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FINANCIAL POST

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Canadian Tire Corp aims to gain more customer data with new digital loyalty program

By Hollie Shaw

The digital rewards program, accessible through a card or an app, will allow customers to collect and redeem Canadian Tire money without carrying the...

TORONTO – Canadian Tire money stashed in shoe boxes and steamer trunks has been used to pay for everything from hockey skates to riding lawn mowers over the years, but the biggest payoff in the new digital version of the iconic paper rewards program is coming to the retailer itself.

With the new My Canadian Tire Money rewards program, which will be rolled out Oct. 28 nationally, the country's oldest loyalty program is finally getting a modern iteration to complement the paper coupon currency it launched in 1958, and one which gleans the deep data retailers with more modern loyalty programs have been mining to target customers for years.

"With the information received through the program, we'll better understand how and when customers shop and what they are buying," chief operating officer Allan MacDonald said in a media presentation Tuesday.

"If we know that you have kids that play hockey, you'll be personally alerted to deals on hockey equipment when the season begins."

Retailers from Loblaw to Starbucks have crafted digital programs aimed at getting to know customers' shopping habits and to encourage them to spend more by offering special deals on their favourite items.

Canadian Tire's classic coupon tender, still depicting tam-wearing Scotsman Sandy McTire as its mascot of frugality, currently offers 0.4% back per dollar spent on purchases to customers.

But customers who pay cash or use non-Canadian Tire debit or credit cards have been otherwise ghosts to the retailer, which has long sought a way to capture more data about who is shopping at its stores, such as Shoppers Drug Mart has done for more than a decade with its Optimum program.

Some of the more unusual things purchased with Canadian Tire money

* In 2013, Toronto folksinger Corin Raymond used \$7,333.75 in donated Canadian Tire money to fund his 20-song album. The music studio, Rogue Studios, accepts the currency at par.

* In 2011, an Edmonton man cashed in \$1,053 to buy a riding lawn mower. The retailer says about one riding lawn

mower is purchased every year using the colourful bills.

* In 2007, a Canadian Tire store matched more than \$1,000 raised during a four-month fundraising to campaign for the homeless. The Canadian Tire money was used to purchase sleeping bags, thermal blankets and socks for Vancouver's Lookout Society.

* In 2003, Pete's Peanut Pub offered a week-long promotion to allow customers to pay for drinks with Canadian Tire money.

* In 1996, a man from Trois Rivieres, Que., paid for four new car tires and a wheel alignment job with a suitcase full of Canadian Tire money worth \$480.

Source: Canadian Tire

Executives said Tuesday that about 35% of its current transactions do not dispense Canadian Tire Money in paper or in points form on its credit and debit cards.

"If you think about the number of people who shop at Canadian Tire, that is a lot of people," said Ed Strapagiel, a Toronto-based retail consultant. That affects the retailer's ability to do enhanced direct marketing through email and social media. "If you don't have a loyalty program these days you better bet doing something else pretty well."

That said, he questions how effective loyalty programs can be now that most large retailers in Canada have one.

"This whole thinking that loyalty cards do work, they can track purchases and average basket size and it correlates well with high spending. But there is a phrase that correlation is not causation. And with everyone having a rewards program, the relative competitive advantage washes out."

The 2013 Colloquy Loyalty Census found that 90% of Canadian customers belong to at least one loyalty program and households belong to an average of eight programs.

Canadian Tire executives did not reveal what percentage of current transactions are done in cash, but stressed that the paper loyalty 'money' will not be eliminated.

"It's part of our heritage," said Carol Deacon, senior vice-president of loyalty and digital at Canadian Tire. Those who sign up for the new program will be able to collect Canadian Tire Money on in-store and online purchases with a swipe of a loyalty card, key fob or smartphone app.

Customers who pay with credit, debit or cash will get back 0.4% of Canadian Tire money in paper or digital currency on all purchases and those with a Canadian Tire Options Mastercard will receive 4%.

And people holding on to the estimated \$100-million in outstanding paper money and wanting to enroll in the digital program have an option to convert their bills into online points, executives said.

While Loblaw has observed that users of its PC Plus program, which rolled out nationally at the end of last year, come to the store more frequently and buy more than non-members do on each trip, Canadian Tire did not note an uptick in transaction size during the testing phase, but executives said customers using the digital program did shop more frequently.

The program has been in test pilot mode in Nova Scotia for the past two-and-a-half years, and will launch in that province first on Oct. 10.

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