



CASE STUDY

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Creating Buyer Loyalty Among Price Shoppers

THE PROBLEM: Trying to build customer loyalty among price-conscious Internet shoppers.

A decade ago when Tom Livia and his partners started PC Universe Inc., a Boca Raton, Fla., computer reseller, personal computers were still relatively new. Young and aggressive, they used industry contacts to become authorized dealers of IBM, H-P and other products, and sold them by mail order and through ads in magazines such as Computer Shop and PC Magazine.

"People would call every dealer and try to get the best price," recalls Mr. Livia. "Sometimes they'd call us at 8 a.m., keep shopping, and then call back to place an order at 8 p.m." Their first year of business they rang up \$8 million in revenue.

In 1998, they built a Web site for online sales, but the concept was too new. "People then weren't spending \$3,000 on the Internet to buy computers," says Mr. Livia. It didn't take long, however, for customers to get comfy with a new sales channel.

But just as online sales took off, so did new Web sites that allowed shoppers to compare products and prices with the click of a mouse. It was never

easier for customers to get the best deal—and never harder for resellers to eke out a margin and grow.

THE SOLUTION: First, PC Universe broadened its target customers to include businesses, local governments and school districts—buyers who cared more about installation and service than bottom-line price. Online, PC Universe also tried pay-per-click ads on search-engine sites. With such ads, a firm pays a fee each time a shopper clicks on one of its ads and follows the link to the company's site. But PC Universe found that it racked up high click fees as customers comparison-shopped without becoming loyal buyers.

Finally, about a year ago, Mr. Livia was on his own home PC in the middle of the night, checking on his credit-card reward miles. It hit him. "I said, 'we need something like this,'" he recalls.

So PC Universe found a way to buy a little customer loyalty. It created TechDollars—credits buyers receive that they can use toward future purchases. It translates into about a 1% rebate. "It gets people to come back and at least look," says Mr. Livia.

The program is still new. The roughly \$500,000 in purchases with TechDollars so far is a drop in the bucket of the company's \$30 million in annual sales. But another \$5 million sits in customer TechDollar accounts. "We know those are customers who will come back to us," he says.

THE LESSON: Even in price-critical commodity businesses, there are ways to instill customer loyalty.



Journal Link: Paulette Thomas answers small-business questions at StartupJournal.com