

## **shopkick: A Unique Approach to Loyalty**

*shopkick is a loyalty program worthy of your attention because of 5 unique characteristics...*

by Fiona Woolf (July 26, 2013)

### ***Why?***

1. **It's a technological leap:** It uses smartphones instead of plastic loyalty cards to link partners and members;
2. **Duality:** It rewards both spending (eg, spend over \$x in a designated store) and non-spending behavior (eg, visit stores and interact with products), leading to higher sales;
3. **Nationwide:** It is the first nationwide coalition loyalty program linking together major, well-known retailers;
4. **Member-centric:** The app lists all nearby partner merchants according to a member's present location;
5. **Opportunities unfold:** The more a member uses the app, more new ways to earn points unfold.

### **What is shopkick?**

shopkick is a US mobile shopping app that acts as a points-driven rewards program. Over 5 million people have used the app since it was launched in August 2010. According to Nielson's 2013 *Shopping App Statistics*, shopkick is the:

- No. 1 most frequently used shopping app for US physical retailers
- No. 4 most widely used shopping app (behind Amazon, eBay, and Groupon)
- No. 34 (out of 1,000,000) of all mobile apps in the US

shopkick is a coalition loyalty program whose partners comprise both merchants/restaurants (eg, Macy's, Best Buy, American Eagle, Red Robin) and brand products (eg, Procter & Gamble, Unilever, Disney). Using their smartphones, members earn kicks (shopkick's term for points) that are redeemable for rewards at its Rewards Mall, accessed on the app. Rewards range from gift cards and iTunes song downloads to movie tickets and handbags.

Members earn kicks in 4 primary ways:

1. Walking into designated partner stores (no purchase required)
2. Scanning designated items in partner stores (no purchase required)
3. Spending at designated partners (kicks awarded on total purchase)
4. Browsing "Lookbooks" (digital catalogs showcasing trends at partners)

The company links mobile technology with physical retail (brick-and-mortar) to make shopping an interactive experience. It has added a new spin to reward programs because members may earn kicks without spending money. It is the ultimate "get something for nothing" pitch to consumers. The goal is to encourage members to visit partner stores and interact with products, turning browsing into buying by motivating members to make in-store purchases.

shopkick has positioned itself as a *shopping-based* app that integrates social features, as opposed to a *socially-based* app that integrates shopping features (eg, FourSquare, Facebook's "Deals"). This reverse distinction sets shopkick apart and is one reason to which it attributes its growth and success.

## **Why become a shopkick member?**

- Membership is free
- No card required. Members need only a smartphone to participate
- kicks can be earned quickly in a number of ways from a wide range of partners for rewards

## What are the rewards of membership?

kicks earned are redeemable for rewards at the shopkick Rewards Mall accessed on the app. The Mall offers a vast array of rewards including brand-name products, gift cards, Facebook credits, or the opportunity to donate kicks to charitable causes. The largest reward I noted is a Vespa scooter available for 1,875,000 kicks. Based on my findings, most rewards give a kick the value of 0.4¢. For example, you can currently redeem 500 kicks for a \$2.00 gift card at either Target or Best Buy; or you can redeem 6,250 kicks for a \$25 gift card at the Ritz Carlton. One exceptional value is redeeming 875 points for a \$25 voucher from Restaurants.com (where the value per kick is 2.9¢).

## How does shopkick work?

First download the free shopkick app (available for both iOS and Android platforms) from websites including [www.shopkick.com](http://www.shopkick.com) and iTunes.

Members open the app and tap “Find kicks nearby” to locate participating area merchants (clustered into groups by proximity). Members tap a merchant’s listing to see if it is offering opportunities to earn kicks.

Provided the app is open, members can earn kicks as follows:

APP FEATURE	EXPLANATION OF FEATURE
Walk-in	Walk into a designated partner's store and earn kicks. No purchase required.
Scans	Retail partners may list products for members to locate in-store. Earn kicks (and receive information about the product) by scanning the barcode of any (or all) of these products using your smartphone. Kicks can also be earned by scanning the barcode of any brand partner product in designated stores.
Buy and collect (In-store purchases)	Members have the option to register a MasterCard or Visa credit/debit card on the app to earn kicks on their transactions at designated partners.
In-app purchases	Shop in your app at designated partners, including Target, Macy's, Best Buy, Old Navy, and Anthropologie, and earn kicks.
Lookbooks	Earn random kicks in-app by flipping through Lookbooks (digital catalogs showcasing trends and deals at partner stores).

As an additional benefit to members, partner merchants may feature “offers” (special price promotions) on in-store products. Furthermore, as members engage in the program, they may be offered additional ways to earn “bonuses” that can include kicks, bonus pieces, badges and build-ups (extra kicks for your next walk-in).

To provide an example, Target in Greenville SC currently offers shopkick members the following ways to earn kicks:

OFFER	WHAT IT GIVES
Walk-in	35 kicks
Scans	155 kicks distributed over 9 products (eg, ALL YOU Magazine = 25 kicks; Swiffer Bissell Steamboost = 25 kicks; Turbo Toys =10 kicks, etc.)
Buy and Collect	\$50+ spent in-store = 200 kicks \$100+ = 450 kicks \$150+ = 750 kicks
Special Price Promotions	\$1 off 7-oz. Milky Way or 8-oz. Snickers candy bites; Women's denim item: buy one, get one 50% off

## How does shopkick know if a member is in a partner store?

shopkick requires that partner merchants install a brick-size 'shopkick signal' transmitter next to the store's entrance. When the shopkick app is open, the smartphone's microphone picks up the transmitter's inaudible signal.

## Partners

shopkick is a coalition of retailers, restaurants, brand products and financial partners. It is currently present in approximately 7,500 retail outlets across the US. The five initial partners: Macy's, Best Buy, Sports Authority, American Eagle Outfitters and the major mall operator, Simon Property Group have now been joined by other well-known names such as Target, Crate & Barrel, Old Navy, Wet Seal, and ExxonMobil.

shopkick also heavily emphasizes its brand partners including such well-recognized leaders as Procter & Gamble, Unilever, Colgate, Mondelez (Cadbury, Kraft, Nabisco, etc), Levi's, and Disney. The program enables members to interact with these brand products through "scans" (ie, scanning the product's barcode in-store) to learn about the products and thereby be rewarded with kicks.

## Customer Value Proposition

shopkick's model appeals to customers because:

- **No cards required.** Members need only a smartphone to participate.
- **Rewards.** Members can earn kicks for rewards they would not normally receive at a variety of well-known retailers.

- **Flexibility.** Members are able to quickly earn and accrue kicks in a number of ways from a wide range of partners.
- **Gamification.** The program utilizes game mechanics (in a non-game context) to make participating in a rewards program more engaging and entertaining.

## Partner Value Proposition

shopkick's model appeals to retailers and brands because:

- **Reasonable fees / easy setup.** The cost to retail partners is a one-time \$100 fee per store for the 'shopkick signal' transmitter, and a monthly fee of \$50 for 5,000 kicks to issue. (Additional kicks for issuance are bought at a negotiated price.)
- **Decrease showrooming.** This is the growing consumer trend of using brick-and-mortar stores to view products and then purchase them from online-only competitors. shopkick motivates members to visit physical retail stores, interact with products, and make in-store purchases to earn kicks, its reward currency. For all partners, this leads to increased sales.
- **Reach desirable demographics.** shopkick's predominant member demographic is one of the most sought-after by retailers: 20 to 30-something year old females, about half of whom are parents.
- **Growth potential.** shopkick is centered on a growth market as the number of smartphone users is steadily escalating. eMarketer (April 2012) reports that in 2013, the majority of US mobile phone users will have a smartphone; in 2015, the majority of Americans (54.2% of population) will have a smartphone.

## In sum, what is there to like about shopkick?

- **Attainable Rewards.** The shopkick Rewards Mall offers a large selection of appealing, attainable rewards.
- **Membership is noncommittal.** The program is free, does not require members to sign up for promotional emails, nor purchase anything to earn points for rewards.
- **Rewards for visiting stores and interacting with products.** A member can earn kicks just by doing, eg, entering a store or scanning item barcodes. Rewarding such simple acts may seem wasteful but, in reality, are ways that, when repeated over time, increase knowledge of, familiarity with, and favorability towards, the store or product.
- **Large network of partners.** Members are able to earn kicks quickly at a vast array of partners in different sectors (retail, restaurants, brands).
- **Quiet modern-day coalition.** shopkick has quietly tied together many well-known retailers and brands into the first rewards-earning, card-less, nationwide coalition using mobile technology.

## About the author...

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

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