

MARKETING *Benchmarks*

Sam's Club digitalizes loyalty discounts

Sam's Club, Wal-Mart's thriving warehouse outlet, has launched a trail-blazing marketing innovation by digitalizing its sales records and offering customers individual price discounts based on their buying histories, The New York Times reported May 31.

- The program, eValues, goes far beyond the customer-loyalty efforts most retailers use to induce customers to stick. Instead of giving certain buyers blanket price cuts or rewarding purchases by product category, its discounts reflect the dollar amount of a buyer's earlier purchases.
- Linda Vytlačil of Sam's Club told the Times that 1% to 2% of customers redeem traditional discount coupons. By comparison, she says that some 20% to 30% of eValues members — limited so far to individuals who pay a higher membership fee than other Club patrons — collect their discounts.
- eValues records every member's dollar purchases at the time they are made. Members can view their earned discounts by e-mail, on the Sam's Club Web site, or at kiosks in brick-and-mortar stores.
- To apply the discount to a future purchase, the eValues member simply presents his or her membership card at the checkout counter. All he has to do is buy a discount-eligible Sam's Club product, and the discount is automatically applied.
- For example, eValues member Angela Otero shopped one recent evening at the Secaucus, New Jersey, Sam's Club.

She visited the eValues kiosk near the front door. She pushed its buttons to print out four pages of her earned eValues discounts, from \$50 off on a plasma TV, a \$3 price break on a

30-pack of toilet paper, and \$2.50 off a box of meatless hamburgers.

She reports that she has used her personal eValues discounts since the program started in August, 2009. They have included "the majority of things I want," she said.

"Price wars are usually negative-sum games: everyone loses."

— James Surowiecki

- During the past decade, the Times observed, "retailers have amassed huge amounts of data" on consumer behavior. However, generally they have done little with the information.

"You've got hundreds and hundreds of loyalty programs out there, and I would argue that only a handful leverage it like they should," notes Stuart Aitken, of the Dunnhumby USA retail analytics firm.

- Another customer of the Secaucus Sam's Club, Ricardo Mayoral, is a poster boy for the eValues program.

He has used his eValues discounts to save on orange juice, ice-cream sandwiches, bananas, crackers, and chicken breasts. One day when he was shopping for food at Sam's Club, he bought two TV sets. One was a \$1,200 TV on which he saved \$300.

And joy abounded in Sam's Club's Arkansas headquarters.



The Castle Press

1222 North Fair Oaks Ave
Pasadena, CA 91103
626-798-0858
www.castlepress.com

1007 Broxton Avenue, Suite 212
Los Angeles, CA 90024
310-824-5201
cpwest@castlepress.com

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