

Rebates are keeping dollars in town

By JOY POWELL, Star Tribune
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Deb Anderson goes to Joe's Mobil on Main Street in Red Wing because he belongs to a new coalition of stores that gives her cash back on a free card she can use at any participating businesses -- and donate to the nonprofit of her choice.

It's a simple concept that's bringing customers back more often to spend more at the coalition businesses.

But beneath the surface of this rebate card that gets swiped after purchases is a powerful new loyalty retailing program aimed at stopping shoppers from bolting to bigger cities.

For 11 years, Burnsville entrepreneur Michael Bouchey, CEO of Alliance Card Inc., has been developing this rebate card, SmartTown Alliance. Dubbed by some as the "Wal-Mart defense," it's a unique business model that's begun to quietly revitalize the small Minnesota cities of New Ulm, Winona and Red Wing by keeping dollars close to home.

Now, Bouchey and other investors have started a rebate card called Cash Value, geared toward larger communities.

Beginning this summer, they'll distribute it to millions of U.S. households through a major new initiative that will be linked to a website owned by Timberwolves owner Glen Taylor. Called the Gold Star Registry, the site will enable teachers to post wish lists, and families to buy those items for the teachers while their earning their own rebate dollars.

Bouchey, an inventor of the prepaid phone card in the 1990s, is the architect of the rebate-card technology, which enables stores to see cardholders' spending habits, and to easily change rebate amounts to perk up business during slow times. Consumers go to a database to pick the nonprofit they want to support.

"Unlike traditional retail loyalty programs where they're trying to draw your loyalty, we are simply transferring your already-established loyalties over to the businesses that support what you believe in," Bouchey said.

Anderson, 58, works at Hallstrom's Florist, a Red Wing business where customers use the card to buy flowers, while also building up cash to buy anything from a dinner to a massage at participating businesses. Anderson, a cancer survivor from Maiden Rock, Wis., supports breast-cancer research while she does her ordinary spending. She uses cash, check or her credit card to buy, and then swipes her SmartTown Alliance card.

"I feel very good about it," she said. "With the price of everything these days, it's hard to find extra funds to do stuff like that. So it's nice I can do it that way."

The SmartTown card debuted with a pilot test in December 2005 in New Ulm, where shoppers were heading to bigger Mankato and the Mall of America. By May 2006, ACI had begun SmartTown Alliance in Winona, where there was sales leakage to Rochester and LaCrosse, Wis.

Rebates paid by the stores average 10 percent but can go as high as 40 percent. Of that, 35 percent goes back to the consumer as stored value on the card for use at hundreds of businesses in the coalition. Another 35 percent goes to the nonprofit and 30 percent to ACI, which manages the program.

Avinash Malshe, an assistant marketing professor at the University of St. Thomas Opus College of Business, said the concept is "well-suited for retailers in small towns that may be looking for ways to fight against the big retail chains like Wal-Mart and retain business within the local communities."

The SmartTown program is for hub communities of 15,000 to 25,000.

Since the card started in Red Wing, population 16,000, in late October, sales recorded through the cards have totaled about \$900,000, said John Scott of ACI, who educates merchants on the program.

During a three-week promotion in March, sales activity in the participating Red Wing retailers jumped by about \$30,000, said Cindy Taube of Integreat Business Council of Red Wing, local manager for SmartTown Alliance.

Merchant reserves judgment

Kevin Florine, owner of Buchanan grocery on Main Street, is among those who are reserving judgment. He said retailers are shouldering much of the expense now. But Florine said he hopes the program will catch on and sales will increase enough to offset the rebate he gives -- \$1 for every \$30 spent.

"I totally agree with the concept of this, it's just that we're still waiting to reap the rewards," he said. "Right now, it's an added expense that we didn't have, but we're hoping that it will turn around and not be."

The rebate card might not be right for every business, say ACI officials, but for many, it can be a fascinating tool to track shoppers' habits. The data can show, for example, how many times cardholders swipe their card in a month and how much they spend, which can be up to 40 percent more than non-cardholders spend, said Michael Wheelock, ACI executive vice president.



Kyndell Harkness, Star Tribune
Holding the cards they created, Michael Bouchey, CEO of Alliance Card Inc., left, and Michael Wheelock, vice president, are negotiating with some of the biggest retail chains and also Minnesota communities interested in their new rebate-card program, described by some as the "Target Red Card on steroids."

Jimmy John's Sandwiches of Red Wing is touting the program to boost sales. Take the Sunday afternoon when customers lined up out the door for a fundraiser for Hope Lutheran High School. Their pastor had told the congregation that Jimmy John's would give "a double reward day" if they went after church. Dori Mann, manager of Red Wing Shoes, said she's trained her 10 employees to talk about the card to shoppers, most of whom are "gung-ho." She said her 5 percent rebate is bringing more customers and sales.

"Some of them have their card out even before we ask them," she said. "They're excited when they come into the store and see the sign saying that we're participating in the SmartTown Alliance."

In Winona, a Mississippi River town of 26,000, the merchants' challenge is to keep shoppers from dashing to malls in Rochester or La Crosse, said Della Schmidt, president of the local Chamber of Commerce.

"This is about building customer loyalty, repeat business and keeping the Winona dollars in Winona," Schmidt said.

Last year, 45 Winona stores gave more than \$16,000 to nonprofits. That amount also went onto consumers' cards to be spent in the three SmartTown cities. Traditionally, many nonprofits get donations that are restricted for certain uses. But with these rebates, they can use the money for their greatest need.

"I'm convinced that this is an awesome tool for nonprofits," said Pam Simon, manager of Winona's SmartTown Alliance program. "Sure beats the fish fry, or the car wash. And more importantly, it is a tremendous tool for businesses to build customer loyalty."