

Long-Standing Firm Finds Fountain of New Opportunity in Loyalty Program



Summary

Client Profile

A leading Midwest-based distributor supplying the plumbing, heating, cooling and electrical market segments.

Situation

A proliferation of competitors offering similar commodity products compelled this distributor to consider how cost-effectively to attract and retain customers.

Solution

A flexible loyalty program that awarded customers who achieved a realistic annual volume threshold with points for every purchase. The program offered a compelling value proposition with an appealing point structure and a broad selection of travel and merchandise rewards. The distributor kept the program exciting with ongoing “bonus” point and special reward opportunities.

Results

Surveys and first-hand feedback indicated that customers loved the program and their increased purchases reflected that. Bonus points also contributed to the program’s success—including a 40% boost of PVC pipe sales when double miles were offered in lieu of a traditional annual sale. Purchases also accelerated from merchandise reward and game trip tie-ins to the area’s highly popular National Football League team.

In a business that dates back almost to Lincoln’s presidency, it would be easy to take longevity for granted. After all, if the company could sustain itself over 135 years in a mostly commodity business, why worry about further cultivating customer relationships?

Well, don’t think for a second that this Midwestern-based distributor was complacent, even considering its long-standing roots. As the industry landscape became more colored in the orange and blue logos of national competitors, this company has developed a level of customer loyalty that would make any “big-box” retailer green with envy.

Despite providing good customer service and reliable delivery, this distributor of plumbing, HVAC and electrical products knew its customers could just as easily go elsewhere for these commodity items. So, the company engaged the help of Loyaltyworks to protect and grow its customer base - resulting in a customer loyalty program that became core of the company’s overall marketing strategy.

After considering the company’s goals and customer purchasing behavior, Loyaltyworks developed a program that awarded customers, after reaching a realistic volume threshold, with points for every purchase. Once “active,” customers could continue to accrue points and redeem them anytime for rewards, including thousands of travel and brand name merchandise options.

Power of the points

The concept of offering rewards in exchange for business wasn’t new to this industry. Competitors were known to run limited-time trip or merchandise promotions to spur product sales. But Loyaltyworks took the idea further.

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- VP, Sales & Marketing

“We wanted a program that would tie our customers to us for life, not just for slow periods,” explained the distributor’s Vice President of Sales and Marketing. “If a plumber was consistently buying 50 SKUs from us, we wanted him to buy 70. On the other hand, we’re rurally-based and serve many smaller accounts, so we needed a program that customers at all levels could participate in - not just those who spend \$100,000 per year.”

After a thorough review of several firms, the company selected Loyaltyworks for its strategic approach, variety and quality of rewards, and the ease of program design and administration.

To supplement the main program, Loyaltyworks helped the distributor coordinate special custom-designed excursions and purchasing opportunities outside the usual menu of travel or merchandise. For example, program members were invited to redeem points for a weekend getaway trip to see the area’s highly popular National Football League team play. The distributor cited a number of customers who accelerated big-ticket item purchases just to build up enough points to attend one of the games.

The program’s flexibility even allowed the distributor to offer special bonus point promotions centered on increasing inventory turn. For instance, they awarded double points for the purchase of certain new products.

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Surveys issued by the distributor revealed that the overall program did have an impact on customers’ buying decisions. Bonus points contributed, including a 40% boost of PVC pipe sales when double miles were offered in lieu of the distributor’s traditional January price reduction.

“The vast majority of our customers have seen value in our rewards program,” added the VP of Sales & Marketing. “We have roughly 600 members enrolled – that’s 600 people who are now more likely to order a faucet from us, because it gets them closer to a Disney vacation or a new set of golf clubs. And we don’t have to cut our prices to get the sale.”

It’s a family affair

Often the issue of sales incentive and loyalty programs is assigned to the Sales and Marketing arms of an organization. In this distributor’s case, however, everyone across the organization was trained on the program, so that it became part of his/her routine interactions with customers.

“Anytime our people are in front of customers – whether it’s to deliver an order or answer a product question or clarify an invoice – they talk up the program and upcoming award specials,” said VP of Sales and Marketing. “We mention the loyalty program on our voice mail greetings and on-hold messages. Our drivers carry awards catalogs. Everyone is an ambassador of the program – not just the sales team.”

Special promotion flyers



Attention-getting specialty travel packages and bonus point opportunities were periodically used to stimulate sales, influence item selection, and keep the program exciting. Flyers promoting these specials were distributed by sales reps when visiting customers and

included with monthly program point statements, that were mailed directly to the participant’s home.

For more information on how we can deliver outstanding results for you, please call 1.800.844.5000 or visit www.loyaltyworks.com