

THE HARDWARE Connection™

July/August 2012
Vol. 4, No. 5

STRENGTHENING THE TWO-STEP CHANNEL



See Inside America's Largest Hardware Store

ALSO INSIDE:

Building Your Store Brand Identity
Dealer Profile of Hartville Hardware
Lawn & Garden / Outdoor Living
Buying Update

Customer Loyalty – Is a Rewards Program for You?

By Fred Fischer

Fred Fischer is president of Ganymede Technologies Corp., which markets the J3 Point-of-Sale system. You can contact Fred at fred@j3pos.biz.



Back in the “Good old days,” if you were to sell a business, a part of the purchase price was a thing called “goodwill.” The “goodwill” was considered part of the value of the assets when a retailer sold his store.

Today when a business is purchased, there is not much value, if any, placed on “goodwill.” Which brings up an interesting point: is there such a thing in today’s world as customer loyalty? Are customers just looking for the best price? Customer loyalty is a totally different animal than the concept of goodwill.

Rewards programs are everywhere we look at grocery stores, gas stations, drug stores and restaurants. There are many different ways to offer a customer a reward. It could be buy 10 cups of coffee and get one free, or spend \$100 and get a certificate

for \$5 off your next purchase of \$20 or more. The reward options a dealer can offer are only limited by his creativity.

Why should a retailer consider a rewards program? Some express concern that they would be giving away their profit, which might be a valid argument. You can make the same argument about spending money on advertising. Quit advertising and save that money. Not a real good idea for the future success of your business.

One of the difficulties in today’s media world is how do you get information to your customer? In many small towns the local newspaper is thin and newsprint circulation continues to shrink. Direct mail is expensive and we all know about the financial mess the post office is experiencing. So, how do you get information to your customer?

The current trend is social media. You are reading this article in a magazine format that is electronic—they do not even print a copy of the publication. There is email, Twitter and Facebook and other new ways of making contact with your customer. However, to make these programs work you need contact information about your customers.

Customer Loyalty – a relationship between the business and the customer where the customer returns more, spends more and promotes the business more; most likely due to a program that keeps the customer happy, resulting in more business. Typically, a rewards customer will generate higher average monthly purchases of between 30 percent and 50 percent or more.

The easiest way for you to increase your sales is from your existing customer base. If you offered a rewards program and had 1,000 members and each individual only spent \$30 more per year (which could be as little as one additional shopping visit), that amounts to an additional \$30,000 in annual sales!

The most compelling format is an instant program. By instant, meaning the customer receives the reward at the time of sale, at the end of the receipt. As an example, a program that offers a point for every dollar spent, and when the customer reaches 100 points they get a certificate that is good for three

weeks from the date of issue. The customer receives \$5 off their next purchase of \$20 or more.

The coupon prints at the time of sale as part of the receipt. Your employees can make your customers aware that they have reached a reward level. The customer gets instant gratification and recognition. There is an expiration date, barcode and the customer name is printed on the certificate. This increases the urgency for the customer to return to your store, soon. When the certificate is used, it is invalidated. You see this type of program in convenience stores and drug stores, and it is very big in the grocery industry.

Other options are coupons that can be mailed to the customer when they reach their benchmarks. Or they can apply points to future purchases. Rewards customer can get special pricing on certain items in your store. To get that special pricing the customer must be a reward member. The key is to create a sense of urgency for the customer to return to your store.

The really big value of a rewards program is the data you can track. You really get to know a lot about your customers. A good loyalty program will help you identify customer spending habits. In addition, as part of your customer sign-up process you can get specific data such as customer names,

addresses, phone numbers, email addresses, birthdays, hobbies and other information that you can use for future marketing. You can then identify customers to promote specials, close-out items, new arrivals and special events, as well as extend special pricing just for your rewards customers.

Equally important is that you can identify your best customers (dollars spent) and identify which ones are using the rewards certificates and taking advantage of your specials. Facebook, Twitter and email marketing programs like Constant Contact all give you affordable ways to let your

customers know more about you and your store. As you face additional challenges on how to get more store information to your customers, a rewards program is a proven marketing tool.

What's nice is that customers are already conditioned to use rewards programs. Many of your fellow retailers have already pioneered the way. Look in your pocket or check with your family members and see how many key tags are on their key rings. A customer loyalty program works. Make the investment and take the plunge. Then you can reap your own rewards as a retailer! ■

Modular means flexibility...

...and flexibility leads to profits.

Update your electrical set with **25% off** NEW Modular Plan-O-Grams including NEW Products and NEW Merchandising. Contact us for a complimentary customized consultation and mention this ad to receive an **additional 5% off**.



Visit Our Booth at
the Upcoming Markets:
Ace: 2227-2328
Orgill: 2674
True Value: 5922
Do it Best: 3702

GB
Gardner
Bender

Rep agency contacts:
Gary Krier 317-800-6270 | gkrier@mcsandc.com
Michael Cooney 317-574-1498 | mcooney@mcsandc.com
gardnerbender.com

When customers think about our store, we'd like them to think "availability." We have between 200,000 and 300,000 SKUs.

How do you build store brand identity? We deal mostly with contractors, so there's a lot of word of mouth. We don't have TV spots. Every year, we give away about 2,000 t-shirts. We also have eight big trucks driving through the city at any given time, sort of like mobile billboards. When customers think about our store, we'd like them to think "availability." We have between 200,000 and 300,000 SKUs.



C&R Building team, with Jack Chambers on far right.

**Jack Chambers
C & R Building Supply
Philadelphia, Pa.**



*Inventory Management
+ Cost Reduction*

= Increased Profits



Expert Phone Support

On-Site Installation

Instant Rewards Program

Top Choice for New Stores!

**REAL-WORLD RETAIL STORES
SUCCEED WITH J3®**



*Come see us at the Orgill Fall Market
August 16, 17, & 18 in Las Vegas!*



Get all the details. Call us today!
1-888-600-5522
sales@j3pos.biz www.j3pos.biz

© Copyright 2012 Ganymede Technologies Corp.



Ganymede Technologies Corp.

