

Case Study: Sunglass Hut Gift Card Exchange Program

OVERVIEW

Sunglass Hut International is a recognized leader in specialty niche retailing with 1,600 Sunglass Hut locations and over 300 Watch Station and Watch World stores around the world. Located in a wide variety of high traffic shopping and tourist destinations, Sunglass Hut offer consumers the latest brand name products at competitive prices.

There are many competing sales channels for sunglasses, including department stores, online retailers, and a growing number of manufacturers' branded boutiques such as Oakley and Safilo. Competition is increasing while consumer sales, across all markets, are slipping. Additionally, typical consumers only purchase one pair of sunglasses per year. Their purchases tend to be impulse-driven, and there is little retailer loyalty in the purchasing decision.

OBJECTIVES

Sunglass Hut wanted to identify new, no-cost/low-cost marketing channels with the primary goal of driving large numbers of qualified and targeted customers through their doors. Additional parameters included:

- Build customer goodwill and loyalty
- Encourage repeat purchases
- Promotion could not be perceived as a discount
- Gross margin must be protected
- Adhere to strict and proprietary ROI calculations

STRATEGY AND TACTICS

The Gift Card Exchange Program both leveraged and raised the profile of Sunglass Hut's new gift card system. The gift card itself provided Winzo Group a veritable "currency" with which we could barter marketing opportunities with potential Sunglass Hut partners, achieving the no-cost/low-cost objective.

The ideal exchange partner was identified to be a business with similar customer demographics, that was flexible and entrepreneurial, open to bartering and also looking for creative and new marketing opportunities. From a logistics perspective, the ideal partner had to have locations near Sunglass Hut locations and provide an easy way to distribute their card, either at point of sale or as an insert in a mailer or shipment.

A new concept to many, the Exchange Program had to be tested and proven in order to gain wider acceptance. Winzo Group approached 24 Hour Fitness, an international chain of health clubs with 300 locations and 2.7 million members. With similar customer demographics, locations in many of the same cities in the western United States, and an open attitude towards innovative ways to entice new membership sales, 24 Hour Fitness proved to be the perfect partner for Sunglass Hut. The pilot program launched in December of 2002 and ran for six weeks, capitalizing on the most significant traffic driver for fitness club membership – New Year's resolutions. Every new member to 24 Hour Fitness received a \$20 Sunglass Hut gift card, mailed to them in their new member packet, as a "thank you" for joining. In exchange for this distribution, Sunglass Hut customers received a free 24-day membership to 24 Hour Fitness as a "thank you" for their purchase. 24 Hour Fitness chose to have their cards distributed during spring, when membership sales are traditionally slower.

The Exchange was promoted online and in-store at point of sale for both parties. Partner relations were closely managed, in part to ensure timely and thorough data sharing and to encourage partners to participate in remarketing efforts. Winzo Group and Sunglass Hut continue to build more robust partnership integration tools to track and reward "crossover" customers who purchase at both companies.

RESULTS

- 140,000 \$20 Sunglass Hut gift cards distributed
- 4.22% conversion rate in the three month lifespan of the card
- 6,000 transactions from new Sunglass Hut customers

FUTURE

The program has been extended indefinitely. Additionally, Sunglass Hut now remarkets to 24 Hour Fitness' membership base as a way to encourage repeat purchases. Other 24 Hour Fitness business partners are eager to work with Sunglass Hut on similar programs. These relationships are currently in development.