Effectively Using RetailEdge’s Customer Rewards Programs

Blog · https://retailedge.com/docs/effectively-using-retailedges-customer-rewards-program

RetailEdge has a great built-in customer rewards program that allows you to reward your best customers and incentivize them to return to your store. How to set up the RetailEdge Customer Rewards Program can be up can be found here and as a video on our YouTube channel.

Before implementing your program, you need to take some time to determine who you are targeting, how to differentiate your program and set your program's goals. Here are some ideas about how to go about setting up an effective rewards program

Before You Get Going

If you are going to setup a customer rewards program, you need to make sure you understand what your competitors are doing and what your (good) customers are purchasing.

Analyze Your Competitor’s Programs

Figure out what your competitors are doing and try to create a program that is differentiated from your competitors and unique to your business. Because each business and program is distinct, there is no one method for designing a loyalty program that is both effective and will work for every business. But doing the analysis will give you some ideas about what works and what doesn't, and what you need to include in your program to have it drive customers to your store time and time again.

Analyze Your Customer’s Spending and Preferences

To understand your customer's spending habits, you are going to need to analyze your customer's purchase history. You can get this information from the many available customer sales reports.

In the RetailEdge Report Selector choose: Sales > Sales > Customer > **Sales By Customer**.

You can sort these reports by **Quantity**, **Price,** or **Gross Profit**. This will give you a good indication of who your good customers are by amount spent and gross profit. These are customers you might want to include in a program and encourage to spend more.

Successful Customer Rewards Program Ideas

Now that you know what your customers are purchasing and what your competition and other businesses are doing, you can begin to design an effective rewards program that will get your customers to return to your store.

Here are some ideas that have worked for RetailEdge customers in the past.

Issue Rewards that Align with your Customers' Values.

Create brand loyalty by creating rewards for only certain product purchases. RetailEdge's customer rewards program can filtered to issue rewards only for sales of a particular brand, vendor, department, or item.

Create Tiered Programs

Consider setting up tiers based on customer spending and issue more rewards the more they spend. With RetailEdge's customer loyalty program you can tier your rewards program by setting up multiple **Customer Reward Discount Rules**, which will activate when the customer has reached a specified spending level.

When setting up these levels make sure they don't disincentivize your customers. For instance, if you are giving $5 per $100 spent make sure the next tier (e.g., $100 for $1000 spent) is not too large a gap that it appears unattainable. Look at your customers' sales to determine the best tiers.

Keep in mind rewards that are too easy to earn can reduce the status associated with and the attraction to rewards programs.

Try to reward high volume customers with **buy more get more incentives** or buy higher margin items get more. You can do this by filtering your program to only include loyalty dollar issuance on particular items, vendors, or departments.

Create Exclusive Memberships

Creating rewards programs that have a "membership" can add to the exclusivity of the program. Memberships can have some additional rewards and you would only issue loyalty dollars to customer rewards program members.

Use Rewards, Not Discounts

Remember you are providing a reward to your customers, not a discount. Discounts are handled differently in RetailEdge, and you should be careful of discounting because it can diminish value for a customer that may purchase at full retail. RetailEdge's Customer Reward Program can filter out discounted items over a set rate so you can only issue rewards on items sold at full retail or items that have not been discounted more than X%.

Create Limits

Sometimes it can be helpful to create date limits on your customer rewards so that customers are forced to come back in within a determined time frame. RetailEdge's loyalty dollars can be purged to allow you to do this, but you should check with your local regulatory agencies to make sure you are not running afoul of their requirements.

Communicate Your Programs Value

No program is going to be useful unless your customer knows about it. To let customers know about their rewards you can simply print any customer receipt and RetailEdge will print the customer's current loyalty balance on the bottom. You can also export loyalty balances and upload them to your email system so you can send the current balances to your customers.

Promote Your Program

Once you have your customer rewards program in place, promote your program. A program has no value if no one knows about it and it is never used. Engage with your customers. You can do simple things like getting your customers to give you an email address to enter the program and then exporting this list for import into mailchimp or Constant Contact. Or if you are doing a brand specific loyalty program, find out who is buying from that brand by running a Customer Sales Report by

Vendor or Customer Best Sellers report. Then reaching out to those customers to let them know.

Analyze and Re-Analyze Your Program

Make sure you analyze your program after it has been up and running for a while. Compare average spending for people in the program vs. walk in customers or customers not in the program. This can be done with a simple customer-based sales report for customers in the program (customer interest or custom user field set to loyalty).

Re-analyze your competitors to make sure your program is unique and provides differentiation from their programs. If you see other store's programs are changing or seem to be more effective, you may need to tweak yours.

Connect with your Customers.

Finally, having customers come back to your store does not necessarily mean they are loyal. Once you have the customer coming back, you need to establish a connection with your customer. These types of connections only come from repeated positive interactions and experiences between you and your employees.

Other RetailEdge Customer Incentive Programs

Customer Discount Rules

Different from discounts. RetailEdge has lots of discount rules. Discount rules are an effective tool and can be used to get rid of end of the season/year items that you are no longer going to carry or are overstocked. Discount rules can be customer based and so can be targeted to segments of your customer database. So, you can limit these discounts to customers who are only interested in certain brands.

Batch Loyalty Programs

RetailEdge has had a batch loyalty program for quite a while. This program allows you to issue loyalty dollars to your customers based on their sales, but in a very controlled fashion. Stores like REI use a similar program that issues a 10% annual dividend and is based on a $20 lifetime membership. This

program gets batched at the end of February for the previous year’s sales.

Prepaid store credits

RetailEdge can issue store credits by selling an item that will issue a store credit when an item is sold. This can be used in conjunction with a customer rewards program.

Discount Cards (Punch Cards)

RetailEdge also supports Punch Card (Coffee Card) discounts (Amount off and percent off when purchasing X Quantity of Items). This is also a Customer AND Inventory List discount but differs in that the discount is issued immediately after purchasing a certain number of items.

Loyalty Cards

You can use cards for loyalty cards, similar to what you see in the Grocery store. This can make it easier for your clerks to associate your customer with the sale and can make your program feel more exclusive.

Use Multiple Programs At Once

You can also combine some or all these RetailEdge features to create a truly effective and unique program. One RetailEdge customer has a membership program with a high membership fee (>$1000) that is applied towards a store credit that can be used for the year. The membership gets you 20% off any item you purchase and loyalty dollars for purchases that exceed the initial membership fee. Membership allows you access to private parties, trunk show access and new products before other customers.

This program utilizes many of the concepts introduced above:

1. Has a **high dollar membership fee** that targets **high value customers** and provides **exclusivity**.
2. The membership fee is used to purchase a **prepaid store credits** that must be used before the end of the year creating **urgency**.
3. Access to exclusive private parties, trunk show access and early access to new products creates **exclusivity**.

4. Membership gives them 20% off all purchases. This utilizes **customer discount rules** to create **exclusivity**.
5. Additional loyalty dollars are issued for purchases over the membership fee utilizing the instant loyalty dollars issued by **RetailEdge's Customer Reward Program**.