

# DESIGNING YOUR FREQUENT BUYER PROGRAM

ã Allan J. Katz, 2004

1. **Purpose** - Consider your purpose in setting up this program. Remember, the purpose of a Frequent Buyer Club is not to discount, but to reward good customers, depending on their frequency or spending levels. And, more importantly, every customer should NOT be treated equally. Your purpose should be to reward the behavior you seek; LOYALTY, FREQUENCY and INCREASED SPENDING.
  
2. **Set Goals - Decide What You Want to Accomplish by instituting a Frequent Buyer Program.** Here is a list of goals you may want to consider:
  - A. To encourage buyers to become members
  - B. To encourage buyers to use their cards
  - C. To reward buyers for their frequency and increased spending
  - D. To use Frequent Buyer Software to build your database, thereby getting to know your customer's buying habits, preferences, special days, favorite employees and acting upon that information to build a relationship with that buyer.
  - E. To design a tier structure that will reward heavy buyers with privileges, un-announced specials, surprise gifts and preferential treatment.
  - F. To shift the pattern of frequent buyers' behavior by offering incentives and rewards for buying at off-peak hours or days.
  - G. To use Frequent Buyer to acquire new customers by advertising the benefits of the Frequent Buyer Program by mass media or word of mouth.
  
3. **Select Enrollment Tactics - Make it easy to join and accept program**
  - A. Use a simple enrollment form that also gathers important buyer information such as phone numbers, shoe size, accessory purchases, occasions, spouse's name and birthday, anniversary. Include a temporary membership card with the enrollment form.
  - B. You can use the above enrollment form as a simple sign up piece with no other questions then send the new "member" a "New Membership Kit" which includes Rules and Regulations, Awards, Points Systems, Credit Card Information and Privileges when they reach certain levels of spending. In the "New Membership Kit," while you're spelling out all the benefits they will receive, you ask for their "favorite" information as in "A" above.
  - C. To make enrollment easy and acceptable by the buyer, you may need some incentive to get them to join such as a free shoe polish for opening their "membership account." Or a free cake on your birthday. Or 100 points.

## Select Type of Program Structure

There are several ways to structure your Frequent Buyer Program. The old way of thinking was to offer special price discounts and 2 for 1 specials to customers and they would come back for more. They might, but this adversely affects your profitability. You want to reward the behavior you desire, not what the customer desires. Therefore set up your program structure to reward different customers for different spending levels.

- a. **Purchases:** Reward Systems can be based on dollar amount of purchase. This is advantageous when you want to build sales during a certain period of time, perhaps a slow season or a few weeks before a busy season (with the reward being an offer during a Holiday). Spend \$250 in the store between July 1 and July 30 and receive a gift certificate worth \$10 off any purchase in August. Or a Mother's Day Special; During the month of April, buy 2 times and your mother gets a free dinner. Be careful to tailor this so the higher spending customers, to protect profits.
- b. **Points:** Points systems allow to you to beat the competition without giving away the "store." Buyers earn points for every dollar they spend in the store. You then determine what award they receive at each point level. For example,

- 100 points - Free dessert
- 350 points - \$25 Gift Certificate to Program Partner
- 900 points - \$50 Frequent Buyer Certificate
- 1000 points - Membership in YOUR VIP Club
- 1500 points - One Night Stay for Two at any Hotel
- 2500 points - Free Round Trip Airfare

Another way to design the point system is to give 1 point for every visit to your store. Then for every \$100 they spend they get 3 points. After they earn 25 points, they receive a \$25 gift certificate to the store.

- c. **Partnering working** your Frequent Buyer Program with business partners achieves two purposes. 1. It makes your program more enticing and interesting to your customers. 2. It serves as a new customer vehicle where the customer learns about you from your business partner's program. One example is a Day Spa in Memphis, Tennessee that offers a Couple's Package. The couple receives a massage, facial, champagne, roses and a limousine ride to and from the spa, plus a dinner for two in a very exclusive restaurant. The restaurant then reciprocates with a special to the spa.

d. **Privileges:** You now possess an invaluable source of customer information in Frequent Buyer. By offering privileges to membership you not only build customer loyalty, your profits are enhanced by the low cost of offering privileges over discounts.

1. A Free dessert or promotional items for opening up a new membership.
2. Express Checkout - Sign your name, put your membership number on the receipt and leave. (Assuming you have their credit card information on file).
3. Free Birthday Cake For Special Occasions.
4. Donations to Buyer's favorite Charities
5. Valet Parking
6. Personalized Service: This is where you take advantage of the preferences in your questionnaire and within the software. When a customer comes into the store, you have all the information you need to select their favorite size, color and brand of shoe.
7. Surprise Privileges: Send an un-announced special offer to a good customer who happens to like a certain brand. Tell the patron that it's the store's birthday, but she gets the gift. Or, if you've prepared a special menu item for next week, let those rib fans know about it ahead of time and give them a chance to win a Free dinner for two.
8. Newsletters published quarterly that make frequent buyers feel part of your store "family."
9. If you're testing a new line of merchandise, invite your best customers to a private "preview" and give them the opportunity to let you know what they think. Or invite them to an exclusive wine and food event. They'll be honored at the privilege.
10. Encourage word of mouth invitations. Reward your best patrons when they bring a friend with them to your store and the friend signs up for your frequent buyer program.

#### 4. Choose Awards

Awards can be given for a customer attaining certain point levels, membership levels or award thresholds. Choose awards that reward these levels appropriately. Point levels simply record the number of points and encourage a customer's loyalty by raising the value of the award as more points are achieved.

Membership Levels subdivide types of customers by their total spending dollars or frequency of purchase and provide them "membership" into different level categories with various awards graduated at each level. Use these levels internally to structure special awards or externally if you're not using a point system. Award thresholds determine the levels a customer must reach to receive certain awards. Structure your thresholds so that the higher the level of spending, points or membership, the greater the reward or privilege.

**Point Level Examples:**

- 100 points - Free Luncheon
- 350 points - \$25 Gift Certificate to Program Partner
- 900 points - \$50 Frequent Buyer Certificate
- 1000 points - Membership in YOUR VIP Club
- 1500 points - One Night Stay for Two at any Hotel
- 2500 points - Free Round Trip Airfare

- Earn double points by shopping during slow days
- Earn extra points by using in house credit card
- Earn extra points by signing up new club members
- Earn extra points for signing up for membership by a certain time.

**Membership Level Examples**

- Small Potatoes - Sales volume of \$100 per month
- Chocolate Covered Cherries - Sales volume of \$250 per month
- Five Star Feasters -Sales of \$500 per month

**Award Ideas & Privileges**

- Priority Service
- Gift Certificates
- Upgrade Services
- Unexpected personalized gifts
- Advance Reservations
- Free Meal at the restaurant on your Birthday
- Free Meal on your Anniversary
- Dessert Specials with any Purchase
- Extra Points for Cash Sales
- Cooking school
- Take Home Specials

### 3. IN STORE MARKETING:

The purpose of your in store marketing should be to let every buyer know, that those buyers who frequent your establishments more often and spend more money, get rewarded more often and with better rewards. Don't be afraid to say it clearly and often. Buyers who come in once a month will not be treated on the same level as those that come in once a week.

- a. *Employee Rewards* for promoting frequent buyer program. Let your employees earn points for every patron they sign up and use their points toward shoes, gifts or privileges. Give employees badges to help promote the program.
- b. *Naming Your Program* should be consistent with the atmosphere, ambiance and type of restaurant you manage. Art, graphics, type and copy should reflect the type of customer you are promoting.
- c. *Signs* prominently displayed to spell out the benefits of joining your frequent buyer club.
- d. *Sign up materials* should (1) gather basic information with a temporary card, spelling out the benefits of joining, followed by a "Welcome Kit" or (2) a more complete questionnaire that will gather preferences, special days and other personal information, with rules and regulations spelled out clearly.
- e. *Marketing to Customers* should include the following points.
  1. It's easy to sign up and join
  2. You are a privileged character
  3. There are Rules & Regulations (ask your server or see program materials for details).
  4. You will receive points for joining NOW
  5. You will receive our quarterly newsletter
  6. Preferred customers at certain levels enjoy more privileges
  7. Prizes and Awards await you the more you shop in our stores
  8. You'll receive a free birthday cake on your birthday
  9. You'll receive special privileges such as preferential service, valet parking, and reservations.

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For more information on reaching new customers, designing a loyalty program for your small business or a copy of The Complete Guide to Retail Loyalty Marketing, call 1-888-535-6244 or visit our web site at <http://www.loyaltycoach.com>.