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Less Is More With C-store Club Loyalty Programs

CSNews/Paytronix webcast outlines tips to maximize profitability.

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JERSEY CITY, N.J. — Club loyalty programs, like your Coffee Club and your Fountain Club, are a necessary part of the convenience store industry and can motivate more store visits — but only if they're designed correctly, according to "How to Manage Your Club Programs," a Jan. 26 webcast presented by *Convenience Store News* and sponsored by Paytronix Systems Inc.

"Club programs are a staple in the c-store industry," said Michael Zubkoff, technology consultant for Paytronix, a provider of reward program solutions to retailers and restaurants. This stems from a time when they were the only reward c-stores could offer. For example, a punch card could be redeemed for a free seventh beverage after six had been purchased.

As vendor partners are the ones paying for that reward, "there's little cost to your brand to run these programs," Zubkoff noted.

Today, club loyalty programs still have a place in the convenience store industry. However, there are certain strategies that will maximize the profitability of such programs, making them more than a part of a brand's overall marketing strategy and turning them into something truly valuable that helps a brand reach the next level.

Retailers should consider reducing the number of club programs they offer, Zubkoff advised. An average store offers 15 to 30 programs at any given time, which is too many for the average customer to keep track of. "Focus more on items that are moving and generating revenue for your brand," he said. "Decide whether some are helping, or if you're just giving away items you shouldn't be."

For the club programs that make the cut, retailers can then help customers reach their rewards faster — or, at least, give that perception.

Kimberly Otocky, content marketing specialist for Paytronix, cited a case study in which economists tested a stamp card program through which consumers could earn free car washes. As customers came closer to reaching the eight total stamps they needed to earn a free wash, they visited more frequently, which led to an increase in spending.

Under the test, however, one group got a stamp card with eight empty spots. Another group got a card with 10 stamps but the first two stamps were filled in already. The study found the latter group began visiting at an even greater rate of frequency, and a higher percentage of this group filled the card.

Even though both groups had to make eight purchases to earn a reward, the group that perceived it had assistance in reaching that reward spent more.

"You want to help motivate them," Otocky said, noting that a simple change in how they see the program can make a difference.

Retailers should also target and segment based on behavior. For example, a busy mother on the go is a good target for a club program that offers milk as a reward, as she is likely to appreciate a convenient place for staple purchases, makes quick shopping trips, and cares about milk.

Not targeting and segmenting, on the other hand, runs the risk of customers accidentally stumbling into rewards on their non-core purchases, which cannibalizes margins and does not change their purchase behavior.

Another useful strategy is using vendor funding in different ways, such as:

- Running a limited-time program;
- Offering special club member pricing (discount is paid for via the full price non-members pay), which is best applied to high-margin items, such as coffee and fountain drinks;
- Holding a sweepstakes; and
- Offering a tiered club program structure.

However, Otocky cautioned that retailers must be careful to understand the legality and complexity of what they are offering.

A replay of the webcast can be accessed by [clicking here](#). ^[2]

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- *About Angela Hanson Angela Hanson is associate editor for EnsembleIQ's Convenience Store News, where she is responsible for primary coverage of the candy, snacks and packaged beverages categories. Since joining CSNews as assistant editor in early 2011, she has played a key role in helping CSNews.com maintain its position as the No. 1 news source for the convenience store industry. Prior to joining CSNews, Hanson served as junior editor at Creative Homeowner book press and as managing editor of Anime Insider magazine. She has degrees in creative writing and visual communication technology from Bowling Green State University.*