCard, one of many service providers that help to run these programs, offering swipe cards and handling the back-end services. Many use sophisticated encryption procedures to protect both merchants and customers from hackers and other threats to security.

Easily capturing information such as customers' email addresses and phone numbers helps facilitate Blue Baker's other marketing efforts, which include periodic email blasts. Fox points out however that one risk of forming a local group is that customers might get bored if restaurant choices don't expand. "We do have to grow the group to make it viable long-term," he says.

### Belly Up

Finding willing participants for the team approach hasn't been a problem for Chicago-based Belly, another loyalty program provider that is building a large network of businesses around the country willing to jump on the mobile technology bandwagon. Belly gives each of its loyalty-program clients a customized Apple iPad to set up near checkout. Establishments as varied as restaurants, car washes and pet groomers are signing up, determining for themselves the level of points their customers need to earn discounts or merchandise at their businesses.

The Chicago area alone has more than 1,000 businesses in the network, with rewards ranging from a crepe after 45 points earned at a local bakery to a manicure-pedicure combo after 450 points accrued at a local spa.

Customers use an electronic card picked up in a participating location or download the Belly app to their mobile phone and set up an account. Either way, they receive a personalized code to scan each time they visit a Belly participant, which cuts down on the number of cards in their wallets. Points are automatically deposited into their accounts.

Businesses pay anywhere from \$79 to \$149 a month for the service, which besides cards and analytics might include consulting, periodic email marketing campaigns and integration into social media applications such as Facebook, a feature marketing advisers say is one of the greatest benefits of deploying a digital loyalty strategy.

Many loyalty apps have built-in settings that, with permission, will send alerts to a customer's followers on social media platforms such as Facebook and Foursquare. When loyal customers let their friends, family and other network members see that they have visited a business, it translates to a subtle endorsement.

"If I bought something or if I joined your VIP program—making those [actions] socially visible to friends—that's how you get new customers," says Joel Hughes, senior vice president of corporate strategy and development for Constant Contact, a provider of email

and social media marketing campaigns for small businesses. "Those things really start to be referral engines that drive in new customers."

Such is the hope of Clean Healthy Smiles, a Chicago-based dental office that recently signed up for Belly. It gives patients five points toward dental services whenever they refer someone new, says Jim Laystrom, chief information officer and chief financial officer. "Building your referral network, that's a big way" to capture new business, he says, noting the office also offers five Clean Healthy Smiles points whenever someone comes in for a procedure. "We just want this to be an approachable office."

### Remember Who You Are

Even amid the mobility craze, some businesses find unsophisticated methods remain the best—and most affordable—choice.

That's particularly true in a paper-centric business like comic books, whose customers like to touch and feel the merchandise, says Brendan Boyle, co-owner of three Coliseum of Comics stores in central Florida. For more than a decade, Coliseum, which sells both comics and games, has had good results with old-fashioned paper punch cards given to customers who buy merchandise in the stores.

They earn a customized stamp for every \$10 spent; 10 stamps convert into \$10 to \$15 worth of goods. Unlike the offers from big-box chains, his cards never expire; some people stockpile them and save up for a high-priced collectible or other big purchase. Boyle admits that technology has crept into the process: A barcode on the back of each card allows each store to track redemptions. Fraud is not an issue; no one buying merchandise leaves without at least one stamp in the stores' custom shape, reducing the likelihood someone could duplicate the cards.

Special game-night competitions, a regular newsletter, website, email coupons and personal attention to customers' subscriptions are also part of the formula that has helped to double overall sales in the past four years. "We know our customers, and our customers know us," Boyle says. "We can make it much more appealing to come get stuff from us."

Rewarding loyalty with the personal touch allows small businesses to distinguish themselves from the rush of offers from larger rivals, which are often derided for their callous approach.

"The entrepreneurs are more nimble; they can offer better service; they often know a lot of their customers by sight," says Epsilon's Bartold. "There are a lot of good things they've already got in place." **S**

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