

How a Major Retailer is Boosting its Bonus Schemes with

Intelligent Incentives

By Anne Warner

Karstadt is one of the premier department store chains in the German retail industry, running a number of large general and sports stores in German inner city locations. Karstadt's primary market success stems from providing a eclectic selection of wares tailored to changing consumer trends, themes and markets. The business has around 40 000 employees on the payroll and attains a yearly turnover of close to five billion euros.

A good customer relationship is always the key to success, and in the marketplace of the future customer service will stand side by side with quality and price as a major factor in retail success or failure. In such competitive times it will prove ever harder to retain old customers, let alone win new ones, and maintain that all important customer loyalty. Karstadt's goal was to create a new milestone in customer service management, and, from the end of

2005, they sought to achieve this by installing terminals in their stores offering 'HappyDigits.'

"Are you Saving Points?"

At the Karstadt counters this question has become standard practice for sales assistants to ask of their customers. But, of course, anyone who saves up their points will want to convert and spend them at some point. In order for this conversion procedure to be as

simple as possible, Karstadt has installed 180 self-service terminals in all its stores. At these terminals, customers can convert their points into vouchers which they can then print for themselves, and subsequently use them to pay at the counter. It is also possible to pay a part of the total sum. "It's not at all complicated," explains Dimitri V. Maracas, Head of Customer Relations and Services at Karstadt. "The desired voucher value and a PIN must simply be entered.



The kiosk is the one on the right.

It's very customer-friendly. Earlier, in order to gain credit on their card, it was necessary to go to the higher floor and find a counter. Now customers can do it themselves on the ground floor. On top of that, using the terminals is actually fun!"


The success of the kiosk systems has surpassed all expectations - the level of customer acceptance is amazingly high and the initial investment has paid for itself in an extremely short time. Around 90% of cardholders use the new system already. Only a small number spend their points on the Internet or, as they are used to, at the counter - most instinctively head for the terminals. The number of cards and the frequency with which they are used increases constantly and far more vouchers are in use than was expected. Around six million Karstadt-distributed customer cards are currently in

circulation, and HappyDigits cards in Germany now number 25 million. The HappyDigit system was instigated by a joint venture between Karstadt and Deutsche Telekom, with whom around 50% of the system is shared. Other HappyDigits partners are also installing terminals, whose loyalty points can also be converted at the Karstadt terminals. Around 10% of HappyDigit's turnover comes from these other cards.

A Happy Marriage

The selection process for an appropriate hardware supplier was unusual. Initially there were 40 contractors, of whom just two remained at the end: IBM and Polygon. Both companies are well-known and established kiosk manufacturers, and had the ability to convince Karstadt of their varied

strengths. IBM scored well with their IBM Anyplace computational technology, and their compatibility with the system platforms already in place - Ires and Tivoli. Polygon impressed with their extremely flexible and innovative terminal enclosure. While being very small in size, it was still possible to integrate into the terminal an advertising rack, a letterbox and a tray. The end result was that the Karstadt contract was run as a project-specific joint venture between IBM and Polygon.

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