

Loyalty programs aim for savings, but can they actually cost shoppers money?

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McCORMICK, The Patriot-NewsRutter's gas pump signs promote lower gas prices with loyalty cards.Loyalty programs help customers save on products, but in the process customers can actually spend more.

Is a key ring full of store loyalty cards worth its weight in plastic?

Bob Muller of Manchester emerged from the Newberry Township Rutter's with coffee in one hand and Tastykake in the other. With his [Rutter's loyalty card](#), he had just earned 2 cents off a gallon of gasoline.

"Every time I buy coffee or anything here, it gives me points on gas," Muller said. "It helps out. It's easy. It's convenient."

Loyalty cards are everywhere. Here's how they work and the benefits and drawbacks of enrolling.

What they are

Loyalty programs are growing, said Mike Gatti, executive director of the National Retail Federation's Retail Advertising and Marketing Association in Washington, D.C.

Retailers individualize their programs, Gatti said, but typically, a bar code on a small plastic key-ring card or larger card attributes purchases to the user. That bar code can ring up lower prices or capture points toward coupons or discounts on goods and services.

Rutter's Farm Stores has enrolled 160,000 people in its loyalty program, launched in September, said Scott Hartman, the company's president. Purchases of 1,600 store items, from milkshakes to Martin's snacks, earn participants 1 to 10 cents off per gallon of gasoline.

"We've had customers with over \$2-a-gallon savings come in and show our employees," Hartman said. "They like to brag about it."

Partnerships allow Rutter's customers to accumulate gas-discount points at Shur-Fine grocery stores and Smith Village Furniture in York, Hartman said.

Karns Foods celebrated its 50th anniversary in February 2009 with a new loyalty program, said spokeswoman Andrea Karns. The program doesn't discount everyday items but provides occasional specials or discounts on entire purchases. Loyalty customers get advance notice of unadvertised, limited-availability

deals in the stores, said Karns.

"We didn't want to penalize people who don't want the card," she said. "They don't want another key fob on their key ring."

What retailers want

Retailers usually seek name and address, possibly employment and preference for receiving messages, Gatti said.

With some stores, customers can say they want to get offers on specific products.

"I'm not interested in camping gear, but I'm interested in tennis," Gatti said. "It strengthens that ability to know what your customer is buying."

Enrollment doesn't imply responsibilities, and customers can cancel any time or just stop using the card, he said.

Rutter's customers don't have to provide name or contact information, but registration comes with "greater values," such as entry into a gas giveaway, Hartman said.

Using the info

Loyalty programs not only aim to keep customers coming back but also encourage them to ignore lower-priced offers and identify with the store, said Douglas C. Friedman, Penn State Harrisburg assistant professor of marketing.

"The purpose, absolutely, is to change people's habits and try to discourage them from shopping at multiple stores," Friedman said.

Today's retailers use loyalty programs to build relationships, analyze purchasing habits, target marketing efforts, and adapt products and store hours to customer preferences, Gatti said.

"It helps the retailer understand how to communicate to the customer," said Mike Gatti. "They never buy this, so why would I offer this? Do they shop late at night? Do they shop early in the morning? The loyalty card provides all that information."

Grocers draw data about customers, down to street and block, to select sites for new stores and target advertising more effectively, said Robert Garland, vice president of supermarket researcher Matthew P. Casey and Associates.

Karns Foods finds customer information helpful for exploring new locations by determining where it's drawing customers from, Andrea Karns said.

Mobile app cuts clutter

Loyalty cardholders lament the times they make a big purchase and forgot their cards. Others limit their enrollments because the cards clutter up a key ring or wallet.

All that could change with CardStar, a smart phone application.

CardStar, available as a free download since 2009, is now on more than 1.2 million iPhones and is newly available, with some glitches being massaged, in Droid and BlackBerry versions, said CardStar spokeswoman Kayla Kooyman.

With CardStar, users either punch in a card number or scan a bar code and then call up the information by retailer. Most hand-held scanners can read the bar code on the phone screen, she said.

"It's about consolidation and feeling confident that you have these numbers on hand," said Kooyman. For those without smart phones, CardStar and Keyringthing can consolidate up to six bar codes on one credit card-sized card.

Karns Food has a low-tech solution for card forgetters, said Karns. Shoppers can take receipts to customer service to record their points.

The spending paradox

Can loyalty cards cost shoppers money?

"Absolutely," Friedman said. Customers benefit by regularly shopping at one store, but they could also buy items for the loyalty points and bypass lower prices elsewhere.

"You might end up spending \$10 to get a \$5 bonus," he said.

The entry of convenience stores into the loyalty market could encourage more spending where prices are higher, said Garland.

"They want to sell items in the store that have much higher markup in order to give you a few cents off gas," he said.

Privacy invasion?

Retailers carefully guard information obtained for loyalty cards, Gatti said.

"That is something the retailers hold very close, because the last thing you want is some kind of screw-up, whether it's somebody getting hold of the phone number or you using it improperly, because that'll cut off the relationship faster than anything," he said.

Garland said he never sees names in the loyalty card data he gets to help supermarkets select sites and refine marketing strategies.

"I only get address," he said. "I don't know who lives there. They're not asking for income."

But Friedman warned that "you're giving up some privacy." Stores don't sell customers' buying histories but could be obligated, by subpoena or government order, to hand it over, he said.

"They're tracking everything you buy with the loyalty cards," he said. "It becomes not so much public record but available to anyone who can claim a need or right to that."

Too many cards?

If you're tired of having your wallet or purse stuffed with bonus cards from various retailers, two companies offer a solution.

[CARDSTAR](#): Available as a free download since 2009, CardStar is now on more than 1.2 million iPhones and is newly available, with some glitches being massaged, in Droid and BlackBerry versions. If you don't have a smart phone, you can consolidate your bonus cards on a CardStar card.

[KeyRingThing](#): Combine six loyalty or bonus cards on one single card, the size of a typical credit card.