Low-cost Loyalty Programs

by Janet M. Perry

You might think your customers are loyal to you – but are you doing anything about it? If you look around today, you'll find that businesses of all kinds have and advertise, often heavily, the benefits of their loyalty programs. The airline you take might waive the checked baggage fee. Your local diner might give you a free dessert. The grocery store might give you special prices.

In an economy where most of us struggle, these small rewards can be important. And how much more important can they be if our business sells discretionary items such as needlework supplies?

Earlier this year I did an informal survey of needleworkers about loyalty programs. I found that overwhelmingly stitchers liked shops that had loyalty programs. Often they would shop at a store with a loyalty program over another shop that had none.

At the same time many shopowners believe that they are "too small" to have these programs or that they only can be done with expensive systems. It's easy to integrate a loyalty program with your new or existing point-of-sale system; but this is not the only option. Loyalty programs existed long before high-tech services and these methods still work today.

The key to a loyalty program is to reward your customers for repeated purchases. You could design your program to reward purchases of the items you want them to buy. This could be done by dollar value (points for each purchase over X), or by products (points for each widget you buy). A successful program I knew kept a small file box behind the cash register for the canvas club. To join the customer filled out a card that was filed in alphabetical order. Whenever you bought a painted canvas, it was recorded with the dollar amount. After you bought 12 canvases you got a percentage of your spending back. For even a busy shop, the whole club fit in a file box and the clerks quickly added information as part of the transaction.

The cost to implement: a file box, alphabetic dividers, and file cards. You might even have this stuff at home.

Many businesses use cards or keychain cards that are punched or marked. Once again the clerk makes the mark during the transaction. Customers fill the card and get the bonus. Here the burden is on the customer to keep track of the card.

The cost to implement is either the costs of the keychains or the cost to print business-sized cards (they don't have to be fancy.)

Most of us don't like to save receipts but this could be the basis of another loyalty program. Members could get an envelope for your receipts. Save them until she has enough to redeem them for the loyalty bonus. The customer does the work and all you need to do is print or stamp the envelopes (you could even do this at home), check their calculations, and cross out redeemed receipts, a la Costco.

Another kind of loyalty program, though I have rarely seen it in needlework shops, is a membership. Customers pay a set amount annually to join the program. As members of the program they get various benefits. Most often this is a discount on merchandise. Depending on your shop and customers it could also include gifts, priority sign-up for classes, discounted or free services, or other items.

A type of loyalty program is the gift with purchase program. With the rising popularity of needlepoint clubs and series, this is becoming more common. Once a customer purchases a complete series a gift is shipped. It could be a special canvas in the series, it could be a thread pack, or it could be an item for display or finishing. While sometimes the monetary value of the item is not great and is built into the cost of the club already, it is an incentive to complete the series.

Whatever kind of loyalty program you choose to do, be sure to write up a short information sheet to give to customers. This should also be included in your shop newsletter, blog, and website. While customers prefer programs without expiration dates, if your program has them be sure to include this information.

You will also need to consider what falls under the program. If it is a program for a specific type of product, that is already determined. If your program is more general, do you want to include clubs, classes or special orders? Will
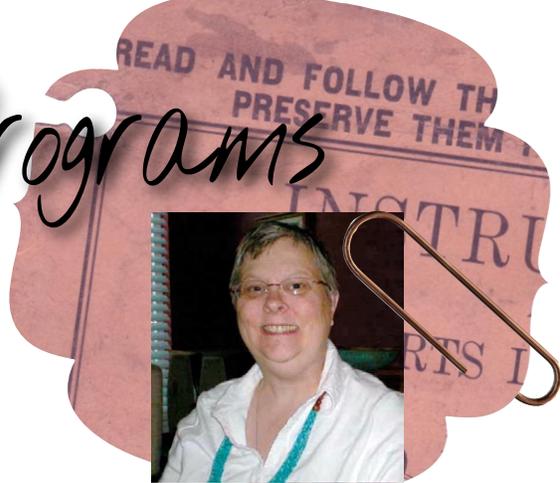
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items such as finishing be included? Decide this question up front so you can put it into your write-up.

Even though you can implement a loyalty program inexpensively, you might be thinking that your business can't afford to be giving discounts. One way to think about this is to ask if you give any discounts already. Do you give discounts to guild members? That is given with a single purchase. If you give 5% for a guild member buying a few skeins of floss, can't you afford to give $5 to someone who spent $250 with you in the recent past? Of course you can! While the dollar amount is greater, the amount spent is greater as well.

Do you give discounts during trunk shows? One reason you do this is to bring customers to the shows. If the discount brings people and sales to your shop during the show, why wouldn't the much smaller loyalty program do the same?

A loyalty program keeps customers coming back to your shop, often at little cost to you. These repeat customers are the least expensive to keep. You just have to make it easier or better to shop with you instead of your competitors. Loyalty programs do that.

In an era when there is increased competition among stores and where your customers have many activities on which to spend their discretionary funds – why not use every advantage you can to attract and keep the customer?