

Driving in a Different Direction

In today's highly competitive environment, how are gas chains differentiating themselves to strengthen their attractiveness to drivers? One popular approach is adopting the loyalty model of supermarkets...

by Fiona Woolf (May 15, 2013)

In researching a number of regional, national and international gas chains, I have been drawn to one program in particular –Spinix's *Xtras* card program. Why? Its loyalty program is easy to understand, easy to use, and it's easy for regular customers to earn gas price discounts. Spinix, a regional gas chain, makes the same offer in every one of its outlets across South Carolina, a welcome difference from those competitors who state that their loyalty card offers are available only in "participating outlets".

The *Xtras* card is cleverly designed. Cardholders earn just one reward: gas price discounts, one of the hottest rewards in retailing today. Its cardholders earn discounts in three ways:

1. *Spending in-store.* For every \$25 spent in Spinix's large, attractive convenience stores, a cardholder earns 5¢ off/gallon. And spending is cumulative, ie, you do not have to spend \$25 in one visit.
2. *Spending on Xtraspecials.* Each month, Spinix features 10 special items that earn a gas discount, eg, 5¢ off/gallon with the purchase of a gallon of Coburg Milk, 5¢ off/gallon with the purchase of a Breakfast Combo (bacon, egg & cheese biscuit, hashbrowns and 20 oz Coffee) and 3¢ off/gallon with the purchase of a packet of Tic Tac Breath Mints. Some *Xtraspecials* repeat several months in a row and others change monthly.
3. *Spending on gas.* A cardholder who links his (or her) card to his checking account (ie, turns his Spinix card into a payment card) automatically receives 5¢ off/gallon (up to 20 gallons) when paying with the card. This linking makes it, effectively, a debit card but is usable only at Spinix for gas and convenience store purchases.

To illustrate the simple streamlined design of the Spinix *Xtras* program let's compare it to a major program in New Zealand, a small country with the same population as South Carolina. There, the *AA Smartfuel Card Program* partners two gas chains, BP and Caltex, with AA members. (AA members use their AA card; non-AA members use an *AA Smartfuel* card that they can apply at either gas chain.) The amount of the gas discount

can change at any time at either chain. Expressed in US equivalents, the current offer for cardholders reads: Pump at least 5 gallons of gas and receive 19¢ off/gallon (up to 13 gallons). Since New Zealand gas prices are currently US\$6.53/gallon, this amounts to a 3% discount.

AA Smartfuel cardholders can also earn gas discounts by purchasing specially-marked convenience store items in the BP (but not Caltex) outlets. In addition, offers for gas discounts are made at a range of local, national and online retail, food, and service companies, ranging from Burger King and Thrifty Rental Cars to local hairdressers and clothing stores. Unused discounts expire, at both *AA Smartfuel* and *Spinx Xtras*, at the end of the following month; eg, all discounts earned during May expire on June 30.

Spinx offers one consistent, fixed-discount per gallon (up to 20 gallons) when using the *Xtras* card as a payment card. In contrast, *AA Smartfuel* members' discounts apply only to purchases between 5 and 13 gallons. All South Carolina *Spinx* outlets participate while only "participating" outlets of BP and Caltex honor the program, and only participating BP (but not Caltex) outlets offer gas discounts on selected in-store items.

The differences between the two programs reflect different mindsets. *Spinx* focuses on consistent simplicity: the same offer in every one of its outlets in South Carolina. Its mindset is locked on building *Spinx*'s business: the attractive rewards for purchasing items in their convenience stores helps grow their total sales. *Spinx*'s approach integrates gas discounts into the chain's total promotional and pricing strategy, something that is much more difficult and complicated in partner-based programs. When partners are involved, such programs are often treated as a "department" rather than being at the core of the business despite gas pricing being such a critical competitive issue.

Spinx began its gas discount odyssey a few years ago partnering with SC-based BI-LO supermarkets for the *fuelperks!* program that works this way: when buying groceries at BI-LO, present your BI-LO Bonus Card at checkout to earn 5¢ off/gallon for every \$50 spent. Spending is cumulative, eg, if you spend \$500 in a month at BI-LO you earn 50¢ off/gallon in *fuelperks!* Then, when you fill your tank at *Spinx*, swipe your BI-LO bonus card at the pump to redeem the 50¢ off/gallon discount (up to 20 gallons). It's fair to assume *Spinx* saw the power of this supermarket-based gas discount program and decided to set up its own separate program to attract potential customers who do not shop at BI-LO.

To sum up, the *Spinx Xtras* program teaches great lessons for gas chains that seek to increase their customer loyalty. Put gas discounts at the center of your pricing and promotional strategy while keeping your offer simple, consistent, and easy to remember. When customers understand and internalize what you offer, advertising becomes unnecessary. Following this approach will have you, like *Spinx*, driving in a different direction from competitors.

About the author...

Fiona Woolf, a graduate of the University of Virginia, specializes in market research.

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