



by Terri Gaughan
Founding Partner

Reading Between the Lines

Booksellers Have the Experience Nailed—Now It's Time to Build Real Loyalty

We all love bookstores. In the big ones, we love the luscious aromas from the coffee shop, the comfortable furniture, the reading nooks, and the playful children's section that captures our child's attention and imagination. In the smaller ones, we love the intimate surroundings and the just-for-you handpicked staff selections. In all of them, we're usually pleased with the knowledgeable, eager-to-help staff. In so many ways, booksellers have the customer experience nailed. But are our favorite booksellers effectively nurturing a loyal relationship with us? Not quite.

Like other book-lovers, I read many genres, including fiction, biography, business, culture. But as promiscuous as my reading habits are, I am more promiscuous in my shopping behavior. Depending on where I am when the need to read hits me, I shop at Barnes & Noble, Borders, or my local independent bookseller. I shop at Amazon when I'm in the office (all work-related titles, of course), and at any outlet that sells books when I'm killing time at the airport.

My shopping decision is largely opportunistic despite—or maybe because of—all the big players in the bookseller space attempting to capture my shopping behavior and buying decisions with glorified discount programs. And I take advantage of many of those discount programs, so I know I'll always get the lowest price wherever I happen to be shopping. I belong to Book-of-the-Month Club; I bought a Barnes & Noble discount card over the holidays because it paid for itself on that particular visit; and I once managed a B. Dalton Bookseller store, so I had a B. Dalton card, too.

With the proliferation of discounts in both the general retail and bookseller spaces, another 10 percent discount just isn't compelling enough to capture my undivided loyalty. Just walk around any mall and see if you can pass an outlet that doesn't prominently display its latest discount or sale. If you drop by your favorite bookseller and check out the *New York Times* best-seller wall, the glaring 25% OFF PUBLISHER'S PRICE stickers adorn just about every title. Even Half Price Books—a commodity brand if there ever was one—offers discounts and sales.

Although bookseller loyalty programs do provide the consumer a financial benefit, they are sadly lacking in our definition of loyalty best practices: equity accrual, a combination of hard and soft benefits, personalized communications, and tier levels. Besides, how much margin erosion can these guys tolerate?

Curl up with a good reward

So why haven't booksellers come up with loyalty programs more creative or experiential than simple discount cards? After all, they have the makings of a fabulous soft benefits program in easy reach. Think of all the opportunities that exist for experiential, members-only exclusive events: Private meet-the-author and book signings for adults and for children. Pre-order and be the first to receive the newest Harry Potter book. Be eligible to win trips to attend New York publishing parties, or industry trade shows where the lucky book-lovers could meet a swarm of authors, agents, and editors—and get previews of upcoming titles. Book clubs, writing workshops, kaffeeklatsches—the sky's the limit. Maybe you could even be a barista for a day and learn how to make all of your favorite coffee drinks. And in data efforts, the stores should take a page from amazon.com and start using their transaction data to serve up relevant offers based on previous shopping behavior.

This potential is why I'm so excited about the launch of the *Borders Rewards* program this year. While simple on the surface, the potential to look at cross-shopping behavior between the Waldenbooks mall-walking shoppers and those who nurse lattes in Borders' coffee shops gives them unparalleled opportunity.

My message to Borders: make me the central character of your rewards program. I think you'd like the happy ending in *that* story.

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