



Customer Loyalty: Building a Fan Club

Summary

The purpose of this guide is to introduce owners of small retail stores to three practical steps for building a loyal customer database. Clearly, loyal customers make it possible for small retailers to compete more effectively in their own markets.

The steps presented in this guide are, for the most part, simple ideas that employ concepts of selling that have existed since the first wooden wheel was traded for a stone hatchet. What makes these strategies unique, however, is how the Internet is leveraged to dramatically reduce a small retailer's marketing costs while at the same time achieving the goals mentioned above. By employing online technologies effectively the small retailer can gain a significant advantage when competing for retail dollars. Furthermore, the "small guy" can actually make his size become an almost *unfair* advantage when competing against slow-moving, big-box retailers in a market area.

3 Practical Steps to Building a More Loyal Customer Base

You (or your employee) are standing at the POS ready to check out a customer. When a customer walks up to your POS with merchandise to be purchased what is the first thing out of your mouth? "Hi!", "Were you able to find everything?", or maybe my all time favorite, "Will this be all today?" – to which I occasionally respond "Is there anything else you think I need today? Obviously, most customers don't respond in this way. However, my experience has been that occasionally the cashier will make an attempt – however weak or uninformed – to make a product suggestion and when that happens I *always* express my appreciation. More often than not, however, the sale is rung up, the receipt goes in the bag, and the customer walks out the door. *Next!*

How can you – as a retailer – change the customer's experience in your store to your advantage, differentiate your business, and build a more loyal customer base?



Step 1: Invite Every Customer and Visitor to Join Your Store's "Fan Club"

On our website at <http://melcooper.com> we discuss the meaning and importance of building a loyalty program, or "fan club" at your store. To many people, the word "fan" evokes images of people who are intensely loyal – sometimes fanatical – in their support of a sports team, celebrity, personality, or other person/object of common interest. If you operate a successful retail operation that enjoys lots of repeat business then your store already has many loyal "fans". Unfortunately, you may not have a lot of specific information about those fans that could be used to strengthen that loyalty and drive sales and profits even higher. If, on the other hand, your store is new or is in a highly competitive market and does not enjoy a high level of customer loyalty then building a "fan club" is worth serious consideration. In fact, such a strategy could serve to differentiate your business from the competition with very positive results.

What Motivates Fans?

In order to create and maintain a fan club for your store you have to understand what motivates a customer to become a fan. We will assume that you already provide the following for your customers:

1. **Good products** and/or **services** at a **fair price**;
2. A reasonably **knowledgeable sales staff**;
3. A store that is **clean, modern, and attractive**;
4. **Fair, courteous treatment** whenever a customer visits the store;

If your store meets these criteria you can be confident in knowing that you've met the *minimum requirements* for competing in any retail environment. But if you want to build a customer base that is exceptionally loyal – even *fanatical* – about your store then you have to give your customers reasons to become fans.

One way to make fans out of customers is to offer them an opportunity to enjoy *exclusive benefits* at your store in exchange for their loyal patronage. Most people by nature like the idea of being part of something *exclusive* and your fan club will be the vehicle for delivering that exclusivity. No, *exclusive* does not have to mean expensive or costly – otherwise, what's the point? *Exclusive* simply means your loyal customers will be offered a level of exclusive



treatment in exchange for something they have already given you – their support of your business. This exclusive treatment may be in the form of :

1. Advance notices of special sales or new products.
2. Discount coupons.
3. Gift certificates.
4. Invitations to in-store seminars or classes.
5. Express check-out at the Point of Sale.
6. Helpful, valuable information about how to use various products that you sell.

Once a customer gets the impression that their business is valued and appreciated – and they are rewarded with exclusive services for their continued loyalty – they become more than just customers, but *fans*.

How to Invite Fans to Join Your Club

It is relatively easy to efficiently leverage your store's fan club to increase customer loyalty and drive sales up – even in traditionally slow months. But, before you can do that you have to discover *exactly* who your fans are. To do that you must *ask them*.

Suppose you had just **six pieces of information** about every customer who either visited your store or who made a purchase in your store.

1. Name
2. Mailing Address
3. City
4. State
5. Zip
6. Email Address

How could you use this information to increase customer loyalty – and increase sales -- for your store? But more immediately, how do you capture this information from customers?

Let's replay the typical sales scenario described earlier. A customer walks up to your POS with merchandise to be purchased and the conversation goes something like this:



You: “Were you able to find everything you were interested in today?”

Customer: “Yes. Thank you.”

You: “Are you a *Preferred Customer* member?”

Customer: “No”

You: “If you’ll take a minute to fill out this card we’ll *email* you a Gift Certificate for \$10 that you can use on your next visit. Our Privacy Policy is printed on the back, so any information you give us *stays* with us.”

I this scenario above we have emphasized the word “email” because that information is actually more important than the mailing address. If the customer has no email address – or chooses not to give it to you – then that’s fine. That just means you haven’t established enough trust, yet. With a mailing address you will have many opportunities to earn that trust and get him or her on your email list.

What Do You Accomplish By Asking Fans to Join?

In the example above we’ve actually accomplished **four** objectives. **First**, we found out whether there was anything that the customer did *not* find in your store (“*Were you able to find everything...?*”). If the answer were “*No*” then you would have another opportunity to assist the customer and possibly make a sale.

Second, we found out -- with relative certainty -- whether this was the customer’s first visit to the store (“*Are you a Preferred Customer member?*”). There is a chance that the customer has visited before and declined the offer to become a Preferred Member, but that chance is likely minimal if the offer is made compelling enough.

Third, assuming the customer “opts-in” to the *Preferred Customer* club then you have virtually guaranteed a return visit to the store to redeem the gift certificate.

Finally, if the customer opts-in to membership then you have everything you need to extend the purchase experience beyond the physical store itself. By giving you the information you have requested you have the customer’s permission to offer him or her the exclusive benefits



of membership in your store's fan club. The purpose of those benefits will be to heighten the customer's loyalty to your store.

Other Methods for Capturing Customer Information

Capturing customer information at the Point of Sale is only one of the ways to acquire the information you need to leverage your fan club. Store visitors can be invited to become "Preferred Customers" even though they may not even make a purchase during a store visit. What you want in that case is just enough information to convert them into a loyal, consistent customer later on.

Capturing customer information at your store's website is another great way to ask people for information. This is typically done by offering a website visitor a discount coupon, gift certificate, or something else of perceived value in exchange for giving you some information about themselves.

It is always important that customers are never given the impression that you are simply "squeezing" them for personal information. Experience has shown that the customer will gladly give you the information you are requesting with the following provisions:

- **The customer perceives a clear benefit to him or her by providing the information.**
The request for information must be treated as a "transaction" where everyone benefits.
- **The customer trusts you to protect his/her personal information.**
Don't even *think* about selling or otherwise providing customer information to parties outside of your business operation unless the customer knows that is your policy in advance and you have explicit permission from the customer to share such information. You should protect your customer database as though it were actual money – because it is!
- **You won't abuse the use of the information.**
Online marketing strategies that employ email marketing makes it easy and cheap to *touch* customers multiple times during a season or year. Unfortunately, this fact makes it tempting to email a customer database for no other reason than to jack up sales in a slow



month. If the customer gets the impression that you're just filling up his Inbox with useless spam then you will quickly start to get requests to "opt-out" of your email list.

Summary: As Customer Data Goes Up, Your Marketing Costs Go Down

If you are still unsure about the usefulness of inviting customers to join your fan club so that you can serve them more effectively then you should consider this fact:

The more information you have about your customers **the lower your marketing costs relative to sales**. As more and more customer data is captured you gradually go from using a shotgun approach to market and advertise your store to using the equivalent of a high-powered sniper's rifle. One precise shot, one profitable sale – with little wasted expense. In addition, a robust customer database tends to even out sales cycles and insulate your business from predatory, big box competition.

Finally, by utilizing **online market strategies** it is easy to leverage fan club information very cost-effectively – much more so, in fact, than using traditional methods of targeted marketing. By incorporating opt-in email marketing and your store's website to touch your fan base you dramatically reduce the cost per thousand impressions as compared to using the Post Office to deliver your messages. By using online strategies you will also be able to deliver a much more compelling, interactive message that is simply not possible using traditional printed marketing media.

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To read **Step 2** in "*3 Practical Steps to Building a More Loyal Customer Base*" please visit the Downloads page at our website (<http://melcooper.com>).

For more information about *Online Marketing Strategies for Retail Stores (OMS/RS)* services offered by MELCOOPER Consulting please call us today at 1-866-695-8669 or visit our website at <http://melcooper.com/guide> .

