

# An Introduction to **Customer Loyalty**



**A guide to building a successful  
customer loyalty program in  
your pharmacy**

A Smarter Pharmacy Publication from





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# Introduction

## What to expect in this E Book

How many loyalty cards do you have in your wallet right now? Or hanging from your keychain? Well, according to the *2011 Colloquy Loyalty Census*, if you are anything like the average American consumer, you've enrolled in 18 or more loyalty programs but are probably only active in somewhere between 8 and 9 of those programs

So how do you go about creating a successful loyalty program that drives revenue for your pharmacy and creates the value that your customers are looking for? In this E-Book we'll explore different ways in which you can set up your very own customer Loyalty Program as well as some best practices for making sure that your program is relevant and effective.



# CHAPTER ONE

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## Why You Need a Customer Loyalty Program in your Pharmacy



# Why Customer Loyalty

Think about how many stores you actually shop at on a regular basis. And by regular, let's say you visit that store at least once a month. There's probably a grocery store or two, maybe a favorite coffee stand, a couple of frequented restaurants, perhaps a couple department or sundry stores and let's throw in a wild card for that quirky independent niche store that you shop at, like a fabric store, tea shop, or pet store. Yet the average American is enrolled in 18 loyalty programs or more! Loyalty programs are pervasive. As consumers, we expect them, whether we take advantage of them or not and we feel like we are missing out if we aren't part of the club.

It costs more to gain a new customer than it does to retain your existing customers, so as an independent pharmacy owner, keeping your eye on the ball translates to customer retention. The mere fact that a customer is a member of your loyalty program may keep them coming back to your store instead of going somewhere else. Loyalty customers also tend to have a higher average ticket and consume more of your products and services. That shiny, colorful, unique loyalty card in your customer's wallet is a good reminder for customers to visit your store.



Like it or not, Loyalty is becoming a necessity in the retail world.

According to a new study from BIA/Kelsey, 34% of businesses already have a customer loyalty program implemented and 21.3% of those businesses that don't will be adding one in the near future. For those that are left, finding ways to keep their customers coming back may prove to be a struggle that they just might not win.

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“34% of businesses already have a customer loyalty program implemented.”

- BIA/Kelsey

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# CHAPTER TWO

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## The Traditional Loyalty Model

# Traditional Customer Loyalty

I buy something, you give me something back. That's the traditional loyalty model in a nutshell. When I buy 9 coffees, I get the 10<sup>th</sup> for free. When I spend \$100.00, I get \$5.00 off my next purchase. This is perhaps the most usual type of program to encounter as well as one of the easiest to execute.

Optimally this type of program should be run through a POS system for proper tracking of points and rewards as well as options for excluding certain products or departments (such as prescriptions). However, in its most basic form, this program is little more than a punch card.





## Why it works:

- Easy to use
- Easy to implement
- Great for loyalty newbies
- Requires little to no ongoing maintenance
- Costs less to retain existing customers than to gain a new customer
- Provides incentive for your customers to shop with you rather than at another store with no loyalty offerings



## Things to Consider:



- Reward dollars cut into your bottom line
- Does little to actually engage the customer
- May not be enough to earn repeat shoppers



# Best Practices for Traditional Loyalty

How to optimize the basic loyalty model

- Exclude items or departments with already thin margins from obtaining loyalty reward points. Remember, at the end of the day, with a program like this, you are giving away another percentage, however minute, of your bottom line profits. Many pharmacies exclude prescriptions or if they have a postal center etc.
- Send gift certificates for rewards rather than doing rewards at the register. Giving a customer money back on the purchase they are making right now doesn't do much to bring them back. Sending them a gift certificate that they have to bring in to redeem will get them back into the store and when they come in, they are likely to spend more than the amount of their gift certificate. If you don't want to mail out certificates, it's fine to provide them at the time of purchase, just put a valid date that starts a few days or even a week into the future.

## Best Practices Continued...

- Create loyalty levels. Believe it or not, just the simple act of giving people money back for dollars that they spend might not be enough to create a real sense of loyalty. It's a tad too much of a regular occurrence to feel special, and remember, we like to feel like we are eligible for some special privilege. But you can create that exclusive club feeling with loyalty levels. Call them Silver, Gold, and Platinum. Or Frequent Shopper and Premier Customer. Have as many levels as you like. When a customer reaches a certain threshold for dollars spent, elevate them to that next level. The simple psychology of seeing "Premier Customer" on their receipt with their loyalty balance will help to make them feel special but be sure to do a little something special for those customers as well. Maybe they get double points on the 3<sup>rd</sup> Wednesday of every month, or they get to shop 30 minutes before your pharmacy actually opens each day, or they get to shop sales a day early.





# Why Use Pharmacy POS?

Yes, a punch card might be easy and cheap to implement, but it's hard to keep track of how much you're actually giving away, impossible to know how successful the program is, easier to manipulate and just not quite as memorable or professional as a loyalty program with a loyalty card that integrates through your point-of-sale system.

Using a loyalty program through your POS system, you can track money spent, rewards earned, how much you have outstanding in reward dollars to be spent and much more. A good system will allow a great deal of automation to be put in place to make this entry level program easy to maintain.



# CHAPTER THREE

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## Paid Loyalty Programs

# Paid Loyalty

If you're ready to take your loyalty offerings a step further, consider implementing a more elite loyalty program with a paid membership.



It might seem a little counterintuitive to ask customers to pay to join your loyalty program, but if your incentives are good enough, a paid membership will be popular, lucrative and really help to take your loyalty offering to the next level. The membership cost doesn't have to be huge. Even a small amount of money annually can help to boost revenue and create value for your customers. You can also do a larger sum for a life time membership.

## Why it works:

- Paid programs create value
- Customers are more likely to actively use or participate in a program they pay for over one that's free
- You're able to do more comprehensive rewards as a paid program will be less invasive on your bottom line
- You'll only spend resources on customers who actually want to be involved in your program.



## Things to Consider:



- Customers paying for memberships expect comprehensive programs. Be sure you're ready to put the work in
- Less members overall. Those who won't value the membership, won't join



# Best Practices for Paid Programs

## How to reward customers more comprehensively

A paid program must be approached in an organized and deliberate manner. Take some time to think about how you'll run this program so that you'll have a clear idea of the work involved.

First you'll need to decide how customers will be rewarded. You can use the same traditional model of "spend money, get money" or you can take it to the next level. Here are some ideas:

- Gift with Purchase – Pick from any department in your store, or more than one department. Be sure to pick seasonally relevant items. For example, buy a bottle of cold medicine, get a free box of Kleenex. Or if you want to do something more fun, buy any gift item and get a free card from a specific selection of cards. The options are endless. Don't be afraid to be creative.
- Special Discount Days- Pick one day a week, or one day each month, that will provide special discounts to your loyalty program customers. For example, on the third Wednesday of every month offer 25% off purchases to those customers.
- Special store hours- Offer loyalty customers an extra 30 minutes before or after your store hours to shop

You're not limited to any one of these ways to reward your customers, pick one, or pick them all.



## Best Practices Continued...

- Decide on either an annual membership or a lifetime membership. A lifetime membership is definitely less work in the long run as you won't have to worry about annual renewals, however, you'll generally want to charge a higher up front membership fee for lifetime programs so getting buy-in might be a little bit more of a challenge
- Create clubs- Loyalty programs do not have to be all encompassing of your entire store. If you have a popular department with high margins, create a club for that department, like the Vitamin Club or the Wine Club. This is a great way to encourage membership for a specific customer base and drive sales in specific high yield departments.
- Be consistent- whatever you decide to do, make sure that your efforts are consistent and reliable. If you're going to have special sale days, make sure they are at regular, predictable intervals so that your customers can create habits. If you're going to have items on promotion or buy one get ones, make sure to switch it up often enough so your customers have new options every time they shop.





# Why Use Pharmacy POS?

An advanced program of this type would be virtually impossible to implement without a comprehensive loyalty program integrated through your point-of-sale. Setting promotions, gift with purchase, coupons, and sales for a specific group of customers may seem daunting, but it's actually pretty easy if your software is robust enough.

You'll also want to continue to track membership, and, if you choose to pursue annual membership, you'll want a system that can define the expiry date of that membership so that the renewal can be processed.



# CHAPTER FOUR

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## Community Programs

# Charitable Loyalty

Buy local is a great marketing tactic. Keeping revenue local is good for everybody. But even more than that, people like to spend their money with businesses that give back to the community



Instead of rewarding your customers with discounts, coupons, free stuff, or money back, consider giving that money back to the community instead. You can work this much like a traditional loyalty model, only instead of sending a gift certificate to the customer for that \$5.00, you can donate it to a local charity or non-profit.

## Why it works:

- This program is a win-win for everyone. You get to donate to a charitable organization and your customers get to feel good about where they shop.
- Relatively simple to set up and manager



## Things to Consider

- You'll need to have a good tracking system in place for monitoring donations.



# Best Practices for Community Programs

## Tips for successful charitable giving

- Offer customers their choice of organization to donate a percentage of their purchases to. Everyone has a different cause that they are passionate about. Consider schools, shelters, food banks, environmental organizations, animal services or anything else that might strike a chord with your customer base.
- Make sure that customers are members of your loyalty program for their purchases to qualify. Remember, that shiny loyalty key tag is a great reminder to shop at your store.
- Save yourself time by setting all of the donations up to occur on a monthly or quarterly basis, rather than every time a customer earns rewards.
- Don't be afraid to promote your generosity. Make sure that people know what you are doing for your community.
- Let your customer know how much money their purchases allowed you to donate each month or quarter. People like to see the results of their donations at work. Share any thanks you get from these organizations with your customers.
- Set Goals. Tell your customers what amount you'd like to donate this month or quarter and share your progress.



# Why Use Pharmacy POS?

Accurate tracking is essential for this type of loyalty program. You'll need to be able to easily identify how much money each organization should receive

You'll also want an easy way to track membership so that you don't apply donations to purchases for customers that aren't members of your loyalty program.

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# NOW IT'S YOUR TURN!

Customer Loyalty is not a one size fits all solution. Use these models as a springboard for shaping a program that will be optimal for your pharmacy and customer base.

Get started with your program today. Every day wasted could mean customer that are shopping elsewhere. It's time to jump in!

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# About Retail Management Solutions

Retail Management Solutions is the industry leader in point-of-sale technology for retail and outpatient pharmacy. Specializing exclusively in pharmacies, RMS' solutions have become the industry standard. We have installed more POS systems in independent and institutional pharmacies than any other company. Our POS solutions are completely scalable, ranging from small form-factor computers and all-in-one touch screen systems, to EvolutionPOS™, the first mobile, wireless, handheld unit designed for pharmacy point-of-sale use. A full suite of retail applications provides seamless store automation from your front end registers, to customer relationship management, inventory control management and back office management.

You can count on us for prompt service in all 50 states, 24 hours a day, seven days a week. We are a privately held company, with employees throughout the country – pharmacy technology professionals with hundreds of years of combined experience.

Contact RMS today to learn how we can possibly enhance efficiency, improve growth, and increase your profits.

**Learn more about RMS at**  
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