

And by stressing the disastrous series of events that he experienced, readers of the June 2004 TMI, US e-newsletter heard one message loud and clear: Do not fly this airline. This incident took place while the airline is struggling for its existence.

Titled "I Don't Care, Either," Oden's article concluded with a list of things that airline employees might have done differently:

- ▶ Acknowledging and owning the problem, and apologizing, if only for the confusion
- ▶ Thanking him for communicating the problem, and giving the airline a chance to rectify it
- ▶ Offering an upgrade, meal coupon or some concession that would have shown that the airline valued his business
- ▶ Staying true to the airline's brand promise, which calls for giving customers information about policies and procedures affecting travel

Customer service is customer service. And it is a crucial tenet in the convenience-store industry that building strong relationships leads to repeat business. People can always go elsewhere for the products they buy at our stores, but there's no reason they should have to. Companies that value their employees will reward them for treating their co-workers with respect and will emphasize that there's a direct connection between good behavior at work, excellent customer service and the bottom line. These are those companies that are in it for the long haul. ◊

Bettie Biehn, formerly director of the NACS human resources community, is currently a freelance consultant and writer in human resources and nonprofit management. She can be reached at ESBiehn@aol.com.



MARKETING

The Soft Side of Loyalty

BY RICK FERGUSON

Last month we talked about the yin and yang of hard and soft benefits in loyalty marketing value propositions. If hard benefits represent the rational, tangible side of the value exchange in the eyes of your customers, then what about the benefits that appeal to the emotional, personal side of the relationship? Do soft benefits matter?

Hard benefits are rewards that let customers know they're getting something free in exchange for their continued patronage. People everywhere like to think they're getting a deal. This is the rational side of the customer brain at work: *I'm getting my money's worth.*

But recognition is equally important. Soft benefits are recognition elements that tell customers you know they're important. Soft benefits help differentiate you from your competitors, particularly in the eyes of your best customers. By offering them privilege, access, special treatment and other amenities that only program members can obtain, you appeal to the emotional side of the customer brain: *They know I'm important.*

Soft benefits are important for another reason. Customers, after all, can spend only so much money with you. They need only so many tanks of gasoline each month. They can drink only so many cups of coffee per day. If your most valuable, highest-spending customers are earning hard benefits in your loyalty program, they will reach a point when additional currency or economic reward will cease to motivate them. Think of the million-miler in an airline frequent-flyer program (you may be one yourself):

once you've earned a million miles, those miles no longer motivate you. What motivates you are the upgrades, the priority check-in and the drinks in the Crown Room. At that point, you couldn't care less about the miles.

Soft benefits can take a myriad of forms, and you're really limited only by your budget and your imagination. However, in general terms we can group them into three broad categories: special access, special privileges and special pricing.

Special Access

Customers love it when you offer them something special, especially when they feel that the benefit makes them part of an exclusive or select group. Offering members special access to certain times, events and offers at your facility is one of the easiest and least expensive ways to offer soft benefits in your loyalty program.

Western U.S.-based Maverik, for example, offers members of their Adventure Club Card program access to special monthly promotions featuring a select convenience-store product available at a discount to members only. South Carolina-based Corner Pantry's rewards program offers members access to sweepstakes entries for amusement park and Carolina Panthers football tickets. The operative word here is "access." Other ideas include:

- ▶ Access to a members-only Web site where members can find exclusive offers or personalized benefits.
- ▶ A "private" toll-free customer service line.
- ▶ Preferred parking, preferred pumps,

.....

“If your most valuable, highest-spending customers are earning hard benefits in your loyalty program, they will reach a point when additional currency or economic reward will cease to motivate them.”

— RICK FERGUSON

.....

advanced notification of convenience-store offers or other forms of preferential access.

- ▶ Access to special events that occur at your site.
- ▶ Anything that your imagination can conceive — provided that you follow through with your delivery.

Special access doesn't have to come at reduced price. You aren't providing members with extended economic benefits; you're merely giving them opportunities unavailable to the general public. Special access allows you to deliver personalized, emotionally rewarding treatment to your best customers, which consistently reminds them that you value their business more than your competitors do. The onus is on you, however, to deliver what you promise, consistently.

Special Privileges

The companion to special access is exclusive privilege. If you allow your loyalty program members privileges unavailable to regular customers, then you make a powerful statement of recognition that your competitors will have trouble duplicating.

Special privileges are almost unheard of in the fuel retail and convenience-store space. That's partly due to the high-volume, high-traffic nature of the business: it's hard to offer special privi-

leges to customers who are just stopping by to fuel up and grab a cup of joe on their way to work, or pick up a gallon of milk on the way home. But there are certainly plenty of opportunities for the imaginative marketer to implement privileges for valuable customers. Examples could include:

- ▶ Preferred car wash times — no waiting
- ▶ Service guarantees
- ▶ Celebrity meet-and-greets
- ▶ Members-only parties or events
- ▶ Personalized gifts
- ▶ Preferential treatment such as pumping attendants

Because they're hard to duplicate, special privileges create a barrier to exit and keep members engaged with your brand. Remember to extend access and privilege only to those members who carry the highest seasonal or lifetime value. Members earn privileges because of repeated patronage; once they experience privilege, they won't want to give it up. The long-term retention benefit will be substantial.

The problem, of course, is that you can't extend special privileges to everybody. If your bucket of elite customers becomes too large, then the privileges cease to be special, and you'll have a tougher time delivering them. And again, be prepared to consistently deliver on your promises.

Special Pricing

Last month, we looked at why discounts alone aren't a sustainable loyalty strategy. When viewed as soft benefits, however, special members-only pricing carries substantial merit.

Special pricing is most effective when highly targeted to a select group comprised of high actual or potential value customers. You can offer special pricing when and where you like. You can communicate the benefits in a highly selective fashion, focusing discounts where you're

1/3 page vertical

most likely to receive a return on your investment.

You can offer special rates on virtually anything that you sell — gasoline, coffee, soda, snacks, ice cream — you name it. It's important to focus your discounts on those goods and service that carry the highest perceived value to your customers. And don't forget to leverage your suppliers and partners, who may be willing to help foot the cost of the discount if they can foresee a reasonable return.

Special pricing is a great way to generate increased yield from your members. While frequency and retention metrics are important, increased spending per visit makes an immediate impact on your bottom line. The most common mistake that marketers make is to deliver discounts to all their customers, regard-

less of their value to the enterprise. To have the greatest impact, special pricing must be selectively applied. Offer discounts too liberally and less valuable customers will come to view them as an entitlement.

So soft benefits are critical to retaining your most valuable customers. But they also cost money. Although hard benefits typically represent the bulk of your program budget, you'll also need to budget for the recognition elements. Hard benefits are relatively easy to deliver. Soft benefits, on the other hand, often require special attention, training and procedures in order to deliver them consistently.

The result, however, is well worth it. The best loyalty programs in the world blend both hard and soft benefits to create a compelling customer value proposition.

Although some successful programs offer only one or the other side of the equation, they are rare; most programs that fail to balance the reward equation fall by the wayside. By combining rewards with recognition, you put forth a compelling, highly differentiated offer that appeals to both sides of the customer brain. What customers wouldn't do more business with you if you consistently gave them their money's worth while making them feel important and privileged? It's the simplest formula for marketing success. ○

Rick Ferguson is the editorial director for the COLLOQUY



Group, operated by Frequency Marketing Inc. E-mail him at infor@colloquy.com. COLLOQUY subscriptions are available at no cost at www.colloquy.com/register.asp or by calling (513) 248-9184.

FOODSERVICE

Donating the Bread of Life

BY SARAH HAMAKER

Hunger strikes about one out of every 10 Americans, according to the U.S. Department of Agriculture. The USDA estimates that 35 million Americans — more

“The key to food donation is to work with your local or regional food bank. Ask them what they need.”

— SUSAN HOFER, AMERICA'S SECOND HARVEST

than 13 million of them children — are hungry or at risk of hunger. In addition, U.S. Census Bureau data reveals that 35.9 million Americans are living at or

below the poverty level, and 17.6 percent of all children in America are living at or below the poverty level.

While these statistics may seem insurmountable, convenience store owners can do something to help alleviate hunger in America: by donating surplus food to local hunger-relief organizations. America's Second Harvest — the largest domestic hunger-relief organization in the United States — has made it easy to find a place to give food. By logging onto its Web site — www.secondharvest.org — retailers can access the Chicago-based organization's network of more than 200 regional food banks and food-rescue organizations.

These organizations, which serve all 50 states, Washington, DC and Puerto Rico, distribute food and grocery products to approximately 50,000 local charitable hunger-relief agencies, such as food pantries, soup kitchens, women's shelters, community kitchens