



# Can customer loyalty programs deliver big returns?

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# CAN CUSTOMER LOYALTY PROGRAMS DELIVER BIG RETURNS?

In the tire and auto service industry, customer retention is crucial to boosting your bottom line. Customer loyalty programs can really impact whether someone buys their tires from you or your competitor. It's a tactic the big end of town has been using for a while to retain its customer base. So is it something every tire dealer should be considering? And does the expense justify the return?

## GET PAST THE “GRUDGE PURCHASE” PROBLEM

Customers love getting something for free, especially when they are spending big on items they'd rather not be shelling out for, like auto repairs and tires. Loyalty programs have been proven to work, particularly in areas of customer retention.

Graham Farrell, president of [Lift & Shift Loyalty, Rewards and Incentive Programs](#), which creates and manages programs particularly for the auto service and tire industry, said most people considered auto repair and tires as “grudge purchases” and this affected their buying habits substantially.

“Even though it's not the retailer's fault the consumer needs to have their vehicle repaired or buy a new set of tires, they tend to blame the retailer for the fact they've got to open their wallet,” he said. “So the churn and customer attrition rates in this industry are probably the highest in any retail category and anything that the merchant can do to reduce that churn and attrition rate can have a huge impact.”

Consumer studies have found that [73 percent](#) of loyalty program members are more likely to recommend brands with good loyalty programs, so they can help do your marketing for you through word of mouth. Loyalty programs boost customer retention too: [81 percent](#) of consumers are more likely to continue doing business with brands that offer loyalty programs, than ones that don't.

## HOW DO CUSTOMER LOYALTY PROGRAMS WORK?

Customer loyalty programs have been around for years but the tire and auto service industry has been historically on the back foot when it comes to introducing them. A

good loyalty program offers the customer a range of choices. It's basically about rewards.

They come in many forms but, typically, when a customer spends money with you they receive points. Those points can be redeemed for airline travel miles or gift cards for major retailers or used in-store for goods and services, known as 'in-house currency.' Some rewards programs, like Lift and Shift, also offer a "community giving" aspect, where the customer can choose a non-profit organization and the store will donate a percentage of every invoice to that charity.

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**– Graham Farrell, Lift and Shift**

## **WHY DO THEY WORK?**

Farrell says the beauty of reward programs is that they are something the consumer opts into; they join the program, supply their details and are interested when there are opportunities to earn rewards and bonus rewards. It is "permission-based" marketing, which is a lot easier than traditional kinds.

"It is absolutely a new customer acquisition tool. What you see with the transactional data collected is that the customers that don't join the reward program tend to act identically to the program pre-launch data; they're coming in two times a year and they are spending the average," he said. "If you look at existing customers who have joined the reward program, they tend to come in much more often — about 50 percent come in twice as much.

"The average customer visits tire and auto repair stores about four times a year. So you only get four kicks of the can each year and if you're only getting two visits, then you're only getting 50 percent. If you can get one more visit you've just increased your revenue by 25 percent on that customer, so it's massive."

Not only do customers tend to return to a company that rewards them, studies in the U.S. and Canada show that [two-thirds of consumers](#) modify the amount they spend to maximize the number of points they get, meaning the average spend per visit for members increases as well as the number of visits.

## DO LOYALTY PROGRAMS ACHIEVE RESULTS?

“Loyalty programs give added benefit to existing loyal customers and helps you capture those customers who have no allegiance. So if I can give them something that is free, because tires are expensive and repairs are expensive, then they’ll come back,” said Terry John of [Mid-Atlantic Tire Pros](#), who has a Mattie Rewards Program through Lift and Shift.

“It benefits any business to have some type of loyalty program. It differentiates us from other small organizations and gives smaller business another tool in their toolbox,” he said.

John said in the year the program had been running, 35 percent of customers who had come through his door had signed up. The goal, he says, is to enroll 50 to 60 percent of all customers — and he’s not far off achieving that.

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Scott Williams, owner of [Lex Brodie’s Tire, Brake and Service Stores](#) in Hawaii, has seen great success in the 18 months his program has been running. It has also seen \$26,000 donated to nonprofits through the scheme.

“The younger generation is harder to reach and maintain loyalty with. We were looking at different ways to attract middle-aged and younger generations and draw them away from the big companies, and a rewards program is one way we’ve done that.”

He said Lex Brodie's has been able to significantly build its customer email list and text club too, which had a very high conversion rate. Although it was a big decision to launch the program, primarily because of the cost of buying the rewards and operating costs, Williams said the results are speaking for themselves.

"It was a big step for us but the data shows that the customers that are signed up for rewards are coming more often, and spending more. They come back to us for their services rather than bounce around to multiple shops."