

One Step Ahead

LOYALTY PROGRAMS KEEP CUSTOMERS COMING BACK.

by Alan S. Horowitz

Treat your good customers well, and they'll continue to give you their business. That's the thinking behind loyalty marketing programs, the best known being the "frequent flyer" programs of the major airlines. Many small businesses have picked up on the value of these programs and are offering their own versions.

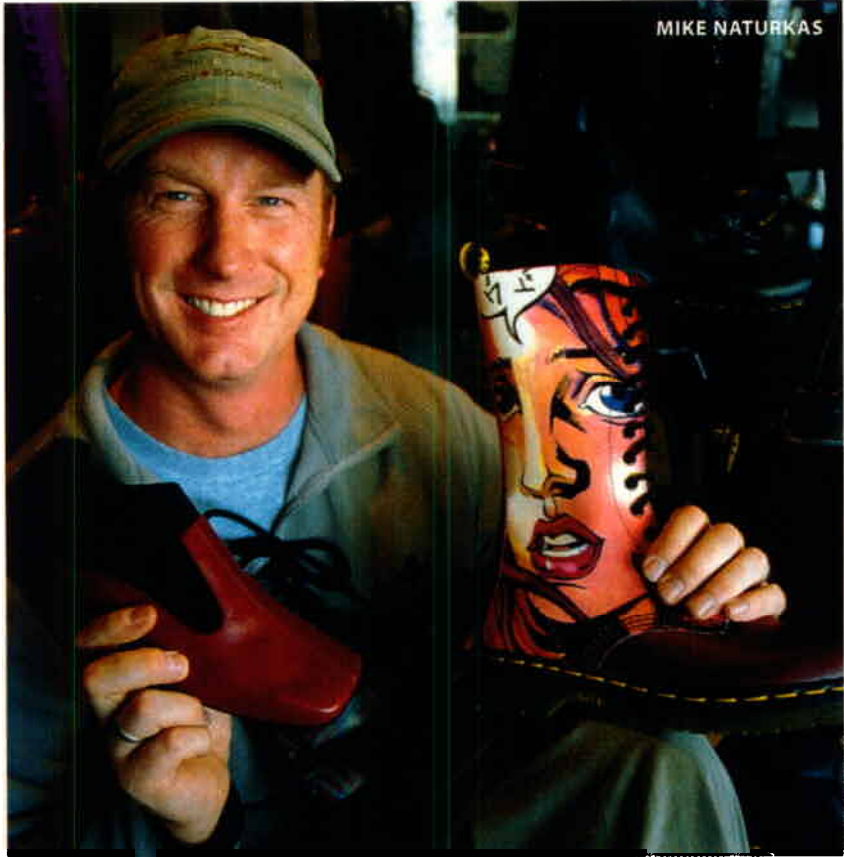
Mike Naturkas owns the Chester Boot Shop, a retail shoe store in Roseville, Mich., which also sells over the Internet. He started a frequent buyer program in early 2002, offering four levels of discounts to customers depending on how many pairs of shoes they purchase. Customers can earn coupons worth anywhere from 10 percent off to \$275 depending on how often they shop at Chester's.

"I want to keep the customers who like to spend," says Naturkas, whose grandfather started the store 50 years ago. "If you're going to spend a lot of money at my store, I don't mind giving you a \$200 gift certificate."

For the past three years, Joyce Peters has offered a simpler frequent buyer program at her children's store, Giant Steps Books & Toys in Fremont, Calif.: Buy \$100 worth of non-sale books and get a coupon worth \$10 off your next purchase.

Peters thinks her program helps her store compete with larger chains. "To compete with the big guys we have to offer customers something. Our steady customers really appreciate it because they're the ones who get the most benefit," she says.

Bill Brooks, CEO of The Brooks Group, a training and performance management company in Greensboro,



MIKE NATURKAS

GEORGE WALDMAN

N.C., says frequent buyer programs are effective for two reasons: 1. They help establish a habit because they reward such behavior; 2. They create the feeling of reciprocity – customers receive a gift, which creates the desire to reciprocate by frequently coming back.

Neither Naturkas or Peters has quantified the effects of their frequent buyer

programs, but Naturkas says he's had customers mention the program when they bought several pairs of footwear, hopeful they'll jump to the next level of discount. Peters, who constantly fights the big chains, thinks her program has at least sustained her business. "I don't think it's boosted business, but it's kept our customer base," she says.

Point Taken

IF YOU'RE STARTING A FREQUENT BUYER PROGRAM, KEEP THESE TIPS IN MIND:

- Make the program easy for customers. Peters and Naturkas both use computers to track customer purchases and earned discounts, relieving the cus-

tomers of having to carry member cards or keep their own records.

- Be wary of abuses. Though infrequent, they can cost you. Example: Allowing low-priced items to count toward a freebie, while offering expensive items for free.

- Promote your frequent buyer program. Don't keep it a secret for fear it will

cost you too much. The purpose of having a program is to be able to talk about it.

- Make it work for you. If you sell products or services whose profit margins vary greatly, consider targeting your loyalty program to your high-margin or more unusual products and services.