

PRINT THIS · CLOSE WINDOW  
RETAIL

# Loyalty can pay off in big, little ways for retailers



**SOMETHING TO SAVOR:** Jessica Granatiero, proprietor of the Savory Grape in East Greenwich chats with longtime customer Paul Beaudette. The store uses loyalty programs to help build a relationship with customers. PBN PHOTO/BRIAN MCDONALD

By Patricia Daddona  
PBN Staff Writer

8/5/13

When Jon Hyde wants a glass of wine, the resident of the Saunderstown section of North Kingstown favors cabernet sauvignon and shiraz. When buying a bottle, though, he isn't always sure what brands match his taste.

Using the loyalty rewards program at The Savory Grape, the East Greenwich wine store where he shops, means that he doesn't have to save the labels for wines he has enjoyed.

"There are so many wines out there, if they know exactly what wine you had, they can offer something comparable," he said. "[The loyalty program] makes it easier to go back and get wines you might not ordinarily purchase."

Loyalty reward programs today track customers' purchases and preferences closely, enticing them to come back with discounts and other incentives. Retailers, hotel owners and retailers, among other businesses, use reward cards to award points for dollars spent toward the next purchase. Around in some cases for decades, these programs have grown in sophistication as more and more data from consumers becomes available electronically.

Besides in-store coupons and email communications, some loyalty program providers, including retailing giant CVS/pharmacy, now use mobile apps to help customers manage their shopping digitally.

“The general notion is to establish dialogue and long-term relationships with customers,” said Daniel Sheinin, professor of marketing at the University of Rhode Island’s College of Business. “By building these relationships, you build not just a loyal transaction history but something more psychological, more emotional. It’s very similar to building a brand.”

In Rhode Island, companies that take advantage of these programs are deepening their relationships with customers and as a result seeing a boost in business.

The Savory Grape, which also has an online store, recently hit 4,200 members in its rewards program, and that increase has a direct impact on the store’s results. In 2011, sales from rewards members represented 39 percent of the shop’s total sales, and a year later, that figure had increased to 49 percent – a trend that is continuing this year, said owner Jessica Granatiero.

At the same time, the number of customers redeeming earned rewards also has increased, from 39 percent in 2011 to 82 percent so far this year, she said.

Yet, boosting sales is not the main reason Granatiero signed up in 2011 with Repeat Rewards, a program offered by Pro/Phase Marketing of Eden Prairie, Minn.

“It’s not about driving the profit,” the shop owner said. “It’s about driving a great client experience to maintain repeat customers.”

In fact, tracking of purchases has become even more important than the rewards themselves, Granatiero said.

“People like to know what they got before,” she said. “The majority don’t know a ton of wines or remember what they purchased before. ... If we know what they like, we can easily recommend something else.”

That approach moves beyond simply offering discounts – as powerful as that can be – to give shoppers incentive to make more purchases.

“It’s very easy now for any company to get data about its customers,” said Sheinin, the URI professor. “The question is, what do you do with it? If you use it to just bombard your customers with sales and entreaties, if that’s the limit, you will not ever have an effective loyalty program. What makes a program effective is providing something of value in exchange for a customer providing private information.”

Hotel Viking in Newport, an independent hotel that signed up six months ago with Palo Alto, Calif.-based Stash Hotel Rewards, is also seeing benefits from that affiliation, said hotel spokeswoman Marlen Scalzi.

“We just really like the program because it puts us on an even playing field with other hotels in the area that have a loyalty program,” Scalzi said. “The big brands [like] Marriott have a rewards

program, so this just gives us something to offer our guests so they can redeem points based on revenue, and they can travel and redeem points at other participating hotels.”

Earning five points for every dollar spent at any of the hotel’s 209 rooms, Hotel Viking customers can redeem accumulated points at participating hotels, said Scalzi and Mary Miller, Stash’s vice president of marketing. Stash provides the loyalty program to 195 hotels in the United States and Virgin Islands, Miller said.

“We do have a lot of repeat business at this hotel,” said Scalzi, “but in addition [the loyalty program] brings us new customers.”

Since the program is so new, she said she couldn’t quantify the increase.

Whether the business is small, like the wine shop, mid-sized, like Hotel Viking, or a behemoth, like CVS, today’s loyalty programs help retain consumer loyalty by customizing the user’s shopping experience, Sheinin and business representatives said.

Based in Woonsocket, the CVS/pharmacy ExtraCare program offers value and a personalized experience when a cardholder shops. For example, according to information supplied by the company, members can earn 2 percent back on all dollars spent on non-prescription purchases.

CVS/pharmacy has issued 327 million unique ExtraCare cards, which last year delivered members with more than \$2.2 billion in savings and rewards.

CVS also recently launched a barcode scanner feature in its mobile app, so cardholders can load their ExtraCare cards into their smartphones to use at the register.

The company did not make a spokesperson available for comment.

But according to Sheinin, companies like CVS are willing to give up some margin of profit on each transaction to generate more transactions. The result, he said, are increased store visits, so “companies are willing to pay for that.”

The cost to the retailer or business owner to use these programs varies, depending on the size and type of features offered. Repeat Rewards, which The Savory Grape uses, costs \$99 a month, said Amanda Freeseaman, that program’s marketing project manager.

Most hotel properties affiliated with the Stash Hotel Rewards program pay between \$1,000 and \$10,000 per property as an initiation fee, and then pay anywhere between \$3,000 and \$40,000 as customers earn reward points. Stash later pays the hotelier back when those points are redeemed, Miller said.

The benefits to the Stash loyalty program center on the repeat business traveler, who may be looking for the unique experience an independent hotel provides, Miller added.

“[Frequent business travelers] account for nearly half of the room nights in a given year,” Miller said. “They’re a smaller number, but they’re staying so frequently, that accounts for so much of the volume of hotel stays out there.”

At The Savory Grape, which plans to expand its contact with customers through an online portal and email, key features of its rewards program include dollar for dollar points, double rewards and the ability to target customers demographically.

For example, recently the storeowner, pulled data on 501 of those who had not made an in-store purchase in six months. Then she sent a note saying, “We’ve missed you and would love to see you in the store.”

That’s the kind of customized message Sheinin says can make a difference with shoppers. The approach is “customer centric,” he said, making the consumer the focus.

“It’s hard to imagine there would be any organization involved in marketing products or services of any kind that wouldn’t have something like this in place,” he said, “because it can be such a powerful means of driving customer interactions over time.” •