

# Loyalty Pays

## Hardware Hank Consumer Rewards Card In Test Mode

**T**raining your customers to be more loyal is somewhat of a puzzling proposition. Just when you think that you are their first choice for all their home improvement needs, they tell you about not being able to find what they need or the poor service they received during a recent trip to Home Depot. While you appreciate their praise of your store and service, you can't help but want to ask, "Why didn't you just come here first."

To help make your store the destination of choice whenever your customers shop for home improvement, United Hardware is working with Pro/Phase Marketing Inc. on a pilot loyalty rewards program that can help you not only increase shopping frequency, but dramatically increase your average transaction from the customers you enroll in the program.

Elliot Eskin of Pro/Phase Marketing says what he's discovered in the 12 years he's been implementing programs of this nature with other types of retailers is that stores don't communicate often enough to remain top of mind with customers. As a result, once your customer gets a coupon or discount offer from a different store, off they go to shop the competition.

However, when consumers know that consolidating their purchases will mean earning a reward of say \$10 off their next purchase, they are much more likely to return to that store.

It's all about changing customer behavior, says Eskin. "If you educate someone to just watch the paper for the next discount, that's the behavior you're training for," he says. "This is

the opposite. You are encouraging customers to come back in more frequently and spend more money." While he says retailers can set their own parameters for the program, a typical scenario is that for every \$200 spent by a rewards member, they get a \$10 certificate to apply to their next purchase.

"More importantly, these customers with a reward have an average transaction four times that of enrolled members when shopping without a reward certificate," Eskin explains. "It's still very early, but the retailers we've been testing for three months are seeing as much as a seven-fold increase in transaction size from enrolled members."

To participate, it costs \$99 a month, which covers the first 500 members enrolled. Each additional 500 members is an additional \$49 a month. This fee covers database fees, uploading the transaction, mailing out the reward letters and the weekly e-mail customer reminders. The only optional items are additional marketing materials, including birthday and welcome/thank you postcards, which cost 51 cents apiece including postage. Event and holiday postcards run about 56 cents each.

"We actually supply retailers with a data collection terminal, and we're also working with some of the larger POS systems to integrate it into their systems," says Eskin. "All retailers have to do is enroll their members and swipe their cards. We do everything else."

After a customer is enrolled the first communication they get is mailed

about three weeks after they sign up, which reinforces that they are a member and that they will get something the next time they return to the store, typically double points. Considering that every time enrolled customers get a certificate they spend on average four times the money, double points helps them get to that next certificate more quickly.

In addition, since reward letters are mailed every two weeks, no one ever has to wait more than three weeks to get their reward.

All the transaction data is stored on Pro/Phase Marketing's database, so all retailers need to query their database is an Internet connection. Then, Pro/Phase Marketing does the processing and returns a report.

"A program like this is a great extension of what independent retailers are known for—offering top-notch customer service," says Eskin. "But more than just an extension of service, this program will help retailers get customers to come back more often and spend more money."

For more information about how to enroll in this program, visit the Marketing Booth at the upcoming January Market. ●

