

# The Power of Rewards

BY CLAIRE LUI

Giving back to your most loyal customers.

Anyone who has ever added that unnecessary \$5 item to their online shopping cart for free shipping or saved up supermarket stamps for free dishes knows the lure of customer loyalty programs. The basic premise for these programs is the same: Spend a certain amount of money and you'll receive a reward, usually a discount on your next purchase. Rewards programs build customer loyalty as well as help differentiate your yarn store from competitors. The programs can also be a good source of customer information and spending data to help refine your inventory and marketing plans.

## Paper versus digital

Some yarn stores give out paper loyalty cards that are punched or stamped, while others use electronic systems to keep track of rewards programs. Both systems have pros and cons—what works for one store may not be right for another.

keep them here," says McCook, but if they want to remain anonymous (as the cards are filed by name), they can hold on to their own.

For Maridee Dangcil, owner of Yarnover Truck, a yarn-store truck that drives around Southern California, all points for her Road Crew Rewards Program are stored on the computer. Dangcil uses Thirdshelf, a customer loyalty program that works as an extension of her point-of-sale system, Lightspeed. As Road Crew members, customers earn one point for every dollar spent and a \$10 reward after 200 points, \$25 after 350 points, or \$50 after 500 points. Dangcil prefers the electronic system, saying, "I like it because I can monitor it and I have more control over it."

At Adventures in Knitting, in Harwich, Massachusetts, owner Cathie Hammatt used punch cards for seven years but decided to switch to electronic tracking in September 2019. With punch cards, customers had earned one point per dollar, but under the new electronic system, every

causing some unexpected economic consequences, with customers having earned rewards with returned yarn. The new system—Hammatt uses Square's own loyalty program—automatically removes the points from the customer's reward account when yarn is returned.

Electronic systems generally incur a monthly fee for the shop based on customer volume—Thirdshelf charges \$7 per month for every 250 customers and Square starts at \$45 per month for the first 500 customers. However, the electronic systems also include automated customer data tracking that may make the cost worthwhile.

## Building a sense of community

Yarn store owners start and maintain loyalty programs to build a sense of community among their customers. In a 2016 survey, Forrester Research found that customers who belong to a loyalty program are more likely to promote the business to others, describe themselves as loyal customers, rate their customer experience higher, and spend, on average, about \$42.33 more over a three-month period than nonmembers.

This data matches with the feedback LYSO get from their customers—McCook laughs and says that customers have been known to call from home after a visit to double-check that their Yarn-a-holics card has been stamped.

Most stores offer a card or the ability to sign up for the program whenever a customer buys from the shop. For stores that may have many one-time shoppers, membership rates may be lower. At Lofty Lou's in Placerville, California, a common rest stop for visitors driving to Lake Tahoe, Denise Maudru, one of the 25 collective owners of the store, says that although 99 percent of local customers want the card, many tourists turn it down, as they don't plan to return.

Dangcil of the Yarnover Truck verbally offers the opportunity to sign up for Road Crew only on the customer's second visit, using the program to reward customers who make the effort to seek out the truck in its different locations. Due to the roving nature of her business, she finds some customers might only stop by once.

Rewards programs are popular for a reason: For a relatively low cost, stores increase customer loyalty, increase customer spending, and increase customer engagement. These are rewards for both the store owner and the customer.

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- **Embrace the pun-tastic possibilities:** Many stores give their program cute names: Yarn Love's Skein Squad, Jimmy Beans' Jimmy Beans Bucks, The Loopy Ewe's Loopy Groupies.
  - **Research electronic options:** Some point-of-sale systems, including QuickBooks and Square, have a built-in capacity to track rewards. Others may require buying an add-on, such as Thirdshelf or Loyal2 for Lightspeed or Smile.io or Loyalty Lion for Shopify. If you don't use an electronic point-of-sale system, you may prefer to use a paper punch or stamp card for a loyalty program, but you'll be missing the chance to capture customer data.
  - **Be clear about restrictions on earning and spending:** At Mountain Knits & Pearls in East Stroudsburg, Pennsylvania, owner Joanne Deardorff lets customers earn and spend rewards on any yarn, notions, or pattern, including sale yarn. "It's about the happiness of the customer for me," she said. She is an exception—most stores don't allow rewards on sale yarn (as a discount is baked into the sale price). Most stores also prohibit earning or spending rewards on classes. Make your policies clear up front to your customers.
  - **Standardize the reward structure:** Different stores have different structures, but most offer a one-time reward equivalent to a discount of about 5 to 10 percent of the total spent—or about \$5 to \$10 in rewards for every \$100 spent.
  - **Use customer data wisely:** Stores can not only track customer spending with the email addresses used to sign up for rewards programs but also use the data for newsletters and other exclusive promotions.
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At Fiber Factory in Mesa, Arizona, co-owner Terri McCook has a Yarn-a-holics Anonymous 12-Stamp Rewards Program. For every visit where a customer spends \$25 or more, they get a stamp; after 12 stamps, the card can be turned in for \$25 off their next purchase. The unusual twist here is that Fiber Factory will store customers' cards, so people don't have to worry about losing them. "Seventy-five percent of our customers

\$2 spent equals one point, with 50 points (or \$100) earning a \$5 discount on the next purchase.

Part of the reason for the switch was that sometimes customers would buy a lot of yarn, earning many points, but then for different reasons (miscalculating yardage, changing projects), would end up returning most or all of the original purchase. "It just seemed tacky to ask for their punch card back," says Hammatt, but it ended up