



# Real-World Solutions for Today's Retail Reality

## How Retailers Can Use Existing POS Technology and the Right Rewards Program to Drive Repeat Business and Increase Sales

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### ABSTRACT

Today's retail marketers are looking for quick and easy ways to drive incremental spend and overall sales. While mobile marketing strategies are taking off, it will be a few years before massive adoption takes place. Meanwhile, retail customers are tiring of the old-school rewards programs that require more effort than they return in customer value. Communicating with customers on a one-to-one basis is possible without investing in new technologies that are slow to deliver. Using point-of-sale software, retailers can target their customers with the right promotions and rewards where it matters most – when the customer is in the store and paying attention.

It seems like everyone in the retail industry is jumping on the mobile marketing bandwagon. *Dairy Queen* has announced an RFID sticker that customers can attach to a phone or wallet to receive targeted promotional offers in store. *Burger King* has introduced an iPhone application that allows users to place orders automatically. *Whole Foods* is making more than 2,000 recipes available to its customers via an app for both iPhone and iPod users. Text messaging, social networking, and smart phones are opening up new avenues for reaching and creating loyal customers.

While they make for great publicity and show promise for the future, mobile technology programs aren't translating into sustained increases in retail sales. Consider the following:

- Less than 10 percent of credit cards in the US have RFID chips in them and retailers have been slow to adopt the technology<sup>1</sup>
- 77 percent of the entire mobile market do not own an iPhone<sup>2</sup>
- 40 percent of Mobile Users do not use text messaging<sup>3</sup>
- 51 percent of Americans do NOT participate in social networking sites such as Facebook or Twitter<sup>4</sup>

Currently, the retail industry invests four to six percent of its revenue on marketing support.<sup>5</sup> Channeling precious marketing dollars into programs using these technologies will put a large number of customers out of reach, no matter the target market. Clearly, this is a problem, especially if some of those customers are the best customers.

## Retail Rewards Programs – Do They Deliver?

While retailers keep tabs on the latest mobile technology, many are banking on the promise of their rewards programs. Today's rewards programs have become more sophisticated, tracking spend and purchases, and capturing other customer information. But, most fall short in actually using the data to provide meaningful offers to customers.

**Problem #1: You don't know me.** Most retail rewards programs ascribe to the generic "do this, get that" formula, with little to no regard for individual customers and their unique interactions with the store. All participants receive the same discount or the same promotion. Not only does this alienate your best customers, it's also a waste of marketing dollars because you're spending money on people who have no intention of engaging in the desired behavior, and aren't motivated by the reward you're offering.

### Problem #2 Your program is inconvenient.

Keeping track of points, coupons, fobs, multiple cards or receipts is complicated and messy when the average household belongs to 14.1 loyalty rewards programs.<sup>6</sup> Unfortunately, most retail rewards programs require customers to bring in a coupon they received in the mail or online to receive their award or discount. Many programs also have a lengthy registration process that involves filling out forms and, in some cases, holding up the checkout line. Forcing your best customers to jump through hoops to participate in your loyalty program is frustrating for them and has the opposite effect of your original intention — to create customer loyalty.

**Problem #3 Can you hear me now?** As mentioned, retailers are becoming savvier with their marketing programs and are beginning to use advanced technologies to communicate with their customers. But the reality is, no matter what vehicle you use to communicate with your customer – whether a direct mail piece, text message, social media ad or email – you're communicating to a customer on their personal time, not when they're shopping at your store. And, because most offers aren't personalized to the customer's unique preferences and needs, most customers (97 to 99 percent) don't respond.<sup>7</sup> That's why 65 percent of Gen Yers say they were "unlikely to or would definitely not subscribe" to retail offers solicited via cell phone or PDA.<sup>8</sup> While retailers may be attempting to stay top-of-mind with their customers, in most cases, they are just part of the daily onslaught of marketing noise we all "hear" through various forms of media every day.

With limited marketing dollars and a desire to see real ROI, retailers need practical solutions that are simple to implement and drive significant sales volume. One of those practical solutions features technology that the majority of retailers already use to communicate directly with their customers – their POS terminals.

While most retailers think of the POS terminal as a transaction tool to exchange goods for money, they are missing a golden opportunity to speak to their customers when they have their full attention.

## Capturing Customers in Real-Time

Maritz' approach to helping retailers capture customer mindshare and drive sales now centers on the point-of-sale and follows these simple precepts:

1. **Communicate** with the customer when it makes sense – in real time at the point-of-sale.
2. **Motivate** customers to engage in behaviors that make sense for them
3. **Reward** customers for those behaviors in ways that are meaningful to them.

Using a proprietary software technology, Maritz can help retailers execute on this strategy by engaging their customers at the right time, with the right rewards. Maritz Real-Time Rewards' solution helps retailers create their own customized data driven promotions for individual customers based on prior purchase behavior.

Using a retailer's existing POS terminal technology, combined with Maritz' software, a merchant can:

- Deliver promotions instantly at the point-of-sale on the POS terminal and purchase receipts
- Simultaneously leverage the customer database to provide additional customer insight and target best customers with promotions
- Integrate an existing points program or create a new program that allows customers to redeem their points in real time at the point of sale (eliminating the need for paper coupons or gift certificates).

*The right communications, with the right customers, at the right time.*

## How it Works

When customers sign up for a retailer's rewards program through Maritz Real-Time Rewards, they merely swipe a credit, debit or loyalty card and are instantly registered. The program then begins tracking purchasing behavior in order to deliver targeted promotions. These behaviors can include spend, number of visits, and time lapsed since the last visit.

Maritz Real-Time Rewards enables retailers to set up promotions to drive frequency, increase average ticket, reward best customers, cross sell, market new products or deliver targeted messaging. In addition, retailers can drive customers towards higher margin products and/or reward behavior with low cost items. This targeted approach ensures the right customer gets the right offer, receiving exactly WHAT they want, WHEN they want it.

For example:

Chad is a truck driver who stops at "Burger Land" every week. When he uses his registered credit card, the printed receipt offers him a free breakfast sandwich if he comes back in within five days. He does not need to bring the printed receipt back. He simply swipes his card to redeem his free sandwich next time.

Beth stops at "Coffee King" on her way to work every morning for a large latte, but hasn't thought to visit in the afternoon. When she uses her registered card, her receipt tells her to come back on any weekday between noon and three to receive \$2 off any purchase of \$5 or more. When she returns, she need only swipe her card to receive her \$2-off reward.

Liz is a frequent "Books & More" shopper and earns three points for every dollar spent when she uses her "Bank of the Nation" credit card. Upon checkout at "Books & More," she will be prompted at the POS to use her "Bank of the Nation" reward points to pay for all or part of her purchase and reduce her out-of-pocket costs. This instant promotion requires nothing but the card Liz already uses.

## Real-Time Success Stories

The Maritz Real-Time Rewards solution has worked for retailers all over the world through Maritz' partner, Welcome Real Time, and its proprietary software.

### Case Study #1

**Problem:** A fast-food chain in Malaysia experienced slow traffic and decreasing sales after the bird flu epidemic hit the country and Malaysians were fearful of consuming chicken.

**Solution:** To increase spend per transaction and drive store traffic, the company ran a promotion that enabled patrons to earn an extra meal for 30¢\* when they spent \$15 or more. Upon swiping their card, customers received this message at the POS terminal, "Congratulations. You have been awarded a meal for only 30¢. Choice of 1/4 Chicken with Rice OR Prego Steak Roll." No coupons or employee training were needed because the promotion is automatic through the POS terminal.

**Results:** The promotion helped increase and sustain store traffic, while increasing spend. Average spend grew from a low of \$21 to \$29 during the campaign and \$35 six months after the campaign.

### Case Study #2

**Problem:** A globally-branded toy store in the Philippines wanted to increase average spend per customer without spending precious marketing budget on mass direct mail.

**Solution:** To increase store revenue and average transaction spend, the store ran a three-month campaign offering a free toy to customers who spent more than \$42. Upon swiping their card, customers were notified of their eligibility to instantly receive a free toy.

**Results:** The toy store's billings nation-wide rose 30 percent. Per-store transactions increased an average of 12 percent, and the average spend per transaction went up 16 percent. Ninety-nine percent of customers who were eligible redeemed their award.

## Conclusion

Today's mobile marketing tools in addition to traditional retail rewards programs are failing to deliver the ROI retailers need to survive and thrive. From generic, mass-customer

approaches, to direct marketing campaigns that yield a 1 to 3 percent response rate,<sup>9</sup> retailers are investing too much and getting too little. The industry is in need of a solution that delivers the right rewards to the right customers at the right time. Maritz Real-Time Rewards enables retailers to target their customer's needs, wants and interests with custom promotions based on individual purchasing behavior. Using proprietary software and a retailer's existing POS system, Maritz can help retailers drive repeat and more frequent business and increase spend per ticket at a much greater ROI than traditional marketing programs.

*Jake Sterling is division vice president of payment technologies for Maritz Real-Time Rewards™, which offers a POS-delivered solution that enables retailers and credit card companies to improve the effectiveness of their loyalty and promotional programs instantly at the point-of-sale. [www.maritzrtr.com](http://www.maritzrtr.com)*

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\*All amounts have been converted from foreign to US currency.