

Customer Pricing: How Dorothy Lane Market is adding more value for its loyal customers

Dorothy Lane Market has broken tradition once again with its July 2012 announcement of putting more value into the shopping baskets of its club members...

by Brian Woolf (July 11, 2012)

How? By offering its regular customers the lowest prices in the region on a number of key, everyday food items. The program is elegantly simple. Members of the DLM Card program (who provide 90% of the company's sales) are now offered all-year-long Crazy Prices such as Bananas at 9¢ lb., Eggs at 19¢ dozen, and Milk at 49¢ gallon: prices that competitors don't come close to, even with the hottest of their Hot Specials. So how does DLM do it? By requesting points with the purchase of each item: Bananas 9¢ lb. + 100 points, Eggs 19¢ dozen + 200 points, Milk 49¢ gallon + 300 points, and so on.

Are points hard to come by? No, not at all for regular customers, but yes for the price-obsessed cherry-picker and infrequent, occasional, and convenience shoppers. The program is structured to offer enough points for the regular shopper to fill her regular purchases each month of these Crazy Price items.

Each customer earns points in three ways: based on how much she spends; when she buys some of the many Bonus Point items around the store; and, on the 10th, 20th, and 30th of each month, she earns 10 times the points she earns on the other days of the month. [You don't have to be a philosophy professor to work out the relationship of 10 times the points on days that are multiples of 10!]

The program is elegantly simple for the customer. But, of course, a labyrinth of calculations for the DLM merchandisers. Dayton, Ohio-based Dorothy Lane Market, is noted for its

unique quality, service, and customer focus. It was one of the food industry's early adopters of a loyalty program in an effort to understand and serve its customers better. One of its many findings was that there was no need to continue with their weekly newspaper advertisements and they haven't placed one for 15 years!

DLM uses its customer knowledge to guide its actions. This program is part of that mindset. In this new age of smartphone-based item price checking (and on-line store pricing) where the price aggressive customer skips from store to store cherry-picking the lowest-cost offers, DLM wanted to reward its regular customers with whom they have built a loyal long-term relationship over the years.

Through the simple medium of points, DLM now offer prices on key items that are dramatically lower than any store-hopping cherry picker can ever gain. Yet the program is non-discriminatory. No customer is excluded from participating. The benefits, however, compound according to how much each customer chooses to allocate her food budget among different retailers. For DLM, it's their way to increase benefits and rewards to their regular customers.

It's not what we know as traditional item pricing but what Dorothy Lane Market calls 'Customer Pricing'.

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About the author...

Brian Woolf is a global leader in loyalty marketing and has written three definitive works on the subject, *Measured Marketing: A Tool to Shape Food Store Strategy*, *Customer Specific Marketing*, and *Loyalty Marketing: The Second Act*. He devotes his time to helping retailers develop, critique and strengthen their loyalty programs.

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