

The inspiration behind the Super H "\$avings Plus!" program

A speech given at the NGA's annual convention, January 1999

by Steve Burrows (January 28, 1999)

Hello, my name is Steve Burrows and I'm with the Hale-Halsell Company of Tulsa, Oklahoma. Hale-Halsell is a grocery wholesaler who has been supplying over 350 retailers throughout Oklahoma, Arkansas, Missouri, Kansas, and Texas since 1901.

Super H is the banner under which our supermarkets have operated since 1959. Our stores vary in size from 12,000 to 60,000 square feet, with locations in cities of populations ranging from 3,000 to 10,000. We are full-service, conventional supermarkets. We are located in the heart of supercenter country, with approximately 20 supercenters, wholesale clubs, and/or the new neighborhood markets within a stone's throw of our stores, and sharing the same parking lot, in some instances.

In January of 1997, after extensive research, we decided to get involved in loyalty marketing. In April, Marie Lewis, who heads our policies, procedures and program development, attended the GemCon conference in New Orleans to find the very best service to support us through this major transition. After visiting nearly every booth and gathering materials, she was convinced our answer wasn't going to be found there. Toward the end of the conference, during a stop at the ladies room, Marie was approached by a young lady, and was asked, "How's it going?" She explained to the lady she knew there was a lot to learn about card marketing, but she was having no luck getting answers. After introducing herself as Trish

Corliss, she invited Marie to her booth for some fresh ideas. After visiting the booth and hearing what DCI had to offer, Marie decided this was exactly who we needed for a successful program. The rest has become a very important part of our company's history!

In August we decided on the program name, graphics, etc., so it was time to develop the cards, initial mailer letter, envelopes, applications, and our privacy statement. We developed our privacy policy, where we clearly state to our customers that we will not, under any circumstance, divulge their personal information to anyone. Super H, and only Super H would mail special offers and privileges. This has been well received by our customers.

While DCI worked on preparing these, we began creating our carry-out bags, store signage, and shelf and display signs. We also began educating our managers. We held store managers meetings to pass out Brian Woolf's book 'Customer Specific Marketing' to every manager. We explained that this would be an educational process for us all. There would be no turning back. We would be committed and make this our road map to the future. We explained that all of our marketing efforts, henceforth, would be centered our card program. After about three hours, this group of 11 managers was nearly as excited as we were!

We then held two meetings at each store so that every associate could hear, understand, and become a part of something new! We signed up every associate, so they could see first-hand how simple and easy the process really was. Every associate would now be speaking from experience when answering customer questions. We introduced the program with an associates-only sweepstakes. For every \$25.00 in purchases recorded on their card, they would be electronically entered into our sweepstakes drawing to pick a winner of one week's salary. We did this so every associate could see how sweepstakes worked. We scheduled the sweepstakes to end just prior to Christmas. This way, one associate from each store was going to have a little merrier Christmas!

We gave each a special promotional handout with a dozen items carded for associates only, just as they would be for our external customers after kick-off. We did this to make sure all

front-end systems were working as we thought they would. This turned out to be such a success, that we have made this an on-going reward.

But the biggest response probably came from the announcement of a store vs store contest, to see which store could sign up the highest percentage of their customer base in the first 30 days. Each store elected a team captain, and the race was on!

We held a meeting for all team captains and office managers at our headquarters in Tulsa, where we handed out training manuals, and went over proper sign-up procedures, trying to cover every detail that might come up. We had a sample sign-up booth set up so every one could get an idea of how they might decorate their store during the 30 day kick-off.

Our associates' involvement was, by far, the single biggest step in the success of our kick-off. And this continues to be our greatest asset as we grow our program. I'm sometimes told that I am too involved at store level, but I'm here to tell you the only way to succeed is if you can make your associates feel it's their program.

I was given the opportunity to sit in on a group meeting of companies explaining their program's operations. I was somewhat amazed at the number of individuals who knew their ideas and programs were on the cutting edge, were well planned, but just were not successful due to the inability of store level personnel to sell it. This is the key!

We were second in our market to introduce a card program, and our competitor had left it wide-open for a good job to be done!

We set New Year's Eve as our kick off date, with our theme: Out with the old and in with the new! We started 30 second TV commercials to run from Christmas Eve through New Year's Eve explaining some of the details... but mainly to be a teaser, as: Something big is coming to Super H! We blitzed the TV for seven full days prior to kick-off.

We kept everyone involved. We sent letters to all associates asking if they'd seen the commercials and were they prepared for what would be coming! We tried to get everyone's input, to help see how big this could be!

We broke our corporate ad in all locations on New Year's Eve. We followed this up three days later with a one-page ad in each store's local paper, explaining the program in even more detail. We tied 75% of the ad items to our card, initially. We then replaced over 1,000 (or 70%) of our temporary price reduction tags with our card program tags. After three weeks, we completely converted our TPR (Temporary Price Reduction) program to the card.

During our kick-off, we used a \$500 sweepstakes drawing at each store with anyone who signed up before January 31st automatically entered.

None of us could have imagined the impact this promotion was going to have on our stores! New Year's Eve was, by far, the single biggest sales day in our company's history!

We had several responses from competitors in the week of our kick-off. In a small town in Arkansas, the mass discounter came out with a circular stating We will honor all Super H's ad pricing having no idea we'd break with the card the same day. After some discussion, a few phone calls, and many dissatisfied customers, they received approval to match our card prices, but the damage had already been done! Of course, one major chain had their anti-card promotion in full swing, and several local independent supermarkets had ads stating no card necessary when shopping with us! All this did was add fuel to the fire that we'd started and create even more curiosity about Super H!

We sent weekly updates to every store, showing who was winning our very competitive sign-up contest and listed each store with their current sign-up percentage. We stirred the water a little with notes informing all the stores that the store in the lead would be glad to give tips — if they only had time — their store was just too busy right now! After two weeks, we'd signed up 46% of our transaction count.

All associates from the winning store, were treated to a dinner for two at the local "classy restaurant," but that was nothing compared to the bragging rights that had just been earned! During the first 30 days this store had signed up 93% of their transaction count!

To our welcome letter to all customers (accompanying their permanent cards) we attached a \$2.00 off coupon on their next purchase of \$20.00 or more when using their card. For this, we had a redemption rate of 49%.

We had to find the most cost-effective way to run our program so, at kick-off, we dropped our weekly \$100 jackpot day that was costing us over \$65,000 a year, which we'd been running for over ten years. We also discontinued double couponing. We were able to accomplish this with very little problem at all. The new program absolutely had to pay its own way!

We are now taking the savings from our jackpot day to our bottom line. With the savings from double couponing, 50% is being used to fund our program's expenses and the other 50% is being used to fund our rewards. With our rewards showing on our financials as an advertising expense, after year one my budget will be established for year two. Some of our competitors are still double couponing, but its certainly not affecting us.

After three months, we utilized our zip code report to more efficiently reach our customers and were able to cut 25% of our ad copies! We requested and received from DCI a name and address report for five area zip codes where we were sending 20,000 ads—and where we are now sending only 750 ads directly to our card customers in those areas! We will save \$250,000 this year—all previously wasted. This is just the tip of the iceberg! We had been sending out ads weekly, equal to three times our customer count! I am using 50% of this to finish paying off my program expense and the other 50% goes straight to my bottom line. After one year, advertising expense has been cut dramatically.

We have fully pre-paid our first year's program expense, increased our bottom line and rewarded our most loyal customers.

But best of all, its working! After only twelve months, our sales in the fourteen stores are up 12%, and my gross profit has gone up 2% [200 basis points]. In comparison, competitors and our other stores in the area, are flat to down about 3% in sales for the past year. The sales increase came as no big surprise because of the aggressive ads we ran during the year. But I was expecting a drop in gross profit of 0.5% to 0.75% sales as a result of our deep cuts taken on some items. I'm amazed! Our promiscuous customers are subsidizing our profits! Currently, 84% of my total dollar sales are from card customers. The other 16% of sales, at regular margin, helped raise our gross. Our main focus right now, though, is that we're only capturing 64% of our total transactions.

There are many reports that can be generated with the new information but, as you know, there is such a thing as paralysis by analysis. Each company must decide what information is most important to them and zero in on that area.

At this point, with our sales increase, and the gross profit improvement, we have increased gross dollar profits by over \$1 million dollars vs. last year! Now, instead of dreading the day financials come out, I'm actually anxious to get our results!

Experts may call what we're doing dabbling, but I see this as a business transition. We are moving from a product-driven market to a customer-driven market, with our focus on both. But our main emphasis on who is doing the buying. We're combining our already successful category management with our customer information before any final decision is made.

I'm sure most of you are like myself. You have the full support of your directors for any new program, as long as it's successful. As they say, Perception is reality, and we felt we needed to give our program a shot in the arm to show our customers we weren't just blowing smoke — that loyalty rewards would be something special! After only 12 weeks of information we looked at last year's first quarter double coupon expense and decided on a reward for Easter!

My market supervisor started negotiating for the lowest price on the highest quality ham available to give away for Easter. We were able to give our most loyal customers an \$11.29 retail value free! Over 4,200 families were going to receive their Easter ham free from Super H, no strings attached! This first reward was based strictly on a budgeted amount of dollars available. We knew how much we could spend, so we simply took the total dollars available, divided by the cost per ham, and the top customers, based on their dollars spent, were rewarded.

DCI created the mailer for us, sent the targeted mailing, and we promoted it as it has never been done before. We based distribution of the hams on each store's sales contribution to total sales. Some locations had 700 households that qualified, some had 500. And we were delighted to find associates turned out to be some of our best customers!

We held a market managers' meeting to explain the promotion. Our market managers were instructed to have a large spread of these hams available with a colorfully decorated sign in place.

We were now seeing first hand who our best customers were! We gladly sliced all hams free of charge, as we always do, and neatly tied the reward hams up before wrapping each time one was sliced. Every store conducted a meeting informing all associates of the promotion. They, too, were seeing our best customers and giving that little extra when checking and sacking this item.

This promotion did exactly what we'd intended! Super H and loyalty marketing were now entrenched in the minds of our customers. We have seen an increase in new customer sign ups and increased usage of the card since this promotion. We wound up with an 83% redemption rate on our Easter reward! I've always been taught: Don't claim to be something you don't aim to be. And this promotion proved to our customers that we would reward desired behavior. In addition, we increased those customer's average monthly spending by 22% for the following 8 week period!

We have only scratched the surface of what we will be able to achieve in the future from our loyalty program.

A recent promotion offering \$50 in free groceries to customers spending \$50 or more a week, for 8 out of the next 10 weeks, was targeted for 4th, 5th, and 6th level (from the top) customers. This area has a lot of customers with less than a desirable transaction size. The promotion was very successful, as we had 12% of our respondents raise their weekly spending level from \$18 a week to \$65 a week for the 10-week period! This represented a sales increase of half a million dollars, or well over \$100,000 in additional gross profit dollars. Of those qualifying, 92% of the rewards were redeemed.

For Thanksgiving, we offered different turkey values to each spending level of customer; free turkeys for the top 2 levels (61% redeemed), turkeys at \$0.19 cent a pound for level 3 and 4 customers (39% redeemed), and at \$0.29 cent a pound for levels 5 (20% redeemed).

We promote our *Savings Plus!* program by periodically announcing the accumulated savings our cardholders have earned. *Savings Plus!* customers have saved and been rewarded over \$3 million since our January kick-off, proclaimed a December flyer. The key is to make the savings available exclusively with the card, and to make sure every checker points out on the receipt to every customer, how much they saved by using their card on each visit.

Without the expert advice and professional help from DCI, this project could never have been as successful as it is. We at Super H do feel that we're part of a new revolution in supermarket shopping in our part of the country, and its exciting for our whole company, from our CEO down to our newest sacker. Our competitors are finding it hard to combat this, and how would you?

A supercenter opens up with the same offering to every customer who enters the door. We know weeks ahead this is coming, and are able to directly reward the top 28% of our customers who, by the way, represent 82% of our total sales. In most cases, the new opening

hits you for 25% - 30% of your sales for 3-6 weeks. This then levels off to around 12-18% after 6 months. I'm telling you: done properly with customer specific marketing, the initial hit can be as little as 3%, with sales being up over last year in as little as 90 days! In one of our instances, we are showing a sales growth of 4.5% after only 5 months!

There are a lot of definitions for success, but we feel that for us, it is the progressive realization of pre-determined goals, and with customer specific marketing we can't lose! We are now able to target our customers, market to them, and pre-determine any and all rewards to be given. We really are rewarding desired behavior, and its paying off!

We have been offered scan-down opportunities from most of our vendors, for very deep cuts on their items to run on the card, and they are seeing the impact of our card program. Our average transaction size has increased tremendously, with card customers running twice as high as non-card customers. We have had vendor participation for many sweepstakes held at every store. Every time your card is used, you are entered. Now vendors are beginning to become more involved! Opportunities for additional revenues have never been better. There is an air of excitement in our stores that I feel had been missing for the last few years.

One real advantage we have as a small chain is that decisions are made and programs are kicked-off immediately. As they say, decisions are what get made when you don't have to appoint committees, and we are fortunate to have the ability to act, instead of having to always react. Our approach is: when you see a snake, just kill it, don't appoint a committee on snakes!

If you do decide that loyalty marketing is for you, I would suggest that you stick to your convictions but be ready to abandon your assumptions — because what you learn will surprise you!

About the author...

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