

# How to create a successful rewards programme

By JANET KIRKBRIDE

Reward schemes, either for staff or customers, are intended to stimulate incremental short-term commercial returns while also building loyalty and commitment for the long haul.

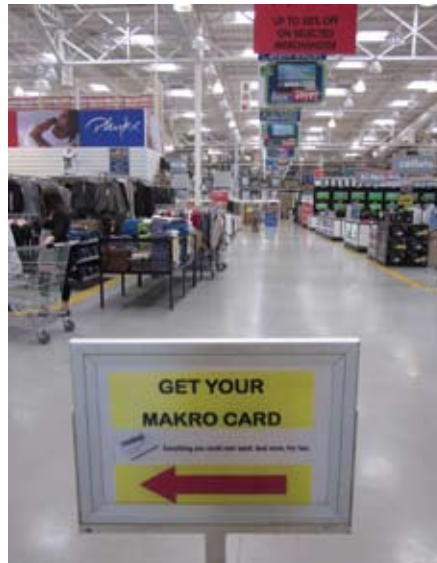
Do they really work? For such schemes to be successful, all involved need to believe at the end of the day that they have won.

## Retailer wins

Turning our attention specifically to shopper reward schemes, retailer objectives typically revolve around shopper information, big spenders and frequent shoppers (see 2nd diagram on page 33).

For the retailer to win, the costs associated need to be more than recouped through the results achieved:

- Securing a return through frequent shoppers requires an increase in store



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traffic. This is measurable at a total store level, and through the card data, frequency of trip by participant shoppers can also be measured and tracked.

- The returns are wholly dependant upon the retailer's ability to quickly and effectively turn the captured information into additional revenue through promotions and offer refinements. Certainly, this information is also valuable to branded suppliers and sales of data can offset the costs involved.
- Returns through big spenders would require the programme to stimulate an increase in the average basket value realised – this needs to be measured and tracked with the gains compared to the incentive cost.

## Shopper wins

The attractiveness of such reward schemes to the shoppers themselves involves quite a different set of criteria, including category information, brand exposure and competitive advantage (see the diagram that follows on top of the next column). The trick here is to deliver value beyond price otherwise the direct comparison of spend versus gain is likely to be deemed

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### CATEGORY INFORMATION

- Information into the dynamics of category and brand purchase and the contribution made to total store business



### BRAND EXPOSURE

- Increased visibility for the brand in the store to attract shopper attention



### COMPETITIVE ADVANTAGE

- Incremental business benefits that may be in the form of additional display space, free advertising, extended range listings, etc.

A good understanding of the motivations of the store shoppers is key in this design work – with this understanding extending beyond their association with the store, such as their broader lifestyle triggers.

### Supplier wins

A further consideration in these schemes is the implication and opportunity for supplier partners. If there is a requirement that they contribute to the offers made, they will expect a proportionate return. Supplier criteria differ again to those of both the retailer and the shoppers (see diagram below).

If the suppliers do not realise a return then the retailer will be left having to fund the scheme alone, and may well run out of

unattractive – potentially resulting in a negative perception about the scheme and possibly the retailer too.

To accomplish this the rewards model needs to be carefully constructed and the incentives just as carefully selected.



### Shopper information

Gaining access to and building a database of information about their shoppers' behaviours (time and frequency of trips,

basket spend levels, and details of the actual purchases made) that can be used to promote future sales and competitively develop their retail offer.



### Big spenders

Motivate shoppers to spend more in order to win more.



### Frequent shoppers

Keep shoppers coming back (instead of shopping with their competitors).

Value  
What's in it for them which can be in terms of discounts, money back, or redeemable gifts

Exclusivity  
Special offers or deals that are not available to 'regular' shoppers

Appreciation  
Recognised and appreciated for their loyalty and support



Customers like to be part of an exclusive loyalty 'club' where they get to benefit special offers that are not available to 'regular' shoppers.

Another key consideration is keeping the scheme exciting with fresh new elements being brought in continuously to retain interest and participation. This is critical when competing against an opposition's scheme. It is easy to lose momentum, leaving the retailer carrying the costs without realising the returns.

exciting deals to offer the shoppers. Further, suppliers may choose to give more support to a competitor's scheme with detrimental impact. In a nutshell then, the design of reward schemes is by no means a simple task and not be taken lightly. The expectations and motivators of all players long-term plan to maintain momentum needs to be developed. A rigorous measurement of costs and returns is critical, and a fall-back plan developed should the scheme prove unviable.



Janet Kirkbride has worked for more than 25 years in the FMCG industry with diverse experience across marketing, sales, manufacturing, and retail. She now runs Red Jersey Consulting specialising in category management/

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