

## Material Advantage

By Lisa Palmer  
*NICHE* Spring 2003

Credit the frugal elite, or good old economics: today's best retail customers are expecting a reward for their loyalty. And America's art and craft merchants are stepping up to the challenge—pampering prime customers and compensating repeat shoppers to boost business and strengthen customer loyalty.

It may come as no surprise to learn that shoppers, even at the high end of the market, are increasingly price conscious. "With unemployment rising and consumer debt at very high level, consumers will be more reluctant to spend in 2003," says Pam Stubing, an Ernst & Young retail industry analyst. "However, price reductions in many categories will keep consumers spending enough to drive a small increase in retail sales." In its annual forecast, Ernst & Young LLP projects retail sales growth for 2003 at 2 to 4 percent.

Across the country, makers and sellers of luxury goods are aiming at a new frugal elite. This group of upwardly mobile entrepreneurs and executives (and their families) whose financial success is generally self-made seeks to remain in the market for exclusive items, yet they consider it no longer chic to have paid too much, Katherine Rosman reported early this year in a New York Times article, "How the Well-To-Do Are Making Do in Tough Times."

How have specialized retailers responded? Most are looking for ways to cultivate loyal shopping habits using initiatives often associated with other industries: frequent purchaser and affinity programs, preview sales, personal shopping services, and interior design consulting and similar strategies set up to indulge their best customers.

### Payoffs for Rewarding Loyalty

Marketing consultant Shel Horowitz, author of several books including *Frugal Marketing* and *Principled Profit: Marketing That Puts People First*, suggests that art and craft retailers focus on building long-term relationships with their best spenders. "It is far more profitable to build loyalty with an existing customer base," he says. Factoring in advertising and promotional materials, Horowitz says it might cost a retailer \$150 to bring a new customer through the door compared to, say, \$30 each for a wine and cheese reception aimed at retaining current customers. "It often costs five to seven times as much to bring in a new customer than it costs to keep loyal customers," he says. [For more tips from Horowitz, see page 81.]

Designers Studio owner Jill Marvin knows the value of rewarding customer loyalty. At her gallery in Saratoga Springs, N.Y., she provides anything from personal shopping assistance to cash discounts. In return, she has developed a regular group of repeat shoppers. "Our frequent buyers program is widely used," she says. "For me, it is an inexpensive way to thank customers for their business while promoting sales. And, folks really appreciate it."

Rather than having her patrons keep a "frequent buyer" member card in their wallets, a practice she frowns upon, the store tallies frequent buyer purchases. For every \$100 a person spends, Designers Studio takes \$5 off the customer's next purchase. "Our customers like the program, and I like it because it's straightforward," she says. "We record a running total so it can take a week, a month, a year or even two years before someone reaches the \$100 amount."

The store's personal shopping service developed out of a casual relationship with customers, and Marvin finds she and her staff have become an increasingly reliable resource for selecting a suitable purchase. "Often our regular clients are just very busy people," she says. "When customers leave here, they know the gift or personal items they've bought will be loved."

The complete article "Material Advantage" can be found in the Spring 2003 issue of *NICHE* magazine.